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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)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE TARGET COMPANY INVOLVING ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

THE TRANSACTION

The Board is pleased to announce that, the Company, being the purchaser, entered into the SPA on 12 December 2017 with the Vendor in respect of the acquisition of 30% of the entire issued share capital of the Target Company for a consideration of HK\$11,000,000, which shall be satisfied by cash amounted to HK\$200,000 and the Company issuing Consideration Shares in the sum of HK\$10,800,000 to the Vendor upon Completion.

Completion of the SPA is subject to and conditional upon fulfilment (or waiver, where applicable) of certain conditions precedent as more particularly set out in the sub-section headed “Conditions Precedent” below. Upon completion of the Transaction, the Company and the Vendor will respectively hold 30% and 70% interest in the Target Company.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under the GEM Listing Rules.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, (i) the SPA and the transactions contemplated thereunder; and (ii) the issue of the Consideration Shares under the Specific Mandate. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the SPA that will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the SPA and the transactions contemplated thereunder.

The Company will despatch a circular containing, among other things, (i) further information on the Target Company, the SPA and the transactions contemplated thereunder, including the issue of the Consideration Shares under the Specific Mandate; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Group; (iv) further details of the proposed grant of the Specific Mandate; and (v) the notice of the EGM, in accordance with the requirements under the GEM Listing Rules. As the Company requires more time for compiling the financial information of the Target Group for inclusion in the circular pursuant to the GEM Listing Rules, the circular is expected to be despatched to the Shareholders on or before 31 January 2018.

Completion of the Transaction is subject to the fulfilment (or waiver) of the conditions precedent under the SPA. As the Transaction may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE TRANSACTION

The Board is pleased to announce that, the Company, being the purchaser, entered into the SPA on 12 December 2017 with the Vendor in respect of the acquisition of 30% of the entire issued share capital of the Target Company.

THE SPA

The principal terms of the SPA are set out below:

Date: 12 December 2017

Parties: The Company

The Vendor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

6,903,090 Sale Shares in the Target Company, representing 30% of the total issued share capital of the Target Company. Further information about the Target Group is set out in the section headed “Information about the Vendor and the Target Group” in this announcement.

Consideration

The consideration for the Sale Shares shall be HK\$11,000,000 (the “**Consideration**”), which the Company shall pay the Consideration to the Vendor in the following manner:

- (a) HK\$200,000 (representing the amount of the Cash Consideration), to be paid by the Company to the Vendor by cash as refundable deposit to be paid within five Business Days after execution of the SPA; and
- (b) HK\$10,800,000 (representing the value of the Consideration Shares), to be satisfied by the issuance by the Company to the Vendor (or its designated nominee(s)) the Consideration Shares as soon as possible after Completion.

The Consideration was determined on an arm’s length basis and normal commercial terms with reference to (i) the minimum net asset value of the Target Company amounted to HK\$20 million; (ii) the historical financial performance of the Target Company; and (iii) the business prospect of the Target Company.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfilment (or waiver, if applicable) of the following conditions (the “**Condition(s)**”):

- (a) the passing by the shareholders of the Company of ordinary resolution approving the SPA and the transactions contemplated hereunder, including without limitation the acquisition of the Sale Shares and issue of the Consideration Shares;
- (b) the Company having completed the due diligence exercise as stated in the SPA and having notified the Vendor in writing that the Company is fully or substantially satisfied with the result of the due diligence; provided that such notification shall not prejudice in any manner whatsoever any of the Company’s right in respect of a claim pursuant to the warranties and the undertakings given by the Vendor under the SPA;
- (c) the Company having obtained the approval granted by the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares;
- (d) the consolidated net asset value of the Target Group being not less than HK\$20,000,000 as at the end of the last month before Completion Date;
- (e) all warranties of the SPA remaining true and accurate as at Completion and the Vendor having performed or complied, in all material respects, with its covenants and agreements contained therein and required to be performed or complied with by the Vendor at or prior to the Completion Date;

- (f) (if necessary) all other relevant approvals, consents of the relevant parties and authorities and all necessary procedures for the transactions contemplated hereunder having been obtained or completed; and
- (g) no material adverse change having occurred to the business, assets, financial position and performance of the Target Group.

The Company may at any time waive in writing any Conditions (other than Conditions (a), (c) and (f)) and any waiver so granted may be made subject to such terms and conditions as may be determined by the Purchaser. Save as so waived, the parties shall use their respective best endeavours to ensure that the Conditions shall be fulfilled as soon as possible after execution of the SPA, and in any event no later than the Long Stop Date.

Completion

Completion shall take place within five Business Days after all Conditions have been fulfilled or waived (or such other date as the Company and the Vendor may agree in writing prior to the Completion).

CONSIDERATION SHARES

The Consideration Shares will be allotted and issued at the Issue Price, credited as fully paid, in the manner as set out in the sub-section headed “Consideration” of this announcement. The Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares, including the right to all dividends, distributions and other payments made or to be made on the record date which falls on or after the date of such allotment and issue.

The Issue Price of HK\$0.18 per Consideration Share represents:

- (a) a discount of approximately 3.74% to the latest closing price of HK\$0.187 per Share as quoted on the Stock Exchange on the last trading day of the Shares immediately prior to the date of the SPA;
- (b) a discount of approximately 4.86% to the average closing price of HK\$0.1892 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately preceding the date of the SPA; and
- (c) a discount of approximately 6.39% over the average closing price of HK\$0.1923 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately preceding the date of the SPA.

The issue price was determined by the Board after arm’s length negotiation between the parties with reference to the prevailing market price of the Shares and the current market conditions. The Directors consider the issue price is fair and reasonable and in the interest of the Company and the Shareholders as a whole. The 60,000,000 Consideration Shares represent (i) approximately 6.25% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 5.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares. Based on

the closing price of the Shares of HK\$0.187 per Share on 12 December 2017, the business day immediately preceding to the date of the SPA, the Consideration Shares have a market value of HK\$11,220,000.

INFORMATION OF THE TARGET COMPANY AND THE TARGET GROUP

The Target Company

The Target Company was incorporated in Hong Kong and is principally engaged in investment holding and beneficially owns 100% of the entire issued share capital of five subsidiaries which are incorporated with limited liability in Hong Kong, out of which three have commenced business and two have not commenced business.

The Target Company is an investment holding company and its major assets are investments in (i) Bluemount Asset Management Limited; (ii) Bluemount Securities Limited; (iii) Bluemount Credit Limited; (iv) Bluemount Commodities Limited; and (v) Bluemount Capital Limited.

(i) *Bluemount Asset Management Limited (“BAML”)*

BAML is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. BAML is a licensed corporation to carry type 9 (asset management) regulated activity under the SFO. BAML provides portfolio and investment management service to professional investors.

(ii) *Bluemount Securities Limited (“BSL”)*

BSL is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. BSL is a licensed corporation to carry type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO and is an exchange participant of the Stock Exchange. BSL is a securities broker and provides a range of brokerage services which includes dealing in securities, margin financing, Initial Public Offering underwriting and secondary market placement.

(iii) *Bluemount Credit Limited (“BCrL”)*

BCrL is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. BCrL was granted the money lender license (licence no. 1410/2017) on 2 November 2017. BCrL plans to focus on providing a range of mortgage products including first mortgage loan, second mortgage and mortgage loan transfers.

(iv) *Bluemount Commodities Limited (“BCoL”)*

BCoL is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. BCoL plans to apply for a license to carry out type 2 (dealing in future contracts) regulated activity and will focus on providing services in respect of trading on Heng Seng Index futures, index options, stocks options, food and agricultural products, oils, bullion and global futures. As at the date of this announcement, BCoL has not commenced business since its incorporation.

(v) *Bluemount Capital Limited* (“BCaL”)

BCaL is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Target Company. BCaL plans to apply for a license to carry out type 6 (advising on corporate finance) regulated activity and aims to provide advisory and capital raising services, for instance, public listing, financial advisory, capital raising, mergers and acquisitions and continuing sponsorship services, to private and listed companies. As at the date of this announcement, BCaL has not commenced business since its incorporation.

Financial Information of the Target Group

Set out below is the financial information of the Target Group extracted from its management accounts for the two financial periods ended 30 September 2017 and 31 March 2017:

	For the six months ended 30 September 2017 (Unaudited) HK\$('000)	For the period from 3 June 2016 (date of incorporation) to 31 March 2017 (Unaudited) HK\$('000)
Revenue	5,530	5
Profit/(loss) from operation	1,007	(3,233)
Net profit/(loss) for the period	990	(3,286)
Total assets at period end	41,068	16,310

Upon completion of the Transaction, the Company will own 30% of the entire issued share capital of the Target Company and the investment in the Target Company will be accounted for in the financial statements of the Group as investment in an associate using the equity method of accounting.

INFORMATION OF THE VENDOR

The Vendor is the founder of the Target Company. As at the date of this announcement, the Target Company has 23,010,300 shares in issue, all of which are owned by the Vendor.

The Vendor is a merchant and is an Independent Third Party. The Vendor is the sole shareholder and one of the directors of the Target Company. The Vendor is currently the co-chairman and an executive director of Taung Gold International Limited (stock code: 621).

REASONS AND BENEFITS OF THE TRANSACTION

The Group is principally engaged in the manufacture and trading of electronic products and accessories. The Company operates through two segments, including Indent Trading of Electronic Products segment and Manufacturing and Trading of Electronic Products and

Accessories and Subcontracting Income segment. The main products of the Company include starters, security alarms, hair removers, buzzers, massage toners, fishing indicators, charger boards, control boards, fire alarms and communicators, among others.

The reasons for the Transaction are to diversify the Group's current business by providing securities, asset management and lending related businesses so as to reduce the Group's exposure to risks and uncertainties associated with our current business. The Board considers that the Transaction, if materialized, will enable the Company to diversify its business into the financial services industry and broaden revenue sources of the Group.

The Company currently intends to continue its existing businesses and there is no agreement, arrangement, understanding, intention or negotiation (concluded or otherwise) about any disposal, termination or scaling down of the Company's existing businesses or assets up to the date of this announcement.

As such, the Directors consider that the terms of the SPA have been entered into on normal commercial terms, and that such terms are fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT CERTAIN DIRECTORS

Reference is made to the announcement of the Company dated 8 May 2017 about the re-designation of Ms. Zhou Jia Lin from a Non-Executive Director to Executive Director. In that announcement, it is disclosed that she was the sole director of Blue Ocean Securities Limited. As at the date of this announcement, Blue Ocean Securities Limited has not commenced business since its incorporation.

Mr. Chan Chun Kit, a Non-Executive Director, is a shareholder and a director of Vistresure Asset Management Limited which is a company licensed to carry on type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO and he is a responsible officer of the said type 4 regulated activity.

ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE

The Consideration Shares will be issued under the Specific Mandate to be sought at the EGM, and shall rank *pari passu* with, and carry the same rights in all respect as, the Shares in issue on the date of such allotment and issue, including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issue. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

EFFECT OF THE SHAREHOLDING STRUCTURE OF THE COMPANY

The table below illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the Consideration Shares having been issued, assuming in all cases that there are no other changes in the share capital of the Company from the date of this announcement up to the issue of the Consideration Shares.

Shareholders	Shareholding as at the date of this announcement		Shareholding immediately after the Consideration Shares having been issued (assuming there will be no other changes in the share capital of the Company from the date of this announcement up to the issue of the Consideration Shares)	
	Number of Shares	%	Number of Shares	%
Ms. Cheng Yeuk Hung (<i>Note</i>)	169,560,000	17.66%	169,560,000	16.62%
Adamas Asset Management (HK) Limited	66,338,000	6.91%	66,338,000	6.50%
Vendor	—	—	60,000,000	5.88%
Public Shareholders	<u>724,102,000</u>	<u>75.43%</u>	<u>724,102,000</u>	<u>71.00%</u>
Total	<u>960,000,000</u>	<u>100%</u>	<u>1,020,000,000</u>	<u>100%</u>

Note: Mr. Lo Yan Yee (“**Mr. Lo**”) is an executive Director and the spouse of Ms. Cheng Yeuk Hung (“**Ms. Cheng**”). Therefore, Mr. Lo is deemed to be interested in 169,560,000 Shares directly held by Ms. Cheng.

GEM LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined under the GEM Listing Rules) in respect of the Transaction exceeds 25% but is less than 100%, the Transaction constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under the GEM Listing Rules.

GENERAL

The EGM will be convened for the purpose of considering and, if thought fit, approving, (i) the SPA and the transactions contemplated thereunder; and (ii) the issue of the Consideration Shares under the Specific Mandate. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, none of the Shareholders has a material interest in the SPA that will be required to abstain from voting at the EGM in respect of the resolution(s) relating to the SPA and the transactions contemplated thereunder.

The Company will dispatch a circular containing, among other things, (i) further information on the Target Company, the SPA and the transactions contemplated thereunder, including the issue of the Consideration Shares under the Specific Mandate; (ii) the financial information of the Target Group; (iii) the unaudited pro forma financial information of the Group; and (iv) the notice of the EGM, in accordance with the requirements under the GEM Listing Rules. As the Company requires more time for compiling the financial information of the Target Group for inclusion in the circular pursuant to the GEM Listing Rules, the circular is expected to be despatched to the Shareholders on or before 31 January 2018.

Completion of the Transaction is subject to the fulfilment (or waiver) of the conditions precedent under the SPA. As the Transaction may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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
“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
“Cash Consideration”	cash of HK\$200,000, being part of the Consideration
“Company” or the “Purchaser”	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 sale and purchase of the Sale Shares
“Completion Date”	within five Business Days after all the Conditions have been fulfilled or waived (or such other date as the Vendor and the Company may agree in writing prior to Completion) and on such date that the Completion will take place
“Consideration”	the total consideration in amount of HK\$11,000,000 payable by the Company for the acquisition of the Sale Shares pursuant to the SPA

“Consideration Share(s)”	the Shares to be allotted and issued by the Company under the Specific Mandate to the Vendor at the Issue Price in satisfaction of part of the Consideration payable by the Company to the Vendor under the SPA
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving the SPA and the transactions contemplated thereunder, including the issue of the Consideration Shares under the Specific Mandate
“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)”	third party(ies) not connected to any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them as defined in the GEM Listing Rules
“Issue Price”	HK\$0.18 per Consideration Share
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Long Stop Date”	30 June 2018 (or such other date as may be agreed by the Vendor and the Company in writing)
“Sale Shares”	a total of 6,903,090 Shares, which represents 30% of the issued share capital of the Target Company
“SFO”	Securities and futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company
“SPA”	the conditional sale and purchase agreement dated 12 December 2017 entered into between the Company and the Vendor in respect of the Target Company

“Specific Mandate”	the specific mandate required to be granted to the Directors by the Shareholders at EGM for the allotment and issue of Consideration Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Bluemount Financial Group Limited 藍山金融集團有限公司, a company incorporated under the laws of Hong Kong and is principally engaged in investment holding
“Target Group”	Target Company and its five Hong Kong subsidiaries, namely, Bluemount Asset Management Limited (藍山資產管理有限公司), Bluemount Securities Limited (藍山證券有限公司), Bluemount Credit Limited (藍山信貸有限公司), Bluemount Commodities Limited (藍山商品有限公司) and Bluemount Capital Limited (藍山融資有限公司)
“Transaction”	transactions contemplated under the SPA
“Vendor”	Mr. Li Hok Yin, the sole shareholder and one of the directors of the Target Company
“%”	per cent

By order of the Board
Echo International Holdings Group Limited
Cheng Yeuk Hung
Executive Director

Hong Kong, 12 December 2017

As at the date of this announcement, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Ms. Zhou Jia Lin, and Mr. Leung Kwok Kuen, Jacob, the non-executive Director is Mr. Chan Chun Kit, and the independent non-executive Directors are Mr. Lam Wai Yuen, Mr. Cheung Chin Wa, Angus and Ms. Zhou Ying.

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.