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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 January 2018 (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\$10,000,000 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 50,761,421 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 192,000,000 Shares of General Mandate granted at the last annual general meeting of the Company.

The initial Conversion Price of HK\$0.197 represents (i) a discount of approximately 9.63% to the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 6.64% to the average closing price of HK\$0.211 per Share as quoted on the Stock Exchange for the last 5 trading days up to and including the date of the Placing Agreement.

The Placing is conditional upon, among other things, the 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\$10 million and approximately HK\$9.63 million (after deduction of commission and other expenses of the Placing), respectively. It is expected that the entire net proceeds from the Placing will be applied for investment in catering business.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

Shareholders and potential investors should note that the Placing is subject to the satisfaction of the condition precedent as set out in the section headed “Condition Precedent” and the Placing Agent not having terminated the Placing Agreement in accordance with the terms thereunder. Accordingly, the Placing may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.

THE PLACING AGREEMENT

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

Date : 5 January 2018

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 announced that on 12 December 2017, it entered into a conditional agreement to acquire 30% of the issued share capital of the Placing Agent.

Subject Matter

The Company has appointed the Placing Agent to place Convertible Bonds of aggregate principal up to HK\$10,000,000 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 2.8% 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 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 to the Company the aggregate principal of the Convertible Bonds which are placed.

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 claim 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 the Placing 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\$0.197, being the initial conversion price per Conversion Share.

The initial Conversion Price of HK\$0.197 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:

- (i) a discount of approximately 9.63% over the closing price of HK\$0.218 per Share as quoted on the Stock Exchange on 5 January 2018, being the date of the Placing Agreement; and
- (ii) a discount of approximately 6.64% over the average closing price of approximately HK\$0.211 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) capitalization 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\$0.197 per Conversion Share, a maximum of 50,761,421 Conversion Shares will be issued, representing approximately 5.29% of the issued share capital of the Company as at the date of this announcement and approximately 5.02% 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.

- 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 amounts 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 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 28 July 2017, 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 192,000,000 Shares, being 20% of the aggregate number of the Share in issue as at the date of the passing of such resolution. The General Mandate has not been utilised prior to the date of this announcement. The Conversion Shares, being a maximum of 50,761,421 Shares to be issued upon the exercise in full of the conversion rights attaching to the Convertible Bonds based on the initial Conversion Price, 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\$10,000,000 to Independent Third Party places, no further Shares will be issued or bought back 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	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
<i>Director</i>				
Ms. Cheng Yeuk Hung	169,560,000	17.66%	169,560,000	16.78%
<i>Public Shareholders</i>				
— Places	—	—	50,761,421	5.02%
— Others	790,440,000	82.34%	790,440,000	78.20%
Total	960,000,000	100%	1,010,761,421	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. 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 Company operates businesses in Asia, Europe and North and South America, among others.

The Directors consider that the Bond Issue represents an opportunity for the Company to raise additional funds for business development and to broaden shareholders base of the Company.

In the announcement of the Company dated 29 November 2017 in relation to change in use of proceeds from the Placing of Shares, the Company announced that it has decided to invest in catering business in Hong Kong through opening restaurants as it considers that Hong Kong as an international city, there is promising development in the catering business for the Group to diversify the current business. It has allocated sums of one million Hong Kong dollars from the proceeds of the Placing of Shares to initial development of catering business. It is estimated that the investment in catering business would require further funding of about HK\$10 million which will be financed from the net proceeds of the Bond Issue. Assuming that the Convertible Bonds can be placed at its maximum size of HK\$10 million, the gross proceeds and net proceeds of the Placing will amount to HK\$10 million and HK\$9.63 million, after deducting commission and other related expenses of Placing, respectively.

The Directors have considered alternative fund raising methods such as bank borrowings and rights issue/open offer, however, and are of the view that 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
27 June 2017, 18 July 2017 and 29 November 2017	Placing of 160,000,000 Shares under general mandate	HK\$25 million	(1) HK\$8 million intended to be used for repayment of debenture	(1) HK\$8 million has been used for repayment of debenture
			(2) HK\$16 million intended to be used for working capital	(2) HK\$5 million has been used for working capital
			(3) HK\$1 million intended to be used for investment in catering business	(3) HK\$1 million has been used for investment in catering business

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 the 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
“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\$0.197, 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 \$10,000,000 to be issued by the Company under the Placing Agreement
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market of 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 28 July 2017
“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”	5 February 2018 (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 5th anniversary of the issue date of the Convertible Bonds, and if that is not a Business Day, the Business Day immediately before such date
“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 January 2018 entered into between the Company and the Placing Agent in relation to placing of Convertible Bonds
“Placing of Shares”	the placing of a maximum of 160,000,000 new Shares by the Company which was announced by the Company on 27 June 2017 and 18 July 2017
“Share(s)”	ordinary share(s) of HK\$0.0025 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
Cheng Yeuk Hung
Executive Director

Hong Kong, 5 January 2018

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.