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B.Duck Semk Holdings International Limited

小黃鴨德盈控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2250)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	57,093	91,737
Loss for the period	(15,834)	(18,523)
Net profit margin (%) ⁽¹⁾	(27.7)	(20.2)

Note:

- (1) Net profit margin for each of the periods is calculated based on net loss/profit divided by revenue for the respective period.

	As at 30 June 2023 (unaudited)	As at 30 June 2022 (unaudited)
Segment gross profit margin (%) ⁽¹⁾	45.6	48.0
Return on equity (%) ⁽²⁾	(5.8)	(6.1)
Return on total assets (%) ⁽³⁾	(4.2)	(5.2)
Current ratio (times) ⁽⁴⁾	3.0	7.6
Quick ratio (times) ⁽⁵⁾	2.6	6.7
Gearing ratio (%) ⁽⁶⁾	16.5	N/A ⁽⁷⁾
Net debt to equity ratio (%) ⁽⁸⁾	N/A⁽⁹⁾	N/A ⁽⁹⁾

Notes:

- (1) No gross profit margin can be determined for character licensing business segment. Segment gross profit margin for each of the periods 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 as at 30 June 2022, 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.

INTERIM RESULTS

The board (“**Board**”) of directors (“**Directors**”) of B.Duck Semk Holdings International Limited (“**Company**” or “**B.Duck Semk**”, together with its subsidiaries, the “**Group**”) announces the unaudited interim condensed consolidated results of the Group for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Note</i>	Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Revenue	6	57,093	91,737
Other income	7	7,090	5,307
Net fair value changes of financial asset	16	928	–
Other losses, net	7	(189)	(3,136)
Cost of inventories sold		(15,062)	(22,366)
Employee benefit expenses		(27,780)	(35,606)
Promotion costs		(6,905)	(8,092)
Listing expenses		–	(11,814)
Online platform usage fee		(2,565)	(6,045)
Depreciation and amortisation		(6,342)	(6,146)
Net impairment losses on contract assets and financial assets at amortised cost	6, 14, 15	(2,937)	(2,815)
Other expenses	8	(20,056)	(17,476)
Operating loss		(16,725)	(16,452)
Finance income	9	1,021	269
Finance costs	9	(897)	(770)
Finance income/(costs), net	9	124	(501)
Loss before income tax		(16,601)	(16,953)
Income tax credit/(expense)	10	767	(1,570)
Loss for the period		(15,834)	(18,523)

		Six months ended 30 June	
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Note</i>		(unaudited)	(unaudited)
Loss attributable to:			
	– Equity holders of the Company	(15,782)	(18,523)
	– Non-controlling interests	(52)	–
		<u>(15,834)</u>	<u>(18,523)</u>
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss:</i>			
	– Currency translation differences	(7,076)	(4,892)
		<u>(7,076)</u>	<u>(4,892)</u>
Total comprehensive loss for the period attributable to the owners of the Company		<u>(22,910)</u>	<u>(23,415)</u>
Total comprehensive loss attributable to:			
	– Equity holders of the Company	(22,858)	(23,415)
	– Non-controlling interests	(52)	–
		<u>(22,910)</u>	<u>(23,415)</u>
Losses per share			
	– Basic		
	(expressed in HK cents per share)	<u>(1.64)</u>	<u>(1.87)</u>
	– Diluted		
	(expressed in HK cents per share)	<u>(1.64)</u>	<u>(1.87)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June 2023 <i>HK\$'000</i> (unaudited)	31 December 2022 <i>HK\$'000</i> (audited)
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		6,992	6,238
Intangible assets		2,186	2,505
Right-of-use assets		11,175	15,210
Deferred income tax assets		8,396	6,482
Prepayments and other receivables	15	50,519	64,599
Financial asset at fair value through profit or loss	16	8,484	–
		87,752	95,034
		87,752	95,034
Current assets			
Inventories	13	30,823	35,133
Trade receivables	14	59,239	53,162
Contract assets		12,240	34,615
Deposits, prepayments and other receivables	15	62,593	50,803
Tax recoverable		3,668	–
Time deposits with original maturity over three months		2,440	2,524
Cash and cash equivalents		116,129	141,677
		287,132	317,914
		287,132	317,914
Total assets		374,884	412,948

		30 June	31 December
		2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
EQUITY			
Share capital	20	191	195
Share premium		245,253	294,437
Capital reserve		(34,386)	(34,386)
Retained earnings		116,636	132,418
Other reserves		(55,420)	(41,357)
		<hr/>	<hr/>
Equity attributable to owners of the Company		272,274	351,307
Non-controlling interest		7	–
		<hr/>	<hr/>
Total equity		272,281	351,307
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,442	9,117
Deferred income tax liabilities		361	251
		<hr/>	<hr/>
		5,803	9,368
		<hr/>	<hr/>
Current liabilities			
Trade payables	17	5,276	6,474
Accruals and other payables	18	23,554	18,812
Contract liabilities		14,247	13,322
Current income tax liabilities		1,726	6,392
Borrowings	19	45,039	–
Lease liabilities		6,958	7,273
		<hr/>	<hr/>
		96,800	52,273
		<hr/>	<hr/>
Total liabilities		102,603	61,641
		<hr/>	<hr/>
Total equity and liabilities		374,884	412,948
		<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

B.Duck 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, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

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

The 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.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022 and any public announcements made by the Company during the interim reporting period.

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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules	1 January 2023
HKFRS 17 and Amendments	Insurance Contracts and the Related Amendments	1 January 2023

(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
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
HK Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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 2022.

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.

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 2022.

There have been no changes in the risk management policies since 31 December 2022.

5.1.1 Credit risk

The Group is exposed to credit risk in relation to its trade receivables, contract assets, deposits and other receivables, amounts due from related companies and cash and cash equivalents. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

The credit risk on cash and cash equivalents are limited because cash are placed in banks with sound credit ratings.

The Group is exposed to concentration of credit risk as at 30 June 2023 and 31 December 2022 on trade receivables which amounted to approximately HK\$46,914,000 and HK\$46,000,000 respectively and accounted for 58% and 64% respectively of the total trade receivables balances. The major trade receivables counterparties of the Group are reputable organisations. Management considers that the credit risk is limited in this regard.

It is the Group's policy that all customers who wish to have credit terms are subject to credit verification procedures. The management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of the customers' profiles and subsequent settlement to ensure that adequate impairment is made for the irrecoverable amount.

Loss allowance for trade receivables and contract assets

The Group applied the simplified approach in HKFRS 9 to measuring expected credit loss which uses a lifetime expected credit loss for trade receivables and contract assets. Except for trade receivables and contract assets with known insolvencies or significant outstanding balances which are assessed individually, the Group determines the expected credit loss on the remaining balances by using a provision matrix grouped by common risk characteristic.

Measurement of expected credit loss

The expected loss rates are based on the payment profiles of sales over a period of 36 months and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

	Gross carrying amount of trade receivables and contract assets (HK\$'000)	Credit loss allowance (HK\$'000) (Note 6(c) and 14)	Expected loss rate
As at 30 June 2023			
Character licensing			
Individual assessment	64,120	(16,355)	25.51%
Collective assessment			
Not yet past due and past due up			
to 30 days	16,261	(336)	2.1%
Past due 31-60 days	447	(59)	13.2%
Past due 61-90 days	1,438	(252)	17.5%
Past due 91-120 days	1,816	(557)	30.7%
Past due 121-180 days	3,981	(1,683)	42.3%
Past due over 180 days	3,608	(2,438)	67.6%
Total	27,551	(5,325)	
E-commerce and other			
Not yet past due and past due up			
to 30 days	1,096	(29)	2.6%
Past due 31-60 days	229	(18)	7.9%
Past due 61-90 days	67	(8)	11.9%
Past due 91-120 days	52	(11)	21.2%
Past due 121-180 days	92	(27)	29.3%
Past due over 180 days	625	(580)	92.8%
Total	2,161	(673)	

	Gross carrying amount of trade receivables and contract assets (HK\$'000)	Credit loss allowance (HK\$'000) (Note 6(c) and 14)	Expected loss rate
As at 31 December 2022			
Character licensing			
Individual assessment	<u>73,548</u>	<u>(15,523)</u>	<u>21.11%</u>
Collective assessment			
Not yet past due and past due up to 30 days	25,842	(832)	3.2%
Past due 31-60 days	1,598	(267)	16.7%
Past due 61-90 days	238	(62)	26.1%
Past due 91-120 days	2,265	(948)	41.9%
Past due 121-180 days	911	(441)	48.4%
Past due over 180 days	1,963	(1,174)	59.8%
Total	<u>32,817</u>	<u>(3,724)</u>	
E-commerce and other			
Not yet past due and past due up to 30 days	206	(6)	2.9%
Past due 31-60 days	140	(11)	7.9%
Past due 61-90 days	240	(38)	15.8%
Past due 91-120 days	92	(20)	21.7%
Past due 121-180 days	73	(21)	28.8%
Past due over 180 days	1,217	(1,213)	99.7%
Total	<u>1,968</u>	<u>(1,309)</u>	
Other financial assets at amortised cost			

The Group adopts general approach for expected credit losses of deposits and other receivables and amounts due from related parties. The Group considers that these financial assets have not significantly increased in credit risk from initial recognition. Thus, these financial assets are classified in stage one and only consider 12-month expected credit losses. Considering the history of default, financial position of these debtors and forward looking factor, the expected credit loss is immaterial.

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. Note 15 details the reconciliation on loss allowance of deposits and other receivable under general approach.

5.1.2 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.

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 2023 (Unaudited)				
Trade payables	5,276	–	–	5,276
Other payables	13,286	–	–	13,286
Lease liabilities	7,304	3,714	2,075	13,093
Borrowings	45,039	–	–	45,039
	70,905	3,714	2,075	76,694
As at 31 December 2022 (Audited)				
Trade payables	6,474	–	–	6,474
Other payables	8,362	–	–	8,362
Lease liabilities	7,642	6,242	3,220	17,104
	22,478	6,242	3,220	31,940

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.

	Within 1 year <i>HK\$'000</i>	Between 1 and 2 years <i>HK\$'000</i>	Between 2 and 5 years <i>HK\$'000</i>	Over 5 years <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2023 (Unaudited)	<u>4,561</u>	<u>3,620</u>	<u>5,028</u>	<u>41,400</u>	<u>54,609</u>
As at 31 December 2022 (Audited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

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 2023 and 31 December 2022, 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, financial assets at fair value through profit or loss 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.

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	22,473	40,052
Provision of design consultation services	6,921	8,638
	<u>29,394</u>	<u>48,690</u>
<u>Recognised at a point in time</u>		
Sales of licensed brand products	27,699	43,047
Total revenue	<u>57,093</u>	<u>91,737</u>

For the six months ended 30 June 2022, there was 1 customer, 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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer A	<u>N/A*</u>	<u>13,158</u>

* The customer did not contribute over 10% of the Group's revenue for the six months ended 30 June 2023.

(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 assess 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.

	Character licensing HK\$'000	E-commerce and other HK\$'000	Total HK\$'000
For the six months ended			
30 June 2023 (Unaudited)			
Gross revenue	30,267	27,699	57,966
Inter-segment revenue	(873)	–	(873)
Revenue from external sales	29,394	27,699	57,093
Segment results	(13,876)	(1,958)	(15,834)
Loss after income tax			(15,834)
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)

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Mainland China	55,559	87,709
Hong Kong	1,157	3,595
Southeast Asia and Taiwan	357	376
Others	20	57
	<u>57,093</u>	<u>91,737</u>

The total amount of non-current assets excluding deferred tax assets located in the Mainland China as at 30 June 2023 and 31 December 2022 are HK\$22,923,000 and HK\$17,959,000, respectively, and the total amount of non-current assets excluding deferred tax assets located in Hong Kong as at 30 June 2023 and 31 December 2022 are HK\$56,433,000 and HK\$70,593,000, respectively.

(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	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Contract assets	12,898	36,046
Less: loss allowance of contract assets	<u>(658)</u>	<u>(1,431)</u>
	<u>12,240</u>	<u>34,615</u>
Contract liabilities	<u>14,247</u>	<u>13,322</u>

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Beginning of the period	(1,431)	(2,236)
Reversal of loss allowance of contract assets	755	717
Currency translation differences	<u>18</u>	<u>73</u>
End of the period	<u>(658)</u>	<u>(1,446)</u>

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 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 year	36,341	37,323
1-2 years	19,670	24,738
2-3 years	11,049	13,433
3-4 years	7,850	7,861
After 4 years	1,524	5,449
	<u>76,434</u>	<u>88,804</u>

7 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (unaudited)	2022 <i>HK\$'000</i> (unaudited)
Other income		
Sample sales	141	1,377
Management fee income (<i>Note 21</i>)	959	1,027
Government subsidies (<i>Note i</i>)	948	1,008
Compensation received (<i>Note ii</i>)	5,042	1,651
Rental concession	–	244
	<u>7,090</u>	<u>5,307</u>
Other losses, net		
Net foreign exchange losses	(202)	(3,136)
Gain on disposal of property, plant and equipment, net	13	–
	<u>(189)</u>	<u>(3,136)</u>

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 amounts represented compensation received from legal action against third parties for infringement of the Group's trademark.

8 OTHER EXPENSES

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Travelling and transportation	3,611	4,451
Office expenses	2,626	2,710
Legal and professional fee	9,220	4,708
Agency fee	346	275
Rental expenses – short term leases	180	601
Repair and maintenance	95	444
Insurance expense	373	456
Building management fee	277	296
Licensing fee	59	334
Office co-sharing expense (Note 21)	15	15
Auditor's remuneration – audit service	1,051	900
Others	2,203	2,286
	20,056	17,476

9 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Finance income		
Interest income from bank deposits	125	269
Other interest income	896	–
	1,021	269
Finance costs		
Finance charges on lease liabilities	(305)	(403)
Bank charges	(41)	(20)
Interest expenses	(551)	(347)
	(897)	(770)
Finance income/(costs), net	124	(501)

10 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax:		
– Hong Kong profits tax	270	–
– Mainland China corporate income tax	43	1,940
– Withholding tax	1,012	1,202
	<u>1,325</u>	<u>3,142</u>
Deferred income tax	<u>(2,092)</u>	<u>(1,572)</u>
	<u>(767)</u>	<u>1,570</u>

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2023 and 2022.

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

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.

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

As at 30 June 2023 and 31 December 2022, there were no deferred income tax provided in relation to the unremitted earnings as the Group's management has approved that the Mainland China subsidiaries have no intention and are not probable to declare dividend in the foreseeable future and the Group is able to control the timing of the reversal of the temporary differences and it is decided that the unremitted earnings will not be remitted in the foreseeable future.

11 DIVIDEND

Pursuant to the resolution passed at the Company's annual general meeting held on 22 May 2023, the Company has declared 2022 final dividend of HK2.01 cents per ordinary share totaling HK\$19,717,959 out of the share premium account. This dividend has been fully settled on 14 June 2023.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2023.

12 LOSS PER SHARE

(a) Basic

Basic losses per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The weighted average number of shares in issue for the six months ended 30 June 2022 for the purpose of losses 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 and share repurchased during the period are accounted at time portion basis.

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited)
Loss attributable to owners of the Company (HK\$'000)	(15,782)	(18,523)
Weighted average number of ordinary shares in issue	962,567,619	989,392,265
Basic losses per share (expressed in HK cents per share)	<u>(1.64)</u>	<u>(1.87)</u>

(b) Diluted

Diluted losses per share during the six months ended 30 June 2023 and 2022 equal to basic losses per share as there was no dilutive potential ordinary share during the periods.

13 INVENTORIES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Finished goods – Gross	48,264	50,434
Less: provision of inventories	<u>(17,441)</u>	<u>(15,301)</u>
Finished goods – Net	<u>30,823</u>	<u>35,133</u>

During the six months ended 30 June 2023, cost of inventories amounted to HK\$15,062,000 was recognised as expense and included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (30 June 2022: HK\$22,366,000).

During the six months ended 30 June 2023, provision for impairment amounted to HK\$2,718,000 was included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (30 June 2022: provision for impairment amounted to HK\$2,219,000).

14 TRADE RECEIVABLES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade receivables	81,274	72,287
Less: loss allowance	<u>(22,035)</u>	<u>(19,125)</u>
	<u>59,239</u>	<u>53,162</u>

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

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Current – 30 days	7,383	14,021
31 – 60 days	731	4,694
61 – 90 days	3,162	2,308
91 – 120 days	4,575	2,469
121 – 180 days	10,659	7,363
Over 180 days	<u>54,764</u>	<u>41,432</u>
	<u>81,274</u>	<u>72,287</u>

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

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Beginning of the period	(19,125)	(10,223)
Written off	–	456
Impairment loss on financial assets	(3,672)	(3,532)
Currency translation differences	<u>762</u>	<u>555</u>
End of the period	<u>(22,035)</u>	<u>(12,744)</u>

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Consideration receivable from transfer of trademark	75,563	83,467
Value added tax recoverable	10,328	6,377
Deposits	4,793	3,808
Other asset - investment in life insurance contract (<i>Note i</i>)	1,283	1,283
Contract costs	318	134
Other receivables	4,876	1,480
Prepayment for inventories	4,399	6,407
Prepayment for trademarks	8,760	8,854
Other prepayments	4,122	4,902
	<u>114,442</u>	<u>116,712</u>
Less: provision for impairment	(1,330)	(1,310)
	<u>113,112</u>	<u>115,402</u>
Less: non-current portion		
Prepayment for trademarks	8,760	8,854
Other asset - investment in life insurance contract (<i>Note i</i>)	1,283	1,283
Consideration receivable from transfer of trademark	41,183	55,331
	<u>51,226</u>	<u>65,468</u>
Less: provision for impairment	(707)	(869)
	<u>50,519</u>	<u>64,599</u>
Current portion	<u>62,593</u>	<u>50,803</u>

Movement on the credit loss allowance of deposit and other receivables is as follows:

	June 2023 HK\$'000	June 2022 HK\$'000
Beginning of the period	(1,310)	–
Impairment loss on financial assets	(20)	–
	<u>(1,330)</u>	<u>–</u>
End of the period	<u>(1,330)</u>	<u>–</u>

Note i:

As at 30 June 2023 and 31 December 2022, 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.

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended 30 June 2023 HK\$'000 (unaudited)
Balance as at 1 January	–
Additions	7,592
Fair value gain	928
Currency translation difference	<u>(36)</u>
Balance as at 30 June	<u>8,484</u>

Financial assets at fair value through profit or loss include the following:

	30 June 2023 HK\$'000 (unaudited)
Unlisted equity investments	<u>8,484</u>

During the six months ended 30 June 2023, the Group has subscribed 20% interest in an unlisted entity incorporated in the PRC at consideration of RMB7,000,000 (appropriately HK\$7,592,000), of which RMB4,000,000 has been settled as at 30 June 2023. Due to the existence of certain preferential right granted by the investee, the investment is classified as financial assets at fair value through profit or loss as at 30 June 2023.

17 TRADE PAYABLES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Trade payables		
– Third parties	4,802	6,474
– Related parties	474	–
	<hr/> 5,276 <hr/>	<hr/> 6,474 <hr/>

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 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Up to 30 days	4,693	5,676
31 to 60 days	306	377
61 to 90 days	16	46
Over 90 days	261	375
	<hr/> 5,276 <hr/>	<hr/> 6,474 <hr/>

18 ACCRUALS AND OTHER PAYABLES

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Accrued expenses	4,068	3,584
Accrued salary and other benefits	3,896	4,338
Other payables	9,218	4,778
Value added tax and other tax payable	6,298	5,536
Provision of sales return	74	576
	<hr/> 23,554 <hr/>	<hr/> 18,812 <hr/>

19 BORROWINGS

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Current		
Bank borrowings – secured	<u>45,039</u>	<u>–</u>

As at 30 June 2023, the carrying amounts of the borrowings approximate their fair values and are denominated in the HK\$.

The amounts repayable based on the scheduled repayment date set out in the loan agreements ignoring the effect of any repayment on demand clause are as follows:

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Within 1 year	2,973	–
Between 1 to 2 years	2,066	–
Between 2 to 5 years	–	–
Over 5 years	<u>40,000</u>	<u>–</u>
	<u>45,039</u>	<u>–</u>

As at 30 June 2023, the weighted average effective interest rate of bank borrowing was 3.8% per annum.

As at 30 June 2023, banking facilities of HK\$46,000,000 were granted by banks to subsidiaries of the Group (31 December 2022: Nil), which were fully utilised by the subsidiaries of the Group. The facilities are secured by corporate guarantee provided by the Company.

20 SHARE CAPITAL

	Number of ordinary shares	Share capital nominal value <i>HK\$'000</i>
Authorised:		
At 1 January 2023 (audited)	5,000,000	388
Subdivision of authorised capital (<i>Note i</i>)	<u>1,995,000,000</u>	<u>–</u>
At 31 December 2022, 1 January 2023 (audited) and 30 June 2023 (unaudited)	<u>2,000,000,000</u>	<u>388</u>
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>)	<u>120,000,000</u>	<u>23</u>
At 31 December 2022 and 1 January 2023 (audited)	1,000,000,000	195
Repurchase and cancellation of shares (<i>Note iv</i>)	<u>(19,007,000)</u>	<u>(4)</u>
At 30 June 2023 (unaudited)	<u>980,993,000</u>	<u>191</u>

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 of US\$50,000 is 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 to 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 accounted for as a deduction from share premium.

Note iv: During the six months ended 30 June 2023, the Company acquired a total of 19,007,000 of its own ordinary shares through purchases on the Stock Exchange. The purchased shares were cancelled before the reporting date of 30 June 2023. The total amount paid to acquire these shares was approximately HK\$30,047,000, of which approximately HK\$4,000 and HK\$30,043,000 have been deducted from share capital and share premium respectively.

As at 30 June 2023, 29,500,000 shares were held under the Share Award Scheme (31 December 2022: 25,000,000 shares).

21 RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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 six months ended 30 June 2023 and 2022:

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
Shenzhen Dream Studio Technology Co Limited ("Dream Studio")	Non-controlling shareholder of a subsidiary

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Purchase of goods:		
– ENS Toys	<u>(9,532)</u>	<u>(10,207)</u>
Management fee income (<i>Note 7</i>):		
– ENS Toys	<u>959</u>	<u>1,027</u>
Office co-sharing expense (<i>Note 8</i>):		
– ENS Toys	<u>(15)</u>	<u>(15)</u>

	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Rental expense - short term:		
– Kafutoy Industrial Co Limited	(160)	(240)
– ISA Global Licensing Limited	(108)	(108)
	<u>(268)</u>	<u>(348)</u>
Revenue:		
– Dream Studio	<u>305</u>	<u>–</u>
(b) Balances with related parties		
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Prepayment for inventories		
– ENS Toys	<u>4,770</u>	<u>9,092</u>
Trade receivables		
– Dream Studio	<u>311</u>	<u>–</u>
(c) Key management compensation		
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Salaries and allowances	4,382	3,393
Bonus	–	1,115
Pension costs		
– defined contribution plan	<u>157</u>	<u>85</u>
	<u>4,539</u>	<u>4,593</u>

22 CONTINGENT LIABILITIES

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

Judgement of the first hearing from the Jiangsu Suzhou Intermediate People’s Court (the “**Judgement**”) on 30 December 2022 held that the Group and the Licensee were liable to pay sums of RMB6,000,000 and RMB1,000,000 respectively (equivalent to approximately HK\$6,507,733 and HK\$1,084,622 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal (the “**Appeal**”) against the Judgement. Based on the opinion from the legal advisors of the Group, there is a high probability that the Judgement can be overturned. Furthermore, should the Group fail to overturn the Judgement in the Appeal, potential exposure shall be limited to the gains of the Group resulted from the sales of goods of certain class bearing the Alleged Trademarks. Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the appeal and the status of other legal actions taken by the Group in relation to this case, the directors had made a provision of RMB1,000,000 (equivalent to HK\$1,084,622) in respect of the damages and costs for this case as at 31 December 2022.

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

23 EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2023.

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 Douyin, to offer its products and allow customers to pay online with products directly shipped to the customers.

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

	For the six months ended	
	30 June	30 June
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Character licensing business	29,394	48,690
E-commerce and other business	27,699	43,047
Total	57,093	91,737

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business decreased by approximately HK\$19.3 million or approximately 39.6% from approximately HK\$48.7 million for the six months ended 30 June 2022 ("6M2022") to approximately HK\$29.4 million for the six months ended 30 June 2023 ("6M2023"). Such decrease was mainly attributable to temporarily decreased in additional royalty charged to licensees. We charged royalty primarily based on production quantity produced by our licensees. During 6M2023, our licensees utilized their accumulated inventories from last year which were suffered from weakened consumer sentiment due to the pandemic in last year.

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) the Group had established business relationship with as of 31 December 2022 and 30 June 2023:

As at the end of 30 June 2023	As at the end of 31 December 2022
430	406

The Group's revenue from e-commerce and other business decreased by approximately HK\$15.3 million or approximately 35.6% from approximately HK\$43.0 million for 6M2022 to approximately HK\$27.7 million for 6M2023. Such decrease was primarily attributable to the decrease in sales through e-commerce platforms, partly as a result of utilization of accumulated inventory balance from last year, and led to the drop in mark-up rate from cost of inventory. In addition, it is our focus this year to develop e-commerce sales platform overseas, including Thailand, Indonesia, Vietnam, Philippines, Malaysia and Singapore, etc. The e-commerce business overseas is still in growth stage and yet to reach maturity.

Revenue by IPs

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

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

	For the six months ended			
	30 June 2023		30 June 2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The Group's self-created				
IP characters				
B.Duck	23,453	79.8	37,546	77.1
Buffy	2,620	8.9	3,038	6.2
B.Duck Baby	2,842	9.7	7,480	15.4
Bath'N Duck	–	–	391	0.8
Dong Duck	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Licensed Characters	479	1.6	235	0.5
	<hr/>	<hr/>	<hr/>	<hr/>
Total	29,394	100	48,690	100.0
	<hr/>	<hr/>	<hr/>	<hr/>

B.Duck products are the Group's major product type. Revenue from B.Duck products, which contributed 79.8% of its licensing revenue in 6M2023, decreased by approximately 37.3% from approximately HK\$37.5 million for 6M2022 to approximately HK\$23.5 million for 6M2023.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical locations for 6M2022 and 6M2023:

	For the six months ended			
	30 June 2023		30 June 2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Mainland China (the "PRC")	55,559	97.3	87,709	95.6
Hong Kong	1,157	2.0	3,595	3.9
Southeast Asia and Taiwan	357	0.6	376	0.4
Others ^(Note)	20	0.1	57	0.1
Total	57,093	100	91,737	100.0

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

Revenue generated from Character Licensing Business

The following table sets forth a breakdown of the Group's revenue by service type under its character licensing business for 6M2022 and 6M2023:

	For the six months ended			
	30 June 2023		30 June 2022	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Merchandise licensing				
Minimum guarantee	18,596	63.3	23,569	48.4
Excess royalties	2,066	7.0	11,617	23.9
Total royalty income	20,662	70.3	35,186	72.3
LBE licensing				
Minimum guarantee	573	1.9	1,574	3.2
Excess royalties	625	2.1	477	1.0
Total royalty income	1,198	4.0	2,051	4.2
Content and media licensing				
Minimum guarantee	360	1.2	1,106	2.3
Excess royalties	49	0.2	607	1.2
Total royalty income	409	1.4	1,713	3.5
Promotion licensing				
Minimum guarantee	905	3.1	1,102	2.3
Excess royalties	–	–	–	–
Total royalty income	905	3.1	1,102	2.3
Design consultation service fees	6,220	21.2	8,638	17.7
Total	29,394	100.0	48,690	100.0

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

	For the six months ended 30 June 2023 HK\$'000	For the year ended 31 December 2022 HK\$'000
Outstanding aggregate contract sum at the beginning of the period/year		
Merchandise licensing	80,349	62,946
LBE licensing	5,554	11,060
Content and media licensing	167	1,869
Promotion licensing	2,299	1,193
Design consultation	435	1,084
Add: Net contract sum of contracts awarded/terminated during the period/year		
Merchandise licensing	7,621	72,174
LBE licensing	2,415	3,035
Content and media licensing	854	606
Promotion licensing	511	3,760
Design consultation	5,800	35,975
Less: Revenue recognised during the period/year		
Merchandise licensing	(18,596)	(49,728)
LBE licensing	(573)	(5,315)
Content and media licensing	(360)	(2,310)
Promotion licensing	(905)	(2,675)
Design consultation	(6,220)	(36,579)
Foreign currency translation differences ^(Note)	(2,917)	(8,291)
Outstanding aggregate contract sum at the end of the period/year		
Merchandise licensing	68,056	80,349
LBE licensing	5,836	5,554
Content and media licensing	658	167
Promotion licensing	1,884	2,299
Design consultation	–	435
Total	76,434	88,804

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

Cost of Inventories Sold and Employee Benefit Expenses

Cost of inventories sold (comprising primarily cost of inventories for the Group's e-commerce and other business) amounted to approximately HK\$15.1 million and HK\$22.4 million for 6M2023 and 6M2022, respectively, which accounted for approximately 19.1% and 23.4% 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.

The employee benefit expenses (primarily comprising salaries and allowances) amounted to approximately HK\$27.8 million and HK\$35.6 million for 6M2023 and 6M2022, respectively, representing approximately 35.3% and 37.2% 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. Compared with 6M2022, the Group has reduced its headcount in 6M2023, the Group downsized its team in particular e-commerce sales team in the PRC, offsetting the impact of our investment in human resources to expand our design capacities in order to develop B.Duck themed mobile games and pop toys with business partners.

Net Impairment Losses on Financial Assets and Contract Assets

The Group's net impairment losses on financial assets and contract assets were approximately HK\$2.8 million for 6M2022 and HK\$2.9 million for 6M2023.

Other Income

Other income increased by approximately 34.0% from approximately HK\$5.3 million for 6M2022 to approximately HK\$7.1 million for 6M2023, 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 on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2022. The listing expenses amounted to approximately HK\$11.8 million for 6M2022. No such expenses were incurred for 6M2023.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For 6M2022 and 6M2023, the Group's promotion costs amounted to approximately HK\$8.1 million and HK\$6.9 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 6M2022 and 6M2023, online platform usage fee amounted to approximately HK\$6.0 million and HK\$2.6 million, respectively.

Operating Loss

As a result of the above, the Group's operating loss increased by approximately 1.2% from operating loss of approximately HK\$16.5 million for 6M2022 to operating loss of approximately HK\$16.7 million for 6M2023.

Other Expenses

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

	For the six months ended			
	30 June 2023		30 June 2022	
	HK\$'000	%	HK\$'000	%
Travelling and transportation	3,611	18.0	4,451	25.5
Office and office co-sharing expenses	2,641	13.2	2,725	15.6
Legal, audit and professional fee	10,271	51.2	5,608	32.1
Agency fee	346	1.7	275	1.6
Building management fee and rental expenses	457	2.3	897	5.1
Licensing fee	59	0.3	334	1.9
Others ^(Note)	2,671	13.3	3,186	18.2
	<u>20,056</u>	<u>100.0</u>	<u>17,476</u>	<u>100.0</u>

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

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

Finance Income/(Costs), Net

Finance costs, net, amounted to approximately HK\$0.5 million for 6M2022. For 6M2023, the Group's finance income, net amounted to approximately HK\$0.1 million primarily due to interest income derived from discounting impact related to disposal of series of trademark last year.

Income Tax Credit/(Expense)

Income tax expense amounted to approximately HK\$1.6 million for 6M2022. The Group recognised income tax credit of approximately HK\$0.8 million for 6M2023 primarily due to recognition of deferred tax assets in light of temporary loss before tax position.

Loss for the Period

As a result of the above, the Group recorded a loss attributable to the owners of the Company of approximately HK\$15.8 million for 6M2023, as compared to a loss attributable to the owners of the Company of approximately HK\$18.5 million for 6M2022.

CAPITAL STRUCTURE

The shares of the Company (the “**Shares**”) were successfully listed on the Main Board of the Stock Exchange on 17 January 2022. Since then and up to 30 June 2023, the Company’s capital structure has not changed. The Company’s equity only consists of ordinary Shares.

As at 30 June 2023, the issued share capital of the Company amounted to US\$24,467.05 divided into 980,993,000 Shares of US\$0.000025 each.

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

Assets, Financial Resources and Capital Expenditures

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

– Current assets and current liabilities

The Group’s net current assets decreased from approximately HK\$265.6 million as of 31 December 2022 to approximately HK\$190.3 million as of 30 June 2023. The decrease was primarily due to (1) the decrease in cash and cash equivalents of approximately HK\$25.5 million, mainly due to operating and investing cash outflows during 6M2023; and (2) the Group’s payment of dividend and repurchase of shares.

– Trade receivables and contract assets

As at 30 June 2023, the Group had gross trade receivables and contract assets amounting to approximately HK\$81.3 million (31 December 2022: HK\$72.3 million) and approximately HK\$12.9 million (31 December 2022: HK\$36.0 million) respectively, and loss allowance amounting to approximately HK\$22.7 million (31 December 2022: HK\$20.6 million). The total amount of net trade receivables and contract assets represented approximately 19.0% (31 December 2022: 21.2%) of the total assets.

As at 30 June 2023, trade receivables and contract assets decreased to approximately HK\$71.5 million, primarily attributable to (i) the settlement of royalties payment; and (ii) decrease in the proportion of the Group's revenue attributable to character licensing business.

Provision for expected credit loss is made when the Group is not expected to collect all amounts due. The provision is determined by grouping together debtors with similar risk characteristics and collectively, or individually assessing them for likelihood of recovery. The provision matrix is determined based on the Group's historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. In making the judgement, the Group's management considers available reasonable and supportive forwarding-looking information such as actual or expected significant changes in the operating results of customers, and actual or expected significant adverse changes in business and customers' financial position. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed by the Group's management.

– Inventories

The Group's inventories comprise finished goods. The Group's inventories decreased from approximately HK\$35.1 million as of 31 December 2022 to approximately HK\$30.8 million as of 30 June 2023, primarily due to (i) continuous utilization of inventory balance; and (ii) conservative procurement policy in response to volatile consumer goods market.

– Cash and cash equivalents

The Group's cash and cash equivalents primarily comprise cash at bank and were denominated in HK\$ and RMB. Cash and cash equivalents decreased from approximately HK\$141.7 million as of 31 December 2022 to approximately HK\$116.1 million as of 30 June 2023, primarily due to operating and investing cash outflows during 6M2023 and the Group's payment of dividends and repurchase of shares.

– Right-of-use assets

The Group's right-of-use assets comprise the initial measurement of the corresponding lease liability in relation to its office, lease payments made at or before the commencement date and any initial direct costs. The Group's right-of-use assets are depreciated starting at the commencement date over the shorter period of useful life of the underlying asset and lease term. The Group's right-of-use assets decreased from approximately HK\$15.2 million as of 31 December 2022 to approximately HK\$11.2 million as of 30 June 2023, 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 decreased from approximately HK\$2.5 million as of 31 December 2022 to approximately HK\$2.2 million as of 30 June 2023, primarily due to amortization of the trademarks through continuing usage.

– Bank borrowings

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

	As at	
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current portion		
Bank borrowings	45,039	–
Bank overdrafts	–	–
	<hr/>	<hr/>
Total	45,039	–
	<hr/>	<hr/>

The Group's bank borrowings and bank overdrafts as at 30 June 2023 were denominated in HK\$ and USD.

PLEDGE OF ASSETS

The Group did not have any pledged assets as of 30 June 2023.

GEARING RATIO

As at 30 June 2023, the Group's gearing ratio was 16.5% as a result of new borrowings in 6M2023. The Group had no interest-bearing borrowings as at 31 December 2022, such that the gearing ratio was not applicable. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

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

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

On 19 January 2023, the Group has lodged an appeal (the “**Appeal**”) against the Judgement. Based on the opinion from the legal advisors of the group, there is a high probability that the Judgement can be overturned. Furthermore, should the Group fail to overturn the Judgement in the Appeal, potential exposure shall be limited to the gains of the Group resulted from the sales of goods of certain class bearing the Alleged Trademarks. Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the appeal and the status of other legal actions taken by the Group in relation to this case, the Directors had made a provision of RMB1,000,000 (equivalent to HK\$1,084,622) in respect of the damages and costs for this case as at 31 December 2022.

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

FOREIGN EXCHANGE RISK MANAGEMENT

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

CAPITAL EXPENDITURES

The Group’s capital expenditures consist of (i) purchases of property, plant and equipments and (ii) purchases of intangible assets.

HUMAN RESOURCES

As of 30 June 2023, the Group had a total of 207 employees, including 69 licensing and sales personnel, 74 designers and 64 administrative and others personnel. For the six months ended 30 June 2023, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK\$27.8 million.

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

The Group recruits the employees based on a number of factors such as their relevant work experience, educational background, language ability and vacancies. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. The Group also provides training to certain employees to strengthen staff commitment and enhance their skills and technical knowledge at work. The Company has also adopted a share option scheme 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 2023, the Group had 207 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 30 June 2023:

No. of employees by function	Mainland		Total
	Hong Kong	China	
Management	2	0	2
Design	24	50	74
Licensing	5	20	25
Sales	1	43	44
Branding	3	15	18
Human resources and administration	4	23	27
Finance	5	9	14
Merchandise management	0	3	3
Total	<u>44</u>	<u>163</u>	<u>207</u>

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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 2023.

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

EVENT AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2023.

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 2023, 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	Planned allocation	Utilised	Unutilised	Expected time for utilising the planned allocation
			amount up to 30 June 2023	amount as at 30 June 2023	
		<i>HK\$ in million</i>	<i>HK\$ in million</i>	<i>HK\$ in million</i>	
For enhancing the Company's brand image and awareness of its IP characters	25.8%	53.4	6.6	46.8	June 2024
For establishing the Company's "Fans Platform"	25.7%	53.2	18.9	34.3	December 2024
For strengthening the Company's new economy online sales channel	17.5%	36.2	5.7	30.5	December 2024
For further enhancing the Company's in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	22.1	2.3	December 2023
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	93.0	113.8	

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 Listing Rules.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investments held as at 30 June 2023.

DIVIDEND

The final dividend for the year ended 31 December 2022 of HK2.01 cents per Share, in an aggregate amount of HK\$19,717,959 was approved and paid during the six months ended 30 June 2023.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2023.

OUTLOOK

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

According to the Frost & Sullivan report in 2022 (the “**Frost & Sullivan Report**”), the Company was the largest licensor in the domestic market in terms of revenue in the character licensing market of mainland China and Hong Kong.

IP licensing revenue is composed of revenue generated from minimum royalties and sales sharing. In fact, the retail sales value of B.Duck Semk to the clients, if calculated basing on the usual industry practice of 3% sharing of the sales, has reached over HK\$4 billion, and the aggregate amount in the past five years has exceeded HK\$20.0 billion.

In addition, B.Duck Semk ranked the 4th which is right next to other world famous IP companies in terms of market shares in mainland China and Hong Kong in 2022.

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

1. IP incubation and artists nurturing program (the “Intensive Development Program”)

The Group has launched the in-house IP incubation and artists nurturing program to replicate its successful operation approaches and experience of the “B.Duck IP” for more than a decade to the research and development of new IPs, striving to shorten the period of time from IP incubation to commercial realization. Meanwhile, the Group has vigorously expanded the IP agency business. This year, the Group successfully obtained domestic agency rights of “Shew Sheep”, which further enriched the IP matrix of the Group.

2. Industrial investment, mergers and acquisitions

- 1) The Group will engage in IP licensing business adopting the cognition of an industrial investor, and actively cooperate with start-up companies engaging in new consumption and new retail business. At the same time, the Group will make equity investment in these types of companies in a timely and appropriate manner, and provide them with the Group's resources such as "brand + design + capital + channel", so as to promote the expansion of new categories of licensing while ensuring financial gains and in turn boosting IP licensing income.
- 2) For long-term licensees, the Group will seek to cooperate with clients who are able to establish in-depth cooperation with us in terms of business, retail channels, personnel, intellectual property rights and profitability in the future. Through mergers and acquisitions, the Group will speed up the integration of its retail channels, strengthen supply chain cooperation and collaboration, enhance its product sales and distribution capabilities, as well as expand its revenue and asset scale.
- 3) The Group will proactively explore the possibility of cooperating with the local governments in China, and work with well-known large-scale fund management institutions to jointly set up industrial investment funds. In addition to expanding government channels, the Group will focus on investment in the fields of digital cultural IPs, new consumption, new media, ACGC and games, pay attention to "high-quality content", "technological empowerment" and "channel restructuring", and broaden the opportunity of creating synergy with potential licensing businesses in the future.

3. Embarking overseas and focusing on “internationalization”

Currently, the Group’s revenues are mainly generated from the Mainland China and Hong Kong markets, with huge room for development in overseas markets. As a company listed on the Stock Exchange, internationalization has always been the Group’s pursuit. The Group has set up a subsidiary in Thailand, and will establish a subsidiary in the Middle East with the assistance of potential investors, so as to enable a two-way linkage to the Middle East and Southeast Asia and to export the boutique e-commerce business and domestic products developed by licensed customers to Thailand and the Middle East through the “B.Duck IP” licensing and trading business, with an aim to replicate the successful business model in Mainland China to overseas markets. Through embarking overseas and developing overseas markets, the Group’s overall revenue and the influence of its IPs in the global premium market will be further enhanced.

4. Empowering “entities” through technology and building an inclusive and innovative community

- 1) Leveraging on the profound understanding of the IP industry and the acumen of Web3.0, the Group believes that the decentralization, blockchain and smart contract features of Web 3.0 will bring numerous opportunities and innovations to the IP industry. The Group actively explores the application of this field in the overseas markets and will cooperate with technology enterprises to build virtual scenes in Gigaspace and Sandbox, so as to prepare for the development of Pay-to-Earn Games in the future, in anticipation of creating “B.Duck” hot topics in overseas markets by offline and online coordination.

- 2) So far, the Group has been actively promoting the construction of the Internet Grand Entertainment Center. In February 2023, the Group cooperated with Shenzhen Dream Studio Technology Co Ltd (深圳市夢作坊科技有限公司) to jointly set up a subsidiary, i.e. DeQu Technology (德趣科技), which is dedicated to the research and development and production of games and sales of derivative merchandises. The Group regards DeQu Technology, which engages in businesses including: 1 proprietary research and customization of thematic IP games; 2 game licensing; 3 private domain camps; 4 online and offline retail of designer toys, as an important carrier in the layout of the Internet grand entertainment industry, with an aim to maximize the development of the commercial value of its IPs. In the next two years, the Group will build a commercial realization ecosystem covering segments such as “B.Duck” games, “B.Duck” online community and IP e-commerce, in an effort to realize the closed loop of fan economy, broaden the Group’s second growth curve, and promote the implementation of the Group’s strategies driven by “growth engines”.

5. Positioning target groups precisely and penetrating into future markets

The Group believes that, in terms of IP operation, in addition to focusing on the commercial value, it is also necessary to plan for penetrating into future markets as early as possible, improve the artistic quality and concentrate on businesses targeting young people. It is expected that the Group will launch the first “B.Duck” designer toy in the 18th Anniversary Brand Series of the “B.Duck IP” this year, in order to promote more youthful and trendy brand cultural and creative products, upgrade the brand tone and expand the business cooperation opportunities of the Group.

With regard to the ecological cultural tourism sector, the Group intends to cooperate with Jinma Entertainment (金馬遊樂), an A-shares listed company, to establish Shenzhen Dream Making Entertainment Co., Ltd. (深圳造夢遊樂有限公司), with an aim to jointly explore the IP theme carnival business. The “B.Duck Dream Factory” (B.Duck造夢遊樂廠), the first cooperation project between the two parties, won the “2023 China Business Innovation Conference – the Seventh Pencil Prize” (2023中國商業創新大會 – 第七屆神筆獎) and “China-VMD Creative Design Competition – Outstanding Design Award” (中國美陳創意設計大賽 – 傑出設計獎). In the future, the two parties will carry out strategic cooperation as a joint venture company focusing on the exploration of cultural tourism projects, virtual immersive entertainment projects, comprehensive marketing and channel integration.

In the next three years, the Company is committed to establishing a system with a revenue scale of more than RMB1 billion for the Group, and it is expected that the progress will be accelerated with the help of potential investors’ capital and resources. The Group will continue to innovate and expand from original innovative IPs to investment, mergers and acquisitions, from channel integration to embarking overseas, and to Web3.0 and the exploration of the Generation Z, in order to promote the innovation and development of the IP industry. By continuously expanding the business reach, “striving for internal and external improvement” (內外兼修) and extending its channels of upstream and downstream industry chains, the Group will build an IP ecological commercial complex with a scale exceeding RMB10 billion, thereby continuously creating value and boosting gains for shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2023, the Company repurchased a total of 19,007,000 Shares on the market. All the Shares repurchased by the Company were subsequently cancelled. As at 30 June 2023, the total number of Shares in issue was 980,993,000. Details of the Shares repurchased are as follows:

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

In addition, the trustee who was appointed by the Company to assist with the administration of the share award scheme of the Company (the “**Share Award Scheme**”) also purchased 4,500,000 Shares on the market for a total consideration of HK\$6,960,000 (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) during the six months ended 30 June 2023 to hold on trust for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company’s listed securities during the six months ended 30 June 2023.

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"). During the six months ended 30 June 2023, save for the deviation from code provisions C.2.1 and D.1.2 of the CG Code as disclosed below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code during the six months ended 30 June 2023 and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of any deviation from the CG Code in accordance with the Listing Rules.

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

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

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 during the six months ended 30 June 2023. 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 during the six months ended 30 June 2023.

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.

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 2023 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 2023 has also been reviewed by the Company's auditor, PricewaterhouseCoopers.

PUBLICATION OF INTERIM REPORT

The Company's interim report for the six months ended 30 June 2023 will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.semk.net and will be despatched to its shareholders in due course.

On behalf of the Board

B.Duck Semk Holdings International Limited

Hui Ha Lam

Chairman of the Board and Executive Director

Hong Kong, 30 August 2023

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