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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 2024**

FINANCIAL HIGHLIGHTS

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue	59,915	57,093
Loss for the period	(18,817)	(15,834)
Loss attributable to equity holders of the Company	(16,961)	(15,782)
Adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures ⁽¹⁾	(13,618)	(15,782)
Adjusted net loss margin under non-HKFRS financial measures (%) ⁽²⁾	(22.7)	(27.6)

Note:

- (1) Adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures for each of the periods represented loss attributable to equity holders of the Company excluding Share Award Scheme expenses for the respective period.
- (2) Adjusted net loss margin under non-HKFRS financial measures for each of the periods is calculated based on adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures divided by revenue of the Group for the respective period.

	As at 30 June 2024 (unaudited)	As at 30 June 2023 (unaudited)
Segment gross profit margin (%) ⁽¹⁾	54.8	45.6
Return on equity (%) ⁽²⁾	(8.3)	(5.8)
Return on total assets (%) ⁽³⁾	(6.0)	(4.2)
Current ratio (times) ⁽⁴⁾	2.7	3.0
Quick ratio (times) ⁽⁵⁾	2.5	2.6
Gearing ratio (%) ⁽⁶⁾	18.5	16.5
Net debt to equity ratio (%) ⁽⁷⁾	N/A⁽⁸⁾	N/A ⁽⁸⁾

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 businesses deducting cost of inventories sold divided by revenue attributable to the Group's e-commerce and other businesses for the respective period.
- (2) Return on equity equals to loss for the period divided by total equity as at the end of the relevant period.
- (3) Return on total assets equals to loss for the period divided by total assets as at the end 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 end of the respective period.
- (7) 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 and time deposits.
- (8) The Group was at a net cash position as the amount of cash and cash equivalents and time deposits 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 2024, together with the comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Revenue	6	59,915	57,093
Other income	7	3,645	7,090
Net fair value changes of financial assets at fair value through profit or loss	17	(889)	928
Other losses, net	7	(2,408)	(189)
Cost of inventories sold		(15,198)	(15,062)
Employee benefit expenses	8	(31,726)	(27,780)
Promotion costs		(7,702)	(6,905)
Online platform usage fee		(2,948)	(2,565)
Depreciation and amortisation		(8,030)	(6,342)
Reversal/(provision) of impairment losses on contract assets and financial assets at amortised cost	6, 15, 16	2,034	(2,937)
Other expenses	9	(17,652)	(20,056)
Operating loss		(20,959)	(16,725)
Finance income	10	2,489	1,021
Finance costs	10	(1,418)	(897)
Finance income, net	10	1,071	124
Loss before income tax		(19,888)	(16,601)
Income tax credit	11	1,071	767
Loss for the period		(18,817)	(15,834)

		Six months ended 30 June	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>		(unaudited)	(unaudited)
Loss attributable to:			
	– Equity holders of the Company	(16,961)	(15,782)
	– Non-controlling interests	(1,856)	(52)
		<u>(18,817)</u>	<u>(15,834)</u>
	Loss for the period	(18,817)	(15,834)
Other comprehensive loss:			
<i>Item that may be reclassified to profit or loss:</i>			
	– Currency translation differences	(1,212)	(7,076)
<i>Item that will not be subsequently reclassified to profit or loss:</i>			
	– Currency translation differences	17	–
		<u>(1,195)</u>	<u>(7,076)</u>
	Total comprehensive loss for the period	<u>(20,012)</u>	<u>(22,910)</u>
Total comprehensive loss attributable to:			
	– Equity holders of the Company	(18,173)	(22,858)
	– Non-controlling interests	(1,839)	(52)
		<u>(20,012)</u>	<u>(22,910)</u>
Loss per share			
	– Basic		
	(expressed in HK cents per share)	(1.79)	(1.64)
		<u>(1.79)</u>	<u>(1.64)</u>
	– Diluted		
	(expressed in HK cents per share)	(1.79)	(1.64)
		<u>(1.79)</u>	<u>(1.64)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30 June 2024 <i>HK\$'000</i> (unaudited)	31 December 2023 <i>HK\$'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		14,723	13,292
Intangible assets		2,725	2,877
Right-of-use assets		17,839	23,591
Deferred income tax assets		9,645	8,042
Deposits, prepayments and other receivables	16	63,994	64,234
Financial assets at fair value through profit or loss	17	8,782	9,735
		117,708	121,771
Current assets			
Inventories	14	13,405	18,535
Trade receivables	15	39,644	51,028
Contract assets		24,581	19,216
Deposits, prepayments and other receivables	16	43,855	45,125
Tax recoverable		–	873
Time deposits with original maturity over three months		40,000	40,000
Cash and cash equivalents		35,605	51,723
		197,090	226,500
Total assets		314,798	348,271

		30 June	31 December
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Note</i>	(unaudited)	(audited)
EQUITY			
Share capital	21	191	191
Share premium		240,511	245,253
Capital reserve		(34,386)	(34,386)
Retained earnings		69,251	86,212
Other reserves		(49,271)	(49,864)
		<hr/>	<hr/>
Equity attributable to holders of the Company		226,296	247,406
Non-controlling interest		1,588	1,573
		<hr/>	<hr/>
Total equity		227,884	248,979
		<hr/>	<hr/>
LIABILITIES			
Non-current liabilities			
Lease liabilities		13,614	18,319
Deferred income tax liabilities		–	164
		<hr/>	<hr/>
		13,614	18,483
		<hr/>	<hr/>
Current liabilities			
Trade payables	18	1,536	5,646
Accruals and other payables	19	12,047	14,222
Contract liabilities		10,640	9,592
Current income tax liabilities		764	–
Borrowings	20	42,068	43,572
Lease liabilities		6,245	7,777
		<hr/>	<hr/>
		73,300	80,809
		<hr/>	<hr/>
Total liabilities		86,914	99,292
		<hr/>	<hr/>
Total equity and liabilities		314,798	348,271
		<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 2024 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 2023 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	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	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 HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024

(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 HKSA 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group 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 2023.

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 2023.

There have been no changes in the risk management policies since 31 December 2023.

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 2024 and 31 December 2023 on trade receivables which amounted to approximately HK\$31,689,000 and HK\$44,587,000 respectively and accounted for 82% and 63% 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 2024			
Character licensing			
Individual assessment	48,461	(13,224)	27.3%
Collective assessment			
Not yet past due and past due up to			
30 days	21,920	(431)	2.0%
Past due 31-60 days	630	(73)	11.6%
Past due 61-90 days	–	–	N/A
Past due 91-120 days	6	(2)	27.0%
Past due 121-180 days	2,772	(880)	31.7%
Past due over 180 days	4,679	(2,893)	61.8%
Total	30,007	(4,279)	
E-commerce and other			
Not yet past due and past due up to			
30 days	3,101	(222)	7.2%
Past due 31-60 days	259	(29)	11.1%
Past due 61-90 days	65	(10)	15.1%
Past due 91-120 days	32	(7)	22.8%
Past due 121-180 days	26	(7)	28.3%
Past due over 180 days	198	(146)	73.8%
Total	3,681	(421)	

	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 2023			
Character licensing			
Individual assessment	<u>56,384</u>	<u>(14,450)</u>	25.6%
Collective assessment			
Not yet past due and past due up to			
30 days	20,777	(532)	2.6%
Past due 31-60 days	1,862	(234)	12.6%
Past due 61-90 days	220	(39)	17.7%
Past due 91-120 days	2,134	(684)	32.1%
Past due 121-180 days	750	(271)	36.1%
Past due over 180 days	<u>5,172</u>	<u>(3,329)</u>	64.4%
Total	<u>30,915</u>	<u>(5,089)</u>	
E-commerce and other			
Not yet past due and past due up to			
30 days	2,179	(59)	2.7%
Past due 31-60 days	238	(19)	8.0%
Past due 61-90 days	33	(4)	12.1%
Past due 91-120 days	38	(8)	21.1%
Past due 121-180 days	71	(21)	29.6%
Past due over 180 days	<u>732</u>	<u>(696)</u>	95.1%
Total	<u>3,291</u>	<u>(807)</u>	

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on their recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. As at 30 June 2024, the management considered there was a significant increase in credit risk of other receivables due from a third party amounted to HK\$69,156,000. Consequently, lifetime expected credit losses of approximately HK\$2,931,000 were recognised as at 30 June 2024. Note 16 provides details on the reconciliation on loss allowance of deposits and other receivable under general approach.

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 the credit risk on these financial assets have not significantly increased since initial recognition. Therefore, these financial assets are classified in stage one and only 12-month expected credit losses are considered. Considering the history of default, financial position of these debtors and forward looking factor, the expected credit loss is immaterial.

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 2024 (Unaudited)				
Trade payables	1,536	–	–	1,536
Other payables (<i>Note i</i>)	4,992	–	–	4,992
Lease liabilities	6,266	6,535	7,673	20,474
Borrowings	42,068	–	–	42,068
	<u>54,862</u>	<u>6,535</u>	<u>7,673</u>	<u>69,070</u>
As at 31 December 2023 (Audited)				
Trade payables	5,646	–	–	5,646
Other payables (<i>Note i</i>)	6,977	–	–	6,977
Lease liabilities	7,946	7,541	12,022	27,509
Borrowings	43,572	–	–	43,572
	<u>64,141</u>	<u>7,541</u>	<u>12,022</u>	<u>83,704</u>

Note i: Other payables exclude accrued salary and other benefits, value-added tax and other tax payable, and provision of sales return disclosed herein.

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 HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
As at 30 June 2024 (Unaudited)	<u>5,958</u>	<u>8,732</u>	<u>26,196</u>	<u>5,817</u>	<u>46,703</u>
As at 31 December 2023 (Audited)	<u>4,565</u>	<u>8,042</u>	<u>26,196</u>	<u>10,183</u>	<u>48,986</u>

The directors of the Company have given careful consideration to its available liquid assets and sources of financing in assessing whether the Group will have sufficient financial resources to support its operation. As at 30 June 2024, the Group had cash and cash equivalents of approximately HK\$35,605,000 and time deposits of HK\$40,000,000 that will mature in November 2024.

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 and time deposits. Total capital is calculated as 'equity', as shown in the consolidated statement of financial position, plus net debt.

As at 30 June 2024 and 31 December 2023, the amount of cash and cash equivalents and time deposits 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	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Revenue		
<u>Recognised over time</u>		
Provision of licensing services	18,945	22,473
Provision of design consultation services	7,380	6,921
	<u>26,325</u>	<u>29,394</u>
<u>Recognised at a point in time</u>		
Sales of licensed brand products	<u>33,590</u>	<u>27,699</u>
Total revenue	<u>59,915</u>	<u>57,093</u>

For the six months ended 30 June 2024 and 2023, there was no individual customer contributed over 10% of the Group's total revenue.

(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 after tax before unallocated 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 is not disclosed as such information is not regularly reported to the CODM.

The CODM identifies two reportable segments based on 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 2024 (Unaudited)			
Gross revenue	27,441	33,590	61,031
Inter-segment revenue	(1,116)	–	(1,116)
Revenue from external sales	26,325	33,590	59,915
Segment results	(12,858)	(2,172)	(15,030)
Unallocated:			
– Share-based payment			(3,787)
Loss after income tax			(18,817)
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)

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Mainland China	57,161	55,559
Hong Kong	956	1,157
Southeast Asia and Taiwan	1,622	357
Others	176	20
	59,915	57,093

The total amount of non-current assets excluding deferred tax assets located in the Mainland China as at 30 June 2024 and 31 December 2023 are HK\$40,432,000 and HK\$43,880,000, respectively, and the total amount of non-current assets excluding deferred tax assets located in Hong Kong and others as at 30 June 2024 and 31 December 2023 are HK\$68,498,000 and HK\$69,849,000, 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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Contract assets	25,837	19,759
Less: loss allowance for contract assets	<u>(1,256)</u>	<u>(543)</u>
	<u>24,581</u>	<u>19,216</u>
Contract liabilities	<u>10,640</u>	<u>9,592</u>

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Beginning of the period	(543)	(1,431)
(Provision)/reversal of loss allowance for contract assets	(719)	755
Currency translation differences	<u>6</u>	<u>18</u>
End of the period	<u>(1,256)</u>	<u>(658)</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 2024 HK\$'000 (unaudited)	As at 31 December 2023 HK\$'000 (audited)
Within 1 year	23,887	29,760
1-2 years	13,107	15,691
2-3 years	9,342	10,439
3-4 years	1,478	5,683
After 4 years	<u>255</u>	<u>724</u>
	<u>48,069</u>	<u>62,297</u>

7 OTHER INCOME AND OTHER LOSSES, NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Other income		
Sample sales	554	141
Management fee income (<i>Note 23</i>)	1,111	959
Government subsidies (<i>Note i</i>)	181	948
Compensation received (<i>Note ii</i>)	1,361	5,042
Gain on termination of leases	203	–
Sundry income	235	–
	<u>3,645</u>	<u>7,090</u>
Other losses, net		
Net foreign exchange losses	(2,494)	(202)
Gain on disposal of property, plant and equipment, net	86	13
	<u>(2,408)</u>	<u>(189)</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 EMPLOYEE BENEFIT EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and benefits (including directors' emoluments)	24,364	24,659
Bonuses	–	102
Pension costs – defined contribution plan	3,575	3,019
Share-based payment (<i>Note 22</i>)	3,787	–
	<u>31,726</u>	<u>27,780</u>

9 OTHER EXPENSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Travelling and transportation	2,930	3,611
Office expenses	2,592	2,626
Legal and professional fee	7,322	9,220
Agency fee	89	346
Rental expenses – short term leases	125	180
Repair and maintenance	74	95
Insurance expense	290	373
Building management fee	898	277
Licensing fee	38	59
Office co-sharing expense (<i>Note 23</i>)	–	15
Auditor's remuneration:		
– Audit fee	844	786
– Non-audit service	270	265
Others	2,180	2,203
	<u>17,652</u>	<u>20,056</u>

10 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance income		
Interest income from bank deposits	1,629	125
Other interest income	860	896
	<u>2,489</u>	<u>1,021</u>
Finance costs		
Finance charges on lease liabilities	(497)	(305)
Bank charges	(29)	(41)
Interest expenses	(892)	(551)
	<u>(1,418)</u>	<u>(897)</u>
Finance income, net	<u>1,071</u>	<u>124</u>

11 INCOME TAX CREDIT

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current income tax:		
– Hong Kong profits tax	708	270
– Mainland China corporate income tax	49	43
– Withholding tax	5	1,012
	<u>762</u>	<u>1,325</u>
Deferred income tax	<u>(1,833)</u>	<u>(2,092)</u>
	<u>(1,071)</u>	<u>(767)</u>

Hong Kong profits tax has been provided at the rate of 16.5% for the six months ended 30 June 2024 and 2023.

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

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

12 DIVIDEND

Pursuant to the resolution passed at the Company's annual general meeting held on 27 May 2024, the Company has declared 2023 final dividend of HK\$0.5 cents per ordinary share totaling HK\$4,904,965. This dividend has been fully settled on 21 June 2024.

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2024.

13 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 2024 and 2023.

	Six months ended 30 June	
	2024 (unaudited)	2023 (unaudited)
Loss attributable to holders of the Company (<i>HK\$'000</i>)	(16,961)	(15,782)
Weighted average number of ordinary shares in issue	947,743,355	962,567,619
Basic loss per share (<i>expressed in HK cents per share</i>)	<u>(1.79)</u>	<u>(1.64)</u>

(b) Diluted

Diluted loss per share during the six months ended 30 June 2024 and 2023 equal to basic losses per share as the inclusion of the potential ordinary shares in the calculation of dilutive loss per share would be anti-dilutive.

14 INVENTORIES

	30 June 2024 <i>HK\$'000</i> (unaudited)	31 December 2023 <i>HK\$'000</i> (audited)
Finished goods – Gross	19,637	26,487
Less: provision of inventories	<u>(6,232)</u>	<u>(7,952)</u>
Finished goods – Net	<u>13,405</u>	<u>18,535</u>

During the six months ended 30 June 2024, cost of inventories amounted to HK\$15,198,000 was recognised as expense and included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (30 June 2023: HK\$15,062,000).

During the six months ended 30 June 2024, reversal for impairment amounted to HK\$1,674,000 was included in “cost of inventories sold” within the condensed consolidated statement of comprehensive income (30 June 2023: provision for impairment amounted to HK\$2,718,000).

15 TRADE RECEIVABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade receivables	56,312	70,831
Less: loss allowance	<u>(16,668)</u>	<u>(19,803)</u>
	<u>39,644</u>	<u>51,028</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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Current – 30 days	37,991	49,939
31 – 60 days	1,522	2,185
61 – 90 days	185	253
91 – 120 days	1,046	2,203
121 – 180 days	3,279	1,537
Over 180 days	<u>12,289</u>	<u>14,714</u>
	<u>56,312</u>	<u>70,831</u>

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Beginning of the period	(19,803)	(19,125)
Written off	1,195	–
Reversal/(provision) of impairment loss on financial assets	1,821	(3,672)
Currency translation differences	<u>119</u>	<u>762</u>
End of the period	<u>(16,668)</u>	<u>(22,035)</u>

16 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Consideration receivable from transfer of trademark	69,156	74,296
Value added tax recoverable	5,050	8,636
Deposits	7,134	5,869
Other asset – investment in life insurance contract (<i>Note i</i>)	1,283	1,283
Contract costs	155	421
Other receivables	3,056	2,491
Prepayment for inventories	3,781	3,899
Prepayment for trademarks	8,286	8,422
Other prepayments	12,879	7,905
	<u>110,780</u>	113,222
Less: provision for impairment	<u>(2,931)</u>	<u>(3,863)</u>
Total	107,849	109,359
Less: non-current portion		
Prepayment for trademarks	8,286	8,422
Other asset – investment in life insurance contract (<i>Note i</i>)	1,283	1,283
Consideration receivable from transfer of trademark	56,835	57,520
	<u>66,404</u>	67,225
Less: provision for impairment	<u>(2,410)</u>	<u>(2,991)</u>
Non-current portion	63,994	64,234
Current portion	<u>43,855</u>	<u>45,125</u>

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

	June 2024 HK\$'000	June 2023 HK\$'000
Beginning of the period	(3,863)	(1,310)
Reversal/(provision) of impairment loss on financial assets	<u>932</u>	<u>(20)</u>
End of the period	<u>(2,931)</u>	<u>(1,330)</u>

Note i:

As at 30 June 2024 and 31 December 2023, 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.

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Six months ended	
	30 June 2024 HK\$'000 (unaudited)	30 June 2023 HK\$'000 (unaudited)
Balance as at 1 January	9,735	–
Addition	–	7,592
Fair value (loss)/gain	(889)	928
Currency translation difference	(64)	(36)
	<u>8,782</u>	<u>8,484</u>
Balance as at 30 June	<u>8,782</u>	<u>8,484</u>

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

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Unlisted equity investments	<u>8,782</u>	<u>9,735</u>

On 19 April 2023, the Group has subscribed 20% equity interest in an unlisted entity incorporated in the PRC at consideration of RMB7,000,000 (appropriately HK\$7,592,000). 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 2024.

On 9 November 2023, the Group has subscribed 10% equity interest in an unlisted entity incorporated in the PRC at consideration of RMB1,000,000 (appropriately HK\$1,294,000). Due to the lack of control or significant influence over the investee, the investment is classified as financial assets at fair value through profit or loss as at 30 June 2024.

18 TRADE PAYABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Trade payables		
– Third parties	<u>1,536</u>	<u>5,646</u>

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 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Up to 30 days	658	1,149
31 to 60 days	193	67
61 to 90 days	261	131
Over 90 days	<u>424</u>	<u>4,299</u>
	<u>1,536</u>	<u>5,646</u>

19 ACCRUALS AND OTHER PAYABLES

	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
Accrued expenses	2,902	4,517
Accrued salary and other benefits	4,187	4,693
Other payables	2,090	2,460
Value added tax and other tax payable	2,868	2,518
Provision of sales return	<u>–</u>	<u>34</u>
	<u>12,047</u>	<u>14,222</u>

20 BORROWINGS

	30 June 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Current		
Bank borrowings – secured	42,068	43,572

As at 30 June 2024, 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 2024	31 December 2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Within 1 year	4,529	3,048
Between 1 to 2 years	16,593	6,720
Between 2 to 5 years	15,205	23,841
Over 5 years	5,741	9,963
	42,068	43,572

As at 30 June 2024, the weighted average effective interest rate of bank borrowing was 4.24% per annum.

As at 30 June 2024, banking facilities of HK\$78,870,000 were granted by the banks to subsidiaries of the Group (31 December 2023: HK\$46,000,000), of which HK\$46,000,000 were utilised by the subsidiaries of the Group and the unutilised banking facilities amounted to HK\$32,870,000 (2023: Nil). The banking facilities are secured by corporate guarantee provided by the Company.

21 SHARE CAPITAL

	Number of ordinary shares	Share capital nominal value <i>HK\$'000</i>	Share premium <i>HK\$'000</i>
Authorised:			
At 1 January 2023 (audited), 31 December 2023, 1 January 2024 (audited) and 30 June 2024 (unaudited)	<u>2,000,000,000</u>	<u>388</u>	<u>–</u>
Issued and fully paid:			
At 1 January 2023 (audited)	1,000,000,000	195	294,437
Repurchase and cancellation of shares (<i>Note i</i>)	(19,007,000)	(4)	(30,043)
Dividend declared out of share premium account (<i>Note ii</i>)	<u>–</u>	<u>–</u>	<u>(19,141)</u>
At 31 December 2023 and 1 January 2024 (audited)	980,993,000	191	245,253
Dividend declared out of share premium account (<i>Note ii</i>)	<u>–</u>	<u>–</u>	<u>(4,742)</u>
At 30 June 2024 (unaudited)	<u>980,993,000</u>	<u>191</u>	<u>240,511</u>

Note i: 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 during 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.

Note ii: 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 the HK2.01 cents per ordinary shares totaling HK\$19,717,959 out of the share premium account of the Shareholders, offset by dividend received by the shares held by the Trustee (as defined in note 22) for the Share Award Scheme (as defined in note 22). This dividend has been fully settled on 14 June 2023.

Pursuant to the resolution passed at the Company's annual general meeting held on 27 May 2024, the Company has declared 2023 final dividend of HK\$0.5 cents per ordinary share totaling HK\$4,904,965 out of the share premium account, offset by dividend received by the shares held by the Trustee (as defined in note 22) for the Share Award Scheme (as defined in note 22). This dividend has been fully settled on 21 June 2024.

Note iii: As at 30 June 2024, 34,393,000 shares were held under the Share Award Scheme (31 December 2023: 32,700,000 shares).

22 SHARE AWARD SCHEME

Futu Trustee Limited, a company incorporated in Hong Kong and authorised to undertake trust business in accordance with the laws of Hong Kong, was appointed as the trustee of the Company (the “**Trustee**”) for the administration of the share award scheme of the Company (“**Share Award Scheme**”).

The aggregate number of shares granted by the Group (“**Awarded Shares**”) currently permitted to be awarded under the Share Award Scheme is limited to 10% of the issued share capital of the Company to be refreshed automatically from time to time.

Under the Share Award Scheme, the (i) employees of the Group; (ii) employees of holding companies, fellow subsidiaries or associated companies of the Company; and (iii) any persons who provide services to any members of the Group on a continuing or recurring basis in its ordinary and usual course of business (“**Eligible Participant**”) may be selected by the Board to participate in the Share Award Scheme.

The Board may, from time to time, select any Eligible Participant for participation in the Share Award Scheme as a selected participant (“**Selected Participant(s)**”), and grant such number of Awarded Shares to any Selected Participant at no consideration and in such number and on and subject to such terms and conditions as it may in its absolute discretion determine.

The Trustee holds the shares of the Company for the benefits of the Selected Participants before the share awards are vested.

When a Selected Participant has satisfied all vesting conditions, which might include service and/or performance conditions, specified by the Board at the time of making the award and become entitled to the shares of the Company forming the subject of the award, the Trustee shall transfer the relevant vested Awarded Shares to that Selected Participant at no cost.

The Trustee shall not exercise the voting rights in respect of any shares of the Company held under the Trust, including, inter alia, the Awarded Shares and further shares of the Company acquired out of the income derived therefrom.

On 31 October 2023, 14,608,000 Awarded Shares were granted to the Selected Participants.

On 31 January 2024, 14,714,000 Awarded Shares were granted to two senior management of Shenzhen Dequ Technology and Development Co., Ltd. (深圳德趣科技有限公司), which is a non-wholly owned subsidiary of the Group. The Awarded Shares granted shall be vested over 27 months to 39 months from the date of the grant and meet the performance condition. No Awarded Shares were vested as at 31 December 2023 and 30 June 2024.

The fair value of the Awards Shares was calculated based on market price of the Company’s shares at the respective grant date. The Group recognised an expense of approximately HK\$3,787,000 (2023: Nil) for the six months ended 30 June 2024 in relation to share awards granted by the Company.

23 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 2024 and 2023:

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
SEMK Enterprises Co Ltd.	A company controlled by Mr. Hui Ha Lam

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Purchase of goods:		
– ENS Toys	<u>(11,956)</u>	<u>(9,532)</u>
Management fee income (<i>Note 7</i>):		
– ENS Toys	<u>1,111</u>	<u>959</u>
Office co-sharing expense (<i>Note 8</i>):		
– ENS Toys	<u>–</u>	<u>(15)</u>

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Rental expense – short term:		
– Kafutoy Industrial Co Limited	–	(160)
– ISA Global Licensing Limited	<u>(120)</u>	<u>(108)</u>
	<u>(120)</u>	<u>(268)</u>
Advertising expenses:		
– Dream Studio	<u>(187)</u>	<u>–</u>
Revenue:		
– Dream Studio	<u>97</u>	<u>305</u>
Disposal of property, plant and equipment		
– SEMK Enterprises Co Ltd.	<u>90</u>	<u>–</u>
(b) Balances with related parties		
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Prepayment and other receivable from a related party		
– ENS Toys	8,914	6,445
– Dream Studio	<u>712</u>	<u>–</u>
	<u>9,626</u>	<u>6,445</u>
Trade receivables		
– Dream Studio	<u>288</u>	<u>311</u>

(c) **Key management compensation**

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries and allowances	5,092	4,079
Bonus	–	102
Pension costs		
– Defined contribution plan	130	85
	5,222	4,266

24 CONTINGENT LIABILITIES

In May 2021, a third party (the “**Claimant**”) has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK\$60,262,000), 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\$6,574,046 and HK\$1,095,674 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal (the “**Appeal**”) against the Judgement. During 2023, the Claimant’s Trademarks were invalidated by the China National Intellectual Property Administration and the Claimant’s appeal against the invalidation claim has been rejected in June 2024. Based on the opinion from the legal advisors of the Group, there is a high probability that the Judgement can be overturned. Taking into consideration the judgement issued against the Group, the advice from the legal advisors, the uncertainty as to the outcome of the Appeal and the status of other legal actions taken by the Group in relation to this case, the directors had made a provision of RMB1,000,000 (equivalent to HK\$1,095,674) in respect of the damages and costs for this case as at 31 December 2023 and 30 June 2024.

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.

25 EVENTS AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2024.

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 them.

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

	For the six months ended	
	30 June	30 June
	2024	2023
	HK\$'000	HK\$'000
Character licensing business	26,325	29,394
E-commerce and other business	33,590	27,699
Total	59,915	57,093

FINANCIAL REVIEW

Revenue by Business Segment

The Group's revenue from character licensing business decreased by approximately HK\$3.1 million or approximately 10.4% from approximately HK\$29.4 million for the six months ended 30 June 2023 ("6M2023") to approximately HK\$26.3 million for the six months ended 30 June 2024 ("6M2024"). Such decrease was mainly attributable to the decrease in royalty charged and excess royalty charged to licensees under merchandise licensing. In light of the increasingly fierce market competition in the PRC, the Group provided more offers to attract new licensees across different product categories.

The following table sets forth the movement of the number of licensees (exclusive of licensing agents) the Group had established business relationship with as at 31 December 2023 and 30 June 2024:

As at 30 June 2024

495

As at 31 December 2023

455

The Group's revenue from e-commerce and other business increased by approximately HK\$5.9 million or approximately 21.3% from approximately HK\$27.7 million for 6M2023 to approximately HK\$33.6 million for 6M2024. Such increase was primarily attributable to the promotion efforts that our Group has been investing in on the e-commerce platforms as well as our expansion onto other e-commerce platforms in the PRC and Southeast Asia. We will continue to focus in developing e-commerce sales platform overseas, including Thailand, Indonesia, Vietnam, Philippines, Malaysia and Singapore, etc. The overseas e-commerce business is still in the growth stage and with numerous opportunities and potential for expansion.

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 2024		30 June 2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
The Group's self-created				
IP characters				
B.Duck	22,471	85.3	23,453	79.8
Buffy	1,551	5.9	2,620	8.9
B.Duck Baby	1,884	7.2	2,842	9.7
	<hr/>	<hr/>	<hr/>	<hr/>
Licensed Characters	419	1.6	479	1.6
	<hr/>	<hr/>	<hr/>	<hr/>
Total	26,325	100	29,394	100
	<hr/>	<hr/>	<hr/>	<hr/>

B.Duck products are the Group's major product type. Revenue from B.Duck products, which contributed 85.3% of its licensing revenue in 6M2024, decreased by approximately 4.2% from approximately HK\$23.5 million for 6M2023 to approximately HK\$22.5 million for 6M2024.

Revenue by Customers' Geographical Location

The following table sets forth a breakdown of the Group's revenue by customers' geographical locations for 6M2023 and 6M2024:

	For the six months ended			
	30 June 2024		30 June 2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Mainland China (the "PRC")	57,161	95.4	55,559	97.3
Hong Kong	956	1.6	1,157	2.0
Southeast Asia and Taiwan	1,622	2.7	357	0.6
Others ^(Note)	176	0.3	20	0.1
Total	<u>59,915</u>	<u>100</u>	<u>57,093</u>	<u>100</u>

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

Revenue generated from Character Licensing Business

The following table sets forth a breakdown of the Group's revenue by service type under its character licensing business for 6M2023 and 6M2024:

	For the six months ended			
	30 June 2024		30 June 2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Merchandise licensing				
Minimum guarantee	17,177	65.3	18,596	63.3
Excess royalties	158	0.6	2,066	7.0
Total royalty income	17,335	65.9	20,662	70.3
LBE licensing				
Minimum guarantee	803	3.1	573	1.9
Excess royalties	696	2.6	625	2.1
Total royalty income	1,499	5.7	1,198	4.0
Content and media licensing				
Minimum guarantee	105	0.4	360	1.2
Excess royalties	–	–	49	0.2
Total royalty income	105	0.4	409	1.4
Promotion licensing				
Minimum guarantee	6	0.0	905	3.1
Excess royalties	–	–	–	–
Total royalty income	6	0.0	905	3.1
Design consultation service fees	7,380	28.0	6,220	21.2
Total	26,325	100	29,394	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 2024 HK\$'000	For the year ended 31 December 2023 HK\$'000
Outstanding aggregate contract sum at the beginning of the period/year		
Merchandise licensing	59,134	80,349
LBE licensing	2,046	5,554
Content and media licensing	–	167
Promotion licensing	1,117	2,299
Design consultation	–	435
Add: Net contract sum of contracts awarded/terminated during the period/year		
Merchandise licensing	6,709	23,152
LBE licensing	1,668	4,386
Content and media licensing	577	629
Promotion licensing	5	527
Design consultation	7,380	11,930
Less: Revenue recognised during the period/year		
Merchandise licensing	(17,177)	(39,175)
LBE licensing	(803)	(4,668)
Content and media licensing	(105)	(790)
Promotion licensing	(6)	(1,632)
Design consultation	(7,380)	(12,449)
Foreign currency translation differences <i>(Note)</i>	(5,096)	(8,417)
Outstanding aggregate contract sum at the end of the period/year		
Merchandise licensing	45,232	59,134
LBE licensing	2,225	2,046
Content and media licensing	607	–
Promotion licensing	5	1,117
Design consultation	–	–
Total	48,069	62,297

Note: As certain licensing contracts are denominated in foreign currencies, for example Renminbi (“RMB”), United States dollar (“US\$”), and Thai Baht, it refers to the foreign currency translation difference arose from the exchange rate movement 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\$15.2 million and HK\$15.1 million for 6M2024 and 6M2023, respectively, which accounted for approximately 18.3% and 19.1% 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.

The employee benefit expenses amounted to approximately HK\$31.7 million and HK\$27.8 million for 6M2024 and 6M2023, respectively, representing approximately 38.1% and 35.3% 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. The increase in employee benefit expenses for 6M2024 was mainly attributable to the increase in share-based payment in respect of the awarded shares granted to key employees as incentives for driving the ongoing operation and development of the Group, offsetting the impact brought by the decrease in the number of staff, in particular in our design team, as at 30 June 2024 as a result of the application of artificial intelligence in our daily operation.

Reversal/(Provision) of Impairment Losses on Contract Assets and Financial Assets at Amortised Cost

The Group recorded a reversal of impairment losses on contract assets and financial assets at amortised cost of approximately HK\$2.0 million for 6M2024 as compared to the net impairment losses on contract assets and financial assets at amortised cost of approximately HK\$2.9 million for 6M2023, primarily due to the improvement of customer payment timelines, which resulted in the reversal of previously recognised impairment losses.

Other Income

Other income decreased by approximately 49.3% from approximately HK\$7.1 million for 6M2023 to approximately HK\$3.6 million for 6M2024, primarily due to the decrease in the compensation received from legal action against third parties for infringement of the Group's trademark.

Promotion Costs

The Group's promotion costs primarily comprise costs incurred for promotional campaigns, advertisements, brand management and marketing activities. For 6M2023 and 6M2024, the Group's promotion costs amounted to approximately HK\$6.9 million and HK\$7.7 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 6M2023 and 6M2024, online platform usage fee amounted to approximately HK\$2.6 million and HK\$2.9 million, respectively.

Operating Loss

As a result of the above, the Group's operating loss increased by approximately 25.7% from approximately HK\$16.7 million for 6M2023 to approximately HK\$21.0 million for 6M2024.

Other Expenses

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

	For the six months ended			
	30 June 2024		30 June 2023	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Travelling and transportation	2,930	16.6	3,611	18.0
Office and office co-sharing expenses	2,592	14.7	2,641	13.2
Legal, audit and professional fee	8,436	47.8	10,271	51.2
Agency fee	89	0.5	346	1.7
Building management fee and rental expenses	1,023	5.8	457	2.3
Licensing fee	38	0.2	59	0.3
Others <i>(Note)</i>	2,544	14.4	2,671	13.3
	17,652	100.0	20,056	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, and (ii) licensing fee for the licensed characters obtained from independent licensors.

Finance Income, Net

Finance income, net, increased from approximately HK\$0.1 million for 6M2023 to approximately HK\$1.1 million for 6M2024, primarily due to more interest income generated from bank deposits as a result of higher average deposit balance and higher interest rate.

Income Tax Credit

Income tax credit increased from approximately HK\$0.8 million for 6M2023 to approximately HK\$1.1 million for 6M2024, primarily due to the increase in operational loss for the period.

Non-HKFRS Financial Measures

Adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures is defined as loss for the period attributable to equity holders of the Company excluding Share Award Scheme expenses. As Share Award Scheme expenses are not related to the performance of the Group's operation, the Directors consider that the presentation of the Group's adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures by eliminating the impact of Share Award Scheme 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 attributable to equity holders of the Company under non-HKFRS financial measures for the periods indicated to that prepared in accordance with HKFRS measures:

	For the six months ended	
	2024	2023
	HK\$'000	HK\$'000
Loss attributable to equity holders of the Company	(16,961)	(15,782)
Add:		
Share Award Scheme expenses (<i>note i</i>)	<u>3,343</u>	<u>–</u>
Adjusted net loss attributable to equity holders of the Company under non-HKFRS financial measures	<u>(13,618)</u>	<u>(15,782)</u>

note i: The Share Award Scheme expenses disclosed herein exclude the portion of the Share Award Scheme expenses related to the non-controlling interests, amounting to approximately HK\$444,000 for the six months ended 30 June 2024.

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

Loss for the Period

As a result of the above, the Group recorded a loss attributable to the equity holders of the Company of approximately HK\$17.0 million for 6M2024, as compared to a loss attributable to the equity holders of the Company of approximately HK\$15.8 million for 6M2023.

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. Since then and up to 30 June 2024, the Company's capital structure has not changed. The Company's equity only consists of ordinary Shares.

As at 30 June 2024, the issued share capital of the Company amounted to US\$24,524.825 divided into 980,993,000 Shares of US\$0.000025 each.

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\$145.7 million as at 31 December 2023 to approximately HK\$123.8 million as at 30 June 2024. The decrease was primarily attributable to the decrease in trade receivables and cash and cash equivalents, partly offset by the decrease in trade payables.

– Trade receivables and contract assets

As at 30 June 2024, the Group had gross trade receivables and contract assets amounting to approximately HK\$56.3 million (31 December 2023: HK\$70.8 million) and approximately HK\$25.8 million (31 December 2023: HK\$19.8 million) respectively, and loss allowance amounting to approximately HK\$17.9 million (31 December 2023: HK\$20.3 million). The total amount of net trade receivables and contract assets represented approximately 20.4% (31 December 2023: 20.2%) of the total assets.

As at 30 June 2024, net trade receivables and contract assets decreased to approximately HK\$64.2 million from approximately HK\$70.2 million as at 31 December 2023, primarily attributable to the timely settlement of trade receivables by the customers.

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\$18.5 million as at 31 December 2023 to approximately HK\$13.4 million as at 30 June 2024, primarily due to (i) continuous utilisation of inventory balance; and (ii) conservative procurement policy in response to volatile consumer goods market.

– Cash and cash equivalents and time deposits at bank

The Group's cash and cash equivalents and time deposits at bank primarily comprise cash at bank and were denominated in HK\$ and RMB. Cash and cash equivalents and time deposits at bank decreased from approximately HK\$91.7 million as at 31 December 2023 to approximately HK\$75.6 million as at 30 June 2024, primarily due to the Group's payment of dividends, repayment of lease liabilities and the purchase of property, plant and equipment.

– 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\$23.6 million as at 31 December 2023 to approximately HK\$17.8 million as at 30 June 2024, primarily 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\$2.9 million as at 31 December 2023 to approximately HK\$2.7 million as at 30 June 2024, primarily due to amortisation 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
	2024	2023
	HK\$'000	HK\$'000
Current portion		
Bank borrowings	42,068	43,572

The Group's bank borrowings as at 30 June 2024 were denominated in HK\$.

PLEDGE OF ASSETS

The Group did not have any pledged assets as at 30 June 2024.

GEARING RATIO

As at 30 June 2024 and 30 June 2023, the Group's gearing ratio was 18.5% and 16.5%, respectively. The gearing ratio is calculated based on the total interest-bearing borrowings divided by total equity.

CONTINGENT LIABILITIES

In May 2021, a third party (the "**Claimant**") has lodged a claim to seek compensation of RMB55,000,000 (equivalent to approximately HK\$60,262,000), 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\$6,574,000 and HK\$1,096,000 respectively) for damages to the Claimant.

On 19 January 2023, the Group has lodged an appeal (the "**Appeal**") against the Judgement. During 2023, certain registered trademarks of the Claimant were invalidated by the China National Intellectual Property Administration and the Claimant's appeal against the invalidation claim has been rejected in June 2024. Based on the opinion from the legal advisors of the Group, there is a high probability that the Judgement can be overturned. 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 approximately HK\$1,096,000) in respect of the damages and costs for this case as at 31 December 2022, 2023 and 30 June 2024.

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 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 at 30 June 2024, the Group had a total of 172 employees, including 60 licensing and sales personnel, 55 designers and 57 administrative and others personnel. For the six months ended 30 June 2024, the Group incurred staff costs (including remuneration, payrolls, allowances and benefits) of approximately HK\$31.7 million.

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

The Group recruits the employees based on a number of factors such as their relevant work experience, educational background, language ability and vacancies. Competitive remuneration package is offered to retain elite employees, including salaries, medical insurance, discretionary bonuses as well as mandatory provident fund schemes for employees in Hong Kong. The Group also provides training to certain employees to strengthen staff commitment and enhance their skills and technical knowledge at work. The Company has also adopted a share option scheme and a share award scheme 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 2024, the Group had 172 full-time employees. The following table sets forth a breakdown of its employees by function and by geographical location as at 30 June 2024:

No. of employees by function	Mainland		Total
	Hong Kong	China	
Management	2	–	2
Design	9	46	55
Licensing	4	17	21
Sales	1	38	39
Branding	4	14	18
Human resources and administration	3	19	22
Finance	5	8	13
Merchandise management	–	2	2
Total	28	144	172

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 at 30 June 2024.

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 2024.

EVENT AFTER THE REPORTING PERIOD

There is no significant event took place subsequent to 30 June 2024.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

The 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 2024, 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	Unutilised amount as at 1 January 2024	Amount utilised during the six months ended 30 June 2024	Unutilised amount as at 30 June 2024	Expected time for utilising the planned allocation
For enhancing the Company's brand image and awareness of its IP characters	25.8%	53.4	37.3	7.1	30.2	June 2025
For establishing the Company's "Fans Platform"	25.7%	53.2	24.2	5.5	18.7	December 2024
For strengthening the Company's new economy online sales channel	17.5%	36.2	25.8	7.6	18.2	December 2024
For further enhancing the Company's in-house design capabilities to offer creative and innovative solutions	11.8%	24.4	–	–	–	N/A
For repaying existing indebtedness to improve the Group's gearing ratio	9.2%	19.0	–	–	–	N/A
For general working capital	10.0%	20.6	–	–	–	N/A
Total	100.0%	206.8	87.3	20.2	67.1	

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

The unutilised 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 2024.

DIVIDEND

The final dividend for the year ended 31 December 2023 of HK0.5 cents per Share, in an aggregate amount of HK\$4,904,965 which was approved and paid during the six months ended 30 June 2024.

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

FUTURE OUTLOOK

LICENSE GLOBAL, a licensing trade magazine of the Licensing Expo, published the *Top Global Licensors Report 2024*, showing continuous colossal growth of the scale of the global licensing industry in the past year. In 2023, the sales of global licensing agents increased by US\$5.7 billion, with total retail sales for the year reaching US\$93.63 billion.

In the domestic market, according to the data from the *2024 China Brand Licensing Industry Development White Paper* published by the China Toy Association, in 2023, there was a continuous increase in the domestic retail sales and royalties of licensed goods, and licensees tend to enter into medium- to long-term contracts. According to interviews, consumers were optimistic about their willingness to spend on licensed products in 2024. In the overseas market, according to the *Global Licensing Industry Study* published by Licensing International, global sales of licensed goods and services reached a record high of US\$356.5 billion in 2023, representing a year-on-year increase of 4.6% as compared to US\$340.8 billion in 2022. Among which, the market share of e-commerce retail channels further increased and accounted for 37% of the global share. Amidst the background of exploring overseas sales, B.Duck Semk has developed its own operating logics on how to increase market shares amid market globalisation and in the intensively-competitive domestic market. Our chairman of the Board officially proposed the development strategy of “精耕細作、做強做大” (meaning “refine and strengthen, strive for greatness”) in 2023. In the future, B.Duck Semk will take the “B.Duck+ IP” matrix as its pivot and leverage its brand advantages to develop proprietary products, open offline retail stores, reach out to downstream retail and proactively develop new consumption operations covering games, offline eco-cultural tourism, designer toys and metaverse, so as to consolidate and enhance the competitiveness of B.Duck Semk in the industry. In particular, the Group will focus on developing the following aspects in the future:

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

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

Driven by the promulgation of policies, the diversification of social needs and the advancement of technological innovation, the cultural tourism industry is gradually shifting away from the traditional development model and entering a development stage that integrates innovation. In China, theme park and carnival projects are becoming increasingly popular, bringing multi-faceted growth opportunities for IP licensing and retail, including theme parks, IP product retail, LBE as well as VR and other XR cultural industry projects. To further amplify the commercial value of our IPs, in the second half of the year, the Group will collaborate with the four major segments (i.e. hotel and catering, tourism services, tourism commerce, and tourism asset operations) of Guizhou Tourism Group (貴旅集團), and empower Guizhou Tourism Group’s self-owned commercial complexes, self-operated hotels, self-owned tourist attractions and self-operated membership service platforms with the “B.Duck IP”, in order to jointly build the B.Duck Semk LBE licensed theme park and special theme tourism routes, develop the “B.Duck & Colorful Guizhou” (小黃鴨&多彩貴州) tourism products and other forms of cooperation, reach out to the consumption scenarios of tourists in Guizhou in multiple dimensions, and carry out all-round collaboration in terms of destination tourism, theme hotels and co-branded “small car, small group” (小車小團) travel in Guizhou Province. Meanwhile, we have also reached a strategic cooperation with “Dream House” (原舍) under Xband Group (鄉伴集團), and is expected to officially open the first B.Duck resort in the second half of 2024, further promoting the in-depth integration of B.Duck and Chinese rural areas. We will continue to enter into strategic collaboration with multiple brands under Xband Group to achieve leapfrog development through mutual empowerment. In addition, we will collaborate with Greatcoco (大未可可) to build a large indoor theme park centered on the B.Duck IP, and explore the new business format of IP image and indoor entertainment as well as the direction of urban cultural and business tourism under the entertainment model of “original IP + LBE + immersive experience”. Looking forward, B.Duck Semk will continue to work hard in the eco-cultural tourism sector, and will cooperate with various domestic leading enterprises such as Guizhou Tourism Group, OCT Group (華僑城集團), Jinma Entertainment (金馬遊樂), Ctrip, Meituan, Xband Group, Jegoplay (季高集團) and Greatcoco to actively explore the innovative cooperation model and jointly create a new stereoscopic offline consumption experience, with an aim to promote the innovative development of the cultural tourism industry.

During the reporting period, the Group established the Grand Entertainment Innovative Business Development Center. To further deepen the game and related businesses, in the second half of the year, the Group will continue to increase its investment in the internet sector, enrich the IP content of the game sector, formulate sales strategies based on the WeChat ecosystem to absorb private domain traffic, and establish sales links between various platforms, so as to rapidly enhance effective traffic conversion. In the next two years, the Group will build a new business ecosystem centered on the “B.Duck + IP customised games, B.Duck online community and IP mall” sectors, so as to realise the Group’s long-term growth.

The Group has established a product planning team and adopted an integrated operation model of proprietary research, proprietary production and proprietary sales to introduce self-developed IP derivatives into diversified consumption scenarios through online + offline channels, with an aim to improve brand exposure and profitability and lay the foundation for the sustainable development and expansion of the brand. Apart from self-developed products, B.Duck Semk has also jointly created “B.Duck X HIDDEN WOOO”, a new B.Duck (S) series and designer toy series, by investing in “Hidden Wooo”. In the future, Hidden Wooo will create derivative designer toy images for the Group’s classic B.Duck IP, so that we can deeply explore the IP designer toy industry chain and generate synergy through strategic investment, including designer toy supply chain production lines, offline sales channel construction and private domain fan operations, thereby further enriching the Group’s IP products targeting young customers. At the same time, leveraging medium and high art resources, the scalability of our IPs will be broadened in the form of IP collaboration.

2. Embarking overseas and focusing on “internationalisation”

Along with the rise of China’s economy, the global competitiveness of Chinese enterprises is growing. Expanding overseas markets has become a necessity for participating in global competition, and overseas markets have become an important driving force for the growth of the value of Chinese enterprises. Currently, the Group’s revenues are mainly generated from the Mainland China and Hong Kong markets. As a company listed on the Main Board of the Stock Exchange, internationalisation has always been the pursuit of the Group.

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

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

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

4. New IP incubation

Based on mature IP commercial operation capabilities, the Group has commenced in-house IP incubation internally by replicating the successful operation approaches and experience of the "B.Duck IP" for more than a decade to the research and development of new IPs, striving to shorten the period of time from IP incubation to commercial realisation. Meanwhile, the Group has specifically established the "New IP Operation and Innovation Division" to further facilitate new IP incubation, acquisition and cooperation with licensing agents, so as to expand the Group's IP matrix, gradually form an IP platform effect, and facilitate the development of China's original IPs. In addition, the Group will establish cooperative relationships with art design, media marketing and other related departments of well-known domestic universities to jointly cultivate talents in high-end design, cultural brand marketing and other fields through giving full play to the advantages of both sides, conducting various forms of communication and establishing a normalised communication mechanism, with an aim to lay the foundation for innovative development of B.Duck Semk in the IP field.

5. Industrial investment, mergers and acquisitions

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

The Company is committed to establishing a system with a revenue scale of more than RMB one billion for the Group, and it is expected that the progress will be accelerated driven by internal and external resources and funds. The Group will continue to innovate and expand from the innovative development of merchandise retailing, offline cultural tourism and online games, the strategic layout of overseas expansion and the innovative exploration under AIGC, in order to promote the innovation and development of the IP industry. By continuously expanding the business reach, "striving for internal and external improvement" (内外兼修) 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

The Trustee who was appointed by the Company to assist with the administration of the Share Award Scheme purchased 1,693,000 Shares on the market for a total consideration of HK\$1,975,000 (excluding all related expenses, transaction levy, brokerage, tax, duties and levies) during the six months ended 30 June 2024 to hold on trust for the purpose of the Share Award Scheme.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2024.

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 C1 to the Listing Rules (the "**CG Code**"). During the six months ended 30 June 2024, save for the deviation from code provisions C.2.1 and D.1.2 of the CG Code as disclosed below, the Board considers that, the Company has complied, to the extent applicable and permissible, with the code provisions as set out in the CG Code and the Directors will use their best endeavours to procure the Company to comply with the CG Code and make disclosure of 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 C3 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 2024. 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 2024.

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 interim 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 2024 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 2024 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 2024 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 (if requested) 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, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Hui Ha Lam as chairman of the Board and executive Director, Mr. Kwok Chun Kit and Mr. Cheung Chin Yiu 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.