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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)

**DISCLOSEABLE TRANSACTION:
SUBSCRIPTION OF REGISTERED CAPITAL IN THE TARGET COMPANY**

THE CAPITAL INJECTION AGREEMENT

The Company is pleased to announce that, on 17 April 2024 (after trading hours), the Investor (being an indirect wholly-owned subsidiary of the Company) entered into the Capital Injection Agreement with the Target Company, pursuant to which the Investor has conditionally agreed to subscribe for the registered capital in the Target Company at the subscription price of RMB3,600,000 (representing approximately HK\$3,888,000). Upon Completion, the Investor, the Original Shareholder A and the Original Shareholder B shall hold 20%, 56% and 24% of the enlarged registered capital of the Target Company, respectively. As such, the Target Company shall be accounted as an associated company of the Company and the financial results of the Target Company will not be consolidated into the consolidated financial statements of the Group.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in the GEM Listing Rules) in respect of the Subscription is more than 5% but less than 25%, the Subscription constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Shareholders and potential investors of the Company should note that Completion is subject to the fulfillment or waiver (as the case may be) of a number of conditions precedent. Accordingly, the Subscription may or may not materialise. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Company is pleased to announce that, on 17 April 2024 (after trading hours), the Investor entered into the Capital Injection Agreement with the Target Company, pursuant to which the Investor has conditionally agreed to subscribe for the registered capital in the Target Company at the subscription price of RMB3,600,000 (representing approximately HK\$3,888,000).

THE CAPITAL INJECTION AGREEMENT

The principal terms of the Capital Injection Agreement are as follows:

- Date : 17 April 2024 (after trading hours)
- Parties : (i) 北京德生萬利時印藝科技有限公司 (Beijing Tecsun Venus Technology Limited*), an indirect wholly-owned subsidiary of the Company, being the Investor; and
- (ii) 杭州拜偲科智能科技有限公司 (Hangzhou Bizike Intelligence Technology Company Limited*), being the Target Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, each of the Original Shareholders and the Target Company is an Independent Third Party.

Subscription

As at the date of this announcement, the registered capital of the Target Company was RMB1,000,000. Pursuant to the Capital Injection Agreement, the Investor has conditionally agreed to subscribe for the registered capital of RMB250,000 in the Target Company at the Subscription Price of RMB3,600,000 (representing approximately HK\$3,888,000), whereas RMB250,000 out of the Subscription Price will be injected into the Target Company as registered capital, and the balance of RMB3,350,000 will be accounted for as capital reserves of the Target Company.

After the Subscription, the registered capital of the Target Company will increase by RMB250,000 to RMB1,250,000.

Consideration

The Subscription Price of RMB3,600,000 was determined on normal commercial terms after arm's length negotiation between the Investor and the Target Company with reference to (i) the registered capital of the Target Company; (ii) the financial position of the Target Company; and (iii) the current and future prospects and development of the e-commerce business of the Target Company, which the Directors consider to be fair and reasonable.

The Subscription Price shall be paid by the Investor to the Target Company in cash within 30 working days after the signing of the Capital Injection Agreement (or such other date as the parties thereto may agree) or the date of fulfilment or waiver (as the case may be) of all the conditions precedent of the Capital Injection Agreement as described under the paragraph headed "Conditions Precedent" below (whichever is the later). Upon Completion, the Investor shall be interested in 20% of the enlarged registered capital of the Target Company, being the proportion of the amount of capital of RMB250,000 to be contributed by the Investor in the enlarged registered capital of the Target Company of RMB1,250,000.

The Subscription Price will be satisfied by internal resources of the Group.

Conditions Precedent

Completion is conditional upon fulfilment or waiver (as the case may be) of the following conditions:

- (1) the representations and warranties given by the Target Company under the Capital Injection Agreement and all the transaction documents relating to the Subscription remain true, complete and correct, and are not misleading nor having any material omission;
- (2) the Target Company having obtained all the necessary approvals and consents for the Capital Injection Agreement and the transactions contemplated thereunder, including the approval of the existing shareholders of the Target Company (i.e. the Original Shareholders) on the proposed Subscription and the waiver of pre-emptive rights relating to the Subscription, and the relevant approvals and consents are in full force and effect;
- (3) the registered capital of RMB1,000,000 having been fully paid up by the existing shareholders of the Target Company (i.e. the Original Shareholders);
- (4) since the date of the Capital Injection Agreement, there having been no material adverse change or impact on the Target Company concerning the Subscription;
- (5) the Capital Injection Agreement and all transaction documents in respect of the Subscription having been signed by the Target Company; and
- (6) a declaration duly executed by the Target Company certifying the fulfilment of all the conditions precedent of the Capital Injection Agreement having been delivered to the Investor.

The Investor may in writing waive any of the above conditions precedent in clauses (1) and (4), while other conditions precedent are not capable to be waived.

As at the date of this announcement, none of the conditions above are satisfied or waived (if applicable). If the conditions above have not been fulfilled or waived (as the case may be) within 30 working days from the date of the Capital Injection Agreement (namely 30 May 2024) (or such later date as the parties to the Capital Injection Agreement may agree in writing), the Capital Injection Agreement shall cease and terminate and neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the Capital Injection Agreement.

Completion

Completion shall take place upon fulfilment or waiver (where applicable) of all the conditions precedent under the Capital Injection Agreement and upon the full settlement of the Subscription Price by the Investor.

The Target Company shall register the Investor on the register of members of the Target Company and proceed with the necessary registration procedures for business changes in respect of the Subscription within 5 working days upon Completion.

Upon Completion, the Investor shall hold 20% of the enlarged registered capital of the Target Company. As such, the Target Company shall be accounted as an associated company of the Company and the financial results of the Target Company will not be consolidated into the consolidated financial statements of the Group.

INFORMATION ON THE PARTIES

The Group

The Company is a public limited company incorporated in the Cayman Islands and its issued Shares are listed on GEM. The principal activities of the Group are manufacturing and sales of smart cards, provision of customized smart card application systems, provision of financial and management consultancy services, sales and trading of scrap metals and media and entertainment.

The Investor is a limited liability company established in the PRC on 19 July 2002 and based in Beijing, PRC. It is principally engaged in investment holdings.

The Target Company

The Target Company is a limited liability company established in the PRC on 26 March 2015 and based in Hangzhou, PRC. It is principally engaged in the e-commerce business, with the sale and promotion of various merchandises through its livestreaming e-commerce platform as its core business, coupled with the complementary digital marketing business through production of short video clip as well as livestreamers personal brand building.

The Target Company had been inactive in the past few years until it has commenced preparations for its livestreaming business at the end of 2022 and started to record revenue in 2023. Since then, the Target Company has been focusing on three main categories of products with the highest ROI (Return-on-Investment) – namely womenswear, health products and beauty products. The Target Company is also developing its own proprietary brands of merchandise and the net proceeds from the Subscription will be applied as funds for the development, promotion and sale of merchandise of its proprietary brand through livestreaming.

The Target Company is managed by a group of seasoned management with in-depth experience in e-commerce and digital marketing industry, including members who had been the senior personnel of e-commerce platforms such as “Alibaba” and leading short-video platform “douyin”, respectively. According to the Target Company’s record (unaudited), the transaction value generated through livestreaming for the ten months period from 1 June 2023 to 31 March 2024 amounted to approximately RMB91.4 million.

As at the date hereof, the Target Company was owned as to 70% and 30% by the Original Shareholder A and the Original Shareholder B, respectively. Upon Completion, the Investor, the Original Shareholder A and the Original Shareholder B shall hold 20%, 56% and 24% of the enlarged registered capital of the Target Company, respectively.

Set out below is the financial information of the Target Company for the two years ended 31 December 2023 prepared in accordance with generally accepted accounting principles in the PRC:

	Year ended 31 December 2023 (unaudited) RMB	Year ended 31 December 2022 (unaudited) RMB
Revenue	5,501,806	–
Profit/(loss) before taxation	390,655	(117,601)
Profit/(loss) after taxation	390,655	(117,601)

As at 31 December 2023, the unaudited net liability of the Target Company was approximately RMB2,400,000.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group has been proactively seeking potential business opportunities to broaden its income source. The e-commerce market in the PRC has continued to grow over the past few years. Since the outbreak of COVID-19 in 2020 and the accompanying lock-down measures, businesses have accelerated their digitalisation and offline to online transformation as customers increasingly shifted their purchase from offline to online shopping, and thereby spurred further growth in retail e-commerce market. Consumer behaviour and shopping habits in the PRC have been evolved during the pandemic, and the growth in demand for online shopping and influencer marketing have continued and extended into the post-COVID era.

According to a report titled “Live commerce in China” by Statista, an international market and consumer data provider, as of December 2022, China had about 845 million online shoppers and two-thirds of whom made purchases at least once a week, while there were 515 million live “shoppertainment” users and two-thirds of whom had purchased via livestream. Further, in 2020, the gross merchandise value of live commerce in China has doubled and the market size of the live commerce market in China has nearly tripled, and the sector has continued to grow more modestly since then.

According to eMarketer (<https://www.emarketer.com/content/china-ecommerce-forecast-2023>), the PRC’s retail ecommerce market is expected to continue its growth and reach approximately US\$3.98 trillion (equivalent to approximately RMB28.8 trillion) in 2027. eMarketer, established in 1996, is a subscription-based market research company that provides insights and trends related to digital marketing, media and commerce.

In light of the rapid development and wide acceptance of short video platforms, live streaming and livestream commerce in the PRC as well as the significant growth in the live streaming-related sectors over the past few years, it is expected that the live streaming e-commerce business will continue to prosper at a fast pace in the near future. The Directors are optimistic about the Target Company’s live streaming business and its development potential, and believe that the Subscription will enable the Group to grasp the growth momentum in the PRC’s retail e-commerce market, expand the business scope and broaden the income source of the Group, which are beneficial to the long-term development of the Group. Having considered the above factors, the Board considers that the terms of the Capital Injection Agreement are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

GEM LISTING RULES IMPLICATION

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DEFINITIONS

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

“Board”	the board of Directors
“Capital Injection Agreement”	the capital injection agreement dated 17 April 2024 entered into between the Investor and the Target Company
“Company”	Phoenitron Holdings Limited, (stock code: 8066), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the Subscription in accordance with the terms and conditions of the Capital Injection Agreement
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of and not connected (as defined under the GEM Listing Rules) with the Company and its connected person(s)
“Investor”	北京德生萬利時印藝科技有限公司 (Beijing Tecsun Venus Technology Limited*), a company incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Original Shareholder A”	蒲越先生 (Mr. Po Yue), a PRC citizen and an investor currently holding 70% of the equity interest in the Target Company, an Independent Third Party
“Original Shareholder B”	郭榕翔先生 (Mr. Guo Rongxiang), a PRC citizen and an investor currently holding 30% of the equity interest in the Target Company, an Independent Third Party
“Original Shareholders”	collectively, Original Shareholder A and Original Shareholder B
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.20 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of registered capital of the Target Company by the Investor in accordance with the Capital Injection Agreement
“Subscription Price”	the Subscription price payable by the Investor for the Subscription, being RMB3,600,000 (representing approximately HK\$3,888,000)
“Target Company”	杭州拜德科智能科技有限公司 (Hangzhou Bizike Intelligence Technology Company Limited*), a company established in the PRC with limited liability on 26 March 2015
“%”	per cent.

* For identification purposes only

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.08 has been used, where applicable, for purpose of illustration only and it does not constitute any representation that any amount has been, could have been or may be exchanged at that rate or at any other rate.

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

Hong Kong, 17 April 2024

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 collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 in 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.