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PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE BONDS

The Directors are pleased to announce that on 10 February 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber in relation to the issue of Convertible Bonds.

The gross proceeds from the issue of the Convertible Bonds will be HK\$16,500,000. The net proceeds from the issue of the Convertible Bonds of approximately HK\$16,200,000 are intended to be used as general working capital of the Group as well as for the continuous development of the existing smart cards and media and entertainment businesses of the Group.

As the Subscription Agreement may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE SUBSCRIPTION AGREEMENT

Date: 10 February 2023

Parties: (i) the Company, as issuer; and
(ii) the Subscriber, as subscriber

Subject Matter

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$16,500,000.

Information on the Subscriber

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber is a private investor with experience of working in Chinese enterprise which invests in science, technology and innovation-related sectors and is an Independent Third Party as at the date of this announcement. Before entering into the Subscription Agreement, neither the Subscriber nor his associates has any interests in the Shares or any business dealings with the Group.

Principal amount of the Convertible Bonds and the Deposit

Pursuant to the Subscription Agreement, the Subscriber will subscribe for the Convertible Bonds in the principal amount of HK\$16,500,000. The Subscriber has paid to the Company a non-refundable deposit (the "**Deposit**") in the amount of HK\$300,000 before entering into the Subscription Agreement. The Subscriber undertakes in favour of the Company that he will settle the remaining subscription price in the sum of HK\$16,200,000 by way of cashier's order or bank transfer to the Company or its subsidiary on or before Completion. Upon Completion, the Deposit paid will be applied as partial consideration to settle the subscription price of the Convertible Bonds.

Conditions

Completion of the Subscription Agreement shall be subject to and conditional upon, among other things, the following conditions:

- (a) the Company having obtained all necessary consent and approvals required in respect of the Subscription and the transactions contemplated thereunder;
- (b) the Subscriber having obtained all necessary consent and approvals required in respect of the Subscription and the transactions contemplated thereunder; and
- (c) the GEM Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the Conversion Shares.

None of the above conditions can be waived. If the conditions of the Subscription Agreement are not fulfilled on or before 4:00 p.m. on 28 February 2023 (or such later date as may be agreed between the parties thereto), the Subscription Agreement will terminate and cease to have any effect and the Company is entitled to forfeit the Deposit paid (not as penalties). None of the parties to the Subscription Agreement shall have any claim against the other save for any antecedent breaches of the provisions thereof.

Completion Date

Completion of the Subscription Agreement will take place on the fifth Business Day after the fulfillment of the conditions referred to above, or such other date as the Company and the Subscriber may agree in writing.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

Details of the principal terms of the Convertible Bonds are set out as follows:

| | | |
|-------------------|---|---|
| Issuer | : | The Company |
| Principal Amount | : | HK\$16,500,000 in aggregate |
| Issue Price | : | 100% of the principal amount |
| Interest Rate | : | 5% per annum accrued on the outstanding principal amount of the Convertible Bonds and payable by the Company on the Maturity Date or the Early Redemption Date (as appropriate). |
| Maturity Date | : | Unless previously redeemed or converted or purchased and cancelled, any outstanding Convertible Bonds shall be redeemed by 4:00 p.m. on the date immediately following three years after the first issue of the Convertible Bonds (or, if that is not a Business Day, the first Business Day thereafter) |
| Ranking | : | The Convertible Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves |
| Conversion | : | Save for the period commencing on the date of issue and ending on the date falling six months thereafter, the Bondholder(s) will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Shares at any time and up to 4:00 p.m. (Hong Kong time) on the date immediately prior to the Maturity Date in amounts of not less than a whole multiple of HK\$1,000,000 on such conversion |
| Conversion Shares | : | Upon exercise of the conversion rights under the Convertible Bonds in full at the initial Conversion Price of HK\$0.30 per Conversion Share, a total of 55,000,000 Conversion Shares will be issued to the Subscriber, representing approximately 10.47% of the existing issued share capital of the Company; and approximately 9.48% of the issued share capital of the Company as enlarged by the issue of the Conversion Shares to the Subscriber. |

PROVIDED ALWAYS that the maximum number of Conversion Shares issuable upon conversion of the Convertible Bonds shall be subject to the threshold of (i) 55,000,000 Shares (or such other number of Shares under an afresh approval as the GEM Listing Committee of the Stock Exchange may be granted as to the listing thereof, and permission to deal therein, upon further application to be made on the part of the Company in the event of any adjustment of Conversion Price) (the “**Listing Approval Threshold**”); or (ii) such number of Shares which may be permissible to be issued under the general mandate of the Company granted to the Directors at the AGM (as defined below) (the “**General Mandate Threshold**”), whichever is lower. If there is any event occurred (including but not limited to the dilutive events as stated in the terms and conditions of the Convertible Bonds) which leads to the number of Conversion Shares issuable under the Convertible Bonds to exceed the Listing Approval Threshold or the General Mandate Threshold (whichever is lower), then the Bondholder(s) shall be entitled to convert the Bonds into such number of Conversion Shares subject to the Listing Approval Threshold or the General Mandate Threshold (as appropriate) based on the adjusted Conversion Price and any outstanding remaining principal amount of the Bonds shall be redeemed by the Company on the Maturity Date in cash in accordance with the terms of the Convertible Bonds.

- Conversion Price : The initial Conversion Price is HK\$0.30 per Share (subject to adjustments) and was arrived at after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares and represented:
- (i) a premium of approximately 757.14% to the closing price of HK\$0.035 per Share as quoted on the Stock Exchange for the last trading day immediately prior to the date of this announcement;
 - (ii) a premium of approximately 737.99% to the average of the closing prices per Share of HK\$0.0358 for the last five consecutive trading days immediately prior to the date of this announcement; and
 - (iii) a premium of approximately 735.65% to the average of the closing prices per Share of HK\$0.0359 for the last ten consecutive trading days immediately prior to the date of this announcement.

Adjustments to the
Conversion Price

: The Conversion Price will from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events except where any such event is specifically exempted under the terms and conditions of the Convertible Bonds:

- (i) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (iii) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such;
- (iv) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 70% of the then market price of the Share;
- (v) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total consideration per Share initially receivable for such securities is less than 70% of the then market price of the Shares, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total consideration per Share initially receivable for such securities is less than 70% of the then market price of the Shares;
- (vi) an issue being made by the Company wholly for cash of Shares at a price per Share less than 70% of the then market price of the Shares; and
- (vii) an issue being made by the Company of Shares for the acquisition of asset at the total consideration per Share which is less than 70% of the then market price of the Shares.

- Voting : The Bondholder will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder of the Convertible Bonds
- Transfer : Convertible Bonds may be transferable to any persons in whole or in part and in whole multiples of HK\$1,000,000, save that where the proposed transferee is a connected person of the Company, prior consent of the Company and the Stock Exchange would be required
- Early redemption by the Company : The Company may at any time prior to the Maturity Date and from time to time redeem the Convertible Bonds at 100% of the outstanding principal amount (in whole or in part) in cash by serving at least 30 Business Days' prior written notice on the Bondholder with the total amount proposed to be redeemed from the Bondholder specified therein. The Bondholders can then within 15 Business Days after the date of such notice convert any outstanding amount of the Bonds in multiples of HK\$1,000,000 (or such lesser amount as may represent the entire principal amount thereof) into the Conversion Shares at the Conversion Price. Upon the expiry of 15 Business Days after the date of such notice, the Company shall redeem the outstanding principal amount of the Convertible Bonds as set out in the notice, together with any interest or other payment that has accrued thereon in accordance with the relevant Convertible Bonds up to and excluding the date on which early redemption is made by the Company (the "**Early Redemption Date**") but has not been paid, unless previously redeemed.
- Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock or securities exchange. Application will be made by the Company to the Stock Exchange for the listing of, and dealing in, the Conversion Shares.
- Status : The Conversion Shares will rank pari passu in all respects with the Shares in issue on the relevant conversion date.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in (i) contract manufacturing and sales of smart cards; (ii) the provision of customized smart card application systems; (iii) provision of management and financial consultancy services; and (iv) media and entertainment.

The Directors consider raising funds by issuing Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for the continuous development of the existing smart cards and media and entertainment businesses of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of the existing Shareholders.

The Directors consider that the terms of the Subscription Agreement (including the terms of the Convertible Bonds and the Conversion Price), which were arrived at after arm's length negotiations between the Company and the Subscriber, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The gross proceeds from the issue of the Convertible Bonds will be HK\$16,500,000. The net proceeds from the issue of the Convertible Bonds of approximately HK\$16,200,000 are intended to be used as general working capital of the Group as well as for the continuous development of the existing smart cards and media and entertainment businesses of the Group. The net price for each Conversion Share is approximately HK\$0.2945.

SHAREHOLDING STRUCTURE

The shareholding structure of the Company (i) as at the date of this announcement and (ii) for illustration purpose only, immediately after the allotment and issue the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds on an assumption of the Conversion Price being HK\$0.30 is as follows:

| | As at the date of this announcement | | Immediately after the allotment and issue of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds | |
|---------------------------------------|-------------------------------------|---------------|---|---------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Best Heaven Limited (<i>Note</i>) | 31,586,500 | 6.01 | 31,586,500 | 5.44 |
| Golden Dice Co., Ltd. (<i>Note</i>) | 63,142,512 | 12.02 | 63,142,512 | 10.88 |
| Public Shareholders | | | | |
| The Subscriber | – | – | 55,000,000 | 9.48 |
| Other public Shareholders | 430,618,488 | 81.97 | 430,618,488 | 74.20 |
| | <u>525,347,500</u> | <u>100.00</u> | <u>580,347,500</u> | <u>100.00</u> |

Note: Best Heaven Limited and Golden Dice Co., Ltd. are wholly-owned by Mr. Tsai Chi Yuan.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

GENERAL MANDATE

The Conversion Shares will be issued under the General Mandate granted to the Directors by resolution of the Shareholders passed at the annual general meeting (the “AGM”) of the Company held on 11 May 2022 subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. As at the date of the AGM, the total number of Shares in issue was 525,347,500. Under the General Mandate, the Company is authorised to issue up to 105,069,500 Shares. From the date of the AGM to the date of this announcement, no new Share has been issued under the General Mandate.

Assuming there is no further issue or repurchase of the Shares and there is no adjustment to the initial Conversion Price, upon the full conversion of the Convertible Bonds, a total of 55,000,000 Conversion Shares will be issued, which represent approximately 52.35% of the new Shares which may be allotted and issued under the General Mandate. Accordingly, the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares (upon the conversion of the Convertible Bonds) are not subject to the approval of the Shareholders.

GENERAL

The transactions contemplated under the Subscription Agreement, including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares upon exercise of the conversion rights attaching to the Convertible Bonds, are not subject to the approval of the Shareholders.

Completion is subject to the satisfaction of the conditions precedent set out in the Subscription Agreement. In addition, the Subscription Agreement may be terminated in certain circumstances. **As the Subscription Agreement may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

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| “associates” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Board” | the board of Directors |
| “Bondholder(s)” | holder(s) of the Convertible Bonds |
| “Business Day(s)” | any day (excluding a Saturday, Sunday and public holiday) on which banks in Hong Kong are generally open for business throughout their normal business hours |

| | |
|---------------------------------------|---|
| “Company” | Phoenitron Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM (Stock code: 8066) |
| “Completion” | completion of the Subscription Agreement |
| “connected persons” | has the meaning ascribed thereto in the GEM Listing Rules |
| “Conversion Price” | the conversion price of the Convertible Bonds, initially being HK\$0.30 per Conversion Share (subject to adjustments pursuant to the terms of the instrument of the Convertible Bonds) |
| “Conversion Shares” | new Share(s) fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds |
| “Convertible Bonds” | the convertible bonds in the aggregate principal amount of HK\$16,500,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement |
| “Director(s)” | the director(s) of the Company |
| “GEM” | the GEM of the Stock Exchange |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM |
| “General Mandate” | the general mandate granted to the Directors by the Shareholders in the annual general meeting of the Company convened and held on 11 May 2022 to allot, issue and deal with up to 20% of the total issued Shares as at the date of such annual general meeting |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Third Party(ies)” | independent third party(ies) who is(are) not connected person(s) (as defined in the GEM Listing Rules) of the Company and is(are) independent of and not connected with the connected persons of the Company |
| “Shares” | ordinary shares of HK\$0.20 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” | Mr. Guo Rong Xiang, a Chinese national |

| | |
|--------------------------|--|
| “Subscription” | the subscription of the Convertible Bonds in the principal amount of HK\$16,500,000 by the Subscriber pursuant to the terms of the Subscription Agreement |
| “Subscription Agreement” | the conditional subscription agreement dated 10 February 2023 and entered into between the Company and the Subscriber in relation to the subscription of the Convertible Bonds |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “%” | per cent |

By order of the Board
Phoenitron Holdings Limited
Chang Wei Wen
Executive Director

Hong Kong, 10 February 2023

As at the date of this announcement, the Board comprises three executive Directors, Ms. Lily Wu (Chairman and Chief Executive Officer), Mr. Chang Wei Wen and Mr. Yang Meng Hsiu, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Mr. Yeung Man Chit, Daniel and Mr. Chan Siu Wing, Raymond.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.phoenitron.com.