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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)

**(1) VERY SUBSTANTIAL ACQUISITION
IN RESPECT OF 12.0% OF THE EQUITY INTEREST IN
THE TARGET COMPANY
AND
OPTIONS TO FURTHER ACQUIRE THE REMAINING 58.0% EQUITY
INTEREST IN THE TARGET COMPANY
AND
(2) DISCLOSEABLE TRANSACTION
IN RELATION TO THE PROVISION OF FINANCIAL ASSISTANCE TO
THE TARGET COMPANY**

Financial Adviser to the Company



GLOBAL MASTERMIND SECURITIES LIMITED
環球大通證券有限公司

**ACQUISITION IN RESPECT OF 12.0% OF THE EQUITY INTEREST IN THE
TARGET COMPANY**

The Board is pleased to announce that on 20 April 2021 (after trading hours of the Stock Exchange), the Company (as purchaser), the Vendor (as vendor) and the Grantors (as grantors of the Options) entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 12.0% of the equity interest in the Target Company, at the Sale Shares Consideration of HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million), which shall be settled by issuing the Sale Shares PN to the Vendor.

OPTIONS TO FURTHER ACQUIRE THE REMAINING 58.0% EQUITY INTEREST IN THE TARGET COMPANY

Pursuant to the Sale and Purchase Agreement, Grantor A, Grantor B and Grantor C have conditionally agreed to grant and the Company has conditionally agreed to accept, on the Completion Date, Option A, Option B and Option C to purchase Option Shares A, Option Shares B and Option Shares C, respectively. The Company shall pay option price of HK\$1.0 to each of the Grantors as consideration for each of the Options, respectively, on the Completion Date.

The completion of sale and purchase of the Sale Shares and the granting of Options shall be performed simultaneously on the Completion Date.

Any of the Options may be exercised by the Company at any time during the period from the Completion Date to 30 June 2022 (both dates inclusive), and if not so exercised, the Options will expire automatically after 30 June 2022. Any of the Options may be exercised for all, but not some only, of the respective Option Shares.

POSSIBLE VSA AND POSSIBLE ISSUANCE OF OPTION SHARES PN

Upon the exercise of any Options, the Company shall purchase and the respective Grantor shall sell the respective Option Shares. The consideration of Option Shares A, Option Shares B and Option Shares C shall be HK\$11.4 million, HK\$12.0 million and HK\$11.4 million respectively (subject to upward adjustments to a maximum of HK\$45.6 million, HK\$48.0 million and HK\$45.6 million respectively), which shall be settled by issuing the respective Option Shares PN to the respective Grantor.

The Company will comply with relevant requirements under the GEM Listing Rules in respect of the exercise of any of the Options as and when appropriate.

CANCELLATION RIGHT AND ADJUSTMENTS TO THE SALE SHARES CONSIDERATION AND THE OPTION SHARES CONSIDERATION

Pursuant to the Sale and Purchase Agreement, the Company (i) is entitled to overturn the acquisition of the Sale Shares and the Option Shares respectively in the event that the Profit After Tax 2021 and Profit After Tax 2022 are less than HK\$5.0 million respectively; and (ii) shall, as incentive to the Vendor and the Grantors respectively, adjust the Sale Shares Consideration and the Option Shares Consideration in the event that the Profit After Tax 2021 and the Profit After Tax 2022 exceed HK\$5.0 million (but subject to a cap of HK\$20.0 million) respectively. The detailed mechanisms of the above are set out in the paragraphs headed “The Sale and Purchase Agreement — Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration” in this announcement.

THE LOAN AGREEMENT

On 20 April 2021 (after trading hours of the Stock Exchange), the Company (as lender) and the Target Company (as borrower) also entered into the Loan Agreement, pursuant to which the Company has agreed to grant the Loan, of the amount equivalent to the dividend declared by the board of directors of the Target Company on 2 January 2020 which the Company is entitled to receive, to the Target Company repayable by 2 January 2022.

The Loan Agreement and Completion are not conditional upon each other.

GEM LISTING RULES IMPLICATIONS

The Acquisition

As certain applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 100.0%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.75(1) of the GEM Listing Rules, as the exercise of the Options is at the Company's discretion, and the Option's premium is less than 10% of the sum of the Option's premium and its exercise price, only the Option's premium (but not its exercise price, the value of the underlying assets and the profits and revenue attributable to such assets) will be taken into consideration for the purpose of classification of notifiable transactions under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, the Company has no intention to exercise any of the Options.

Nonetheless, pursuant to Rule 19.76(2) of the GEM Listing Rules, the Company wishes to seek the Shareholders' prior approval necessary for the exercise of up to all the Options and the resulting Possible VSA and possible issuance of the Option Shares PN (in addition to seeking the Shareholders' approval necessary for the Acquisition).

Assuming that all the Options are exercised in full, the Company will acquire all the Option Shares, i.e. the Possible VSA, at the aggregate consideration of HK\$34.8 million (subject to upward adjustments to a maximum of HK\$139.2 million), which shall be settled by the issuance of the Option Shares PN. As the highest applicable percentage ratio under Rule 19.07 of the GEM Listing Rules in respect of the Possible VSA is expected to exceed 100.0%, the Possible VSA is expected to constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements.

After the acquisition of the Sale Shares, the Company's interest in the Target Company will be only 42.0% and the Target Company will not be a subsidiary of the Company. If the Company exercises some of the Options which results in its interest in the Target Company exceeding 50.0%, the Target Company will become a subsidiary of the Company. Thereafter if the Company exercises the remaining Options, the acquisition of the respective Option Shares shall constitute a connected transaction of the Company at the subsidiary level according to Rule 20.99 of the GEM Listing Rules. The Company will comply with the relevant rules as and when appropriate.

The Loan Agreement

As certain applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the grant of the Loan exceeds 5.0% but all are less than 25.0%, the grant of the Loan constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

Completion is subject to the satisfaction or (if applicable) waiver of the Conditions, which may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

THE ACQUISITION

Reference is made to the circular of the Company dated 28 September 2018 in relation to the acquisition of the 30.0% equity interest in the Target Company.

The Board is pleased to announce that on 20 April 2021 (after trading hours of the Stock Exchange), the Company (as purchaser), the Vendor (as vendor) and the Grantors (as grantors of the Options) entered into the Sale and Purchase Agreement. Pursuant to the Sale and Purchase Agreement, among other things, the Company has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing 12.0% of the equity interest in the Target Company, at the Sale Shares Consideration of HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million), which shall be settled by issuing the Sale Shares PN to the Vendor. Upon Completion, the Company will hold 42.0% equity interest in the Target Company.

Pursuant to the Sale and Purchase Agreement, Grantor A, Grantor B and Grantor C have conditionally agreed to grant and the Company has conditionally agreed to accept, on the Completion Date, Option A, Option B and Option C to purchase Option Shares A, Option Shares B and Option Shares C, respectively. Assume no exercise of the Cancellation Right (as defined below) and upon exercise of the Options in full, the Target Company will become a wholly owned subsidiary of the Company.

THE SALE AND PURCHASE AGREEMENT

Principal terms of the Sale and Purchase Agreement are set out below:

- Date:** 20 April 2021
- Parties:**
- (i) The Company
 - (ii) The Vendor; and
 - (iii) The Grantors

As at the date of this announcement, the Vendor was the legal and beneficial owner of the Sale Shares, being 12.0% of the equity interest in the Target Company, while Grantor A, Grantor B and Grantor C legally and beneficially held 19.0%, 20.0% and 19.0% of the equity interest in the Target Company, respectively.

As advised by the Vendor and the Grantors, as at the date of this announcement, (i) Grantor A held 182,400 Shares; (ii) Grantor B held 2,400 Shares and convertible bonds issued by the Company which can be converted into 561,224 Shares upon full conversion; and (iii) Grantor C held 1,559,580 Shares and convertible bonds issued by the Company which can be converted into 1,147,311 Shares upon full conversion. Save as disclosed above, the Company has not received any other information regarding the shareholding interest held by the Vendor, Grantor A, Grantor B and Grantor C in the Company.

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

As at the date of this announcement, the Company is the legal and beneficial owner of 30.0% of the equity interest in the Target Company.

Assets to be acquired — the Sale Shares

Pursuant to the Sale and Purchase Agreement, the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent an aggregate of 12.0% of the equity interest in the Target Company.

For further information of the Target Company, please refer to the paragraphs headed "Information on the parties to the Sale and Purchase Agreement and the Loan Agreement — Information of the Target Company" below.

Sale Shares Consideration

The Sale Shares Consideration amounts to HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million), which shall, subject to adjustment(s) as disclosed in the paragraphs headed "Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration" below, be settled by issuing the Sale Shares PN in the principal amount of HK\$7.2 million to the Vendor upon Completion. The Company may seek for alternative fund-raising for the settlement of the Sale Shares PN in future.

Basis of the Sale Shares Consideration

The Sale Shares Consideration was determined after arm's length negotiations between the Company and the Vendor with reference to, among other things, (i) the financial performance of the Target Group; (ii) the current economic circumstances; (iii) the guaranteed Profit After Tax 2021 and the Profit After Tax 2022 of HK\$5.0 million respectively and the cancellation and adjustment mechanisms described in the paragraphs headed "Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration" below; and (iv) the price-to-earnings ratio ("**P/E Ratio**") of approximately 12.0 times which is lower than the P/E Ratio of approximately 13.5 times adopted by the valuer in the preliminary valuation of the 100% equity interest in the Target Company (the "**Preliminary Valuation**").

The Preliminary Valuation

The Company has engaged Castores Magi Asia Limited (“**CMA**”), an independent valuer, to conduct a valuation on the market value of the 100% equity interest of the Target Group, which amounted to approximately HK\$44.4 million as at 31 January 2021 (the “**Valuation Date**”). The market value of the Target Group represented P/E Ratio of approximately 13.5 times.

According to the information provided by CMA, Mr. Au Chi Chung Deret, a director of CMA, is responsible for preparing the Preliminary Valuation and will be responsible for signing the valuation report. He is a Registered Business Valuer of Hong Kong Business Valuation Forum and a Registered Professional Surveyor (General Practice) of the Hong Kong Institute of Surveyors. He possesses over 20 years of business valuation experience in Asia-Pacific region. Therefore, the Directors are satisfied with the qualification and experience of CMA in preparation of the Preliminary Valuation.

In valuing the equity interest of the Target Company, CMA has adopted the market approach which used the P/E Ratio in the market in valuing the equity interest of the Target Company.

In the course of conducting the Preliminary Valuation, CMA selected 24 Hong Kong-listed companies as comparable companies. The selection criteria adopted by CMA is that the comparable companies are (i) listed on the Stock Exchange; (ii) carrying out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong; and (iii) had earnings as at the Valuation Date. The Target Company and these comparable companies are licensed corporations carrying on Types 1, 4 and 9 regulated activities under the SFO. In selecting the comparable companies, CMA excluded those listed companies possessing only one type or two types of the said licences.

In selecting the comparable companies, the Directors noted that (i) operating level was not one of the selection criteria in selecting the comparable companies; and (ii) the comparable companies were well-established companies with significant market capitalisation whereas the Target Company was only incorporated in June 2016 with an unaudited consolidated net asset value of approximately HK\$44.6 million as at 28 February 2021. As advised by CMA, the prerequisite for setting selection criteria of the comparable companies is that the factors set by a valuer should be relevant to the type of market multiple chosen according to the International Valuation Standards. As earnings of the comparable companies would be used to compute the P/E Ratios, factors which were relevant to earnings such as business segment and geographic area were considered to be more relevant to and adopted in the selection basis, while the scale of operation or operating history, which did not affect earnings and were not input value in computing the P/E Ratios, were not taken as selection criteria. The Company has also noted from CMA that (i) each comparable company has its unique service scope and there are no two companies exactly alike; and (ii) the limitation for every valuation is that identical comparable companies unlikely exist. Nevertheless, under the limitation as explained above which is inevitable for every valuation, having considered that (i) the business nature of the Target Company and the comparable companies are the same, i.e. they all have Types 1, 4 and 9 licenses under the SFO; (ii) both the comparable companies and the Target Company are subject to the same fluctuations in the economy and

performance of the industry which means that they are confronted with similar market and industrial risks and rewards; and (iii) adjustment of DLOM (as defined and discussed below) has been made to reflect that the publicly-traded comparable companies have superior marketability (well-established) whilst the Target Company, a private company, requires a significant amount of time to identify potential buyers and complete a transaction, the Directors concur with the view of CMA that this selection basis is fair and reasonable and the comparable companies are representative.

Set out below is the information of the comparable companies as at 31 January 2021 provided by CMA:

No.	Company	Stock code	Principal activities	Stock price (HK\$)	Earnings per share (approximate HK\$)	P/E Ratio (times)	Market capitalisation (HK\$)
1.	Cinda International Holdings Limited	111	Provision of asset management, corporate finance advisory services, securities brokering, commodities and futures brokering, financial planning and insurance brokering	0.435	0.0804	5.41	278,924,436
2.	Shenwan Hongyuan (H.K.) Limited	218	Brokerage business, corporate finance business, asset management business, financing and loans business and investment and other business	1.03	0.0937	10.99	1,607,972,850
3.	First Shanghai Investments Limited	227	Securities investment, corporate finance, stockbroking, property development, property investment, hotel operations, medical and healthcare services, direct investment, investment holding and management	0.35	0.0075	46.67	496,640,554
4.	Haitong International Securities Group Limited	665	Wealth management, corporate finance, asset management, institutional clients and investment	2.16	0.2685	8.04	13,037,835,786
5.	China Tonghai International Financial Limited	952	(i) Discretionary and non-discretionary dealing services for securities, futures and options, securities placing and underwriting services, margin financing and money lending services, insurance broking and wealth management services; (ii) corporate finance advisory and general advisory services; (iii) fund management, discretionary portfolio management and portfolio management advisory services; (iv) financial media services; and (v) investing and trading of various investment products	0.181	0.00087	208.05	1,121,665,909

No.	Company	Stock code	Principal activities	Stock price (HK\$)	Earnings per share (approximate HK\$)	P/E Ratio (times)	Market capitalisation (HK\$)
6.	CMBC Capital Holdings Limited	1141	Securities business, investment and financing and asset management and advisory business	0.112	0.0075	14.93	5,333,213,506
7.	Central China Securities Co., Ltd.	1375	Securities brokerage business, credit business, futures business, investment banking business, investment management business, proprietary trading business and overseas business	1.58	0.022357	70.67	1,888,676,700
8.	Bright Smart Securities & Commodities Group Limited	1428	Provision of financial services, including securities broking, margin financing, commodities and futures broking, bullion trading and leveraged foreign exchange trading	2.08	0.2775	7.50	3,530,376,321
9.	Get Nice Financial Group Limited	1469	Provision of financial services, including securities dealing and broking, futures and options broking, underwriting and placements, securities margin financing and corporate finance services	0.89	0.06	14.83	2,225,000,000
10.	GF Securities Co., Ltd.	1776	Securities brokerage, securities investment consultation, the financial advisory business relating to securities trading and securities investment, securities underwriting and sponsorship, securities proprietary trading, the proxy sale of securities investment funds, the provision of futures intermediary services for futures companies, margin financing and securities lending, the proxy sale of financial products, securities investment fund custodian, market-making of stock options, asset management, project and investment management, commodity futures brokerage, financial futures brokerage and futures investment advisory	11.34	1.1067	10.25	19,298,368,908
11.	Guotai Junan International Holdings Limited	1788	Brokerage, corporate finance, asset management, loans and financing, financial products, market making and investments	1.23	0.117	10.51	11,830,741,268
12.	Innovax Holdings Limited	2680	Corporate financial advisory services, placing and underwriting services, securities dealing and brokerage services, securities financing services, futures dealing and asset management services	1.03	0.004	257.50	412,000,000

No.	Company	Stock code	Principal activities	Stock price (HK\$)	Earnings per share (approximate HK\$)	P/E Ratio (times)	Market capitalisation (HK\$)
13.	BOCOM International Holdings Company Limited	3329	Securities brokerage, margin financing, corporate finance and underwriting, investment and loans and asset management and advisory businesses	1.26	0.18	7.00	3,445,333,920
14.	China International Capital Corporation Limited	3908	Investment banking business, equities business, fixed-income, currency and commodity business, investment management business, wealth management business and other business activities	20.3	1.1067	18.34	88,683,957,720
15.	Orient Securities Company Limited	3958	Provision of all-round, one-stop financial services covering securities, futures, asset management, investment banking, investment consultancy and securities research	5.47	0.3913	13.98	5,618,127,600
16.	CITIC Securities Company Limited	6030	Provision of securities brokerage, investment banking, assets management, trading and other related financial services	17.06	1.1291	15.11	38,868,270,562
17.	CSC Financial Co., Ltd.	6066	Investment banking business, wealth management business, trading and institutional client services business, asset management business and other business	11.38	0.7490	15.19	14,350,450,412
18.	China Merchants Securities Co., Ltd.	6099	Wealth management and institutional business, investment banking business, investment management business, and investment and trading business	11.98	1.084	11.05	15,268,767,977
19.	Everbright Securities Company Limited	6178	Securities brokerage, securities investment consulting, financial advisory relating to securities trading and securities investment, securities underwriting and sponsorship, proprietary trading of securities, intermediary introduction business for futures companies, proxy sale of securities investment funds, margin financing and securities lending business, proxy sale of financial products, market making of stocks and options, fund custody qualification and other businesses approved by China Securities Regulatory Commission	6.87	0.13772	49.88	4,837,090,056

No.	Company	Stock code	Principal activities	Stock price (HK\$)	Earnings per share (approximate HK\$)	P/E Ratio (times)	Market capitalisation (HK\$)
20.	Haitong Securities Co., Ltd.	6837	Securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund management business and provision of investment advisory and consultancy services	6.91	0.9278	7.45	23,560,120,546
21.	China Galaxy Securities Co., Ltd.	6881	Securities and futures brokerage, institutional sales and investment research, proprietary trading and other securities trading services, margin financing and securities lending, asset management and wealth management, and equity investment management	4.65	0.5813	8.00	17,163,078,543
22.	HTSC	6886	Securities brokerage, securities proprietary trading, securities underwriting and sponsorship, securities investment advisory, asset management, margin financing and securities lending, agency sale of financial products, intermediary introduction business for the futures companies, agency sale and custody of securities investment fund, mutual fund management, brokerage of spot contracts for precious metal such as gold, proprietary trading of spot contract for gold, direct investment business, alternative investment business, stock option market making, futures brokerage business and other business activities as approved by the China Securities Regulatory Commission	12.36	1.1626	10.63	21,247,404,605
23.	KOALA Financial Group Limited	8226	Securities investments, provision of securities placing and brokerage services, leasing of investment properties and money lending business	0.023	0.0033	6.97	64,017,279
24.	Victory Securities (Holdings) Company Limited	8540	Provision of securities broking services through five segments including (i) securities broking services, (ii) financing services, (iii) asset management services, (iv) financial advisory services and (v) insurance consultancy services	1.25	0.0471	26.54	250,052,500

In deriving the P/E Ratio, CMA computed the median P/E Ratio from all 24 comparable companies which was approximately 12.51 times. The median was then multiplied by the after-tax profit of the Target Company to calculate its market value. Such market value was adjusted by DLOM derived from an option model and the historical volatility of the comparable companies, and control premium based on transactions involving acquisition of financial services companies worldwide.

As advised by CMA, discounts for lack of marketability (“**DLOM**”) should be applied when the comparables were deemed to have superior marketability to the subject asset. A DLOM reflects the concept that when comparing otherwise identical assets, a readily marketable asset would have a higher value than an asset with a long marketing period or restrictions on the ability to sell the asset. Publicly-traded securities can be bought and sold nearly instantaneously while shares in a private company may require a significant amount of time to identify potential buyers and complete a transaction. As the Target Company is a private company, a DLOM was applied in the Preliminary Valuation. CMA adopted Chaffee Model in estimating DLOM, which also known as the “European Put Option Model”, estimating the DLOM as the value of a European-style put option on the common shares with a strike price equal to the share price on the valuation date. The Black-Scholes-Merton model was used to calculate the put option price. CMA opted to apply a DLOM of approximately 19.6% to the Preliminary Valuation.

As noted from CMA, a control premium is the amount that a buyer is willing to pay over and above the current market price in order to acquire a controlling interest in that specific company. Control confers value as gaining control gives access to the target firm’s cash flows, the rationalisation of its work force, and the control of the strategy and operations of the firm. Control premiums are typically seen in takeover bids of public companies, and can also be present in situations where shareholders of private businesses pay a premium to obtain majority interest or a controlling position in a company. Effective control of an entity can occur at levels substantially below a majority ownership interest. This situation can happen when there is one large minority voting interest and no other party or organized group of parties has a significant interest. As at the Valuation Date, the Target Company was owned as to 30% equity interest by the Company. Upon Completion, the Company will own as to 42% equity interest of the Target Company whilst the other three shareholders will own 19%, 19% and 20% equity interest in the Target Company respectively. That was the rationale for the Company to pay a control premium for shares which were widely dispersed in order to take effect control of the Target Company. In deriving a control premium of approximately 33.8%, CMA made reference to the “BVR Control Premium Study” published by Business Valuation Resources in the United States. The data gathered in this study related to the historical merger and acquisition transactions for the companies providing securities brokerage, financial advisory, and fund management services.

After the adjustments as discussed above, the valuation on the market value of the 100% equity interest of the Target Group, based on the after-tax profit of the Target Company for the year ended 31 March 2020, amounted to approximately HK\$44.4 million as at 31 January 2021, which represents P/E Ratio of approximately 13.5 times.

Directors' view

In view of (i) the cancellation mechanism that the Acquisition shall be overturned if the guaranteed profits of HK\$5 million for the year ended 31 March 2021 and the year ending 31 March 2022 are not reached such that the Company's investment is protected, details of which are discussed in the paragraphs headed "The Sale and Purchase Agreement — Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration" below; (ii) the reasonableness of the guaranteed profits of HK\$5 million for the year ended 31 March 2021 and the year ending 31 March 2022 with reference to the historical financial performance of the Target Group and the economic circumstances, details of which are discussed in the paragraphs headed "Reasons for and benefits of the Acquisition and the granting of the Loan" below; and (iii) the Preliminary Valuation given the qualification and experience of CMA and the method for selecting the comparable companies and the method and procedures in arriving at the Preliminary Valuation as mentioned above, the Directors are of the view that the basis for determining the Sale Shares Consideration is fair and reasonable.

Assets to be acquired — the Options to further acquire the Target Company

Pursuant to the Sale and Purchase Agreement, Grantor A, Grantor B and Grantor C have conditionally agreed to grant and the Company has conditionally agreed to accept on the Completion Date the Option A, Option B and Option C to purchase the Option Shares A, Option Shares B and Option Shares C, respectively.

The completion of sale and purchase of the Sale Shares and the granting of Options shall be performed simultaneously on the Completion Date.

Any of the Options may be exercised by the Company at any time during the period from the Completion Date to 30 June 2022 (both dates inclusive), and if not so exercised, the Options will expire automatically after 30 June 2022. Any of the Options may be exercised for all, but not some only, of the respective Option Shares.

Price of the Options

The Company shall pay option price of HK\$1.0 to each of the Grantors in cash as consideration for each of the Options, respectively, on the Completion Date. The option price of HK\$1.0 for each of the Options was determined under arm's length negotiations between the Company and each of the Grantors which the Directors consider to be on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole, and taking into account the reasons set out in the paragraphs headed "Reasons for and benefits of the Acquisition and the granting of the Loan" below.

Conditions precedent

Completion is conditional upon all of the following Conditions being fulfilled (or waived, if applicable) on or before the Long Stop Date:

- (a) the passing by the Shareholders of ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder, including without limitation the Acquisition, issue of the Sale Shares PN, the exercise of any or all of the Options and the resulting Possible VSA, and issue of any or all of the Option Shares PN;
- (b) (if required under the SFO) the approval of SFC of the Company (and its beneficial owners) to become substantial shareholder(s) of the Target Company arising from the sale of the Sale Shares to the Company under the SFO;
- (c) the Company having completed the due diligence on the Target Group and having notified the Vendor and the Grantors 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 and the Grantors under the Sale and Purchase Agreement;
- (d) the Company having received a valuation report on the Target Company from an independent professional valuer showing that a P/E Ratio of not less than 12.0 times was adopted for the valuation of the Target Company;
- (e) the warranties given by the Vendor and the Grantors under the Sale and Purchase Agreement having remained true, accurate and not misleading in all material respects;
- (f) (if necessary) all other relevant approvals, consents of the relevant parties and authorities and all necessary procedures for the transactions contemplated thereunder having been obtained or completed; and
- (g) no material adverse change having occurred to the business, assets, financial position, performance and prospect of the Target Group.

The Company, the Vendor and the Grantors shall use their best endeavours to procure the fulfilment of the Conditions (so far as it is within its power and practicable to do so) as soon as practicable and in any event on or before the Long Stop Date.

The Company may at any time waive in writing any Conditions and such waiver may be made subject to such terms and conditions as may be determined by the Company. Conditions (a), (b) and (f) are not capable of being waived by the Company.

If the Conditions have not been fulfilled or waived by the Company (if applicable) at or before 12:00 noon on the Long Stop Date (or such later date as the Vendor, the Grantors and the Company may agree), the Sale and Purchase Agreement shall lapse, whereupon all rights and obligations of the parties shall cease to have effect except in respect of any accrued rights and obligations of the parties and shall be without prejudice to the continued application of those clauses which are specified to the surviving termination pursuant to the Sale and Purchase Agreement.

Completion

Subject to the Conditions having been satisfied (or waived by the Company if applicable), Completion shall take place at the office of the Company on the Completion Date or at such other place and time as may be agreed by the Company, the Vendor and the Grantors (time in either case being of the essence).

The Sale Shares PN

The Company shall issue the Sale Shares PN for settlement of the Sale Shares Consideration. The principal terms and conditions of the Sale Shares PN are as follows:

Issuer:	The Company
Noteholder:	The Vendor (or its nominee)
Principal amount:	HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million)
Interest:	4.0% per annum
Maturity date:	The issuer shall repay the outstanding principal sum, together with any unpaid and accrued interest on the date falling on the seventh (7th) anniversary of the date of issue of the Sale Shares PN (or if that is not a Business Day, the first Business Day thereafter)
Transferability:	The Sale Shares PN shall be freely transferrable or assignable by the noteholder(s) to any persons provided that the noteholder(s) shall serve a prior written notice to the Company of not less than five (5) Business Days
Redemption by the Company:	The Sale Shares PN could be redeemed by the Company at any time from the issue date to the maturity date and the redemption amount payable shall be the total of the outstanding principal sum plus unpaid and accrued (up to the date of redemption) interest by serving the noteholder(s) a prior written notice of not less than five (5) Business Days

Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration

Pursuant to the Sale and Purchase Agreement, the Company (i) is entitled to overturn the acquisition of the Sale Shares and the Option Shares respectively in the event that the Profit After Tax 2021 and Profit After Tax 2022 are less than HK\$5.0 million respectively; and (ii) shall, as incentive to the Vendor and the Grantors respectively, adjust the Sale Shares Consideration and the Option Shares Consideration in the event that the Profit After Tax 2021 and the Profit After Tax 2022 exceed HK\$5.0 million (but subject to a cap of HK\$20.0 million) respectively. Details of the mechanisms are set out below:

For the year ended 31 March 2021

In the event that the Profit After Tax 2021

- (i) is less than HK\$5.0 million, the Company is entitled to cancel the Sale Shares PN without obligation to pay any interest from the date of issue of the Sale Shares PN and sell back the Sale Shares to the Vendor at HK\$1.0 (“**Cancellation Right**”); or
- (ii) exceeds HK\$5.0 million (but subject to a cap of HK\$20.0 million), the Company shall adjust the Sale Shares Consideration to an amount calculated as follows,

$$\text{adjusted Sale Shares Consideration} = (A - \text{HK\$5.0 million}) \times 12.0 \times 12.0\% + \text{HK\$7.2 million}$$

where A = the Profit After Tax 2021, where the Target Company records a Profit After Tax 2021 of more than HK\$20.0 million, A shall, for the purpose of adjustment only, be taken to be equal to HK\$20.0 million

12.0 = the P/E Ratio of 12.0 times of the Target Company which is lower than that adopted by the Preliminary Valuation

The interest payable by the Company to the Vendor in respect of the Sale Shares PN shall be calculated from the date of issue of the Sales Shares PN on the principal equal to the adjusted Sale Shares Consideration.

The Company intends to cancel the Sale Shares PN and sell back the Sale Shares to the Vendor if the Profit After Tax 2021 does not meet HK\$5.0 million.

For the year ending 31 March 2022

In the event that any of the Options are exercised, details of which are discussed under the paragraphs headed “Possible VSA and possible issuance of Option Shares PN” below, and the Profit After Tax 2022

- (i) is less than HK\$5.0 million, the Company is entitled to cancel the Option Shares PN (if Option A, Option B and/or Option C is/are exercised by the Company) without obligation to pay any interest from the respective dates of issue of the respective Option Shares PN and sell back the respective Option Shares to the relevant Grantors at HK\$1.0 respectively; or

(ii) exceeds HK\$5.0 million (but subject to a cap of HK\$20.0 million), the Company shall adjust the consideration payable to the relevant Grantors to an amount calculated as follows,

adjusted Option Shares Consideration = (B — HK\$5.0 million) x 12.0 x C + D
payable to the respective Grantors

where B = the Profit After Tax 2022, where the Target Company records a Profit After Tax 2022 of more than HK\$20.0 million, B shall, for the purpose of adjustments only, be taken to be equal to HK\$20.0 million

12.0 = the P/E Ratio of 12.0 times of the Target Company which is lower than that adopted by the Preliminary Valuation

C = shareholding percentage of the relevant number of Options Shares in the issued share capital of the Target Company purchased from the relevant Grantors by the Company

D = respective original amount of consideration for the Option Shares paid to the relevant Grantors by the Company

The interest payable by the Company to the relevant Grantors in respect of the related Option Shares PN shall be calculated from the respective dates of issue of the Option Shares PN on the principal equal to the respective adjusted Option Shares Consideration payable to the relevant Grantors.

The Vendor and the Grantors shall procure that the audited consolidated financial statements of the Target Company for the year ended 31 March 2021 (“**2021 Audited Accounts**”) and the year ending 31 March 2022 (“**2022 Audited Accounts**”) to be issued and reported on by the Target Company’s auditors (the “**Auditors**”) in accordance with the applicable laws and regulations no later than 30 June 2021 and 30 June 2022 respectively. The 2021 Audited Accounts and 2022 Audited Accounts shall be prepared in accordance with the Hong Kong financial reporting standards and interpretations which are issued by the Hong Kong Institute of Certified Public Accountants. The costs and expenses of the Auditors for preparing and issuing 2021 Audited Accounts and 2022 Audited Accounts shall be borne and paid by the Target Company. Such 2021 Audited Accounts prepared and issued by the Auditors in accordance with the Sale and Purchase Agreement shall, in the absence of manifest error, be final and conclusive of the matters stated therein and binding on the Company, the Vendor and the Grantors.

Where any of the Sale Shares Consideration and/or the Option Shares Consideration is revised pursuant to the Sale and Purchase Agreement, the Vendor and the Grantors agree that the Company shall be entitled to issue revised promissory notes (with only change on principal sum with effect on the date of revision and no change to the maturity date) to replace and supersede the Sale Shares PN to be issued at Completion and the Option Shares PN to be issued upon exercise of the Options, and the same shall be cancelled forthwith.

POSSIBLE VSA AND POSSIBLE ISSUANCE OF OPTION SHARES PN

Upon the exercise of any Options, the Company shall purchase and the respective Grantor shall sell the respective Option Shares. The consideration of Option Shares A, Option Shares B and Option Shares C shall be HK\$11.4 million, HK\$12.0 million and HK\$11.4 million respectively (subject to upward adjustments to a maximum of HK\$45.6 million, HK\$48.0 million and HK\$45.6 million respectively), which shall be settled by issuing the respective Option Shares PN to the respective Grantor.

The Option Shares Consideration is proportionally equivalent to the Sale Shares Consideration, and was determined on the same basis of determining the Sale Shares Consideration which is set out in the paragraphs headed “The Sale and Purchase Agreement — Basis of the Sale Shares Consideration” above.

The Company will comply with relevant requirements under the GEM Listing Rules in respect of the exercise of any of the Options as and when appropriate.

The expected principal terms and conditions of the Option Shares PN are as follows:

Option Shares A PN

Issuer: The Company

Noteholder: The Grantor A (or its nominee)

Principal amount: HK\$11.4 million (subject to an upward adjustment to a maximum of HK\$45.6 million)

Option Shares B PN

Issuer: The Company

Noteholder: The Grantor B (or its nominee)

Principal amount: HK\$12.0 million (subject to an upward adjustment to a maximum of HK\$48.0 million)

Option Shares C PN

Issuer: The Company

Noteholder: The Grantor C (or its nominee)

Principal amount: HK\$11.4 million (subject to an upward adjustment to a maximum of HK\$45.6 million)

General terms of the Option Shares PN

Interest: 4.0% per annum

- Maturity date: The issuer shall repay the outstanding principal sum, together with any unpaid and accrued interest on the date falling on the seventh (7th) anniversary of the date of issue of the respective Option Shares PN (or if that is not a Business Day, the first Business Day thereafter)
- Transferability: The respective Option Shares PN shall be freely transferrable or assignable by the noteholder(s) to any persons provided that the noteholder(s) shall serve a prior written notice to the Company of not less than five (5) Business Days
- Redemption by the Company: The respective Option Shares PN could be redeemed by the Company at any time from the issue date to the maturity date and the redemption amount payable shall be the total of the outstanding principal sum plus unpaid and accrued (up to the date of redemption) interest by serving the noteholder(s) a prior written notice of not less than five (5) Business Days

PROVISION OF FINANCIAL ASSISTANCE

On 20 April 2021 (after trading hours of the Stock Exchange), the Company (as lender) and the Target Company (as borrower) also entered into the Loan Agreement, pursuant to which the Company has agreed to grant the Loan, of the amount equivalent to the dividend declared by the board of directors of the Target Company on 2 January 2020 (the “**Advancement Date**”) which the Company is entitled to receive, to the Target Company repayable by 2 January 2022.

The Loan Agreement and Completion are not conditional upon each other.

The Loan Agreement

- Date: 20 April 2021
- Parties: (i) The Company; and
(ii) The Target Company

As at the date of this announcement, the Target Company was owned as to 30.0% by the Company, 12.0% as to the Vendor, 19.0% as to Grantor A, 20.0% as to Grantor B and 19.0% as to Grantor C. As advised by the Vendor and the Grantors, as at the date of this announcement, (i) Grantor A held 182,400 Shares; (ii) Grantor B held 2,400 Shares and convertible bonds issued by the Company which can be converted into 561,224 Shares upon full conversion; and (iii) Grantor C held 1,559,580 Shares and convertible bonds issued by the Company which can be converted into 1,147,311 Shares upon full conversion. Save as disclosed above, the Company has not received any other information regarding the shareholding interest held by the Vendor, Grantor A, Grantor B and Grantor C in the Company. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each of the Target Company, the Vendor and the Grantors is an Independent Third Party.

Principal: HK\$4,967,382.91

Interest: 7.0%

The interest rate was determined after arm's length negotiations between the Company and the Target Company on normal commercial terms.

Maturity date: 2 January 2022, being the second anniversary of the Advancement Date

Repayment: Pursuant to the Loan Agreement, the Target Company shall repay the Loan together with any unpaid accrued interest thereon on or before the maturity date.

INFORMATION ON THE PARTIES TO THE SALE AND PURCHASE AGREEMENT AND THE LOAN AGREEMENT

Information of the Company

The Group is principally engaged in the manufacture and trading of electronic products and accessories and provision of catering business.

Information of the Vendor

The Vendor is an Independent Third Party. She is a PRC citizen and possesses experience in investing in various securities products.

Information of the Grantors

Grantor A is an Independent Third Party. He is a Hong Kong citizen and is experienced in the securities industry and the director of each of the members of the Target Group.

Grantor B is an Independent Third Party. He is a PRC citizen and possesses experience in retail industry and investing in various securities products.

Grantor C is an Independent Third Party. He is a Hong Kong citizen and possesses experience in investing in various securities products.

Information of 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 in Hong Kong with limited liability.

As at the date of this announcement, the Company owned 30.0% equity interest in the Target Company.

The major assets of the Target Company 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. Their background information is as follows:

(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 fund 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 provides secured and unsecured private loans to clients. The money lender licence of BCrL expired on 2 November 2020.

As advised by the management of the Target Group, since no reminder was received by BCrL for the renewal of the previous licence, BCrL failed to renew the money lending licence and a new licence application was submitted on 23 December 2020. There is no legal impediment in applying for a new licence. On 8 March 2021, a no objection letter from Hong Kong Police Force was received and the application has been passed to Licensing Court for hearing. As at the date of this announcement, BCrL has not received any information regarding the hearing of the licence application. Therefore, the expected date for obtaining the new licence is uncertain. As confirmed by the

management of the Target Group, other than the outstanding loans granted to clients before expiration of the money lending licence on 2 November 2020, BCrL has not, since the expiration of the money lender licence, and will not, before obtaining a new money lender licence, engage in the provision of new loans to clients. Despite the expiration of the money lender licence since November 2020, given the fact that Hong Kong Police Force has already issued a no objection letter as mentioned above, the management of the Target Group is of the view that BCrL will be able to obtain the money lender license in due course. Accordingly, the management of the Target Group is of the view that the suspension in provision of new loans to clients since November 2020 does not have material financial impact to the Target Group.

(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 is engaged in commodities trading and e-commerce by operating an e-commerce platform which sells luxurious products such as skincare products, healthcare products, watches and jewelry.

(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 is engaged in project management, which involves project framework planning, timetable planning, budget setting and control, coordination between working parties, and progress checking and monitoring.

Financial information of the Target Group

Set out below is the consolidated financial information of the Target Group as extracted from its audit report for FY2019 and FY2020 and the management accounts as provided by the Target Company:

	For the eleven months ended 28 February 2021 (Unaudited) <i>HK\$('000)</i>	For FY2020 (Audited) <i>HK\$('000)</i>	For FY2019 (Audited) <i>HK\$('000)</i>	For FY2018 (Audited) <i>HK\$('000)</i>
Revenue	17,188	15,839	36,570	19,406
Profit from operations	9,953	5,069	24,302	10,952
Profit before taxation	9,635	4,092	23,162	10,664
Net profit for the year/ period	9,635	3,297	19,317	9,367

The audited consolidated net asset values of the Target Company as at 31 March 2018, 31 March 2019 and 31 March 2020, and unaudited consolidated net asset value of the Target Company as at 28 February 2021 were approximately HK\$29.1 million, HK\$48.2 million and HK\$35.0 million and HK\$44.6 million respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE GRANTING OF THE LOAN

The Acquisition

The Group is principally engaged in the manufacture and trading of electronic products and accessories and provision of catering business.

As at the date of this announcement, the Company owned 30.0% equity interest in the Target Company.

Intention of the Company to diversify business with less uncertainty

As disclosed in the annual report of the Company for FY2020, (i) the trading of electronic products segment recorded minimal profit of approximately HK\$0.5 million and HK\$1.2 million for FY2019 and FY2020 respectively; (ii) the manufacturing and trading of electronic products and accessories and subcontracting income segment recorded a loss of approximately HK\$1.9 million and HK\$7.2 million for FY2019 and FY2020 respectively; and (iii) the provision of food catering services segment recorded a loss of approximately HK\$4.3 million and profit of approximately HK\$6.1 million for FY2019 and FY2020 respectively.

In light of the above, the Group has reviewed business projects and look for other investment opportunities which could generate stable revenue, and bring a greater return for the Shareholders in a long run. Back on 24 October 2018, the Group has already reallocated its resource to invest in the Target Group by acquiring 30.0% equity interest in the Target Company and therefore the Target Group is classified as associates of the Company.

Taking into account the knowledge and experience in operating the businesses of the Target Group accumulated since the Company's acquisition of the 30.0% equity interest in the Target Company in 2018, the Directors consider further investment in the Target Group will have less uncertainty than those unfamiliar new companies and businesses.

With the aim of continuing to healthily diversify the Group's business, the Directors proposed to strengthen the Company's interest and participation in the Target Group through the Acquisition after considering the following factors carefully.

Performance of the Target Group

The Target Group was profit making for FY2018, FY2019 and FY2020, and recorded a comparably low profit for FY2020. The Group recorded a share of result from the Target Group of approximately HK\$14.7 million and HK\$0.5 million for FY2019 and FY2020 respectively, while the Target Group itself recorded net profits of approximately HK\$9.4 million, HK\$19.3 million and HK\$3.3 million for FY2018, FY2019 and FY2020 respectively. As advised by the management of the Target Company, the decrease in profit for FY2020 was mainly attributable to the trade war between the United States and the PRC during 2019 which affected the capital flow from the PRC to Hong Kong. The outbreak of the COVID-19 in 2020 worldwide also caused adverse impact on Hong Kong and the global economy, and thus the business of the Target Group. Nevertheless, the Directors consider that the trade war and the COVID-19 epidemic would only have short term effect on the

market. Having considered the historical financial and operation performance of the Target Group without the impact of the trade war and the COVID-19 (i.e. FY2018 and FY2019), the Directors are of the view that, for long term investment, in the absence of trade war and global epidemic which were not often to be seen in recent decades, the Target Group can have positive financial performance.

The fact that the Target Company recorded unaudited consolidated net profit after tax of approximately HK\$9.6 million for the eleven months ended 28 February 2021, which exceeds the profit of the Target Company for FY2020, proves that its financial performance is improving.

Market outlook

The Target Group's major revenue source for FY2018 and FY2019 are placing fee income, whereas the major revenue source of the Target Group for FY2020 was project management, which involved project framework planning, timetable planning, budget setting and control, coordination between working parties, and progress checking and monitoring. According to the HKEX Fact Books published by the Stock Exchange, the number of new listed companies on the Stock Exchange increased from 120 in 2016 to 146 in 2020; (ii) the number of listed companies on the Stock Exchange rose from 1,973 in 2016 to 2,538 in 2020; (iii) the amount of equity funds raised increased from approximately HK\$490.1 billion in 2016 to approximately HK\$747.0 billion in 2020. The upward trend of the number of listed companies on the Stock Exchange and newly listed companies as well as the funds raised in recent years implies the market needs of initial public offering underwriting and documentation, and other equity fund raising activities. As such, the abovementioned overall trend suggests stable outlook of the Target Group's business.

The Options, rights to overturn the acquisition of the Sale Shares and the Option Shares and the incentive to the Vendor and the Grantors

Pursuant to the Sale and Purchase Agreement, 12.0% equity interest of the Target Company shall be purchased by the Company upon Completion. Upon Completion, the Company shall hold in aggregate 42.0% equity interest in the Target Company and shall be granted the Options by the Grantors regarding the rights to purchase the remaining of up to 58.0% equity interest in the Target Company until 30 June 2022. The Company can decide whether further investing in the Target Company after considering its future business performance.

Through the cancellation right in respect of the Sale Shares for the year ended 31 March 2021 and the cancellation right in respect of the Option Shares the year ending 31 March 2022 as detailed in the paragraphs headed "The Sale and Purchase Agreement — Cancellation right and adjustments to the Sale Shares Consideration and the Option Shares Consideration" above provided by the Vendor and the Grantors, the interest of the Company is safeguarded by overturning the acquisition of the Sale Shares and the Option Shares in case that the financial performances of the Target Group for the year ended 31 March 2021 and the year ending 31 March 2022 respectively, are unsatisfactory.

The Company considers the grant of the Options together with the cancellation right in respect of the Sale Shares and the Option Shares provide flexibility for the Group to adjust its investment in the Target Company by reviewing its business performance for the year ended 31 March 2021 and the year ending 31 March 2022 respectively. Based on the above, the Directors are of the view that the Options and cancellation right can secure the Company's investment in the Target Group and the possible loss of the Company would be limited.

In respect of the adjustment to the Sale Shares Consideration and the Option Shares Consideration, the Directors consider it provides an incentive to the Vendor and the Grantors to enhance the financial performance of the Target Group, which also increases the profitability of the Group, leading to a win-win situation.

Upon completion of the acquisition of the Sale Shares, the Company will hold 42.0% equity interest in the Target Company. Assume no exercise of the Cancellation Right and upon exercise of the Options in full, the Target Company will become a wholly owned subsidiary of the Company. The acquisitions of the Sale Shares and the Option Shares allow the Company to consolidate the financial information of the Target Group into the consolidated financial statements of the Group, which can bring positive impact on the Group's financial performance and position. The Group will be able to broaden its revenue sources and pursue profit growth in the future.

Conclusion

Based on the above factors and benefits, the Directors are of the view that the Sale and Purchase Agreement has been entered into on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, in particular:

- (i) the net profit after tax of the Target Group of approximately HK\$9.4 million and HK\$19.3 million for the FY2018 and FY2019 respectively when the financial performance of the Target Group was not adversely affected by the US-China trade war and the COVID-19 pandemic;
- (ii) that the drop in the net profit after tax of the Target Group to approximately HK\$3.3 million for FY2020 was mainly attributable to the trade war between the United States and the PRC and the outbreak of the COVID-19 pandemic, which are extraordinary and their impacts on the future financial results of the Target Company are uncertain. However, given the guaranteed profit arrangement covering two consecutive financial years, the Company could expect to see that the Target Company would still be profitable and sustainable amidst the US-China trade war and the COVID-19 pandemic when the Target Company could attain the guaranteed profit. In fact, the Target Company recorded unaudited consolidated net profit after tax of approximately HK\$9.6 million for the eleven months ended 28 February 2021; and
- (iii) if the Target Company fails to attain the guaranteed profit, the cancellation mechanism, i.e. the Company is entitled to cancel the Sale Shares PN and the Option Shares PN and sell back the Sale Shares and the Option Shares to the Vendor and the Grantors at HK\$1 respectively, will be triggered and the Company's investment is protected.

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.

The granting of the Loan

The Loan is a sum equivalent to the dividend declared by the board of directors of the Target Company on 2 January 2020 which the Company is entitled to receive. The grant of the Loan allow the Target Company to pay the dividend to the Company on a deferred basis, and this is to reduce the immediate pressure on the cash position of the Target Company and strength its capital position.

Taking into account the interest income to be generated from the Loan and the intention of the Company to support the Target Group's capital position, the Directors consider that the entering into of the Loan Agreement and the terms and conditions of the Loan Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

GEM LISTING RULES IMPLICATIONS

The Acquisition

As certain applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceeds 100.0%, the Acquisition constitutes a very substantial acquisition for the Company and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

Pursuant to Rule 19.75(1) of the GEM Listing Rules, as the exercise of the Options is at the Company's discretion, and the Option's premium is less than 10% of the sum of the Option's premium and its exercise price, only the Option's premium (but not its exercise price, the value of the underlying assets and the profits and revenue attributable to such assets) will be taken into consideration for the purpose of classification of notifiable transactions under Chapter 19 of the GEM Listing Rules. As at the date of this announcement, the Company has no intention to exercise any of the Options.

Nonetheless, pursuant to Rule 19.76(2) of the GEM Listing Rules, the Company wishes to seek the Shareholders' prior approval necessary for the exercise of up to all the Options and the resulting Possible VSA and possible issuance of the Option Shares PN (in addition to seeking the Shareholders' approval necessary for the Acquisition).

Assuming that all the Options are exercised in full, the Company will acquire all the Option Shares, i.e. the Possible VSA, at the aggregate consideration of HK\$34.8 million (subject to upward adjustments to a maximum of HK\$139.2 million), which shall be settled by the issuance of the Option Shares PN. As the highest applicable percentage ratio under Rule 19.07 of the GEM Listing Rules in respect of the Possible VSA is expected to exceed 100.0%, the Possible VSA is expected to constitute a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements.

After the acquisition of the Sale Shares, the Company's interest in the Target Company will be only 42.0% and the Target Company will not be a subsidiary of the Company. If the Company exercises some of the Options which results in its interest in the Target Company exceeding 50.0%, the Target Company will become a subsidiary of the Company. Thereafter if the Company exercises the remaining Options, the acquisition of the respective Option Shares shall constitute a connected transaction of the Company at the subsidiary level according to Rule 20.99 of the GEM Listing Rules. The Company will comply with relevant rules as and when appropriate.

The Loan Agreement

As certain applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the grant of the Loan exceeds 5.0% but all are less than 25.0%, the grant of the Loan constitutes a discloseable transaction for the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder or any of its close associates (as defined in the GEM Listing Rules) has any material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder, and therefore no Shareholder is required to abstain from voting on the resolution(s) in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) further details on the Sale and Purchase Agreement; (ii) the financial information of the Target Company; (iii) the unaudited pro forma financial information of the Enlarged Group; (iv) the valuation report on the 100% equity interest in the Target Company; (v) the notice of the EGM; and (vi) other information as required under the GEM Listing Rules is expected to be despatched to the Shareholders on or before 31 July 2021, which is more than 15 Business Days (as required by the GEM Listing Rules) after the publication of this announcement, as the Company requires additional time to prepare the relevant information for inclusion in the circular. In case further time is required by the Company to prepare the circular, the Company will notify the public by way of announcement(s) pursuant to Rule 19.36A of the GEM Listing Rules as and when appropriate.

Completion is subject to the satisfaction or (if applicable) waiver of the Conditions, which may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

“Acquisition” the acquisition of the Sale Shares by the Company from the Vendor and the grant of the Options from the Grantors pursuant to the Sale and Purchase Agreement

“associates”	has the meanings as ascribed to it under the GEM Listing Rules
“Board”	the board of Directors from time to time
“Business Day(s)”	a day or days (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 GEM of the Stock Exchange (stock code: 8218)
“Completion”	completion of the sale and purchase of the Sale Shares and the granting of the Options pursuant to the Sale and Purchase Agreement
“Completion Date”	the fifth Business Day following the day on which all the Conditions are satisfied in full or waived, or such other date as the Vendor, the Grantors and the Company may agree
“Condition(s)”	the condition(s) precedent to Completion which are set out in this announcement under the paragraphs headed “The Sale and Purchase Agreement — Conditions precedent”
“Director(s)”	the director(s) of the Company
“Enlarged Group”	the Group as enlarged by the Target Group upon Completion
“FY2018”	the year ended 31 March 2018
“FY2019”	the year ended 31 March 2019
“FY2020”	the year ended 31 March 2020
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grantor A”	Mr. Li Hok Yin
“Grantor B”	Mr. Pan Jiye

“Grantor C”	Mr. Yan Ka Him
“Grantors”	collectively, Grantor A, Grantor B and Grantor C
“Group”	the group of companies consisting of the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	party(ies) which is/are not connected person(s) of the Company (as defined in the GEM Listing Rules) and is/are independent of and not connected with the Company and its connected persons
“Loan”	the loan in the principal amount of HK\$4,967,382.91 granted by the Company to the Target Company under the Loan Agreement
“Loan Agreement”	the loan agreement dated 20 April 2021 and entered into between the Company as lender and the Target Company as borrower in relation to the grant of the Loan
“Long Stop Date”	31 December 2021 (or such other date as may be agreed by the Vendor, the Grantors and the Company in writing)
“Option A”	the right of the Company to purchase from Grantor A, and require Grantor A to sell, the Option Shares A of the Target Company under the terms of the Sale and Purchase Agreement
“Option B”	the right of the Company to purchase from Grantor B, and require Grantor B to sell, the Option Shares B of the Target Company under the terms of the Sale and Purchase Agreement
“Option C”	the right of the Company to purchase from Grantor C, and require Grantor C to sell, the Option Shares C of the Target Company under the terms of the Sale and Purchase Agreement
“Options”	collectively, Option A, Option B and Option C

“Option Shares”	collectively, Option Shares A, Option Shares B and Option Shares C, which means in aggregate 13,345,974 issued and fully paid shares of the Target Company, representing 58.0% of the entire issued share capital of the Target Company, to be bought by the Company and sold by the Grantors upon the exercise of the respective Options by the Company
“Option Shares A”	4,371,957 issued and fully paid shares of the Target Company, representing 19.0% of the entire issued share capital of the Target Company, to be bought by the Company and sold by Grantor A
“Option Shares A PN”	the promissory note in the principal amount of HK\$11.4 million (subject to an upward adjustment to a maximum of HK\$45.6 million) in the agreed form to be executed by the Company for the purpose of settling the consideration of Option Shares A to Grantor A
“Option Shares B”	4,602,060 issued and fully paid shares of the Target Company, representing 20.0% of the entire issued share capital of the Target Company, to be bought by the Company and sold by Grantor B
“Option Shares B PN”	the promissory note in the principal amount of HK\$12.0 million (subject to an upward adjustment to a maximum of HK\$48.0 million) in the agreed form to be executed by the Company for the purpose of settling the consideration of Option Shares B to Grantor B
“Option Shares C”	4,371,957 issued and fully paid shares of the Target Company, representing 19.0% of the entire issued share capital of the Target Company, to be bought by the Company and sold by Grantor C
“Option Shares C PN”	the promissory note in the principal amount of HK\$11.4 million (subject to an upward adjustment to a maximum of HK\$45.6 million) in the agreed form to be executed by the Company for the purpose of settling the consideration of Option Shares C to Grantor C
“Option Shares Consideration”	the aggregate consideration of HK\$34.8 million (subject to upward adjustments to a maximum of HK\$139.2 million) for the Company to purchase all the Option Shares upon full exercise of the Options
“Option Shares PN”	collectively, the Option Shares A PN, the Option Shares B PN and Option Shares C PN

“Possible VSA”	the possible acquisition of up to 58.0% equity interest in the Target Company upon exercise of the Options in full by the Company to acquire the Option Shares
“PRC”	The People’s Republic of China
“Profit After Tax 2021”	the audited consolidated net profit after taxation of the Target Company, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, for the year ended 31 March 2021
“Profit After Tax 2022”	the audited consolidated net profit after taxation of the Target Company, prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants, for the year ending 31 March 2022
“Sale and Purchase Agreement”	the share purchase agreement dated 20 April 2021 entered into between the Company, the Vendor and the Grantors, pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Shares, and the Grantors have conditionally agreed to grant and the Company has conditionally agreed to accept on the Completion Date the Options to purchase the Option Shares, subject to the terms and conditions set forth therein
“Sale Shares”	2,761,236 issued and fully paid shares of the Target Company, representing 12.0% of the entire issued share capital of the Target Company, to be bought by the Company and sold by the Vendor
“Sale Shares Consideration”	the total consideration in the amount of HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million) payable by the Company for the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“Sale Shares PN”	the promissory note in the principal amount of HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million) in the agreed form to be executed by the Company for the purpose of settling the Sale Shares Consideration to the Vendor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the Share(s) from time to time

“Shares”	the ordinary shares in the capital of the Company
“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”	the Target Company and its subsidiaries
“Vendor”	Ms. Zhou Qilin
“%”	per cent.

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

Hong Kong, 20 April 2021

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, Mr. Lee Kwok Po and Mr. Chow Yun Cheung.

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 “Latest Listed Company Information” page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company’s website at www.echogroup.com.hk.