PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

VOLUNTARY ANNOUNCEMENT

References are made to the voluntary announcement dated 12 July 2019 and the annual results announcement for the year ended 31 December 2018 of the Company dated 26 March 2019 (the "**Announcements**") regarding, among other things, the remaining balance of RMB19,436,400 that is recognized in the books of Shanghai Phoenitron as other receivables due from the Petroleum Company (the "**Shanghai Phoenitron Outstanding Receivables**"). Capitalised terms used herein shall have the same meaning as those defined in the Announcements, unless the context otherwise requires.

THE REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Board would like to provide additional information in relation to the Agreement A and the Agreement B (collectively "**the Transactions**"), as follows:–

The Board believes that the Transactions would provide the Company with more flexibility to recover the receivables from the Petroleum Company. While the Board understands the auditor's basis for not expressing an opinion (the "**Disclaimer of Opinion**") on the consolidated financial statements of the Group for the year ended 31 December 2018, and there was no disagreement between the Board and the auditor of the Company (the "**Auditor**") in such connection, the Board would like to emphasise that before entering into the Transactions, the Company was advised by its PRC legal advisor that the Transactions were feasible, legal, legally binding, and commercially sound. The Board is also of the view that the Transactions have been truthfully reflected in the Group's consolidated financial statements.

Agreement A

The Board believes that by entering into Agreement A, such arrangement would significantly increase the likelihood of the Company to recover the receivables. In June 2018, Shanghai Phoenitron issued a payment notice to the Shanghai Customer in relation to the outstanding receivables, and instructed its PRC legal advisor to issue a reminder letter to the Shanghai Customer in each of June, August and October 2018, requesting them to settle all the receivables, but to no avail. The Company then conducted a background check on the assets profile of the Shanghai Customer, and noted that the Shanghai Customer might be involved in a number of legal disputes with their customers.

Under the circumstances, the Company decided to enter into Agreement A and assigned the Company's receivables from the Shanghai Customer to the Petroleum Company with full recourse. In the event that the Petroleum Company fails to settle the receivables, the Company would still be able to exercise its right of recourse against the Shanghai Customer. The combination of the said rights would provide the Company with a flexible, efficient and favourable solution to recover the concerned receivables.

Before assigning the Company's receivables from the Shanghai Customer to the Petroleum Company in December 2018, the Company has taken into account the fact that a good customer relationship has been established between the Petroleum Company and Shanghai Phoenitron, an indirect non-wholly owned subsidiary of the Company, since 2016. In addition, the Petroleum Company has fulfilled all obligations under the contracts entered between both parties thus far.

Agreement B

Pursuant to Agreement B, Phoenitron HK and Mr. Sun have agreed to assume all rights and benefits of part of the Petroleum Company Receivables of RMB65,000,000 as settlement of the share reduction of Shanghai Phoenitron, and Shanghai Phoenitron and the Petroleum Company have agreed to offset the trade payables to the Petroleum Company of RMB307,600 against other receivables from the Petroleum Company. As a result, in the books of Shanghai Phoenitron, the amount due from the Petroleum Company decreased from RMB84,744,000 to RMB19,436,400 (i.e. the Shanghai Phoenitron Outstanding Receivables); and in the books of Phoenitron HK, the amount due from the Petroleum Company increased to RMB48,750,000 (the "**Phoenitron HK Outstanding Receivables**"). To the best knowledge of the Board, the Board is not aware of any relationship between Mr. Sun and the Petroleum Company.

The Board believes that by entering into Agreement B, and transferring part of the Petroleum Company's receivables to Phoenitron HK, would allow the Company to recover the concerned receivables more directly, flexibly, and efficiently. For instance, Phoenitron HK would be able to sell directly or assign part or all of the receivables to another party.

According to the terms and conditions of Agreement B, the Petroleum Company should have settled the Shanghai Phoenitron Outstanding Receivables on or before 10 March 2019. However, the Petroleum Company has defaulted on payment and the Shanghai Phoenitron Outstanding Receivables and Phoenitron HK Outstanding Receivables remained unsettled. The Company was informed by the Petroleum Company that such delay was contributed by the recent domestic economy of the PRC, and the difficulty in collecting funds from the customers of the Petroleum Company.

Since the Petroleum Company failed to pay the relevant funds in accordance with Agreement B, the Company has instructed its PRC legal advisor to issue a letter to the Petroleum Company in March 2019, urging the Petroleum Company to make payment as soon as possible. Subsequently on 5 July 2019, Phoenitron HK entered into the Repayment Agreement in relation to the Phoenitron HK Outstanding Receivables with the Petroleum Company. For details of the Repayment Agreement, please refer to the announcement of the Company dated 12 July 2019.

WAY FORWARD REGARDING THE RECOVERY OF THE SHANGHAI PHOENITRON OUTSTANDING RECEIVABLES

The Shanghai Phoenitron Outstanding Receivables from the Petroleum Company remained unsettled as at the date of this announcement. The Company has consulted its PRC legal advisor regarding the possible steps to be carried out by the Company in order to recover the Shanghai Phoenitron Outstanding Receivables from the Petroleum Company, including but not limited to commencing legal proceedings against the Petroleum Company, and/or attempting to reach an amicable settlement with the Petroleum Company through negotiation.

After due consideration of the current circumstances, including but not limited to the fact that Phoenitron HK has just entered into the Repayment Agreement with the Petroleum Company on 5 July 2019, the Company will continue to explore the possible steps of recovering the Shanghai Phoenitron Outstanding Receivables from the Petroleum Company, such as negotiate with the Petroleum Company on the possibility of having another repayment agreement for the Shanghai Phoenitron Outstanding Receivables. However, the Board is minded that due repayment from the Petroleum Company in accordance with the terms in the Repayment Agreement must be observed before the Group will consider entering into further repayment agreement with the Petroleum Company in relation to the Shanghai Phoenitron Outstanding Receivables owed to Shanghai Phoenitron.

In the meantime, the Group will continue to monitor and follow up closely with the progress of the Repayment Agreement, and will start negotiating with the Petroleum Company regarding the way forward for the Shanghai Phoenitron Outstanding Receivables as soon as practicable. The Company would not preclude the possibility of assigning the Shanghai Phoenitron Outstanding Receivables to an independent third party, or taking legal action(s) against the Petroleum Company if necessary.

ADDRESSING CONCERNS RAISED BY THE COMPANY'S AUDITOR

As disclosed in the Announcement, the Auditor was unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to support management's recoverability assessment in relation to total other receivables from the Petroleum Company of RMB68,186,400 ("**Aggregate Receivables**") as at 31 December 2018, including but not limited to, information to ascertain the background and financial strength of the Petroleum Company. The Auditor was also not able to obtain all the necessary corroborative evidence from the counterparties to substantiate the nature of the Transactions and the related outstanding balances, such as the original copy of Agreement A and Agreement B (the "**Agreements**") and independent confirmations. For details regarding the situation encountered by the Auditor in this connection, please refer to the Announcements.

To address the Auditor's concerns, the Company has since then provided the Auditor with the original Agreement A and Agreement B for their inspection, and the confirmation from the Petroleum Company in July 2019 when the Company was entering into the Repayment Agreement with the Petroleum Company, allowing the Auditor to substantiate the nature of the Transactions and the related outstanding balance due from the Petroleum Company as at 31 December 2018. As discussed with the Auditor, the Auditor is currently satisfied with the nature of the Transactions based on the abovementioned new additional audit work performed in July 2019.

Based on the foregoing, as at the date of this announcement, the Auditor is of the view that their confirmation on whether the Disclaimer of Opinion will be removed for the annual results for the year ending 31 December 2019 will be subject to the final outcome of whether all actual future settlements will be received by the Group in 2019 and whether there will be any remaining receivables due from the Petroleum Company as at 31 December 2019. As discussed with the Auditor, if full settlement of the Aggregate Receivables are not received by end of the financial year and information to ascertain the background and financial strength of the Petroleum Company is not obtained to the satisfaction of the Auditor, the audit opinion is likely to be modified in respect of the impairment assessment on the receivables.

As at the date of this announcement, the Petroleum Company has fully settled the first batch of repayment of RMB24,375,000 (equivalent to approximately HK$27.7 million) in accordance with the Repayment Agreement.

As at the date of this announcement, the Board is not aware of any other circumstances that the Disclaimer of Opinion would have any actual or potential effect on the Company's financial position.

VIEW OF THE AUDIT COMMITTEE OF THE COMPANY IN RELATION TO THE RECOVERABILITY OF THE RECEIVABLES AND THE TRANSACTIONS

The management of the Company has explained and discussed with the Audit Committee regarding the recoverability of the receivables from the Petroleum Company of RMB68,186,400. The Audit Committee has no objection to the Company's position on the recoverability of the said receivables and the Transactions.

DEFINITIONS

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

"Audit Committee"	The audit committee of the Company
"Board"	the board of Directors
"Company"	Phoenitron Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on GEM
"Directors"	the directors 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
"HKD"	Hong Kong Dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"PRC"	the People's Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Phoenitron HK"	Phoenitron Resources Company limited, an indirect wholly-owned subsidiary of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"Repayment Agreement"	A repayment agreement entered by Phoenitron HK and the Petroleum Company on 5 July 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Transactions"	Agreement A and Agreement B

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

Hong Kong, 10 September 2019

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. Leung Ka Kui, Johnny 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 Company Announcements" page of the GEM website (www.hkgem.com) and the Company's website at www.phoenitron.com for at least 7 days from its date of posting.