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Semk Holdings International Limited

德盈控股國際有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2250)

**DISCLOSEABLE TRANSACTION
DISPOSAL OF TRADEMARKS**

On 23 December 2022, the Transferor, an indirect wholly-owned subsidiary of the Company, the Transferee and the Guarantor entered into the Trademark Transfer Agreement, pursuant to which the Transferor agreed to sell, and the Transferee agreed to purchase, the Trademarks.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 23 December 2022, the Transferor, an indirect wholly-owned subsidiary of the Company, the Transferee and the Guarantor entered into the Trademark Transfer Agreement, pursuant to which the Transferor agreed to sell, and the Transferee agreed to purchase, the Trademarks.

THE TRADEMARK TRANSFER AGREEMENT

Date: 23 December 2022

Transferor: SEMK PRODUCTS LIMITED (森科產品有限公司), an indirect wholly-owned subsidiary of the Company

Transferee: Boogie Bear Brand Co., Limited

Guarantor: 利訊集團有限公司 (Lixun Group Limited*)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Transferee and the Guarantor and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be transferred

The Transferor agreed to transfer to the Transferee the Trademarks which consist of 161 registered trademarks in the PRC comprising all classes in relation to “巴菲鸭”, Bath’N Duck and the head image of Bath’N Duck (with the exception of class 43) legally and beneficially owned by the Transferor.

The Consideration

The Consideration of HK\$88,000,000 shall be payable by the Transferee to the Transferor in the following manner:

- (1) a down payment of HK\$8,800,000 within two months from the date of the Trademark Transfer Agreement; and
- (2) four instalments of HK\$19,800,000 each on or before 31 December for each of the calendar years from 2023 to 2026.

The Consideration has been arrived at after arm's length negotiations among the parties and is determined with reference to (i) the valuation of the Trademarks carried out by an independent valuer; (ii) the historical licensing revenue generated from the licensing of class 25 trademark (clothing, footwear and headwear) of “巴菲鸭”, “Bath’N Duck”, and the head image of Bath’N Duck (together, the “**Bath’N Duck Class 25 Trademarks**”) in the PRC; and (iii) the estimated licensing and retailing revenue to be generated from utilisation of the Trademarks in the PRC.

Pursuant to the Trademark Transfer Agreement, the Transferee pledges its inventory of products which uses the B.Duck brand as authorised by the Transferor of same value to guarantee the Transferee's obligation to pay any unpaid amount of the Consideration. If the proceeds from the sale of pledged inventory are less than the unpaid amount of the Consideration, the Transferor has the right to recover the outstanding unpaid amount from the Transferee, and the Transferor also has the right to repurchase the Trademarks for a consideration that equals to (i) the valuation of the Trademarks by a designated accounting firm; or (ii) half of paid amount of the Consideration paid by the Transferee, whichever is lower.

Principal obligations of the Transferor, the Transferee and the Guarantor

Under the Trademark Transfer Agreement, subject to due payment of the Consideration, the Transferee will within six months of the Trademark Transfer Agreement apply for the transfer of Trademarks with the Trademark Office of China National Intellectual Property Administration (the “**Trademark Office**”), and will bear all costs incurred therein. Subject to due payment of the Consideration, the Transferor shall assist the Transferee on matters related to the Transfer in accordance with the requests from the Trademark Office, provide and execute all documents necessary for the Transfer and assign the licensing agreement entered into between the Transferor and a licensee in relation to the licensing of rights to use the Trademarks.

The Transferee has the right to use the Trademarks, including not limited to production and sale of products with the Trademarks, and with the written consent of the Transferor (except that the Transferor cannot unreasonably refuse), has the right to sub-license the Trademarks to a third party, but the Transferee shall not transfer and/or sub-license to any third party that produces, sells, or licenses any duck-like image that is not branded by the Transferor.

The Guarantor irrevocably and unconditionally agrees to guarantee the due and timely performance of the Transferee’s responsibilities under the Trademark Transfer Agreement.

Transitional Arrangement

Subject to due payment of the Consideration, the economic benefits arising from the use of the Trademarks by the Transferee shall belong to the Transferee from the date of the Trademark Transfer Agreement. The above rights of the Transferee shall not be affected during the transitional period and in the process of the Transfer.

INFORMATION OF THE TRADEMARKS

As at 30 June 2022, the unaudited book value of the Trademarks was HK\$14,000. The revenue derived from the licensing of the Bath’N Duck Class 25 Trademarks in the PRC for the three financial years ended 31 December 2021 amounted to approximately HK\$2,319,000, HK\$725,000 and HK\$796,000, respectively.

INFORMATION OF THE TRANSFEROR, THE TRANSFEE AND THE GUARANTOR

The Transferor is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company which is mainly engaged in character licensing business.

The Transferee is a company incorporated in Hong Kong with limited liability. Based on the information provided by the Transferee, the Transferee is solely owned by Huang Lipeng who is also the largest shareholder of the Guarantor.

The Guarantor is a company established under the laws of the PRC with limited liability which is principally engaged in the manufacturing, distribution and retailing of apparels, footwear products and accessories in the PRC. The Group has established its business relationship with the Guarantor since 2017 through providing merchandise licensing and design consultation service. It was one of the Group's top customers for the three financial years ended 31 December 2021.

REASONS FOR AND BENEFITS OF THE TRANSFER

The Group is principally engaged in (i) the character licensing business: the creation, design, licensing, brand management and marketing of our self-created characters across multi-channels. The Group licenses its characters and brands to its licensees, provide them with product design application services and allow 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 its characters-featured products through multi-channels.

The Group has registered over 1,300 trademarks in the PRC and based on the historical revenue contribution of the licensing of class 25 of the Trademarks, the Directors are of the view that the Trademarks to be transferred are not material to the Group's past or current business. The Board is of the view that the Transfer will enable the Group to focus and accelerate its licensing business and e-commerce business with other characters of the "B.Duck" family and other characters. Currently, the Guarantor is the major licensee of the Trademarks, and there is no extensive licensing network of the Trademarks established in the PRC. The Group has developed and nurtured a propriety portfolio of more than 20 self-created characters, which are yet to be commercially launched. The Group emphasizes that it continues to dedicate its efforts to expanding its character portfolio by rolling out new IP characters.

As the Guarantor is one of the Group's top customers and the Group's sole licensee of its trademarks in relation to Bath'N Duck in the PRC through acting as licensee of the Bath'N Duck Class 25 Trademarks in the PRC, the Board is of the view that the Transfer is in furtherance of the existing business relationship with the Transferee and the Guarantor.

Taking into account the Consideration of HK\$88,000,000, the unaudited book value of the Trademarks of HK\$14,000 as at 30 June 2022 and the estimated transaction costs of HK\$200,000, the Group is expected to record an unaudited gain on the Transfer of approximately HK\$87.8 million.

It is intended that the proceeds from the Transfer will be applied for general working capital of the Group. Having considered the reasons and benefits mentioned above, the Board is of the view that the terms of the Trademark Transfer Agreement, which have been reached after arm's length negotiations among the parties, are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) for the Transfer are more than 5% but less than 25%, the Transfer constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	board of Directors
“Company”	Semk Holdings International Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	an aggregate consideration of HK\$88,000,000 payable by the Transferee to the Transferor pursuant to the payment terms as set out in the Trademark Transfer Agreement
“Directors”	the directors of the Company
“Guarantor”	利訊集團有限公司 (Lixun Group Limited*), a private company established under the laws of the PRC with limited liability
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trademarks”	161 registered trademarks in the PRC comprising all classes in relation to “巴菲鴨”, “Bath’N Duck” and the head image of Bath’ N Duck (with the exception of class 43) legally and beneficially owned by the Transferor
“Trademark Transfer Agreement”	a trademark transfer agreement dated 23 December 2022 and entered into among the Transferor, the Transferee and the Guarantor in relation to the Transfer
“Transfer”	the transfer of the Trademarks from the Transferor to the Transferee
“Transferee”	Boogie Bear Brand Co., Limited, a company incorporated in Hong Kong with limited liability
“Transferor”	SEMK PRODUCTS LIMITED (森科產品有限公司), a company incorporated in Hong Kong with limited liability which is an indirect wholly-owned subsidiary of the Company
“%”	per cent.

On behalf of the Board
Semk Holdings International Limited
Hui Ha Lam
Chairman of the Board and Executive Director

Hong Kong, 23 December 2022

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

** For identification purposes only*