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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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO POTENTIAL SUBSCRIPTION OF REGISTERED CAPITAL IN THE TARGET COMPANY

This announcement is made by Phoenitron Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on a voluntary basis to keep the Shareholders and potential Subscribers of the Company informed of the latest business development of the Group.

MEMORANDUM OF UNDERSTANDING

The board (the “**Board**”) of directors (“**Director(s)**”) announces that, on 25 August 2024, 北京德生萬利時印藝科技有限公司(Beijing Desheng Wanlizi Printing Arts Technology Company Limited*) (the “**Subscriber**”), an indirect wholly-owned subsidiary of the Company, entered into a memorandum of understanding (the “**MOU**”) with 杭州大品微揚科技有限公司(Hangzhou Dapin Weiyang Technology Co., Ltd.*) (the “**Target Company**”) in relation to, among other things, the proposed increase in the registered capital of the Target Company and the proposed subscription of the said increased registered capital by the Subscriber (the “**Proposed Subscription**”).

The principal terms of the MOU are as follows:

Date: 25 August 2024

- Parties:
- (i) 北京德生萬利時印藝科技有限公司(Beijing Desheng Wanlizi Printing Arts Technology Company Limited*), an indirect wholly-owned subsidiary of the Company, being the Subscriber; and
 - (ii) 杭州大品微揚科技有限公司(Hangzhou Dapin Weiyang Technology Co., Ltd.*), being the Target Company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Target Company and its two ultimate beneficial owners are third parties independent of and not connected with the directors, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their respective associate and are not connected persons of the Company.

The Proposed Subscription

As at the date hereof, the registered capital of the Target Company was RMB1,000,000. Pursuant to the MOU, subject to the terms and conditions of the Formal Agreement (as defined below), the Target Company has agreed to increase the registered capital of the Target Company to an amount not less than RMB1,430,000 and not more than RMB2,000,000, whereas the Subscriber has agreed to subscribe for the increased registered capital. Upon completion of the Proposed Subscription, the Subscriber shall be the direct holder of approximately 30% to 50% of the enlarged registered capital in the Target Company, while the exact proportion shall be negotiated between and confirmed by the Subscriber and the Target Company in the Formal Agreement and the difference between the final subscription price and the increased registered capital will be accounted for as capital reserves of the Target Company.

Consideration and Earnest Money

The consideration for the Proposed Subscription and the payment terms shall be further negotiated between the Subscriber and the Target Company, and shall be determined in the Formal Agreement.

Pursuant to the MOU, the Subscriber shall pay the Target Company an amount of RMB4,576,200 (equivalent to HKD5,000,000 by way of cash as earnest money (the “**Earnest Money**”) within 3 business days after entering into of the MOU, which will be applied towards part payment of the consideration for the Proposed Subscription to be agreed upon in the Formal Agreement.

Formal Agreement

The Subscriber and the Target Company shall use reasonable endeavours to negotiate with the other party so as to procure that a legally binding capital injection agreement in relation to the Proposed Subscription (the “**Formal Agreement**”) be entered into as soon as possible and in any event not later than 30 November 2024 or such later date as the parties may agree. The Formal Agreement shall include customary representations, warranties, undertakings, indemnities for transactions of similar nature and the conditions precedent as set out in the section headed “Conditions Precedent” below.

In the event that the Formal Agreement is not entered into by 30 November 2024 or such later date as the parties may agree, the MOU shall cease and terminate and, in any event, the Earnest Money (excluding interest) shall be immediately refunded to the Subscriber by the Target Company, and each of the parties to the MOU shall not have any claim against the other party nor demand for specific performance or compensations.

Due Diligence Review

Upon signing of the MOU, the Subscriber shall procure its advisors and agents to immediately conduct due diligence review (the “**Due Diligence Review**”) which it considers to be appropriate on the Target Company and the assets of the relevant business (including but not limited to all certificates and cooperative agreements in relation to the relevant business) as well as all relevant matters (including but not limited to matters relating to law, finance and technical team). The Target Company shall provide, and procure its agent to provide assistance and information as may be requested by the Subscriber and its advisors and agents in respect of the Due Diligence Review.

Conditions Precedent

The Proposed Subscription shall be subject to the following conditions precedent: -

- (1) the Subscriber being satisfied with the results of the Due Diligence Review;
- (2) if necessary, all necessary resolution(s) of the shareholders of the Company approving the Formal Agreement and the transactions contemplated thereunder having been obtained at an extraordinary general meeting of the Company;
- (3) the warranties under the Formal Agreement being true and accurate in all material aspects and are not misleading, and there is no event, fact or circumstance of the Target Company having occurred which constitute or may constitute a breach of the relevant warranties or any situation, fact or circumstance of the Target Company;
- (4) the Subscriber being satisfied that there is no material adverse change in the Target Company since the date of the Formal Agreement;
- (5) the parties to the Formal Agreement having obtained all necessary permits, consents and approvals for the Formal Agreement and the transactions contemplated thereunder; and
- (6) the existing registered capital of RMB1,000,000 having been fully paid up.

Exclusivity

From the date of the MOU and up to 30 November 2024 (or such later date as may be agreed between the Subscriber and the Target Company) (both days inclusive), the Target Company shall not, and shall procure its directors, employees, workers, representatives and agents not to, directly or indirectly, (i) persuade, initiate or encourage enquiries or solicitations from; (ii) commence or continue negotiations with or provide any information to; or (iii) enter into any agreements, letters of intent or memorandum of understanding with, any other individuals or organisations apart from the Subscriber on matters and/or any similar items in respect of (a) sale or disposal of any capital of the Target Company; (b) sale of any relevant business and its assets; and/or (c) approval for transfer of any equity interest in the Target Company or execution of any document regarding subscription of any equity interest in the Target Company. The Target Company shall inform the Subscriber immediately upon receiving any such enquiries or invitations.

Binding effect of the MOU

The MOU does not constitute a legally binding agreement on the parties thereto save for certain provisions relating to the Earnest Money, the Due Diligence Review, confidentiality and governing law and jurisdiction.

Information of the parties to the MOU

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 Subscriber is a limited liability company established in the People's Republic of China ("PRC") and based in Beijing, PRC. It is principally engaged in investment holding.

The Target Company

The Target Company is a limited liability company established in the PRC and based in Hangzhou City, Zhejiang Province, the PRC. It is mainly engaged in the software and information technology sector and the e-commerce business involving sales and marketing of goods through the use of live-streaming platforms.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date hereof, (1) the Target Company was owned as to 65% and 35% by 郭榕翔先生(Mr. Guo Rongxiang*) and 郭曉鵬先生(Mr. Guo Xiaopeng*), respectively; and (2) Mr. Guo Rongxiang is (i) the subscriber for the convertible bonds in the aggregate principal amount of HK\$16,500,000 (the "**Convertible Bonds**") to be issued by the Company pursuant to the conditional subscription agreement dated 10 February 2023 (as subsequently amended and supplemented by extension letters) which has yet to be completed; and (ii) the holder of 30% of the equity interest in 杭州拜恩科智能科技有限公司(Hangzhou Bizike Intelligence Technology Company Limited*), the enlarged registered capital of which was agreed to be subscribed by 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, pursuant to the capital injection agreement dated 17 April 2024 (as amended and supplemented by the extension letters) which has yet to be completed (the "**Subscription**"). For details of the Convertible Bonds and the Subscription, please refer to the announcements of the Company dated 10 February 2023, 28 February 2023, 21 March 2023, 11 April 2023, 2 May 2023, 23 May 2023, 5 July 2023, 18 August 2023, 31 October 2023, 20 December 2023, 29 February 2024, 17 April 2024, 30 April 2024, 30 May 2024, 28 June 2024, 22 July 2024, 29 July 2024 and 12 August 2024.

Save as disclosed, as at the date hereof, none of the Target Company, its beneficial owners or their respective associates have any shareholding or interests in any securities of the Company or any other members of the Group.

Reasons for and benefits of entering into the MOU and the Proposed Subscription

As stated in the announcement of the Company dated 17 April 2024, the Group has been proactively seeking potential business opportunities to broaden and diversify its income source, and in particular, the Directors are optimistic about the growth of the live streaming-related sectors in the PRC. Accordingly, the Board considers the entering into of the MOU and the Proposed Subscription, if materialised, to be a good investment opportunity which will allow the Group to leverage on the expertise and experience of the management and personnel of the Target Company in the relevant industry, and will in turn have a positive impact on the development of the live streaming business of the Group through expanding the business scope and broadening the income source of the Group. The Board further considers that the terms of the MOU are fair and reasonable, and the entering into of the MOU is in the interests of the Company and its shareholders as a whole.

The Board wishes to emphasise that no binding agreement in relation to the Proposed Subscription has been entered into as at the date of this announcement. As such, the Proposed Subscription may or may not proceed. Shareholders of the Company are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Proposed Subscription will be made by the Company in the event the Formal Agreement has been signed.

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

Hong Kong, 25 August 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 Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (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 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.

* *For identification purpose only*