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Echo International Holdings Group Limited

毅高(國際)控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8218)

Placing Agent



Bluemount Securities Limited

PLACING OF CONVERTIBLE BONDS UNDER GENERAL MANDATE

THE PLACING OF CONVERTIBLE BONDS

On 5 November 2020 (after trading hours of the Stock Exchange), the Placing Agent and the Company entered into the Placing Agreement, pursuant to which the Company has conditionally agreed to place Convertible Bonds of principals up to HK\$4,100,400 through the Placing Agent on a best effort basis to not less than six institutional, corporate or individual investors, who and whose ultimate beneficial owners, will be Independent Third Parties.

The maximum number of 10,200,000 Conversion Shares, calculated according to the maximum principal amount of the Convertible Bonds and the initial Conversion Price, are to be issued within the limit of 10,200,000 Shares of the unutilised portion of General Mandate granted at the last annual general meeting of the Company.

The initial Conversion Price of HK\$0.402 represents the higher of (i) the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) the average closing price of HK\$0.402 per Share as quoted on the Stock Exchange for the last five trading days up to and including to the date of the Placing Agreement.

The Placing is conditional upon, among other things, the GEM Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares.

Assuming all the Convertible Bonds under the Placing Agreement have been placed, the gross proceeds and the net proceeds from the Placing will amount to approximately HK\$4.10 million and approximately HK\$3.93 million (after deduction of commission and other expenses of the Placing), respectively. The Group intends to allocate HK\$2.00 million from the proceeds of Placing of Convertible Bonds to support the expansion and variation in food catering business and the remaining sums of HK\$1.93 million as working capital of the Group.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement are set out below:

Date : 5 November 2020 (after trading hours)

Parties : The Company as the issuer

Bluemount Securities Limited as the Placing Agent

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Placing Agent is an Independent Third Party. The Company is interested in 30% shareholding in the Placing Agent and the Placing Agent is not a connected person of the Company under the definitions of the GEM Listing Rules.

Subject Matter

The Company has appointed the Placing Agent to place Convertible Bonds of aggregate principal up to HK\$4,100,400 to Placees on a best efforts basis to not less than six institutional, corporate or individual investors, who and whose ultimate beneficial owners, will be Independent Third Parties and not acting in concert (as defined in the Takeovers Code) with, the Company and its connected persons. It is expected that none of the Placees will become substantial Shareholder (as defined in the GEM Listing Rules) after conversion of the Convertible Bonds placed to the Placees.

Placing Commission

The Placing Agent will receive a placing commission based on 2.0% of the aggregate issue price of the Convertible Bonds successfully placed to the Placees as procured by the Placing Agent. Such placing commission was arrived at after arm's length negotiation between the Company and the Placing Agent on normal commercial terms and with reference to the prevailing market condition.

Condition Precedent

The Completion of the Placing is conditional upon the following condition being fulfilled on or before the Long Stop Date:

- the GEM Listing Committee of the Stock Exchange shall have granted (either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object) the listing of, and permission to deal in, the Conversion Shares which fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds.

If the above condition precedent has not been fulfilled on or before the Long Stop Date, the Placing Agreement shall lapse immediately thereafter and be of no further effect and neither the Company nor the Placing Agent shall have any claim against or liability or obligation to each other under the Placing Agreement save for any rights or obligations which may accrue prior to the date of such termination.

Completion

Subject to the fulfilment of the condition precedent set out in the Placing Agreement, Completion shall take place on the Completion Date. Upon Completion, the Placing Agent shall arrange to pay the aggregate principal of the Convertible Bonds which are placed to the Company.

Termination

The Placing Agreement may be terminated by the Placing Agent without any liability to the Company, by notice in writing given to the Company at any time prior to 8:00 a.m. on the Completion Date upon the occurrence of the following events:

- (A) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Placing Agent has or is likely to have a material adverse effect on the business or financial condition or prospects of the Group; or
 - (ii) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing; or
 - (iii) any significant change (whether or not permanent) in local, national or international market conditions which in the reasonable opinion of the Placing Agent is or may be materially adverse in the context of the Placing or makes it inadvisable or inexpedient to proceed therewith; or
 - (iv) any material litigation or clam being instigated against any member of the Group;
or

- (B) any breach (which is material in the reasonable opinion of the Placing Agent) of any of the warranties and undertakings of the Company set out in the Placing Agreement comes to the knowledge of the Placing Agent or there has been a breach (which is material in the reasonable opinion of the Placing Agent) of any other provision of this Agreement; or
- (C) there is any adverse change in the business or in the financial or trading position of the Company, or the Group which in the reasonable opinion of the Placing Agent is material in the context of the Placing.

Principle Terms of Convertible Bonds

- Issuer : The Company
- Issue Price : 100% of the aggregate principal amounts of the Convertible Bonds actually placed
- Interest : The Convertible Bonds shall bear interest from and including the date of issue of the Convertible Bonds to the Maturity Date at the rate of seven per cent (7%) per annum payable on a monthly basis.
- Maturity Date : The date falling on the fifth (5th) anniversary of the date of issue of the Convertible Bonds and if that is not a Business day, the Business day immediately before such date.
- Conversion Price : HK\$0.402, being the initial conversion price per Conversion Share.
- The initial Conversion Price of HK\$0.402 per Conversion Share was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the recent market price of the Shares and represents the higher of:
- (i) the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on 5 November 2020, being the date of the Placing Agreement; and
 - (ii) the average closing price of HK\$0.402 per Share as quoted on the Stock Exchange for the last five trading days up to and including the date of Placing Agreement.
- Adjustments to Conversion Price : 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 the occurrence of, among others, the following events:
- (i) consolidation, subdivision or reclassification of the Shares;
 - (ii) capitalisation of profits or reserves;

- (iii) capital distribution to the Shareholders (including distributions in cash or specie);
- (iv) rights issues of shares or options over Shares (at less than 80% of the current market price);
- (v) issues of new Shares or other issues of securities at less than 80% of the current market price; and
- (vi) modification of rights of conversion.

Number of Conversion Shares : Assuming the conversion rights attaching to the Convertible Bonds have been exercised in full at the initial Conversion Price of HK\$0.402 per Conversion Share, a maximum of 10,200,000 Conversion Shares will be issued, representing approximately 20% of the issued share capital of the Company as at the date of this announcement and approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of such Conversion Shares (assuming no other change in the issued share capital of the Company). The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of conversion.

The total number of Conversion Shares to be issued upon exercise of the conversion rights attached to the Conversion Bonds is limited to 10,200,000 (including additional shares to be issued from any adjustment to be made to the Conversion Price as mentioned above) and such maximum number of shares is within the General Mandate.

Early redemption by the Company : The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bonds after the first anniversary of the issue date of the Convertible Bonds.

Redemption on Maturity : Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at price equal to 100% of the principal amounts of the Convertible Bonds to be redeemed, together with accrued interest.

Redemption on Event of Default : If the Company fails to rectify an event of default specified under the instrument of the Convertible Bonds and a written notice is served by a Bondholder to the Company specifying the event of default, that Bondholder shall have the right (but not the obligation) to demand the Company to, and the Company shall, redeem all or such part of the outstanding principal amount of the relevant Convertible Bonds at price equal 100% of the principal amounts of the Convertible Bonds to be redeemed, together with accrued interest.

- Transferability : The Convertible Bonds are freely transferable provided that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company and its associates without the Company's prior written consent.
- Restriction on conversion : The Bondholder cannot exercise the conversion right attaching the whole or part of any outstanding principal amount of Convertible Bonds if the exercise of such conversion right will result in
- (1) triggering a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder which exercised the conversion rights attaching to any principal amount of Convertible Bonds; or
 - (2) less than 25% of the then total number of issued Shares are being held in public hands.
- Voting : A Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only it being a Bondholder.

APPLICATION FOR LISTING

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

GENERAL MANDATE

At the annual general meeting of the Company held on 30 July 2020, a general mandate was granted to the Directors by the Shareholders pursuant to an ordinary resolution to exercise the powers of the Company to allot, issue and deal with up to 10,200,000 Shares, being 20% of the aggregate number of the Share in issue as at the date of the passing of such resolution. As at the date of this announcement, the Company has not utilised any portion of the General Mandate save for the Placing. The Conversion Shares, being a maximum of 10,200,000 Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds according to the terms of the Convertible Bonds, will be issued under the General Mandate. Accordingly, the issue of the Convertible Bonds is not subject to the approval of the Shareholders.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates the Company's shareholding structure (i) as at the date of this announcement; and (ii) immediately after the allotment and issue of the Conversion Shares at the initial Conversion Price upon exercise of the conversion rights in full under the Convertible Bonds (assuming the Convertible Bonds are placed at the principal maximum amount of HK\$4,100,400 to independent third party placees, no further Shares will be issued or repurchased from the date of this announcement to the date of the full conversion of the Convertible Bonds).

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the issue of the Conversion Shares upon full exercise of the Convertible Bonds	
	Number of Shares	%	Number of Shares	%
<i>Director</i>				
Ms. Cheng Yeuk Hung	4,878,000	9.56%	4,878,000	7.97%
<i>Public Shareholders</i>				
— Placees	—	—	10,200,000	16.67%
— Others	46,122,000	90.44%	46,122,000	75.36%
Total	51,000,000	100%	61,200,000	100%

REASONS FOR AND BENEFITS OF THE ISSUE OF THE CONVERTIBLE BONDS AND USE OF NET PROCEEDS

The Group is principally engaged in the manufacture and trading of electronic products and accessories and provision of food catering services. The Group operates through three segments, including (i) trading of electronic products segment, (ii) manufacturing and trading of electronic products and accessories and subcontracting income segment; and (iii) food catering services segment.

Assuming that the Convertible Bonds can be placed at its maximum size of HK\$4,100,400, the gross proceeds and net proceeds of the Placing will amount to HK\$3.93 million and approximately HK\$4.10 million (after deducting commission and other related expenses of Placing), respectively. The Group intends to allocate HK\$2.00 million from the proceeds of Placing of Convertible Bonds to support the expansion and variation in food catering business, and the remaining sums of HK\$1.93 million as working capital of the Group.

As disclosed in the Company's annual report for the year ended 31 March 2020, the Group's business strategies are to increase its market share and to develop new customers to enlarge its client base through increasing its promotional, marketing activities and new products. In light of the current Hong Kong's economy and business environment, and in particular, the adverse effect on the food catering industry, the Bond Issue will therefore enable the Group to variate its food catering business and enhance the Group's flexibility in dealing with economic and epidemic uncertainties.

The Directors have considered alternative fund raising methods such as bank borrowings and rights issue/open offer, however, and are of the view that the Bond Issue is a suitable means of fund raising, taking into account of the following:

- (i) the Group does not have the collateral (in terms of type and amount) which is acceptable to the banks for arranging such bank loans or facility; and
- (ii) a right issue/an open offer will involve higher costs and longer time to complete.

In view of the above, the Directors consider that the terms of the Placing Agreement (including the terms of the Convertible Bonds) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole and that the Placing Agreement was entered into on normal commercial terms after arm's length negotiations between the parties thereto.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activity in the past twelve months prior to the date of this announcement:

Date of announcement	Fund raising activity	Fund raised	Intended use of proceeds	Actual use of proceeds
11 June 2020 and 7 July 2020	Placing of convertible bonds	HK\$4.50 million	— HK\$2.00 million for expansion in food catering business — HK\$2.50 million for working capital	— HK\$2.00 million used for expansion in food expansion catering business — HK\$2.50 million used for working capital

DEFINITIONS

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

“Board”	the board of Directors of the Company from time to time
“Bond Issue”	the issue of Convertible Bonds under the Placing Agreement
“Bondholders”	holders of Convertible Bonds
“Business Day”	a day (excluding Saturday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business
“Company”	Echo International Holdings Group Limited, a limited company incorporated in the Cayman Islands whose shares are listed on the GEM of the Stock Exchange
“Completion”	completion of the issue of the Convertible Bonds to the Places by the Company under the Placing Agreement

“Completion Date”	within five Business Days after the condition precedent has been fulfilled (or such other date as the Placing Agent and the Company may agree in writing prior to Completion)
“connected persons”	has the meaning ascribed thereto under the GEM Listing Rules
“Conversion Price”	conversion price per Conversion Share, initially set as HK\$0.402, subject to adjustments
“Conversion Share(s)”	the Shares which may fall to be allotted and issued upon exercise of the Convertible Bonds by the Bondholders
“Convertible Bonds”	the convertible bonds in the principal amount of not more than HK\$4,100,400 to be issued by the Company under the Placing Agreement
“Director(s)”	the director(s) of the Company
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with new Shares by the Shareholders at the annual general meeting held on 30 July 2020
“Group”	the group of companies consisting of the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected person(s)
“Long Stop Date”	26 November 2020 (or such other date as may be agreed by the Placing Agent and the Company in writing)
“Maturity Date”	the maturity date of the Convertible Bonds, being fifth anniversary of the issue date of the Convertible Bonds
“Places”	the places of the Convertible Bonds
“Placing”	The placing of Convertible Bonds under the Placing Agreement

“Placing Agreement”	the conditional placing agreement dated 5 November 2020 entered into between the Company and the Placing Agent in relation to placing of Convertible Bonds
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

By order of the Board
Echo International Holdings Group Limited
Chan Wan Shan Sandra
Executive Director

Hong Kong, 5 November 2020

As at the date of this announcement, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Tansri Saridju Benui and Ms. Chan Wan Shan Sandra, and the independent non-executive Directors are Mr. Leung Yu Tung Stanley and Mr. Lee Kwok Po.

This announcement, for which the directors of the Company 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 of the Company, having made all reasonable enquires, 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 be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.echogroup.com.hk.