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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)

**(1) PROPOSED ISSUE OF NEW SHARES
UNDER SPECIFIC MANDATE;
AND
(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE CONTRACTUAL ARRANGEMENTS**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

On 26 April 2024, the Company entered into a Subscription Agreement with Dream Studio pursuant to which Dream Studio agreed to subscribe for, and the Company conditionally agreed to issue 15,439,300 Subscription Shares at the Subscription Price of HK\$1.1 per Subscription Share in cash, representing a subscription consideration of approximately HK\$17.0 million (equivalent to approximately RMB15.7 million), on and subject to the terms and conditions set out therein.

Application will be made by the Company to the Stock Exchange for the listing of and the permission to deal in the Subscription Shares. The Subscription Shares will be allotted and issued under the Specific Mandate.

THE CONTRACTUAL ARRANGEMENTS

The OPCO Group adopts Contractual Arrangements to operate its businesses in the PRC as an onshore entity operates in sectors that are subject to foreign investment prohibition under the applicable PRC laws and regulations, including, the development, operation and publishing of online game service.

In light of the aforementioned restrictions or prohibitions on foreign investment, the establishment of the Contractual Arrangements between the WFOE, the OPCO, and the Registered Owner are necessary for the Group to proceed with the development, publishing and operation of the online game service. Thus, the WFOE, the OPCO, and the Registered Owner will enter into Contractual Arrangements to enable the financial results, the entire economic benefits and risks of the businesses of the OPCO to flow into the WFOE and enable the WFOE to gain control over the OPCO.

As part of the Contractual Arrangements, the WFOE, the OPCO and the Registered Owner will enter into the Loan Agreement, pursuant to which the WFOE shall provide a one-off loan, at nil interest rate, in an aggregate amount of RMB20.0 million to the OPCO for its capital injection in Dequ Technology.

LISTING RULES IMPLICATIONS

The Subscription

The Subscription Shares will be allotted and issued under the Special Mandate, subject to the Shareholders' approval on the Subscription.

Contractual Arrangements

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the proposed entry into the Structured Contracts exceeds 5% but all of them are below 25%, the proposed entry into the Structured Contracts constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and are therefore subject to the reporting and announcement requirements.

The Registered Owner, being a cousin of Mr. Hui, the executive Director, chairman of the Board, chief executive officer and one of the controlling shareholders of the Company, is a deemed connected person of the Company. Therefore, the continuing connected transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will apply for a waiver from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of fixing a definite term of the Structured Contracts under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange.

GENERAL

Pursuant to Rule 14A.68(11) of the Listing Rules, a circular is required to be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is required by the Company to prepare the information to be included in the circular, it is expected the circular containing, among other things, (i) further information in relation to the Subscription and the Contractual Arrangements; (ii) the recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Contractual Arrangements; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Contractual Arrangements; and (iv) a notice of the EGM, will be despatched by the Company to the Shareholders on or before 31 May 2024.

EGM

An EGM will be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Subscription and the transactions contemplated thereunder and (ii) the Independent Shareholders to consider and, if thought fit, to approve the Contractual Arrangements and the transactions contemplated thereunder.

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Contractual Arrangements. Lego has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The completion of the Subscription and the transactions pursuant to the Contractual Arrangements are inter-conditional upon each other. Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement. Accordingly, the Subscription and the Contractual Arrangements may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

I. PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

The principal terms of the Subscription Agreement are summarised as below:

Date : 26 April 2024

Parties : the Company as issuer; and

Dream Studio as subscriber

Dream Studio is the substantial shareholder of Dequ Technology.

Number of Subscription Shares : Dream Studio agreed to subscribe for 15,439,300 Subscription Shares. The 15,439,300 Subscription Shares represent approximately 1.57% of the total number of Shares in issue as at the date of this announcement and approximately 1.55% of the total number of Shares in issue and as enlarged by the allotment and issue of the Subscription Shares, assuming that there will be no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares. The aggregate nominal value of the Subscription Shares is approximately USD385.98 (equivalent to approximately HK\$3,018.4).

The Subscription Shares will rank pari passu in all respects among themselves and with all other fully paid Shares in issue on the date of issue of the Subscription Shares.

Subscription price of the Subscription Shares : The subscription price of HK\$1.1 per Subscription Share represents:

- (i) a discount of approximately 6.0% over the closing price of HK\$1.17 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 5.7% over the average closing price of HK\$1.166 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The subscription price of the Subscription Shares was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the last trading price of the Shares on the Last Trading Day. The Directors are of the view that the subscription price of the Subscription Shares is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The aggregate subscription price of approximately HK\$17.0 million (equivalent to approximately RMB15.7 million) shall be satisfied by the Subscriber by payment to the Company in cash upon completion of the Subscription.

**Conditions
precedent**

: Completion under the Subscription Agreement is conditional upon the satisfaction of the following conditions:

- (i) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and the permission to deal in, the Subscription Shares to be issued and such approval and permission having not been subsequently withdrawn or revoked;
- (ii) all necessary approvals or resolutions of the Directors having been obtained or passed in respect of the signing of the Subscription Agreement and the completion of the Subscription and issuance of the Subscription Shares;
- (iii) all necessary approvals or resolutions of the directors of the Subscriber having been obtained or passed in respect of the signing of the Subscription Agreement and the completion of the Subscription and issuance of the Subscription Shares;
- (iv) all the Company's warranties as set out in the Subscription Agreement being true, complete and accurate in all respects and not misleading in any respect;
- (v) the Subscriber's warranties as set out in the Subscription Agreement being true, complete and accurate in all respects and not misleading in any respect; and
- (vi) the necessary approvals or resolutions of the Shareholders having been obtained or passed in respect of (a) the Subscription Agreement and the transactions contemplated thereunder; (b) the issue of the Subscription Shares under the Specific Mandate in accordance with the Listing Rules; and (c) the Contractual Arrangements.

Completion of the Subscription Agreement shall take place within ten working days after the date on which the conditions precedent to the Subscription Agreement are fulfilled. If any of the above conditions has not been fulfilled or satisfied or complied with or waived on or before the Long Stop Date (or such other date as the parties may agree), the Subscriber shall not be obliged to complete the Subscription.

Specific Mandate

The Subscription Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

Listing Application

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Reasons for the Subscription and the Use of Proceeds

The Group intends to raise additional funding through the issuance of the Subscription Shares to support the development of gaming business in the PRC through the Contractual Arrangements. The Company intends to use the net proceeds from the Subscription together with its internal financial resources to increase its capital in the WFOE for RMB20.0 million, thus the WFOE would grant a loan of the same amount to the OPCO pursuant to the Loan Agreement. The OPCO would fund the operation of its subsidiary, Dequ Technology, by capital injection of RMB20.0 million. The Directors consider that the Subscription represents an opportunity for the Group to expand its business in the online gaming sector in the PRC. Accordingly, the Directors consider that the Subscription is in the interest of the Company and the Shareholders as a whole.

The gross proceeds from the Subscription will be approximately HK\$17.0 million (equivalent to approximately RMB15.7 million). The net proceeds, after the deduction of the expenses related to the Subscription of approximately HK\$150,000 (equivalent to approximately RMB139,000) is estimated to be approximately HK\$16.9 million (equivalent to approximately RMB15.6 million). The net proceeds of approximately HK\$16.9 million (equivalent to approximately RMB15.6 million) is intended to be used for the capital injection in Dequ Technology. The net subscription price per Subscription Share will be approximately HK\$1.09. Based on the closing price of HK\$1.17 per Share on the date of the Subscription Agreement, the Subscription Shares have a market value of HK\$18,063,981.

The Directors consider the terms of the Subscription Agreement, which were negotiated on an arm's length basis and agreed on normal commercial terms between the parties thereto, are fair and reasonable, and the Subscription is in the interests of the Company and Shareholders as whole.

Information of the Subscriber

The Subscriber is a company incorporated in the PRC with limited liability which is primarily engaged in research and development, operation and publishing of game service. The Subscriber is owned as to 56.25%, 24.50% and 19.25% by Mr. Wu Mingliao, Shenzhen Dream Technology Management Partnership (Limited Partnership)* (深圳市夢見科技管理合夥企業(有限合夥)), which is ultimately controlled by Mr. Wu Mingliao, and Shenzhen iDreamSky Technology Co., Ltd* (深圳市創夢天地科技有限公司), which is controlled by iDreamSky Technology Holdings Limited (Stock Code: 1119) through contractual arrangements, respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, save as disclosed above, the Subscriber and each of its ultimate beneficial owners are Independent Third Parties.

II. THE CONTRACTUAL ARRANGEMENTS

Information about the WFOE, the OPCO and the Registered Owner

The WFOE

The WFOE is a company established under the laws of the PRC with limited liability which will enjoy the economic interests and benefits of the OPCO through the Structured Contracts. As of the date of this announcement, it is indirectly wholly-owned by the Company. The WFOE, alongside its consolidated subsidiaries, is engaged in development, publishing and operation of online game business.

The OPCO

The OPCO was established under the laws of the PRC with limited liability on 24 August 2023. As of the date of this announcement, the OPCO is wholly-owned by the Registered Owner. The OPCO is an investment holding company and is the majority shareholder of Dequ Technology, which is engaged in (i) proprietary research and customization of thematic IP games; (ii) game licensing; (iii) private domain camps; and (iv) online and offline retail of designer toys primarily to game players. Dequ Technology is also involved in the development, publishing and operation of online game business, including mobile online game and WeChat mini program games.

“**Negative List**”) which were promulgated and amended from time to time jointly by the MOFCOM and the NDRC, the Foreign Investment Law and their respective implementation rules and subsidiary regulations. The Negative List and the Encouraging Catalogue divide industries into four categories in terms of foreign investment, namely, “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encouraged”, “restricted” and “prohibited” categories).

The Regulations on the Administration of Internet Publishing Services (《網絡出版服務管理規定》) (the “**Internet Publishing Regulations**”), jointly issued by the SAPPRFT and MIIT on 4 February 2016 and which took effect on 10 March 2016, regulates a broad range of activities related to the “internet publishing services” providing “internet publications”, including online games, to the public through information networks. The Internet Publishing Regulations provides that any entity that is engaged in internet publishing services must obtain an Internet Publishing Service License (網絡出版服務許可證) and requires that prior to internet publishing of online games, an entity shall apply with the publishing authority of the province, autonomous region or centrally-administered municipality where it is situated, which shall, after its examination and consent, forward the same to the SAPPRFT for examination and approval. According to the Internet Publishing Regulations, Sino-foreign equity joint ventures, Sino-foreign cooperative joint ventures and foreign entities shall not engage in internet publishing services.

The principal business of the OPCO Group includes the development, publication and operation of online games (the “**Prohibited Businesses**”). Both the internet publishing services (including the online game publishing) and internet culture operation (including the online game operation) fall within the prohibited categories in the Negative List. Dequ Technology is also intending to apply for an ICP License, which is required for the provision of internet information service, a type of “value-added telecommunication service”. According to the Negative List, foreign investors are “restricted” from holding more than 50% equity interests in any enterprise holding an ICP License.

As the applicable PRC laws and regulations in force prohibits foreign investment in the above business operation of the OPCO Group, in line with the common practice in the industries which are subject to foreign investment restrictions, the Group intends to adopt the Contractual Arrangements with respect to the OPCO Group, which have enabled the Group, through the WFOE, to obtain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCO, which in turn operates the Prohibited Businesses through itself and its subsidiaries.

Accordingly, for the purpose of operating the online games in compliance with applicable PRC laws and regulations, the Company would not be currently allowed to hold any equity interests in the OPCO given that the OPCO Group operates the foreign-prohibited businesses. Based on this and the advice of the PRC Legal Adviser on the PRC foreign investment restriction policies, the Directors are of the view that the Contractual Arrangements and the OPCO Group's corporate structure as a whole are narrowly tailored to achieve the business purpose of the Group and minimize the potential conflict with relevant PRC laws and regulations. The Company will closely monitor any future development and will take all necessary actions to comply with applicable laws, regulations and specific requirements or guidance, including reorganizing the corporate structure, if required in the future. The Company will unwind and terminate the Contractual Arrangements wholly or partly once its businesses are no longer prohibited or restricted from foreign investment and to the extent permissible under PRC laws.

Information on the Structured Contracts

Principal terms of each of the Structured Contracts to be entered into prior to the completion of the Subscription are set out as follows:

1. Exclusive Technical Service Agreement

Parties: (a) the WFOE; and

(b) the OPCO

The OPCO and the WFOE will enter into an exclusive technical service agreement (the "**Exclusive Technical Service Agreement**") with the following terms:

Term: The Exclusive Technical Service Agreement shall remain effective from the execution date and shall remain valid unless being terminated in accordance with the terms therein.

The Exclusive Technical Service Agreement shall be terminated in the event that (i) upon the WFOE gives a prior notice in writing or (ii) upon the event that it becomes permitted under PRC laws for the WFOE to directly hold the equity interest in the OPCO, and the WFOE or its designated entity has obtained all the equity interest in the OPCO.

Subject: The OPCO agrees to engage the WFOE as its exclusive service provider to the extent permitted under applicable PRC laws in exchange for service fees to provide, including but not limited to, online game service and network culture operation. Pursuant to the Exclusive Technical Service Agreement, the OPCO shall pay to the WFOE a service fee before 14 April of each calendar year for the services provided in the preceding year. The WFOE is entitled to adjust the calculation of service fees of the OPCO according to the audited financial condition and the operation of the OPCO.

The WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by the WFOE and the OPCO or the work outcomes developed by the OPCO independently but relying on the services provided by the WFOE pursuant to the Exclusive Technical Service Agreement. The OPCO could only apply for the intellectual property rights in accordance with the terms stated in the Exclusive Technical Service Agreement, including obtaining prior consent from the WFOE.

2. Exclusive Option Agreement

Parties: (a) the Registered Owner;

(b) the WFOE; and

(c) the OPCO

The Registered Owner, the WFOE and the OPCO will enter into an exclusive option agreement (the “**Exclusive Option Agreement**”) with the following terms:

Term: The Exclusive Option Agreement shall remain effective from the execution date and terminate when all the equity interests in the OPCO have been legally transferred to the WFOE or its designee in accordance with the terms of the Exclusive Option Agreement.

Subject: The OPCO irrevocably grants the WFOE an exclusive right to purchase or nominate any individuals/entities to purchase all or part of its assets at the purchase price which shall be the permissible minimum under the applicable PRC laws.

Each of the Registered Owner and the OPCO irrevocably and unconditionally grants, to the WFOE or any individuals/entities designated by the WFOE, the exclusive conversion options and asset purchase options to purchase (at any time, in one or more times), to the extent permitted under relevant PRC laws, all or part of the shares and/or assets in the OPCO.

The Registered Owner shall be prohibited from selling, offering to sell, transferring, pledging or otherwise disposing of all or part of his equity interests in the OPCO, or granting others a right to purchase such equity interests, without the prior written consent from the WFOE.

The OPCO shall be prohibited from selling, offering to sell, transferring, pledging or otherwise disposing of all or part of its assets, or granting others a right to purchase such assets, without the prior written consent from the WFOE.

Without the prior written consent of the WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the OPCO (except in the ordinary course of business or disposal to the WFOE or parties designated by the WFOE), or legal or beneficial interest in the business or revenues of the OPCO, or allow the creation of any security interest thereon.

The Registered Owner shall, and the Registered Owner has undertaken to, return any income, profit distribution, dividends and bonus they received from the OPCO to the WFOE.

3. Loan Agreement

- Parties: (a) the WFOE, as lender;
- (b) the OPCO, as borrower; and
- (c) the Registered Owner, as guarantor

The WFOE, the OPCO and the Registered Owner will enter into a loan agreement (the “**Loan Agreement**”) with the following terms:

Principal: The WFOE shall provide a one-off loan, at nil interest rate, in an aggregate amount of RMB20.0 million to the OPCO for capital injection in Dequ Technology. The Registered Owner agrees to pledge all of the OPCO’s equity interests held by it to the WFOE to guarantee the performance under the Loan Agreement.

Term: The Loan Agreement shall remain effective from the execution date. The repayment obligation under the Loan Agreement would be fulfilled when the WFOE or its designee upon it is permitted under the PRC laws exercises the share options under the Equity Interest Pledge Agreement to acquire the entire equity interest held by the Registered Owner in the OPCO for a consideration which is equal to the loan amount.

Any tax arising from the loan shall be borne by the WFOE.

4. Power of Attorney on Shareholder’s Voting Rights and the Power of Attorney

- Parties: (a) the Registered Owner;
- (b) the WFOE; and
- (c) the OPCO

The OPCO, the Registered Owner, and the WFOE will enter into a power of attorney on shareholder's voting rights (the "**Power of Attorney on Shareholder's Voting Rights**") and the Registered Owner and the WFOE will enter into a power of attorney (the "**Power of Attorney**") with the following terms:

Term: The Power of Attorney on Shareholder's Voting Rights shall remain effective and terminate upon the WFOE's giving a prior notice in writing. If the Registered Owner transfers all its equity interests in the OPCO with the prior consent of WFOE, the Registered Owner will no longer be a party to the Power of Attorney on Shareholder's Voting Rights, but the obligations and commitments of other parties under the agreement will not be adversely affected.

The Power of Attorney shall remain effective and terminate upon the Registered Owner's ceasing to be a shareholder of the OPCO.

Subject: The Registered Owner irrevocably appoints designee(s) (including a liquidator replacing its directors) of the WFOE, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to:

- (a) holding and attending shareholder's meeting of the OPCO as representative(s) of the Registered Owner;
- (b) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders;
- (c) voting as shareholders as contemplated under the articles of association of the company; and
- (d) signing relevant equity transfer agreements, asset transfer agreements (if applicable), and other relevant documents on behalf of existing shareholders, and handling relevant government approvals, registrations and filings.

5. The Equity Interest Pledge Agreement

- Parties: (a) The Registered Owner, as pledger;
- (b) the WFOE, as pledgee; and
- (c) the OPCO

The Registered Owner, the WFOE and the OPCO will enter into an equity interest pledge agreement (the “**Equity Interest Pledge Agreement**”) with the following terms:

Term: The Equity Interest Pledge Agreement shall remain valid until all the contractual obligations between the Registered Owner, the WFOE and the OPCO under the Equity Interest Pledge Agreement have been fully discharged and that all outstanding loans have been fully repaid.

Subject: The Registered Owner agrees to pledge all of its shares in the OPCO to the WFOE as a security interest to guarantee the payment of outstanding loans of the OPCO.

During the period of pledge, without the prior written consent of the WFOE, the Registered Owner shall not create or agree to create any new pledge or other security on the equity interests of the OPCO, nor assign or transfer any of the equity interests in the OPCO.

6. Spousal Consent

Party: the spouse of the Registered Owner

The spouse of the Registered Owner will execute an irrevocable undertaking with the following terms:

Subject: The spouse of the Registered Owner expressly undertakes that, among others, (i) not to take any action with the intent to interfere with the arrangements mentioned above, including making any claim that such equity interest constitutes the property or community property; and (ii) to unconditionally and irrevocably waive any and all rights or entitlements whatsoever to such equity interest that may be granted to the spouse according to any applicable laws.

7. Disputes Resolutions, Succession and Liquidation Under the Structured Contracts

Disputes resolutions

The Contractual Arrangements are governed by and shall be construed in accordance with the PRC laws. In the event of any dispute arising under or in connection with the Structured Contracts and the parties failing to reach an agreement within 30 days after the relevant dispute arises, the relevant dispute shall be submitted to Suzhou Arbitration Committee (蘇州仲裁委員會) in accordance with the then effective arbitration rules. The arbitration award shall be final and binding on all parties. Any party shall have the right to apply to courts with competent jurisdiction for enforcement of arbitration awards after the relevant arbitration award comes into effect. During the dispute settlement period, except for the matters in dispute, the parties shall continue to exercise their respective rights and perform their respective obligations under the Structured Contracts. In support of the arbitration pending formation of the arbitral tribunal or in appropriate cases, the courts in Hong Kong, the Cayman Island, the PRC and the location where the OPCO' principal assets are located shall have the jurisdiction to grant interim remedies over the assets of the OPCO.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties, as if the successors were a signing party to the Contractual Arrangements. Although the Contractual Arrangements do not specify the identity of successors, under the PRC Civil Code (《中華人民共和國民法典》), the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements.

Liquidation

In the event of a mandatory liquidation of the OPCO is required by the PRC laws, the Registered Owner shall transfer the proceeds they received from liquidation as a gift to the WFOE or its designee(s) to the extent permitted by the PRC laws.

Unwinding the structure under the Contractual Arrangements

The Company will unwind the structure created as a result of the Contractual Arrangements as soon as the PRC laws allow the Prohibited Businesses to be operated without such structure, and the WFOE may acquire the equity interest in the OPCO held by the Registered Owner and/or the assets of the OPCO to the extent as permitted by the then applicable PRC laws. In the event the WFOE exercises the right under the Exclusive Option Agreement to acquire the equity interest in the OPCO held by the Registered Owners and/or the assets of OPCO to unwind the structure under the Contractual Arrangements, the Registered Owner and the OPCO undertake to return to the WFOE or its designated entity any consideration received.

8. Loss Sharing

Under the relevant PRC laws and regulations, none of the Company and the WFOE is legally required to share the losses of, or provide financial support to, the OPCO. Further, the OPCO is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Nevertheless, the WFOE intends to continuously provide to or assist the OPCO in obtaining financial support when deemed necessary. In addition, given that the Group conducts the Prohibited Businesses in China through the OPCO, and that its financial position and results of operations are consolidated into the Group's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations would be adversely affected if the OPCO suffers losses.

9. Conflict of Interests

The Registered Owner gives its irrevocable undertakings in the Powers of Attorney on Shareholder's Voting Rights which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. Pursuant to the Powers of Attorney on Shareholder's Voting Rights, the Registered Owner will irrevocably appoint any person as designated by the WFOE as its representative, to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to: (i) holding and attending shareholder's meeting of the OPCO as representative(s) of the Registered Owner; (ii) representing the Registered Owner in the exercise of voting right and veto right on all matters requiring the decisions of shareholders; (iii) voting as shareholders as contemplated under the articles of association of the company; and (iv) signing relevant equity transfer agreements, asset transfer agreements (if applicable), and other relevant documents on behalf of existing shareholders, and handling relevant government approvals, registrations and filings. Therefore, it is unlikely that there will be potential conflicts of interests between the Company and the Registered Owner.

Internal Control Measures to be implemented by the Group

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO.

In addition to the internal control measures as provided in the Structured Contracts, it is the intention of the Company, to implement, through the WFOE, additional internal control measures against the OPCO as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;
- (b) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) the Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and
- (d) the Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of the WFOE and the OPCO to deal with specific issues or matters arising from the Contractual Arrangements.

Compliance of Contractual Arrangements with PRC Laws, Rules and Regulations

The PRC Legal Adviser is of the opinion that, as of the date of this announcement:

- (i) the Structured Contracts are legal and valid, binding on the signatories and enforceable;
- (ii) the Structured Contracts are not contrary to the articles of association of the signatory;

- (iii) except that the establishment of the pledge rights under the Equity Interest Pledge Agreement is subject to registration with the relevant governmental authorities, and the exercise of the exclusive purchase rights of the OPCO or its designee shall be subject to the corresponding approval, filing or registration procedures in accordance with the provisions of the PRC laws, the execution of the above agreements and related documents do not require the administrative permission or approval of other governmental authorities, and will not be vetoed or terminated by the relevant governmental authorities; and
- (iv) the Structured Contracts do not exist in the circumstances of invalidation of the PRC Civil Code and there is no violation of Chinese laws and relevant regulations of industry authorities.

The PRC Legal Adviser also advised us that there are uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion.

Based on the above, the Directors believe that the Structured Contracts are unlikely to be deemed ineffective or invalid under the relevant PRC laws and regulations, subject to certain issues discussed in the paragraph headed “II. THE CONTRACTUAL ARRANGEMENTS – Risk Factors in Relation to the Contractual Arrangements” in this announcement.

The Board’s view on the Contractual Arrangements

By entering into the Structured Contracts, the Group, through the WFOE, shall enjoy the entire economic interests and benefits generated by the OPCO Group, since:

- (i) service fees are payable by the OPCO to the WFOE under the Exclusive Technical Service Agreements. The WFOE is entitled to adjust the amount of service fees of the OPCO;
- (ii) the WFOE shall have exclusive proprietary rights to intellectual property (including but not limited to copyright, patent, technical secret and trade secret) in the work outcomes jointly developed by the WFOE and the OPCO or the work outcomes developed by the OPCO independently but relying on the services provided by the WFOE;

(iii) without the prior written consent of the WFOE, the Registered Owner shall not sell, transfer, mortgage or dispose of in any manner any assets of the OPCO (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of the OPCO, or allow the creation of any security interest thereon; and pursuant to the Power of Attorney and Power of Attorney on Shareholder's Voting Rights, the Registered Owner has irrevocably appointed designee(s) of the WFOE to act as its attorney on its behalf to exercise all rights in connection with matters concerning its rights as shareholder of the OPCO, including but not limited to the exercise of voting and veto rights on all matters requiring the decisions of shareholders.

As stipulated under the paragraphs headed "II. THE CONTRACTUAL ARRANGEMENTS – Reasons for Use of Contractual Arrangements" of this announcement, for the purpose of operating the online games in compliance with applicable PRC laws and regulations, the Company would not be currently allowed to hold any equity interests in the OPCO given that the OPCO Group operates the foreign-prohibited business. The Board (excluding the independent non-executive Directors) is of the view that the Structured Contracts, when viewed in totality, are in compliance with the requirements set out in the Stock Exchange's Guidance Letter HKEx-GL77-14, and being narrowly tailored to achieve the transactions contemplated under the Contractual Arrangements and to minimize the potential conflicts with and are enforceable under the relevant PRC laws. The Board confirms that appropriate arrangements have been made to protect the interests of the Group in the OPCO in the event of the OPCO's or the Registered Owner's (as the case may be) liquidation, dissolution, bankruptcy or termination to avoid any practical difficulties in enforcing the Contractual Arrangements. The Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, and such transactions have been or will be entered into in the Group's ordinary and usual course of business. The terms of the Structured Contracts are fair and reasonable and on normal commercial terms or better, and the proposed entering into of such agreements is in the interests of the Group and the Shareholders as a whole, and as such would enable the WFOE to gain control over the OPCO and entitle it to the economic interests and benefits of the OPCO Group.

The Board (excluding the independent non-executive Directors) further believes that save for such issues as disclosed in the paragraphs headed “II. THE CONTRACTUAL ARRANGEMENTS – Risk Factors in Relation to the Contractual Arrangements – 2. Certain terms of the Contractual Arrangements may not be enforceable under PRC laws”, the Structured Contracts conferring significant control and economic benefits from the OPCO to the Company are enforceable under the relevant PRC laws, and that the Contractual Arrangements will provide a mechanism that enables the WFOE to exercise effective control over the OPCO based on the following reasons:

- (i) The Directors have consulted with the PRC Legal Adviser in respect of their views on the Structured Contracts as stipulated under paragraphs headed “II. THE CONTRACTUAL ARRANGEMENTS – Compliance of Contractual Arrangements with PRC Laws, Rules and Regulations”.
- (ii) The Directors undertake that they shall consult the PRC Legal Adviser from time to time to check if there are any legal developments in the PRC affecting the Contractual Arrangements, and shall, where necessary, immediately report to the Board and provide it with appropriate advice and recommendations to enable it to timely determine if any modification or amendment needs to be made in compliance with the updated legal requirements.

As a result, the Contractual Arrangements enable the Group to

- (i) irrevocably exercise such voting rights as entitled by shareholders of the OPCO;
- (ii) exercise effective financial and operational control over the OPCO;
- (iii) receive substantially all such economic interest returns generated by the OPCO through the fees charged for the services provided by the WFOE;
- (iv) obtain an irrevocable and exclusive right to purchase all or part of the equity interests in the OPCO from the shareholder(s) at the minimum consideration permitted by PRC laws; and
- (v) obtain a pledge over the entire equity interests of the OPCO from its respective equity holders to secure performance of the OPCO’s obligations under the Contractual Arrangements.

The Board (excluding the independent non-executive Directors), based on the advice of the PRC Legal Adviser, considers that the use of Contractual Arrangements is in compliance with the relevant PRC laws and regulations currently in effect and are legally binding and enforceable. As a result of the Contractual Arrangements, the Group is able to exert effective control over the OPCO as it has rights to exercise power over the OPCO (as entitled by its equity holder), receive variable returns from its arrangements with the OPCO, and has the ability to affect those returns through its power over the OPCO. Consequently, the Group will treat the OPCO as controlled entity and consolidate the financial position and results of operations of the OPCO in the consolidated financial statements of the Group in accordance with Hong Kong Financial Reporting Standards. The Company has discussed with the Company's auditors and the Company's auditors concurred with management's assessment and conclusion on the accounting treatment.

Risk Factors in Relation to the Contractual Arrangements

The Group believes the following risks are associated with the Contractual Arrangements:

- 1. If the PRC government finds that the Contractual Arrangements that allow the Company to consolidate the results of operations, assets and liabilities, and cash flows of the OPCO which operates the Prohibited Businesses do not comply with the applicable PRC laws and regulations, the Company could be subject to penalties and its business may be materially and adversely affected.**

On 15 March 2019, the National People's Congress promulgated the Foreign Investment Law, and the Implementation Rules to the PRC Foreign Investment Law came into effect as of 1 January 2020, which clarified and elaborated the relevant provisions of the Foreign Investment Law.

While the Foreign Investment Law does not define contractual arrangements as a form of foreign investment explicitly, it has a catch-all provision under the definition of "foreign investment" that includes investments made by foreign investors in the PRC through other means as provided by laws, administrative regulations or the State Council.

Notwithstanding the PRC Legal Advisers is of the view that the Contractual Arrangements are valid, legal and binding on and enforceable against all the signing parties to the Contractual Arrangements, the PRC laws and regulations are still evolving and the interpretation and application of current and future PRC laws and regulations may change from time to time; accordingly, the PRC regulatory authorities may eventually take a view that is contrary to the opinion of the PRC Legal Adviser. It is uncertain whether any other new PRC laws or regulations relating to the OPCO structures will be adopted or if adopted, what they would provide. If the Company or its OPCO is found to be in violation of any existing or future PRC laws or regulations, or fails to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have discretion to take action in dealing with such violations or failures in accordance with relevant PRC laws and regulations, including:

- revoking the Group's business and operating licenses;
- discontinuing or restricting the Group's operations;
- imposing fines or confiscating any of the Group's income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which the Company or the OPCO may not be able to comply;
- requiring the Group or the OPCO to restructure the relevant ownership structure or operations; or
- taking other regulatory or enforcement actions in accordance with relevant PRC laws and regulations.

The imposition of any of these penalties could have a material and adverse effect on the Group's business, financial condition and results of operations. If any of these penalties results in the Group's inability to direct the activities of OPCO that most significantly impact its economic performance, and/or the Group's failure to receive the economic benefits from the OPCO, the Company may not be able to consolidate the entity in its consolidated financial statements.

The Company cannot guarantee the Shareholders that future laws and regulations will not provide for contractual arrangements as a form of such foreign investment. Therefore, there can be no assurance that the Company's control over the OPCO through the Contractual Arrangements will not be deemed as foreign investment in the future. In the event that any possible implementing regulations of the Foreign Investment Law, or any other future laws, administrative regulations or provisions deem contractual arrangements as a means of foreign investment, or as otherwise in violation of such laws, administrative regulations or provisions, the Contractual Arrangements may be deemed as invalid and illegal, and the Group may be required to unwind the Contractual Arrangements and/or dispose of any affected business. Also, if future laws, administrative regulations or provisions mandate further actions to be taken with respect to the Contractual Arrangements, the Group may face substantial uncertainties as to whether the Group can complete such actions in a timely manner, or at all.

2. Certain terms of the Contractual Arrangements may not be enforceable under PRC laws

The Contractual Arrangements provide that the arbitration tribunal may award remedies over the shares and/or assets of the OPCO or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the OPCO, and any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and China (being the place of incorporation of the OPCO and the place where the principal assets of the WFOE or the OPCO is located) for interim remedies or injunctive relief. However, pursuant to the PRC laws, the arbitration tribunal may have no power to grant the aforementioned remedies or injunctive relief or to order the winding up of the OPCO. As a result, in the event that the OPCO or the Registered Owner breaches the terms of the Contractual Arrangements, the WFOE may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over the OPCO could be materially and adversely affected.

3. The Contractual Arrangements may not be as effective in providing control over the OPCO as equity ownership

The Group has relied and expects to continue to rely on the Contractual Arrangements with the OPCO and the Registered Owner to operate the Prohibited Businesses. If the Company had equity ownership of the OPCO, the Company would be able to exercise its rights as a shareholder to effect changes in the board of directors of the OPCO, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, under the Contractual Arrangements, the Group relies on the performance by the OPCO and the Registered Owner of their obligations under the contracts to exercise control over the OPCO. However, the Registered Owner may not act in the best interests of the Group or may not perform its obligations under these contracts. Such risks exist throughout the period in which the Group intends to operate its business through the Contractual Arrangements with the OPCO. The Company may replace the registered owner of the OPCO at any time pursuant to the Contractual Arrangements with the OPCO and the Registered Owner. However, if any dispute relating to these contracts remains unresolved, the Group will have to enforce its rights under these contracts through the operation of PRC law and courts and will be subject to uncertainties with respect to the outcome of such disputes. Therefore, the Contractual Arrangements with the OPCO may not be as effective in ensuring the Company's control over the relevant portion of its business operations as equity ownership would be.

4. Any failure by the OPCO or the Registered Owner to perform their obligations under the Contractual Arrangements would potentially lead to the Group having to incur additional costs and expend material resources to enforce such arrangements, and/or temporary or permanent loss of control over the Prohibited Businesses and the revenue from these businesses

If the OPCO or the Registered Owner fail to perform their respective obligations under the Contractual Arrangements, the Group may have to incur additional costs and expend material resources to enforce such arrangements, and/or this may lead to the Group's temporary or permanent loss of control over the Prohibited Businesses and the revenue from these businesses. The Group may also have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, and claiming damages, which the Company cannot guarantee the Shareholders will be effective. For example, if the Registered Owner refuses to transfer its equity interest in the OPCO to the Company or its designee when the WFOE exercises the purchase option pursuant to the Contractual Arrangements, or

if it otherwise acts in bad faith towards the Group, the Group may have to take legal actions to compel it to perform its contractual obligations. In the event the Group is unable to enforce the Contractual Arrangements, the Company may not be able to exert effective control over the OPCO, and the Group's ability to conduct its businesses may be negatively affected, which may have a material and adverse effect on the Group's financial condition and results of operations.

5. The Registered Owner may have potential conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition

The Registered Owner may have potential conflicts of interest with the Group. The Registered Owner may breach, or cause the OPCO to breach, or refuse to renew, the Contractual Arrangements the Group has with him and the OPCO, which would have a material and adverse effect on the Company's ability to effectively control the OPCO Group and receive substantially all the economic benefits from it. The Company cannot guarantee the Shareholders that when conflicts of interest arise, the Registered Owner will act in the best interests of the Group or such conflicts will be resolved in the Group's favor. If the Group cannot resolve any conflict of interest or dispute between the Group and the Registered Owner, the Group would have to rely on legal proceedings, which could result in disruption of its business and subject the Group to substantial uncertainty as to the outcome of any such legal proceedings.

6. The Contractual Arrangements may subject the Company to scrutiny by the PRC tax authorities and may result in a finding that the Company owes additional taxes or is ineligible for tax exemptions, or both, which could substantially increase taxes owed and thereby reduce profit attributable to equity shareholders of the Company

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Company could face material and adverse tax consequences if the PRC tax authorities determine that the Structured Contracts entered into with the OPCO do not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase tax liabilities of the Company. In addition, PRC tax authorities may form the view that the OPCO has improperly minimized their tax obligations, and the Company may not be able to rectify any such incident within the limited timeline required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Company for underpaid taxes in accordance with relevant PRC laws and regulations, which could materially and adversely affect business, financial condition and results of operations of the Company.

- 7. If any of the WFOE or OPCO becomes the subject of a bankruptcy or liquidation proceeding, the Company may lose the ability to use and enjoy certain important assets, which could materially and adversely affect its businesses**

The OPCO is expected to contribute a portion of the Group's revenue. The Contractual Arrangements contain terms that specifically obligate the Registered Owner to ensure the valid existence of the OPCO and restrict the disposition of material assets or any equity interest of the OPCO. However, in the event the Registered Owner breaches the terms of the Contractual Arrangements and voluntarily liquidates the OPCO, or the OPCO declares bankruptcy and all or part of its assets become subject to liens or rights of third-party creditors, or are otherwise disposed of without the Company's consent, the Group may be unable to operate some or all of its business, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, if the OPCO undergoes a voluntary or involuntary liquidation proceeding, its equity holders or unrelated third-party creditors may claim rights to some or all of the assets of the OPCO, thereby hindering the Group's ability to operate its business.

- 8. The Company's exercise of the option to acquire the equity interests of the OPCO may be subject to certain limitations and the ownership transfer may incur substantial costs**

In case the WFOE exercises its option to acquire all or part of the equity interest in the OPCO under the Exclusive Option Agreement, such acquisition may only be conducted to the extent as permitted by the applicable PRC laws and will be subject to necessary approvals or relevant procedures under applicable PRC laws. In addition, the aforementioned acquisitions may be subject to a permissible minimum price (such as an appraised value for the equity interest in the OPCO) or other limitations as imposed by applicable PRC laws. Further, a substantial amount of other costs (if any) and time may be involved in acquiring and transferring the ownership of the OPCO, which may have a material adverse impact on the WFOE and/or the Company's businesses, prospects and profitability.

9. The Company does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements and the relevant agreements for the transactions contemplated thereunder and the operation of Contractual Arrangements, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. The Company will continue evaluating the feasibility, cost and benefit of insuring the transactions contemplated under the Contractual Arrangements.

III. SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon completion of the Subscription, assuming there are no changes in the issued share capital of the Company between the date of this announcement and the date of allotment and issue of the Subscription Shares, for illustration purpose only:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Subscription	
	<i>Number of issued Shares</i>	<i>Approximate %</i>	<i>Number of issued Shares</i>	<i>Approximate %</i>
Semk Global Investment Ltd ^(Note 1)	663,200,000	67.61	663,200,000	66.56
City Legend International Limited ^(Note 2)	83,601,000	8.52	83,601,000	8.39
Top Plenty Limited ^(Note 3)	58,446,000	5.96	58,446,000	5.87
Mr. Hui	7,000,000	0.71	7,000,000	0.70
The trustee of the 2022 Share Award Scheme	32,700,000	3.33	32,700,000	3.28
The Subscriber	–	N/A	15,439,300	1.55
Other Shareholders	136,046,000	13.87	136,046,000	13.65
Total	<u>980,993,000</u>	<u>100.00</u>	<u>996,432,300</u>	<u>100.00</u>

Notes:

1. The entire issued share capital of Semk Global Investment Ltd is held by Semk Products (Holdings) Limited, which is in turn wholly-owned by Mr. Hui, the chairman of the Board, executive Director and the chief executive officer of the Company.
2. Based on the notice of disclosure of interests filed on 26 January 2022, City Legend International Limited is interested in 83,601,000 Shares. City Legend International Limited is wholly-owned by Phoenix Ocean Developments Limited, which is in turn wholly-owned by Overseas Chinese Town (Asia) Holdings Limited. Overseas Chinese Town (Asia) Holdings Limited is owned as to 70.94% by Pacific Climax Limited, which is wholly-owned by Overseas Chinese Town (HK) Company Limited. Overseas Chinese Town (HK) Company Limited is wholly-owned by 深圳華僑城股份有限公司, a company owned as to 47.01% and 0.96% by 華僑城集團有限公司 and 深圳華僑城資本投資管理有限公司. 深圳華僑城資本投資管理有限公司 is wholly-owned by 華僑城集團有限公司.
3. Based on the notice of disclosure of interests filed on 29 November 2023, Top Plenty Limited is interested in 58,446,000 Shares. Top Plenty Limited is wholly-owned by Wong's Industrial (Holdings) Limited, which is in turn wholly-owned by Catel (B.V.I) Limited. Catel (B.V.I) Limited is a company wholly-owned by Wong's International Holdings Limited.

IV. EQUITY FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS PRIOR TO THE DATE OF THIS ANNOUNCEMENT

The Company has not conducted any other fundraising exercise in the past 12 months immediately preceding the date of this announcement.

V. LISTING RULES IMPLICATIONS

Proposed Issue of New Shares

The Subscription Shares will be allotted and issued under the Special Mandate, subject to the Shareholders' approval on the Subscription.

Contractual Arrangements

The Registered Owner, being a cousin of Mr. Hui, is a deemed connected person of the Company. Therefore, the continuing connected transactions under the Contractual Arrangements should constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and such transactions should be subject to all applicable reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the Directors (excluding the independent non-executive Directors) are of the view that it is inappropriate for the Company to (a) set an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; or (b) limit the term of the Contractual Arrangements to a fixed term under Rule 14A.52 of the Listing Rules on the following grounds:

- (a) the Contractual Arrangements and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations as the adoption of the Contractual Arrangements enables the Group to continue, through the WFOE, to maintain effective control over, and receive all the economic benefits generated by, the businesses operated by the OPCO and operate the Prohibited Businesses;
- (b) the Contractual Arrangements are entered into for the benefit of the Group. Unlike typical connected transactions, since the Registered Owner acts as shareholder of the OPCO to facilitate the arrangements whereby economic benefits from the OPCO are transferred to the Company, there is no concern of leakage of economic benefits to connected persons to the detriment of minority shareholders of the Company under the Contractual Arrangements;
- (c) the Directors (excluding independent non-executive Directors) consider that the Contractual Arrangements are on normal commercial terms or on terms more favorable to the Group, in the ordinary and usual course of business of the Group and are fair and reasonable or to the advantage of the Group, and are in the interests of the Company and the Shareholders as a whole;
- (d) the Structured Contracts will be approved by the Independent Shareholders at the general meeting of the Company. In particular, in the circular to be dispatched to the Independent Shareholders, the Independent Financial Adviser would have advised the Independent Shareholders on, among other things, the terms of the Structured Contracts, including but not limited to the absence of annual cap and fixed term of the Structured Contracts. As such, each of the Independent Shareholders has been given an opportunity to consider and vote on the Structured Contracts after having benefit of the recommendation of the Independent Financial Adviser on the Structured Contracts; and

- (e) taking into account (i) the transactions are fundamental to the Group's legal structure in holding the OPCO and the management of the Prohibited Businesses of the OPCO in the PRC, (ii) the transactions contemplated under the Structured Contracts are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) the Independent Shareholders have been given a chance to vote on the Structured Contracts having received recommendation from the Independent Financial Adviser, there is no presumption of undue influence that justifies an additional layer of check and balance prescribed by the Listing Rules. It is impractical and unduly burdensome and adds to the additional cost and administrative burden on the Company to require the Company to adopt an annual cap or set a definite term to the Structured Contracts which may be otherwise detrimental to the commercial interest of the Company.

Application for Waivers from Strict Compliance with Chapter 14A of the Listing Rules

The Company will apply for a waiver from strict compliance with (i) the requirement of setting an annual cap for the transactions under the Structured Contracts under Rule 14A.53 of the Listing Rules, and (ii) the requirement of fixing a definite term of the Structured Contracts under Rule 14A.52 of the Listing Rules, for so long as the shares of the Company are listed on the Stock Exchange.

VI. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Contractual Arrangements and the transactions contemplated thereunder. Lego has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

VII. EGM

An EGM will be convened and held for (i) the Shareholders to consider and, if thought fit, to approve the Subscription and the transactions contemplated thereunder; and (ii) the Independent Shareholders to consider and, if thought fit, to approve the Contractual Arrangements and the transactions contemplated thereunder.

Pursuant to Rule 14A.68(11) of the Listing Rules, a circular is required to be despatched to the Shareholders within 15 business days after the publication of this announcement. As additional time is required by the Company to prepare the information to be included in the circular, it is expected the circular containing, among other things, (i) further information in relation to the Subscription and the Contractual Arrangements; (ii) the recommendation from the Independent Board Committee and the recommendation from Lego to the Independent Board Committee and the Independent Shareholders in relation to the Contractual Arrangements; (iii) the general information of the Group; and (iv) a notice of the EGM, will be dispatched to the Shareholders on or before 31 May 2024.

As of the date of this announcement, Mr. Hui was considered to have material interests in the Contractual Arrangements given his relationship with the Registered Owner. Mr. Hui and his associates will be required to abstain from voting for the relevant resolution approving the Contractual Arrangements and the transactions contemplated thereunder at the EGM. Mr. Hui had thus abstained from voting on the Board resolution(s) in respect of the Contractual Arrangements. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there are no other Director who has any material interest in the above transaction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholders or any of their respective associates have any material interest in the above transactions and therefore no other Shareholder would be required to abstain from voting at the EGM for the relevant resolutions.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Accordingly, the proposed resolutions will be put to vote by way of poll at the EGM. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

The completion of Subscription and the transactions pursuant to the Contractual Arrangements are inter-conditional upon each other. Completion of the Subscription is subject to the satisfaction of the conditions precedent to the Subscription Agreement. Accordingly, the Subscription and the Contractual Arrangements may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to the actions that they should take.

DEFINITIONS

In this announcement, the following expressions shall have the meanings set out below unless the context requires otherwise:

“2022 Share Award Scheme”	the share award scheme adopted by the Company on 5 September 2022, which was amended on 8 September 2022
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	B.Duck 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 to it under the Listing Rules
“Contractual Arrangements”	the series of contractual arrangement, which comprise the exclusive technical service agreement, the exclusive option agreement, the loan agreement, the power of attorney on shareholder’s voting rights, the power of attorney, the equity interest pledge agreement and the spousal consent, to be entered into among the WFOE, the OPCO, the Registered Owner and the spouse of the Registered Owner (as the case may be) prior to the completion of the Subscription
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Dequ Technology”	Dequ Technology Technology Co., Ltd.* (深圳德趣科技有限公司), a company incorporated in the PRC with limited liability on 16 February 2023
“Director(s)”	director(s) of the Company
“Dream Studio”	Shenzhen Dream Studio Technology Co Ltd* (深圳市夢作坊科技有限公司), a company incorporated in the PRC and the Subscriber

“EGM”	the extraordinary general meeting of the Company to be convened for (i) the Shareholders to consider, and if thought fit, approve, among other things, the Subscription and the transactions contemplated thereunder and (ii) the Independent Shareholders to consider and, if thought fit, to approve the Contractual Arrangements and the transactions contemplated thereunder
“Foreign Investment Law”	the Foreign Investment Law of the People’s Republic of China 《中華人民共和國外商投資法》 adopted by the NPC on 15 March 2019 which became effective on 1 January 2020
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“ICP License”	a value-added telecommunications service operating license for internet information services of the PRC (互聯網信息服務的《中華人民共和國增值電信業務經營許可證》)
“Independent Board Committee”	the Independent Board Committee which comprises all the independent non-executive Directors, namely, Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Dr. Chan Kai Yue Jason, <i>MH</i> , <i>JP</i> , established to advise the Independent Shareholders in respect of the Contractual Arrangements and the transactions contemplated thereunder
“Independent Financial Adviser” or “Lego”	Lego Corporate Finance Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Contractual Arrangements
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolution at the EGM

“Independent Third Party(ies)”	an individual(s) or a company(ies) who is/are or which is/are not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company or any of its subsidiaries or any of their respective associates and not connected person(s) of the Company
“IP(s)”	intellectual property(ies)
“Last Trading Day”	25 April 2024, being the last trading day for the Shares prior to the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31 December 2024 or any other date as agreed in writing between the Subscriber and the Company
“MIIT”	the Ministry of Industry and Information Technology of the PRC
“MOFCOM”	Ministry of Commerce of the PRC
“Mr. Hui”	Mr. Hui Ha Lam, the chairman of the Board, chief executive officer of the Company, executive Director and one of the controlling shareholders of the Company
“OPCO”	B.Duck SEMK (Suzhou) Cultural Investment Co., Ltd.* (小黃鴨德盈(蘇州)文化投資有限公司), a company incorporated in the PRC with limited liability on 24 August 2023
“OPCO Group”	the OPCO and its subsidiary
“PRC” or “China”	the People’s Republic of China
“PRC Legal Adviser”	the PRC legal counsel to the Company in relation to the Contractual Arrangements
“Registered Owner”	Mr. Wu Shuhong (吳樞泓), a cousin of Mr. Hui

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of USD0.000025 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	a specific mandate to allot and issue the Subscription Shares to be sought from the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	a series of the exclusive technical service agreement, the exclusive option agreement, the loan agreement, the power of attorney on shareholders’ voting rights, the power of attorney, the equity interest pledge agreement and the spousal consent to be entered into by and among the OPCO, the WFOE, the Registered Owner and the spouse of the Registered Owner (as the case may be)
“Subscriber”	Dream Studio
“Subscription”	the subscription of 15,439,300 Subscription Shares by the Subscriber in accordance with the terms and conditions of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 26 April 2024 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Shares”	new Shares to be issued by the Company to the Subscriber upon completion of the Subscription Agreement
“U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

“USD”	United States dollars, the lawful currency of the U.S.
“WFOE”	SEMK Cultural Innovation (Suzhou) Co., Ltd.* (德盈文創(蘇州)有限公司), a company incorporated in the PRC with limited liability on 1 February 2023 and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
B.Duck Semk Holdings International Limited
Hui Ha Lam
Chairman of the Board and Executive Director

Hong Kong, 26 April 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, Mr. Cheung Chin Yiu, and Mr. Tse Tsz Leong as executive Directors, Mr. Li Xiang as non-executive Director and Ms. Leung Ping Fun Anita, Mr. Sung Chi Keung and Dr. Chan Kai Yue Jason, MH, JP as independent non-executive Directors.

For illustration purpose only, in this announcement, the conversion of HK\$ into US\$ is based on the exchange rate of HK\$7.82 to US\$1.0, and the conversion of RMB into HK\$ is based on the exchange rate of RMB1.0 to HK\$1.082, unless otherwise stated.

* *for identification purposes only*