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hmvod Limited
hmvod 視頻有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8103)

ISSUE OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

ISSUE OF CONVERTIBLE BONDS

The Board is pleased to announce that on 8 August 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers in relation to the issue of Convertible Bonds in an aggregate principal amount of HK\$12,000,000 at the Conversion Price of HK\$0.60 per Conversion Share.

As at the date of this announcement, the Company has 107,873,248 Shares in issue. Based on the Conversion Price of HK\$0.60, a maximum number of 20,000,000 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing approximately 18.54% of the existing issued share capital of the Company and approximately 15.64% of the issued share capital of the Company as enlarged by the issue and allotment of the Conversion Shares.

Completion is conditional upon and subject to the fulfilment of the conditions precedent of the Subscription Agreement. If the conditions precedent of the Subscription Agreement are not fulfilled or waived (other than condition (a) which cannot be waived by the parties) on or before the Long Stop Date, the Subscription Agreement shall lapse and none of the parties shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreement.

The gross proceeds from the issue of the Convertible Bonds will be approximately HK\$12,000,000. The Company intends to apply the net proceeds to the Group's business operation and general working capital.

The Conversion Shares will be issued and allotted by the Company pursuant to the General Mandate upon conversion of the Convertible Bonds. Under the General Mandate, the Company is authorised to issue up to 21,574,649 Shares until the revocation, variation or expiration of the General Mandate. The Company has yet to utilize any of the General Mandate prior to the date of the Subscription Agreement.

The Subscription Agreement and the transactions contemplated therein including the issue and allotment of Conversion Shares under the General Mandate are not subject to Shareholders' approval. No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

As the Subscription Agreement are subject to the Conditions precedent therein, 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

The Board is pleased to announce that on 8 August 2023 (after trading hours), the Company entered into the Subscription Agreement with the Subscribers in relation to the issue of the Convertible Bonds in an aggregate principal amount of HK\$12,000,000 in aggregate at the Conversion Price of HK\$0.60 per Conversion Share.

The Subscription Agreement

Principal terms and conditions of the Subscription Agreement are summarised as follows:

- Date: 8 August 2023
- Issuer: The Company.
- Subscribers: (1) Mr. Cheng; and
(2) MADworld.

Assuming all the conversion rights attaching to the Convertible Bonds in the principal amount of HK\$12,000,000 are exercised by the Subscribers in full and on the assumption that there is no further allotment of Shares from the date of this announcement other than the Conversion Shares, the Subscribers will be interested in 20,000,000 Shares, representing approximately 15.64% of the issued share capital of the Company.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Subscribers are Independent Third Parties of the Company and its connected person as at the date of this announcement.

Conditions Precedent

Completion of the Subscription Agreement shall be subject to and conditional upon:

- (a) the GEM Listing Committee of the Stock Exchange having granted approval for the listing of, and permission to deal in, the Conversion Shares and the relevant approval not having been subsequently repealed or revoked before Completion;
- (b) trading in the Shares on the Stock Exchange not being revoked or withdrawn at any time prior to Completion;
- (c) there being no indication received from the Stock Exchange that the listing of the Shares on the Stock Exchange will be suspended, revoked or withdrawn at any time after Completion, whether in connection with any of the transactions contemplated in this Agreement or otherwise;
- (d) the Company having obtained all necessary approvals and consents (if any) in relation to the Subscription and the transaction(s) contemplated thereunder;
- (e) the warranties given by the Company remaining true and accurate in all material respects and are not misleading as at the Completion Date; and
- (f) the warranties given by the Subscribers remaining true and accurate in all material respects and are not misleading as at the Completion Date.

If the conditions precedent of the Subscription Agreement are not fulfilled or waived (other than condition (a) which cannot be waived by the parties) on or before the Long Stop Date, the Subscription Agreement shall lapse and none of the parties shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the Subscription Agreement.

As at the date of this announcement, the condition precedent under paragraph (d) has been fulfilled, the other conditions precedent of the Subscription Agreement are yet to be fulfilled.

Completion Date

Completion of the Subscription Agreement will take place within three business days upon the fulfillment of the conditions referred to above, or such other date as the Company and the Subscribers may agree in writing. The Company shall issue the Convertible Bonds in its principal amounts to the Subscribers on the Completion Date.

PRINCIPAL TERMS OF THE CONVERTIBLE BONDS

The principal terms of the Convertible Bonds are summarized below:

Issuer:	The Company.
Subscribers:	Mr. Cheng; and MADworld.
Principal amount:	(a) Mr. Cheng: HK\$8,000,000 (b) MADworld: HK\$4,000,000
Maturity date:	The date of the first anniversary of the date of issue of the Convertible Bonds
Interest rate:	3.0% per annum (payable annually)
Conversion price:	HK\$0.60 per Conversion Share which represents the par value of the Share which, for the avoidance of doubt, shall be subject to adjustment provided in the Convertible Bonds. The Conversion Price represents: (a) a premium of approximately 15.4% to the closing price per Share of HK\$0.52 as quoted on the Stock Exchange on 8 August 2023 (being the date of the Subscription Agreement); (b) a premium of approximately 21.2% to the average closing price per Share of HK\$0.495 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement; and

- (c) a premium of approximately 21.0% to the average closing price per Share of HK\$0.496 as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the date of the Subscription Agreement.

The Conversion Price was arrived at after arm's length negotiations after the Company takes into account of, among others, (i) the prevailing market price of the Shares; (ii) the recent financial performance and the debt position of the Group; and (iii) the dilution effect of existing Shareholders while at the same time to acquire low cost funding.

Adjustment events:

The Conversion Price shall from time to time be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of the following events:

- (a) an alteration of the nominal amount of the Shares by reason of consolidation or subdivision;
- (b) an issue of Shares credited as fully paid to Shareholders by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve);
- (c) a capital distribution (as such term is defined in the conditions of the Convertible Bonds) to Shareholders being made by the Company;
- (d) offer to the Shareholders new Shares for subscription by way of rights, or a granting the Shareholders any options or warrants to subscribe for new Shares, at a price which is less than the market price per Share at the date of the announcement of the terms of the offer or grant;
- (e) an issue of Shares being made wholly for cash at a price less than the greater of either the closing price per Share at the date of the announcement of the terms of issue of such Shares or the Conversion Price in effect immediately prior to the date of the announcement of the terms of issue of such Shares;

- (f) an issue wholly for cash of any securities which are convertible into or exchangeable for or carry rights of subscription for new Shares, in any case the relevant consideration per new Share initially receivable is less than the market price at the date of the announcement of the terms of issue of such securities;
- (g) modification of the rights of conversion, exchange or subscription attaching to any such securities mentioned in (f) above arises, so that the relevant consideration per new Share initially receivable is less than the market price at the date of announcement of the proposal to modify such rights of conversion or exchange or subscription; and
- (h) an issue of the Shares for the acquisition of any asset at a price per Share which is less than the market price at the date of the announcement of the terms of such issue.

Conversion Shares:

Based on the Conversion Price of HK\$0.60, a maximum number of 20,000,000 Conversion Shares shall be allotted and issued upon exercise in full of the conversion rights attaching to the Convertible Bonds, representing (i) approximately 18.54% of the existing issued share capital of the Company as at the date of this announcement and (ii) approximately 15.64% of the issued share capital of the company as enlarged by the issue and allotment of the Conversion Shares.

Conversion Period:

One calendar year period commencing from (and including) the Bond Issue Date

Conversion rights:

Holder of the Convertible Bonds shall have the right, exercisable during the Conversion Period by delivering a written notice (the “**Conversion Notice**”) to the Company, to convert the whole or any part (in multiples of HK\$500,000) of the outstanding principal amount of the Convertible Bonds held by such holder of the Convertible Bonds into such number of Conversion Shares as will be determined by dividing the principal amount of the Convertible Bonds to be converted by the Conversion Price in effect on the date of conversion.

No fraction of a Share shall be issued on conversion of the Convertible Bonds. Fractional entitlements shall be ignored and any sum paid in respect thereof shall be retained by the Company for its own benefit.

Redemption at maturity: Unless previously purchased or converted for the Conversion Shares, the Company shall on the Bond Maturity Date redeem the outstanding principal amount of the Convertible Bonds.

Transfer restrictions: The Bondholders may not assign or transfer the Convertible Bonds without the prior written consent of the Company. Subject to the receipt of such consent, the Convertible Bonds may be assigned or transferred to any third party which is not a connected person (as defined in the Listing Rules) of the Company, subject only to compliance of the conditions hereunder and further subject to the conditions, approvals, requirements and any other provisions of or under:

- (a) the Stock Exchange (and any other stock exchange on which the Shares may be listed at the relevant time) or their rules and regulations;
- (b) the approval for listing in respect of the Conversion Shares; and
- (c) all applicable laws and regulations.

Events of default:

If any of the events specified below occurs, the sole remedy of the Bondholder shall be to give notice to the Company that the Convertible Bond is immediately due and payable at its principal amount then outstanding:

- (i) *Failure to pay:* the Company fails to pay the principal amount and entitlements due in respect of any of the Bonds, and such default is not cured within seven (7) days;
- (ii) *Default in performance with other obligations:* the Company defaults in performance or observance or compliance with any of its other obligations set out herein which default is incapable of remedy or, if capable of remedy, is not in the reasonable opinion of the Bondholders remedied within seven (7) days after written notice of such default shall have been given to the Company by the Bondholders;
- (iii) *Cross-Default:* (i) any other present or future indebtedness of the Company or any subsidiary of the Company for or in respect of moneys borrowed or raised is declared or becomes due and payable prior to its stated maturity by reason of an event of default (however called or described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Company or any subsidiary of the Company fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised; PROVIDED THAT the aggregate amount of the indebtedness becoming due and payable under (i) above, and/or the aggregate amount not paid when due under any present or future guarantee for, or indemnity in respect of any moneys borrowed or raised under (iii) above, equals or exceeds HK\$5,000,000;

(iv) *Insolvency*: the Company or any subsidiary of the Company is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a substantial part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Company or any subsidiary of the Company; or if an administrator or liquidator of the Company or any subsidiary of the Company or the whole or any substantial part of the assets and revenues of the Company or any subsidiary of the Company is appointed (or application for any such appointment is made);

(v) *Winding-up*:

A. a resolution is passed regarding the Company or any action, legal proceedings or other procedure or step is taken (or any analogous procedure or step is taken in any jurisdiction) against the Company or any subsidiary of the Company in relation to:

- a. the winding-up, dissolution or reorganisation except a solvent liquidation;
- b. a composition, assignment or arrangement with any creditor; or
- c. the appointment of an administrator or a liquidator (except in respect of a solvent liquidation) or other similar officer in respect of any of the assets of the Company or any subsidiary of the Company;

- B. the Company ceases or threatens to cease to carry on all or a material part of its business or operations;
 - C. an encumbrancer takes possession or a receiver is appointed over the whole or a material part of the assets or undertaking of the Company or any subsidiary of the Company and such possession or appointment is not terminated within thirty (30) days;
 - D. a distress, execution or seizure order before judgement is levied or enforced upon or sued out against the whole or a material part of the property of the Company or any subsidiary of the Company (as the case may be) and is not discharged within thirty (30) days;
- (vi) *Cessation of listing and suspension of trading*: the Shares cease to be listed on the Stock Exchange or are suspended for the trading on the Stock Exchange for more than thirty (30) consecutive trading days, except in connection with such requirements under the Hong Kong Code on Takeovers and Mergers and/or under such requirements regarding notifiable transaction or connected transaction of the Company under the GEM Listing Rules;
- (vii) *Illegality*: it is or will become unlawful for the Company to perform its payment and/or delivery of Shares obligations under any of the Bonds; and
- (viii) *Deterioration in trading prospects*: there is a material adverse change in the financial position or trading prospects of the Company.

provided that notwithstanding the foregoing, if the Company shall fail to issue any Conversion Shares in accordance with the conditions the Bondholders shall be entitled to bring an action against the Company for either specific performance or damages.

Application for 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 for the listing of, and permission to deal in, the Conversion Shares.

Ranking: The Conversion Shares upon issue shall rank pari passu with all other Shares in issue at the time of issue of the Conversion Shares.

GENERAL MANDATE TO ISSUE AND ALLOT THE CONVERSION SHARES

At the annual general meeting of the Company held on 12 May 2023, a resolution of the Shareholders was passed to grant to the Directors the General Mandate to allot, issue and otherwise deal with new Shares not exceeding 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing such resolution. The Company is authorized to allot and issue a maximum of 21,574,649 Shares under the General Mandate.

As at the date of this announcement, the General Mandate has yet been utilized. Accordingly, the Subscription Agreement and the transactions contemplated therein including the issue and allotment of Conversion Shares under the General Mandate are not subject to Shareholders' approval.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS AND USE OF PROCEEDS

The Group is principally engaged in provision of over-the-top (“OTT”) services. The OTT services segment involves provision of multi-media related services and content to customers in Hong Kong and Taiwan via its own digital video rental platform. As disclosed in the annual report of the Group for the year ended 31 March 2023, the Group recorded net current liabilities and net liabilities of approximately HK\$22.2 million and approximately HK\$71.9 million as at 31 March 2023 respectively while the bank balances and cash of the Group amounted to approximately HK\$2.4 million as at 31 March 2023.

In view of the abovementioned situations and given that the General Mandate has been granted to the Directors to allot, issue and otherwise deal with up to 20% of the then issued Shares as at the annual general meeting of the Company held on 12 May 2023, which would provide the Company with the flexibility and ability to capture appropriate capital raising or business opportunities in a timely manner, the Company intends to utilise the General Mandate and to conduct a fund raising exercise by way of issuance of Convertible Bonds.

The Directors consider that the issuance of Convertible Bonds offers a good and flexible opportunity to raise further capital in a relatively cost-effective and time efficient manner as well as to obtain funding for the operations of the Group. The Directors consider that the terms of Subscription Agreement are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The gross proceeds will be HK\$12,000,000. The Group shall use its internal resources to settle the professional fees and all related expenses in connection with the issue of the Convertible Bonds. The Company intends to apply all the proceeds to the Group's operation, repayment of loan and general working capital.

The use of proceeds would be applied by the Company for the following purposes:

- (i) Approximately HK\$2 million, representing 16.7% of the proceeds, was intended to be allocated to the repayment of interest and loans;
- (ii) Approximately HK\$6.5 million, 54.2% of the proceeds, was intended to be allocated to the payment of staff costs and other administrative expenses; and
- (iii) Approximately HK\$3.5 million, representing 29.1% of the proceeds, was intended to be allocated to the payment of marketing expense and investment of new projects, if any.

INFORMATION ON THE COMPANY

The Company is a company incorporated in Cayman Islands with limited liability, and the Group is principally engaged in provision of over-the-top (“**OTT**”) services. The OTT services segment involves provision of multi-media related services and content to customers in Hong Kong and Taiwan via its own digital video rental platform.

INFORMATION ON THE SUBSCRIBERS

Mr. Cheng Chi-Heng (“**Mr. Cheng**”), an individual, is a non-executive director of New World Development Company Limited (a company listed on the Stock Exchange, stock code: 0017) and the vice president and executive director and of Chow Tai Fook Jewellery Group Limited (a company listed on the Stock Exchange, stock code: 1929).

MADWORLD HONG KONG LIMITED (“MADworld”), a limited company incorporated in Hong Kong with Animoca Brands as a significant equity shareholder. MADworld, the Multiverse Artist Defender, offers an NFT Origination Platform and NFT Marketplace which use blockchain technology to defend the artists, artwork, creators, and content that enter the untraversed multiverse. MADworld supports NFT minting to validate ownership and provenance of physical art, collectibles, and products and original content developed from live concerts, sporting events, artist battles, and other modes of creative expression. MADworld is designed to give creators complete control over their NFT strategy, supporting them by maximizing the income and impact from their intellectual property in perpetuity.

To the best of the Director’ knowledge, information and belief, having made all reasonable enquiries, the Subscribers are Independent Third Parties and that they are third parties independent of each other.

EFFECTS ON 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 of the Conversion Shares in full upon exercise of the conversion rights under the Convertible Bonds (on the assumptions that the Conversion Price being HK\$0.60 and there is no further allotment of Shares from the date of this announcement other than the Conversion Shares) are as follows:

	Existing Shareholding structure as at the date of this announcement		Shareholding structure immediately upon full conversion of the Convertible Bond	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Substantial Shareholder				
Masan Multi Strategy Fund SPC – Masan HK Equity Fund SP	8,139,000	7.54	8,139,000	6.36
Mr. Cheng	–	–	13,333,333	10.43
MADworld	–	–	6,666,667	5.21
Other Public Shareholders	<u>99,734,248</u>	<u>92.46</u>	<u>99,734,248</u>	<u>78.00</u>
Total	<u>107,873,248</u>	<u>100.00</u>	<u>127,873,248</u>	<u>100.00</u>

EQUITY FUND-RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

GENERAL

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 proceed, 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 expressions shall have the following meanings:

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors of the Company;
“Bond Issue Date”	the date on which the Convertible Bonds are issued, being the Completion Date unless otherwise agreed between the Company and the Subscribers;
“Bond Maturity Date”	the date falling on the one anniversary of the Bond Issue Date;
“Bondholder(s)”	holder(s) of the Convertible Bonds;
“Business Day(s)”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong;
“Company”	hmvod Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the GEM (stock code: 8103);
“Completion”	completion of the Subscription Agreement;
“Completion Date”	the date of Completion;
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules;

“Conversion Date”	a day when the conversion rights attaching to the Convertible Bonds are exercised;
“Conversion Price”	the initial conversion price of HK\$0.60 per Conversion Share, subject to adjustments;
“Conversion Shares”	the Shares to be issued by the Company upon exercise by the Bondholder of the conversion rights attached to the Convertible Bonds;
“Convertible Bonds”	the 3% coupon convertible bond due 2024 in the principal amount of HK\$12,000,000 to be issued by the Company to the Subscribers pursuant to the Subscription Agreement;
“Director(s)”	director(s) of the Company;
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 12 May 2023 to allot, issue or deal with up to 21,574,649 Shares;
“Group”	the Company and its subsidiaries from time to time;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Third Party(ies)”	third party(ies) independent of, and not connected with or acting in concert with the directors, chief executives or substantial shareholders of the Company, any of its subsidiaries or their respective associates;
“Listing Committee”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	8 October 2023;
“Shareholder(s)”	holder(s) of the Shares;
“Shares”	the ordinary shares of HK\$0.01 each in the share capital of the Company;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscribers”	collectively, Mr. Cheng and MADworld;
“Subscription Agreement”	the conditional subscription agreement dated 8 August 2023 and entered into between the Company and the Subscribers;
“%”	per cent.

By order of the Board
hmvod Limited
Ho Chi Na
Executive Director

Hong Kong, 8 August 2023

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:

Ms. Ho Chi Na

Ms. Wong Tsz Ki

Mr. Chong Tung Yan Benedict

Independent non-executive Directors:

Mr. Chan Chi Ching

Mr. Tsang Hing Bun

Mr. Hung Cho Sing *B.B.S.*

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 herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for seven days from the day of its posting and on the website of the Company at www.hmvod.com.hk.