

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Echo International Holdings Group Limited** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.



Echo International Holdings Group Limited

毅高(國際)控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8218)

**MAJOR TRANSACTIONS
IN RELATION TO
TENANCY AGREEMENT AND RENOVATION CONTRACT
AND
PLACING OF SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM**

A letter from the Board is set out on pages 5 to 25 of this circular.

A notice convening the EGM of the Company to be held at Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Wednesday, 12 May 2021 at 11:00 a.m. is set out on pages 35 to 38 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the EGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting) if you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

The Company will implement the following precautionary measures at the EGM against the coronavirus disease to protect the Shareholders or proxies from the risk of infection, including but not limited to: compulsory body temperature check; mandatory use of surgical face masks; and no distribution of gifts and no refreshments will be served. Any attendee who does not comply with the precautionary measures or is subject to quarantine, with any flu-like symptoms, who has had close contact with any person under quarantine, or has travelled overseas within 14 days immediately before the EGM shall not be permitted to enter the venue. The Company strongly recommends the Shareholders to exercise their voting rights by appointing the Chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM as an alternative to attending the EGM in person.

26 April 2021

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

CONTENT

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I — FINANCIAL INFORMATION OF THE GROUP	26
APPENDIX II — GENERAL INFORMATION	28
NOTICE OF THE EGM	35

DEFINITIONS

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

“Board”	the board of Directors of the Company from time to time
“Business Day”	a day (excluding Saturday 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 signal 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 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”	the completion of the Placing
“Completion Date”	the date of completion of the Placing
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Contract Price”	HK\$16,800,000, being the total consideration for the Renovation Work
“Contractor”	ECGO International Limited, a company incorporated in Hong Kong
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the purpose of considering and, if thought fit, approving, among other things, the Tenancy Agreement, the Renovation Contracts and the Placing Agreements (including the Specific Mandate) and the transactions contemplated thereunder
“First Supplemental Placing Agreement”	the first supplemental placing agreement dated 31 March 2021 entered into between the Company and the Placing Agent
“First Supplemental Renovation Contract”	the first supplemental renovation contract dated 12 March 2021 entered into between Yuk Cuisine and the Contractor
“GEM”	the GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM

DEFINITIONS

“Gross Receipts”	the aggregate of all sums of money or other considerations received or receivable in each calendar month for all goods sold, leased, hired or otherwise disposed of and for all services sold or performed and from any business of whatsoever nature conducted at in from or upon the Premises
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	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)
“Landlord”	Tang Lung Investment Properties Limited, a company incorporated in Hong Kong
“Latest Practicable Date”	21 April 2021, the latest practicable date for the identification of certain information in this circular prior to the despatch of this circular
“Long Stop Date”	31 May 2021 (or such other date as may be agreed by the Placing Agent and the Company in writing)
“Option”	the option granted by the Landlord to Yuk Cuisine to renew the Tenancy Agreement for a further term of two years from the expiry of the term of the Tenancy Agreement
“Placing”	the placing by or on behalf of the Placing Agent of the Placing Shares on the terms and subject to the conditions referred to in the Placing Agreement
“Placing Agent”	Bluemount Securities Limited, a company incorporated in Hong Kong with limited liability and licensed by the SFC to carry on Type 1 (dealing in securities) and type 4 (advising on securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the placing agent under the Placing Agreement

DEFINITIONS

“Placing Agreement”	the placing agreement dated 21 January 2021 entered into between the Company and the Placing Agent in respect of the Placing
“Placing Agreements”	collectively, the Placing Agreement, the First Supplemental Agreement and the Second Supplemental Agreement
“Placing Price”	HK\$0.30 per Placing Share
“Placing Share(s)”	a maximum of 88,000,000 new Shares to be issued and allotted to the Placees by the Company through the Placing
“Premises”	the premises located at the 25th floor, Soundwill Plaza II-Midtown, 1 Tang Lung Street, Hong Kong
“Renovation Contract”	the renovation contract dated 15 January 2021 entered into between Yuk Cuisine and the Contractor in respect of the Renovation Work to be performed on the Premises
“Renovation Contracts”	collectively, the Renovation Contract, the First Supplemental Renovation Contract and the Second Supplemental Renovation Contract
“Renovation Work”	the renovation work to be carried out under the Renovation Contract (for details, please refer to the section headed “Renovation Contract — Renovation Work” in the Letter from the Board in this circular)
“Restaurant Licence”	the restaurant licence issued by the Food and Environmental Hygiene Department in Hong Kong
“Second Supplemental Placing Agreement”	the second supplemental placing agreement dated 9 April 2021 entered into between the Company and the Placing Agent
“Second Supplemental Renovation Contract”	the second supplemental renovation contract dated 20 April 2021 entered into between Yuk Cuisine and the Contractor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.05 each in the capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

DEFINITIONS

“Specific Mandate”	the specific mandate to be granted to Directors to allot, issue and deal with the Placing Shares to be proposed for approval as an ordinary resolution of the Shareholders at the EGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Tenancy Agreement”	the tenancy agreement dated 17 December 2020 entered into between Yuk Cuisine and the Landlord in respect of the tenancy of the Premises
“Yuk Cuisine”	Yuk Cuisine (HongKong) Limited, a company incorporated in Hong Kong
“%”	per cent



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)

Executive Directors:

Mr. Lo Yan Yee (*Chairman*)
Ms. Cheng Yeuk Hung
Mr. Tansri Saridju Benui
Ms. Chan Wan Shan Sandra

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Independent non-executive Directors:

Mr. Leung Yu Tung Stanley
Mr. Lee Kwok Po
Mr. Chow Yun Cheung

Principal place of business in Hong Kong:

Room 3207A, 32/F
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

26 April 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTIONS
IN RELATION TO
TENANCY AGREEMENT AND RENOVATION CONTRACT
AND
PLACING OF SHARES UNDER SPECIFIC MANDATE
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to two announcements of the Company both dated 21 January 2021 in relation to (i) the Tenancy Agreement and the Renovation Contract; and (ii) the Placing, the announcements of the Company dated 12 March 2021, 31 March 2021, 9 April 2021 and 20

LETTER FROM THE BOARD

April 2021 in relation to First Supplemental Renovation Contract, First Supplemental Placing Agreement, Second Supplemental Placing Agreement and Second Supplemental Renovation Contract, respectively.

The purpose of this circular is to provide you with, among others, (i) further information on the Tenancy Agreement, the Renovation Contracts, the Placing Agreements and the transactions contemplated thereunder; (ii) the notice convening the EGM; and (iii) other information as required to be disclosed, in accordance with the requirements under the GEM Listing Rules.

TENANCY AGREEMENT

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

Date:	17 December 2020
Parties:	(a) Yuk Cuisine (HongKong) Limited (“ Yuk Cuisine ”) (as tenant) (b) Tang Lung Investment Properties Limited (“ Landlord ”) (as landlord)
Premises:	The Premises comprises the 25th floor, Soundwill Plaza II-Midtown, 1 Tang Lung Street, Hong Kong with gross floor area of around 8,524 square feet.
Term	The term of the Tenancy Agreement is for three years from 1 December 2020 to 30 November 2023 (both days inclusive) (“ Term ”). The Landlord has granted Yuk Cuisine an option to renew for a further term of two years from the expiry of the Term at the new rent which shall be the market rent between HK\$200,000 and HK\$260,000 (“ Option ”).

No consideration is payable for the grant of the Option and no penalty will be borne by Yuk Cuisine in the event that the Option is not exercised by Yuk Cuisine.

LETTER FROM THE BOARD

Monthly rental payment
and payment term:

The monthly rent comprises:

- (1) Monthly basic rent: HK\$200,000 payable in advance on the first day of each calendar month.
- (2) Turnover rent: the amount by which 12% of the monthly Gross Receipts exceeds the monthly basic rent of each month and it is payable in arrears on the 14th day of each calendar month.

Monthly management fee payable to the Landlord amounts to HK\$63,930.

As at the Latest Practicable Date, the deposit (as stated below) and HK\$1,116,720 (being 4-month monthly basic rent, management charges and Government rates) was paid by Yuk Cuisine using the internal resources of the Group. The rental payment (excluding the aforesaid payment) will be satisfied by the proceeds of the Placing and the internal resources of the Group.

Rent free period:

From 1 to 31 December 2020 (both days inclusive)

Deposit:

HK\$1,116,720 (representing 4-month monthly basic rent, management charges and Government rates)

RENOVATION CONTRACT

The principal terms of the Renovation Contract (as supplemented by the First Supplemental Renovation Contract and the Second Supplemental Renovation Contract) are set out below:

Date:

15 January 2021

Parties:

- (a) Yuk Cuisine (HongKong) Limited (“**Yuk Cuisine**”)
- (b) ECGO International Limited (“**Contractor**”)

Renovation Work:

The Contractor has agreed to provide the following renovation work at the site of the Premises as a restaurant:

- (1) Interior design and general renovation work (including the application of Restaurant Licence)
- (2) Sanitary facilities work
- (3) Electrical and mechanical work
- (4) Kitchen design and installation of kitchen facilities

LETTER FROM THE BOARD

Contract price and payment terms: The Contract Price is HK\$16,800,000 which was determined after arm's length negotiations between Yuk Cuisine and the Contractor and on normal commercial terms with reference to the standard required under the Renovation Work, the experience of the Contractor, the expected quality of the renovation work and quotations provided by two other renovation providers.

The Contract Price is agreed to be payable to the Contractor as follows:

- (1) as to 40% of the Contract Price (HK\$6,720,000) on or before 30 January 2021 (“**First Renovation Installment**”); and
- (2) as to the remaining 60% of the Contract Price (HK\$10,080,000) upon completion of the Renovation Work, and Yuk Cuisine is allowed to extend the payment date by bearing interest of 6% per annum provided that the payment must be made on or before 30 May 2021.

As amended and supplemented by the First Supplemental Renovation Contract and the Second Supplemental Renovation Contract, details of which are set out in the paragraphs headed “Supplemental Renovation Contracts” below in this circular, the payment of First Renovation Installment was extended to a date on or before 30 May 2021.

The Contract Price will be satisfied by the proceeds of the Placing. In the event that the Placing is voted down by the Shareholders at the EGM, the Company will procure debt financing to satisfy the Contract Price.

Renovation Period: 8 to 10 weeks.

Termination: The Renovation Work may be terminated by Yuk Cuisine's service of at least 5 business days' written termination notice and on the condition that Yuk Cuisine is required to pay all the work completed and the materials supplied before the termination date.

LETTER FROM THE BOARD

SUPPLEMENTAL RENOVATION CONTRACTS

The principal terms of the First Supplemental Renovation Contract are set out below:

Date: 12 March 2021

Parties: (a) Yuk Cuisine
(b) The Contractor

Payment date of the First Renovation Installment: The payment date of the First Renovation Installment was extended, by bearing interest of 6% per annum calculated from 1 March 2021, and provided that the payment of the First Instalment and the interest must be made on or before 30 April 2021.

The principal terms of the Second Supplemental Renovation Contract are set out below:

Date: 20 April 2021

Parties: (a) Yuk Cuisine
(b) The Contractor

Payment date of the First Renovation Installment: The payment date of the First Renovation Installment was extended, by bearing interest of 6% per annum, and provided that the payment of the First Instalment and the interest must be made on or before 30 May 2021.

Save as disclosed above, all other terms and conditions of the Renovation Contract shall remain unchanged and continue in full force and effect in all respects.

THE RIGHT-OF-USE ASSET

The value of the right-of-use asset recognised by the Tenant under the Tenancy Agreement amounts to approximately HK\$6.31 million, which is the present value of aggregated lease payments less incentives (if any), plus initial direct costs and estimated reinstatement cost with the lease in accordance with HKFRS 16. Discount rate of 7.25% is applied to compute the present value of aggregate lease payments less incentives (if any) under the Tenancy Agreement.

LETTER FROM THE BOARD

EFFECT OF THE TENANCY AGREEMENT AND THE RENOVATION CONTRACTS ON THE EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

(1) Tenancy Agreement

In accordance with HKFRS 16 (Leases), the value of the right-of-use asset recognised by the Group under the Tenancy Agreement amounted to approximately HK\$6.31 million which is calculated with reference to the present value of the aggregated lease payments to be made. The Group will depreciate the right-of-use assets over the estimated useful life of 36 months on a straight line-basis and a monthly depreciation amounting to approximately HK\$0.36 million will be charged to the consolidated statement of profit or loss. Lease liabilities amounting to approximately HK\$6.31 million is recognised by the Group in the consolidated statement of financial position and will decrease upon the settlement of lease payments to the landlord accordingly. There would be no change in net assets on the consolidated statement of financial position of the Group immediately after the entering into the Tenancy Agreement.

(2) Renovation Contracts

It is expected that the sums of around HK\$13,000,000 (“**Capitalised Amount**”) out of the Contract Price will be capitalized as property, plant and equipment in the consolidated statement of financial position. The remaining balance of around HK\$3,800,000 will be charged to the consolidated statement of profit or loss as expense item. The Group will depreciate the Capitalised Amount over the estimated useful life of 36 months on a straight line-basis and a monthly depreciation amounting to approximately HK\$0.36 million will be charged to the consolidated statement of profit or loss.

INFORMATION OF THE PARTIES TO THE TENANCY AGREEMENT AND RENOVATION CONTRACTS

The Landlord is a company incorporated in Hong Kong. According to the public search records, the Landlord is principally engaged in property investment and is an indirect wholly-owned subsidiary of Soundwill Holdings Limited of which the shares are listed on the main board of the Stock Exchange (stock code: 0878). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Landlord and its ultimate beneficial owner(s) are Independent Third Parties.

Yuk Cuisine is a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Group.

The Contractor is a company incorporated in Hong Kong and as advised by the Contractor, it is principally engaged in provision of design and renovation services. The Contractor is wholly owned by Industronics Berhad which is a company listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (stock code: 9393). To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Contractor and its ultimate beneficial owners are Independent Third Parties.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS FROM ENTERING INTO THE TENANCY AGREEMENT AND THE RENOVATION CONTRACTS

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

The management team of the Company consider the current timing represents an appropriate opportunity for the Group to expand catering business as the landlords can provide favourable terms of tenancy to attract retail operators during the current weak market conditions. As disclosed in the Company's annual report for the year ended 31 March 2020, the Group will focus on the business of low risk and higher gross margin with relatively lower inventory level and investment in catering business. Accordingly, the Group has been seeking for opportunities to expand its food catering business by opening new restaurant(s), which requires a new venue for operation. The Group has enquired the rental of the Premises in July 2020, and the monthly rental was around HK\$57.25 per square feet (based on the gross floor area), while the rental under the Tenancy Agreement executed in December 2020 is around HK\$23.46 per square feet (based on the gross floor area). Although the COVID-19 epidemic has adverse effect on the general food catering industry, the Directors believe the Company's food catering business will improve when the government lift up the social distancing policy and once COVID-19 epidemic ends, while it could enjoy a more favourable terms of tenancy in the coming three years. Further, despite of the current weak market conditions, as disclosed in the third quarterly report of the Company for the nine months ended 31 December 2020 (unaudited), the Company continue to make profit in the segment of provision of food catering services, as compared to a loss in the segment of manufacturing and trading of electronic products and accessories. Accordingly, the Board intends to operate a new restaurant at the Premises to expand catering business and enhance the income of the Group.

Tenancy Agreement

The terms of the Tenancy Agreement (including the rental payment) were determined after arm's length negotiations between the relevant parties and with reference to the open market rent of comparable properties in the vicinity of the Premises. Under the Tenancy Agreement, the initial monthly rental payment of the Premises is around HK\$23.46 per square feet (based on the gross floor area). Before entering into the Tenancy Agreement, Yuk Cuisine has enquired about the rental prices for the properties in the vicinity of the Premises in the rental market, taking into account factors such as: (i) the location of the property being in

LETTER FROM THE BOARD

Hong Kong Island; (ii) the size of the premises, in terms of gross floor area, being within the range of 6,700 to 8,600 square feet; and (iii) the permitted use of the property including the operation of a restaurant. The details of the comparable properties are set out as follows:

	Property 1	Property 2
Date of enquiry	October 2020	November 2020
Location	Sheung Wan	Causeway Bay
Rental per square feet	HK\$44.00	HK\$41.67
Gross floor area	7,500	6,720
Permitted use	including operation of a restaurant	including operation of a restaurant
Turnover rent	N/A	N/A

Under the Tenancy Agreement, the monthly rent also comprises a turnover rent, being the amount by which 12% of the monthly Gross Receipt exceeds the monthly basic rent of each month and it is payable in arrears on the 14th day of each calendar month. As confirmed by the property agent with reference to the other restaurant tenancy agreements in her experience that, such turnover rent is common for restaurant tenancy in Hong Kong.

Given that the rental of the Premises dropped in December 2020 as compared with July 2020, and the rental per square feet under the Tenancy Agreement is expected to be in the range of HK\$23.46 to HK\$40.22 per square feet (taking into account of 12% turnover rent, estimated based on the expected turnover of the new restaurant), which is lower than other comparable properties, it shows that the term under the Tenancy Agreement is favourable, and the monthly rental under the Tenancy Agreement (together with 12% turnover rent) is fair and reasonable.

Renovation Contracts

The terms of the Renovation Contracts (including the Contract Price) were determined after arm's length negotiations between the relevant parties after considering quotations from two other contractors. In particular, taking into account (i) the scope of and standard required under the Renovation Work; (ii) the quotation provided by the two other renovation providers being HK\$20.3 million and HK\$17.4 million, respectively; and (iii) the payment terms under the Renovation Contract does not require Yuk Cuisine to pay deposit before commencement of the Renovation Work and allow Yuk Cuisine to extend the payment day by bearing interest of 6% per annum after completion until May 2021, while the other two quotations require Yuk Cuisine to pay 35% deposit before commencement of renovation work and full payment upon completion. Accordingly, the Board considers the terms and Contract Price offered by the Contractor is competitive.

Further, notwithstanding the term of the Tenancy Agreement, the Directors are of the view that the Contract Price is fair and reasonable for the following reasons: (i) Yuk Cuisine has an option to renew for a further term of two years from the expiry of the term of the Tenancy Agreement; (ii) the scope of Renovation Contract includes the application of the Restaurant Licence, including carrying out any adjustment work in compliance with the

LETTER FROM THE BOARD

licence; and (ii) the Company intends for the new restaurant to cater high-end customers and serve exquisite fusion food, and thus the Company chose more expensive material to be used in the Renovation Work, and thus a higher amount in the Contract Price.

The Board considers that the terms of the Tenancy Agreement and the Renovation Contracts are normal commercial terms and fair and reasonable and entering into the Tenancy Agreement and the Renovation Contracts are in the interests of the Company and the Shareholders as a whole. As at the Latest Practicable Date, the Renovation Work had been completed, and the Premises has been granted a provisional Restaurant Licence for the period from 4 February 2021 to 3 August 2021. The new restaurant has commenced provisional operation since 5 February 2021. It is expected that the new restaurant will be in full operation on or before August 2021, subject to the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Tenancy Agreement, the Renovation Contracts and the transactions contemplated thereunder.

THE PLACING AGREEMENT

The principal terms of the Placing Agreement (as supplemented by the First Supplemental Placing Agreement and the Second Supplemental Agreement) are set out below:

Date

21 January 2021 (after trading hours)

Parties

- (1) The Company as the issuer; and
- (2) Bluemount Securities Limited as the Placing Agent.

The Company is interested, indirectly, in 30% of the shareholding in the Placing Agent and the Placing Agent is not a connected person of the Company under the definitions of the GEM Listing Rules. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of (i) the Placing Agent, and (ii) the ultimate beneficial owners of the remaining 70% of the shareholding in the Placing Agent is an Independent Third Party.

Placing Shares

Pursuant to the Placing Agreement, the Placing Agent conditionally agreed, on a best effort basis, to place, or procure the placing of, a maximum of 88,000,000 Placing Shares to currently expected to be not less than six independent professional, institutional or other investors who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons as defined under the GEM Listing Rules as the Placing Agent select at the Placing Price of HK\$0.30 (as revised by the Second Supplemental Placing Agreement) per Placing Share (together with the Stock Exchange trading fee, SFC transaction levy, and Central Clearing and Settlement System stock settlement fee as may be payable by the Placees) in the capacity as the Company's agent.

LETTER FROM THE BOARD

At the Latest Practicable Date, the issued share capital of the Company comprises 69,822,839 Shares. Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Completion, the Placing Shares represent (i) approximately 126.03% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 55.76% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares. The Placing Shares have an aggregate nominal value of HK\$4,400,000 based on the nominal value of HK\$0.05 per Share.

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares then in issue on the date of allotment and issue of the Placing Shares.

Placees

The Placing Agent undertakes to place the Placing Shares only to independent professional, institutional or other investors, who and whose ultimate beneficial owner(s) will be third parties independent of, not connected or acting in concert (as defined in the Hong Kong Code on Takeovers and Mergers) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under the GEM Listing Rules).

It is currently expected that the number of Placees will be no fewer than six.

In the event that any Placee who will become the Company's substantial shareholder upon completion of the Placing, the Company will make announcement in accordance with the GEM Listing Rules as and when appropriate.

Placing Commission

Upon Completion, the Company will pay to the Placing Agent a placing commission of 2% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed.

Placing Price

The Placing Price of HK\$0.30 (as revised by the Second Supplemental Placing Agreement) per Placing Share:

- (1) represents a discount of approximately 9.09% to the closing price of HK\$0.33 per Share as quoted on the Stock Exchange on the date of the Second Supplemental Placing Agreement;
- (2) represents a discount of approximately 18.48% to average closing price of HK\$0.368 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the date of the Second Supplemental Placing Agreement;

LETTER FROM THE BOARD

- (3) represents a discount of approximately 18.70% to the average closing price of HK\$0.369 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and excluding the date of the Second Supplemental Placing Agreement; and
- (4) represents a discount of approximately 14.29% to the closing price of HK\$0.35 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Taking into account all commissions and other expenses in relation to the Placing, the net issue price of each Placing Share is approximately HK\$0.2901 per Placing Share.

The Placing Price was negotiated on an arm's length basis between the Company and the Placing Agent and was determined with reference to the prevailing market price of the Shares.

In determining the Placing Price, the Directors have reviewed the closing price and the trading volume of the Shares during the period from November 2020 and up to and including the date of the Placing Agreement (namely, 21 January 2021) (the “**Pre-announcement Period**”) and the period commencing from 22 January 2021 up to and including the date of the Second Supplemental Placing Agreement (namely, 9 April 2021) (the “**Post-announcement Period**”, together with the Pre-announcement Period, the “**Review Period**”).

The following sets out the closing price and trading volume of the Shares during the Review Period:

Chart 1: Closing price of the Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

LETTER FROM THE BOARD

Table 1: Trading volume of the Shares during the Review Period

Month/Period	Total trading volume (No. of Shares)	Number of trading days	Average daily trading volume of the Shares (No. of Shares)	Average daily trading volume as a percentage of the total number of Shares in issue (note) (%)
Pre-announcement Period				
November 2020	769,200	20	38,460	0.055
December 2020	108,800	22	4,945	0.007
January 2021 (up to 21 January 2021)	194,400	14	13,885	0.020
Post-announcement Period				
January 2021 (from 22 January 2021)	1,507,800	6	251,300	0.360
February 2021	2,803,600	18	155,755	0.223
March 2021	495,600	24	20,650	0.030
April 2021 (up to 9 April 2021)	202,200	4	50,550	0.724

Source: the website of the Stock Exchange (www.hkex.com.hk)

Note: The calculation is based on the average daily trading volume of the Shares divided by the total number of the issued Share as at the Latest Practicable Date (i.e. 69,822,839 Shares).

During the Review Period, the price of the Shares has dropped below the price of HK\$0.40 since 5 November 2020 and has been maintained at the price of HK\$0.27 from 6 January 2021 to 21 January 2021. After the publication of the two announcements of the Company both dated 21 January 2021 in relation to (i) the Tenancy Agreement and the Renovation Contract, and (ii) the Placing, the Directors noted that the closing price of the Shares significantly increased to HK\$0.355 per Share on 22 January 2021 (being the first trading day after the publication of the announcements) as compared to that of HK\$0.27 per Share on the date of the Placing Agreement, while the trading volume of the Shares also increased from nil to 475,800 Shares. During the Post-announcement Period, the Shares fluctuated within a range from HK\$0.31 per Share to HK\$0.395 per Share. Save for (i) the announcement of the Tenancy Agreement and the Renovation Contract, (ii) the announcement of the Placing, (iii) the circular of a major transaction in relation to tenancy agreement in respect of a factory in PRC dated 26 February 2021 and the relevant poll result dated 17 March 2021, and (iv) the announcement of a discloseable transaction in relation to renewal of tenancy for an existing restaurant dated 16 March 2021, the Directors were not aware of any other reasons that led to the increase in the Share price and the fluctuation in the closing price of the Shares within a short period of time during the Post-announcement Period.

LETTER FROM THE BOARD

As illustrated in Table 1 above, the average daily trading volume increased from approximately 13,885 Shares in January 2021 (before the Post-announcement Period) to approximately 251,300 Shares at the beginning of the Post-announcement Period. However, there is a general downward trend of the trading volume during the Post-announcement Period.

The Directors consider that the Placing Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole based on the following:

- (i) in view of the increase in the Share price during the Post-announcement Period, the Company and the Placing Agent entered into the Second Supplemental Agreement on 9 April 2021 to revise the Placing Price from HK\$0.27 to HK\$0.30 per Placing Share;
- (ii) the Company has considered alternative fund-raising methods, including bank borrowing; however, the terms proposed by the banks is not favourable. The Company has also considered other types of debt financing and equity fund raising methods; however, in view of the current financial position of the Company and the costs involved in those methods, the Directors do not consider those alternative fund-raising methods to be desirable. For more details, please refer to the section headed “Reasons for the placing and use of proceeds” in this circular;
- (iii) notwithstanding that the Placing Price of HK\$0.30 per Placing Share represents a discount of 14.29% to the closing price of HK\$0.35 per Share as at the Latest Practicable Date, in view of (i) the loss-making position of the Group as disclosed in the annual report for the year ended 31 March 2020 and in the third quarterly report of the Company for the nine months ended 31 December 2020, (ii) the general downward trend of the trading volume during the Post-announcement Period; and (iii) after confirming with the Placing Agent, it is reasonable and necessary to set the Placing Price at a discount to the recent market price so as to attract the investors to participate in the Placing.

The Directors consider that the terms of the Placing (including the Placing Price and the placing commission) are on normal commercial terms and are fair and reasonable based on the prevailing market conditions. Therefore, and also taking into account the reasons set out in the section headed “Reasons for the Placing and Use of Proceeds” in this Letter from the Board, the Directors consider that the Placing is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Conditions to the Placing

The obligations of the Placing Agent and the Company under the Placing Agreement are conditional upon the following conditions being fulfilled:

- (1) the Stock Exchange granting or agreeing to grant (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 all of the Placing Shares;
- (2) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Placing Agreement and the transactions contemplated thereunder including but not limited to the allotment and issue of the Placing Shares; and
- (3) no warranties having been breached in any material respect by the Company or is otherwise rendered inaccurate, untrue or misleading in any material respect, in each case on or prior to the Completion Date.

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.

Termination

If at any time prior to the Completion of the Placing Agreement, in the opinion of the Placing Agent, the success of the Placing or the business or financial prospects of the Group would or is likely to be materially and adversely affected by:

- (a) any material breach of any of the representations and warranties set out in the Placing Agreement; or
- (b) any suspension in dealings in or the listing of the Shares on the Stock Exchange for a period of more than 5 trading days (other than in connection with the Placing); or
- (c) the introduction of any new law or regulation or any change in existing laws or regulations or change in the interpretation or application thereof; or
- (d) the occurrence of any event, development or change (whether or not local, national or international or forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Placing Agreement and including an event or change in relation to or a development of an existing state of affairs) of a political, military, industrial, financial, economic or other nature, whether or not sui generis with any of the foregoing,

LETTER FROM THE BOARD

resulting in a material adverse change in, or which might be expected to result in a material adverse change in, political, economic or stock market conditions; or

- (e) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange occurring due to exceptional financial circumstances or otherwise; or
- (f) a change or development involving a prospective change in taxation in Hong Kong, Cayman Islands or the People's Republic of China or the implementation of exchange controls which shall or might materially and adversely affect the Group or its present or prospective shareholders in their capacity as such; or
- (g) any change or deterioration in the conditions of local, national or international securities markets.

The Placing Agent may terminate this Agreement without liability to the Company by giving notice in writing to the Company.

Upon giving of notice pursuant to the paragraph above, all obligations of the Placing Agent under the Placing Agreement shall cease and determine and no party shall have any claim against any other parties in respect of any matter or thing arising out of or in connection with the Placing Agreement, save for any antecedent breaches.

Completion of the Placing

Completion shall take place at the principal place of business of the Company in Hong Kong on the Completion Date at 5:00 p.m. (unless otherwise agreed between the Placing Agent and the Company in writing) provided that all the Conditions Precedent have been fulfilled at the time of Completion.

The Placing Agent shall use its best endeavours to procure places to subscribe for the Placing Shares.

SUPPLEMENTAL PLACING AGREEMENTS

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

Date: 31 March 2021

Parties: (a) The Company
(b) Placing Agent

Long Stop Date: The long stop date is extended from 31 March 2021 to 31 May 2021 for fulfilment of the conditions precedent of the Placing Agreement

LETTER FROM THE BOARD

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

Date: 9 April 2021

Parties: (a) The Company
(b) Placing Agent

Placing Price: The placing price is revised from HK\$0.27 to HK\$0.30 per Placing Share

Save as disclosed above, all other terms and conditions of the Placing Agreement shall remain unchanged and continue in full force and effect in all respects.

REASONS FOR THE PLACING AND USE OF PROCEEDS

Assuming all the Placing Shares are successfully placed by the Placing Agent, the gross proceeds from the Placing will be in an aggregate of HK\$26.4 million. The net proceeds from the Placing, after the deduction of the relevant commission and other related expenses, are estimated to be in an aggregate of approximately HK\$25.5 million. Reference is made to the announcement of the Company dated 21 January 2021 on two major transactions in relation to the Tenancy Agreement and the Renovation Contract.

The following table sets forth the details of the use of the net proceeds from the Placing:

Use of proceeds	Particulars	Net proceeds (approximately) HK\$'000	Expected timeline of the use of net proceeds
Expansion in food catering business	Settlement of the Contract Price	16,800	To be fully utilized in or before May 2021
	Setting up an online food shopping platform	600	To be fully utilized in or before October 2021
Working Capital	Payments under Tenancy Agreement	724	To be fully utilized in or before October 2021
	Administrative expenses, including staff costs, office rental, and other corporate expenses etc.	7,408	To be fully utilized in or before October 2021
Total net proceeds:		25,532	

LETTER FROM THE BOARD

The Company is aware of the dilution impact of the Placing on the existing shareholding of the Shareholders. However, the Directors consider that the potential dilution impact was justified and the Placing is in the interests of the Company and the Shareholders as a whole based on the following:

(i) the funding needs to expand in its food catering business

It has been the Company's intention to seek opportunities to expand its food catering business by opening new restaurant(s), which requires a new venue for operation. As disclosed in the announcement of the Company dated 21 January 2021 on two major transactions in relation to the Tenancy Agreement and the Renovation Contract, in view of the current market conditions due to the COVID-19 epidemic, the landlords are willing to provide favourable terms of tenancy to attract retail operations. Although the COVID-19 epidemic has adverse effect on the general food catering industry, the Directors believe the Company's food catering business will improve once the COVID-19 epidemic ends, while it could enjoy a more favourable terms of tenancy in the coming three years.

(ii) financial impact of fund raising by way of issuing Placing Shares

The Placing will bring about the benefits of increasing the working capital and strengthening the financial position of the Group without increasing its financing costs and the possibility of lowering the net liabilities of the Group.

(iii) Shareholders' approval

The Placing is subject to the Shareholders' approval and therefore the Shareholders are given the opportunity and full discretion to consider the Placing and decide whether to vote in favour of or against the Placing.

The Directors have considered various fund-raising methods. The Directors considered that debt financing is usually subject to the Group's financial position and prevailing market condition and may subject the Group to lengthy due diligence and negotiations and possibly unfavourable interest rate with the banks, particularly in view of the net liabilities position of the Group. According to the unaudited management account of the Group as at 31 December 2019 and 31 December 2020, the key financial ratios of the Group as at/for the nine months ended 31 December 2019 and 31 December 2020 (unaudited) are as follows:

	As at/for the nine months ended 31 December 2019 (unaudited)	As at/for the nine months ended 31 December 2020 (unaudited)
Current ratio	4.32:1	4.10:1
Gearing ratio	3.16:1	2.64:1
Interest coverage ratio	(157.89):1	(54.25):1
Debt to equity ratio	1.55:1	3.06:1

LETTER FROM THE BOARD

In view of the current financial position of the Group, debt financing may impose additional interest burden on the Group and worsen the Group's net liabilities position; whereas, equity financing, such as the Placing, has the benefits of increasing the working capital and strengthening the financial position of the Group without increasing its financing costs and the possibility of lowering the net liabilities of the Group.

The Board has also considered other alternative equity fund raising such as rights issue or open offers and that they may incur substantial costs in relation to the engagement of legal adviser, financial adviser and brokerage agent as well as underwriting commission which might in turn cause an adverse impact on the financial condition of the Group, and possibly require a relatively longer time period to complete in view of the relatively more stringent documentary requirements for pre-emptive issues such as preparation of a listing document, application forms, registration requirements for a listing document and negotiation with the underwriter on the terms and conditions of the underwriting agreement. As such, the Directors do not consider debt financing or pre-emptive issues (including rights issue and open offer) to be desirable alternatives to the Placing and are of the view that the Placing and the terms thereof are fair and reasonable and are in the best interests of the Company, as far as the Company and the Shareholders as a whole are concerned.

EFFECTS OF SHAREHOLDING STRUCTURE

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Placing Shares, assuming no other Shares will be issued or repurchased:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Placing Shares	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<i>Director</i>				
Ms. Cheng Yeuk Hung	4,878,000	6.99%	4,878,000	3.09%
<i>Substantial Shareholder</i>				
Lissington Limited (<i>Note</i>)	9,867,486	14.13%	9,867,486	6.25%
<i>Public Shareholders</i>				
Other	55,077,353	78.88%	55,077,353	34.90%
The Placees	—	—	88,000,000	55.76%
Total	69,822,839	100.00%	157,822,839	100.00%

Note: The entire issued share capital of Lissington Limited is beneficially owned by Ms. Zheng Zeli.

LETTER FROM THE BOARD

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST 12 MONTHS

The Company has conducted the following equity fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcements	Fund raising activity	Net proceeds (approximate)	Intended use of proceeds as announced	Actual use of proceeds as at Latest Practicable Date
6 November 2020 26 November 2020	Placing of convertible bonds under general mandate	HK\$3.9 million	to support the expansion and variation in food catering business, and/or general working capital of the Group	The entire proceeds were used for expansion and variation in food catering business and general working capital of the Group.
11 June 2020 7 July 2020	Placing of convertible bonds under general mandate	HK\$4.5 million	to support the expansion in food catering business, and/or general working capital of the Group	The entire proceeds were used for expansion in food catering business and general working capital of the Group.

Save as disclosed above, there has not been any equity fund raising activity conducted by the Company in the past 12 months immediately preceding the Latest Practicable Date.

IMPLICATIONS UNDER THE GEM LISTING RULES

Tenancy Agreement and Renovation Contracts

As the applicable percentage ratios (as defined under Rule 19.04(9) of the GEM Listing Rules) in respect of the value of the right-of-use assets under the Tenancy Agreement according to HKFRS 16 (Leases) exceed 25% but are less than 100%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

In respect to the Renovation Contracts, it is expected that the sums of around HK\$13,000,000 ("**Capitalised Amount**") out of the Contract Price will be capitalized as property, plant and equipment in the financial statements of the Group. As the applicable percentage ratios (as defined under Rule 19.04(9) of the GEM Listing Rules) in respect of the Renovation Contracts (to the extent of the Capitalised Amount) exceed 25% but are less than 100%, such transaction constitutes a major transaction of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

LETTER FROM THE BOARD

With the mistaken beliefs that that the Tenancy Agreement and Renovation Contract, respectively, does not fall within the definition of “transaction” under Chapter 19 of the GEM Listing Rules, the Group has proceeded with the execution of the agreements without inclusion of the shareholders’ approval to be a condition precedent which did not comply with Rule 19.40 of the GEM Listing Rules, and there is a delay in the publication of announcement which did not comply with Rule 19.34 of the GEM Listing Rules.

The Board has adopted remedial measures to strengthen the relevant internal control procedures to prevent the occurrence of similar incidents in the future, including:

- (i) the Company has arranged training sessions for the Directors and senior management of the Group to refresh their knowledge on legal and compliance and to remind, the finance department in particular, to report transactions which may constitute notifiable and/or connected transactions under the GEM Listing Rules to the Group’s compliance personnel and seek professional advice if necessary to ensure that they understand the requirements under the GEM Listing Rules and the relevant rules and regulations; and
- (ii) the Company has reviewed and will strengthen and continue to monitor the relevant internal control measures of the Group, including but not limited to contract signing procedures, to ensure that current and future transactions will be conducted in compliance with the applicable requirements under the GEM Listing Rules and other relevant rules and regulations.

Placing of Shares under Specific Mandate

The Placing Shares will be issued under the Specific Mandate to be obtained from the Shareholders and therefore the Placing will be subject to the Shareholders’ approval.

EGM

The EGM will be held at Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Wednesday, 12 May 2021 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the ordinary resolutions in respect of the Tenancy Agreement, the Renovation Contracts, the Placing Agreement (including Specific Mandate) and the transactions contemplated thereunder.

The notice convening the EGM is set out on pages 35 to 38 of this circular. A form of proxy for use at the EGM is also enclosed in this circular. Whether or not you are able to attend the EGM and/or vote at the EGM in person, you are requested to complete and return the enclosed form of proxy to the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the EGM (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM (or any adjourned meeting) if you so wish.

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in the Tenancy Agreement, the Renovation Contracts, the Placing Agreement (including the Specific Mandate) and the transactions contemplated thereunder and accordingly no Shareholder and his close associates (as defined in the GEM Listing Rules) is required to abstain from voting on the resolutions to be proposed at the EGM.

RECOMMENDATION

On the basis of the information set out in this circular, the Board considers that the terms of the Tenancy Agreement, the Renovation Contracts and the Placing Agreements are fair and reasonable and entering into the Tenancy Agreement, Renovation Contracts and the Placing Agreement by Yuk Cuisine and the Company respectively is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favor of the resolutions as set out in the notice of EGM.

ADDITIONAL INFORMATION

The Company owns 30% equity interest in Bluemount Financial Group Limited (the “**Target Company**”, together with its subsidiaries, the “**Target Group**”), a company incorporated under the laws of 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. The Target Group is principally engaged in financial services, trading and project management. On 20 April 2021, the Company (as purchaser), Ms. Zhou Qi Lin (as vendor) and Mr. Li Hok Yin, Mr. Pan Jiye and Mr. Yan Ka Him (as grantors of the options) entered into a sale and purchase agreement in respect of an acquisition of 12% of the equity interest in the Target Company and options to further acquire the remaining 58% equity interest in the Target Company, and the aforesaid transaction constitutes a very substantial acquisition for the Company. For further details, please refer to the announcement of the Company dated 20 April 2021.

Your attention is also drawn to the additional information contained in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Details of the published financial information of the Group for each of the three years ended 31 March 2018, 2019 and 2020 and the nine months ended 31 December 2020 were disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.echogroup.com.hk).

- Annual report of the Company for the year ended 31 March 2018 (pages 51 to 122) (<https://www1.hkexnews.hk/listedco/listconews/gem/2018/0626/gln20180626073.pdf>);
- Annual report of the Company for the year ended 31 March 2019 (pages 54 to 158) (<https://www1.hkexnews.hk/listedco/listconews/gem/2019/0624/gln20190624113.pdf>);
- Annual report of the Company for the year ended 31 March 2020 (pages 64 to 172) (<https://www1.hkexnews.hk/listedco/listconews/gem/2020/0629/2020062902713.pdf>); and
- Third quarterly report of the Company for the nine months ended 31 December 2020 (pages 3 to 14) (<https://www1.hkexnews.hk/listedco/listconews/gem/2021/0211/2021021100412.pdf>).

2. STATEMENT OF INDEBTEDNESS

At the close of business on 28 February 2021, being the latest practicable date for the purpose of this indebtedness statement prior to the publication of this circular, the Group had outstanding (i) lease liabilities at carrying amount of approximately HK\$6,572,000; (ii) convertible bonds principal of approximately HK\$33,047,000; (iii) bank overdraft at carrying amount of approximately HK\$533,000; and (iv) bank and other borrowings at carrying amount of approximately HK\$4,023,000.

The bank loan of approximately HK\$263,000 was secured by motor vehicle which was fully depreciated and impaired.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have debt securities issued and outstanding at the close of business on 28 February 2021 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 March 2020, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL

The Directors, after due and careful enquiries, are of the opinion that, after taking into account the effect of the transactions contemplated under the Tenancy Agreement and the Renovation Contracts, the Group's internal resources, cash flow from operations, facilities available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular, in the absence of unforeseeable circumstances.

5. FINANCIAL AND TRADING PROSPECTS

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

Regarding the segment of the manufacturing and trading of electronic products and accessories, the Group has been affected by the impact of the fluctuation of raw material prices and the rise of the statutory minimum wages in the PRC. Our factory in PRC faced escalating manufacturing costs and keen competition both domestically and from overseas. As a result, the business of the Group has been adversely affected. As disclosed in the announcement of the Company dated 20 January 2021, our manufacturing company (Yi Gao Tech Electronics (Shenzhen) Co., Ltd) planned to relocate the existing factory in Shenzhen to nearby place as a result of the property resumption notice received from the Subdistrict Office. The tenancy agreement of the factory at the new location constituted a major transaction of the Company and was approved by the Shareholders in an extraordinary general meeting held by the Company on 17 March 2021. Please refer to the announcements of the Company dated 20 January 2021 and 17 March 2021, and the circular of the Company dated 26 February 2021 for details of the transaction.

Regarding the segment of food catering service, our Group has planned to open a new restaurant in Tang Lung Street. The Tenancy Agreement and the Renovation Contracts of the new restaurant are major transactions which are subject to the approval of the Shareholders. In addition, the Company entered into the Placing Agreement on 21 January 2021 for fund raising purpose and part of the net proceeds of the Placing is intended to be used for opening of the new restaurant. Please refer to the Letter from the Board in this circular for details of the expansion of food catering service and the placing of shares.

The Group will focus on the business of low risk and higher gross margin with relatively lower inventory level and investment in catering business. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirement and more in-depth management concentration. Accordingly, the Group could better capture the opportunity of growth.

1. RESPONSIBILITY STATEMENT

This circular, 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 Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short position in shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the Shares

Name of Director	Company/associated corporation	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Company	Personal interest	4,878,000	6.99%
Mr. Lo Yan Yee	Company	Interest of spouse	4,878,000	6.99%

Note: Mr. Lo Yan Yee is the executive Director and the spouse of Ms. Cheng Yeuk Hung, and is deemed under the SFO to be interested in those 4,878,000 shares in which Ms. Cheng Yeuk Hung is interested.

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee	Personal interest	Options	1,140,000
(<i>executive Director</i>)	Interest of spouse	Options	1,140,000
			2,280,000

Name	Capacity	Description of equity derivatives	Number of underlying shares
Ms. Cheng Yeuk Hung (<i>executive Director</i>)	Personal interest	Options	1,140,000
	Interest of spouse	Options	1,140,000
			2,280,000
Mr. Cheng Kwing Sang, Raymond (<i>chief executive officer</i>)	Personal interest	Options	1,120,000

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

(b) Substantial shareholders' and other persons' interests and short positions in shares and underlying shares of the Company

As at the Latest Practicable Date, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
Lissington Limited	Beneficial owner	9,867,486	3,549,647 (<i>Note 1</i>)	13,417,133	19.22%
Zheng Zeli	Interest of a controlled corporation	9,867,486 (<i>Note 3</i>)	3,549,647 (<i>Notes 1 & 3</i>)	13,417,133	19.22%
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest)	5,060,000 (<i>Note 2</i>)	3,679,245 (<i>Notes 1 & 2</i>)		
	Beneficial owner	—	1,551,812 (<i>Note 1</i>)		
		5,060,000	5,231,057 (<i>Note 1</i>)	10,291,057	14.74%
Bluemont investment Fund SPC — Bluemont investment Fund SP	Trustee (other than a bare trustee)	5,060,000	3,679,245 (<i>Note 1</i>)	8,739,245 (<i>Note 2</i>)	12.52%

Name	Capacity and nature of interest	Number of Shares	Number of underlying Shares	Total	Percentage of the Company's issued share capital
Siu Yik Tung Jamie	Beneficial owner	3,665,948	6,263,559 <i>(Note 1)</i>	9,929,507	14.22%
Siu Wa Kei	Interest of a controlled corporation	1,297,800		1,297,800	
	Beneficial owner	<u>1,423,468</u>	<u>1,478,773</u>	<u>2,902,241</u>	
		2,721,268		4,200,041	6.02%
Yan Ka Him	Beneficial owner	1,559,580	1,147,311 <i>(Note 1)</i>	2,706,891	3.88%

Notes:

1. These underlying Shares are Shares to be issued to holders of the convertible bonds of the Company.
2. These Shares were held by Bluemount investment Fund SPC — Bluemount investment Fund SP as trustee of Mr. Yeung Tong Seng Terry.
3. The entire issued share capital of Lissington Limited is beneficially owned by Ms. Zheng Zeli.

Save as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service agreement with any members of the Enlarged Group, excluding contracts expiring or determinable by the Group within one year without payment of any compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS OF SIGNIFICANCE

As at the Latest Practicable Date, none of the Directors or proposed Directors, directly or indirectly, had any interest in any assets which had since 31 March 2020 (being the date to which the latest published audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

There was no contract or arrangement subsisting as at the date of this circular, in which any of the Directors were materially interested and which was significant to the business of the Group.

5. DIRECTORS' COMPETING BUSINESS

As at the Latest Practicable Date, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

6. LITIGATION

As at the Latest Practicable Date, the Group was not engaged in any other litigation or claims of material importance known to the Directors to be pending or threatened against the Group

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group within the two years preceding the issue of this circular and are or may be material:

- (a) the Second Supplemental Renovation Contract;
- (b) the conditional sale and purchase agreement between the Company (as purchaser), Ms. Zhou Qi Lin (as vendor) and Mr. Li Hok Yin, Mr. Pan Jiye and Mr. Yan Ka Him (as grantors of the options) dated 20 April 2021 in relation to an acquisition of 12% of the equity interest in the Bluemount Financial Group Limited at the consideration of HK\$7.2 million (subject to an upward adjustment to a maximum of HK\$28.8 million) and options to further acquire the remaining 58% equity interest in Bluemount Financial Group Limited;
- (c) the loan agreement between the Company (as lender) and Bluemount Financial Group Limited (as borrower) dated 20 April 2021 in relation to the Company granting a loan in the sum of HK\$4,967,382.91 to Bluemount Financial Group Limited;
- (d) the Second Supplemental Placing Agreement;
- (e) the First Supplemental Placing Agreement;
- (f) the tenancy agreement between Yuk Cuisine Limited (as tenant) and Rich World Limited (as landlord) dated 16 March 2021 in relation to the tenancy of the Shop No. 4 on G/F and Flat B (including the Flat Roof) on 1/F, Hing Bong Mansion, No. 117 Lockhart Road, Wan Chai, Hong Kong;
- (g) the First Supplemental Renovation Contract;
- (h) the Placing Agreement;

- (i) the tenancy agreement between Yi Gao Tech Electronics (Shenzhen) Co., Ltd (as lessee) and Jiang Cong (as lessor) dated 20 January 2020 in relation to the tenancy of the factory located at the third Floor and half portion on the second floor of the 11th factory, Jiayi Industrial Area, Guanlan, Longhua District, Shenzhen, PRC and dormitory of 21 rooms;
- (j) the Renovation Contract;
- (k) the Tenancy Agreement;
- (l) the placing agreement between the Company and Bluemount Securities Limited dated 6 November 2020 for the placement of convertible bonds with aggregate principal up to HK\$4,100,400 on behalf of the Company under the general mandate;
- (m) the placing agreement between the Company and Bluemount Securities Limited dated 5 November 2020 for the placement of convertible bonds with aggregate principal up to HK\$4,100,400 on behalf of the Company under the general mandate (such agreement was terminated on 6 November 2020);
- (n) the placing agreement between the Company and Bluemount Securities Limited dated 11 June 2020 for the placement of convertible bonds with aggregate principal up to HK\$4,640,000 on behalf of the Company under the general mandate;
- (o) the disposal agreement between Mr. Chan Wai Kin (as buyer) and Chiu Cuisine Group Limited (as seller) dated 19 August 2019 in relation to disposal of the entire issued share capital of Chiu Cuisine Limited at consideration of HK\$1;
- (p) the non-legal binding memorandum of understanding between the Company and COMSYS Technology Co., Limited dated 8 August 2019 in relation to the possible acquisition of COMSYS (Tianjin) International Leasing Co., Ltd; and
- (q) the placing agreement between the Company and Bluemount Securities Limited dated 22 July 2019 for the placement of convertible bonds with aggregate principal up to HK\$9,408,000 on behalf of the Company under the general mandate.

8. AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) and the current members of the Audit Committee are Mr. Leung Yu Tung, Stanley, Mr. Lee Kwok Po and Mr. Chow Yun Cheung. The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and

risk management system of the Company and to provide recommendations and advice to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. The biography of the members of the Audit Committee are set out below:

- (i) Mr. Leung Yu Tung, Stanley, aged 44, was appointed as a non-executive Director on 30 April 2019 and he is currently the chairman of each of the Remuneration Committee, Nomination Committee and Audit Committee. He has over 20 years' experience in the accounting and finance field. He has acted as an independent non-executive director and the chairman of audit committee of Vashion Group Limited, a company listed in the Singapore Stock Exchange (Stock Code VSHN), since October 2017. He is the financial controller of Wewenet Limited since July 2020. He had been the finance controller of Luen Hing Textile Company Limited, which Mr. Leung had served from September 2013 to November 2019. Prior to that, Mr. Leung worked in the Sweet Dynasty Group as finance manager from January 2012 to September 2013. Mr. Leung was admitted as a fellow member of The Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants since 2015 and 2010 respectively. He became a Certified Tax Adviser of The Taxation Institute of Hong Kong since 2010. Mr. Leung obtained his Master of Professional Accounting and Bachelor of Arts (Hons) Accountancy from the Hong Kong Polytechnic University in 2010 and 2003, respectively and his Higher Diploma in Accountancy from the City University of Hong Kong in 2000.
- (ii) Mr. Lee Kwok Po, aged 41, was appointed as an independent non-executive Director on 20 March 2020, and he is a member of each of the Remuneration Committee, Nomination Committee and Audit Committee. He has over 10 years of experience in the providing technical support to various entities. Mr. Lee has been the founding partner and the senior system engineer of Good Thinking Computer Services since April 2013.
- (iii) Mr. Chow Yun Cheung, aged 41, was appointed as an independent non-executive Director on 29 January 2021, and he is a member of each of the Remuneration Committee, Nomination Committee and Audit Committee. He has over 19 years of experience in accounting, corporate finance and compliance of listed companies. He obtained a bachelor's degree in Business Administration from Chinese University of Hong Kong in November 2001, and has been a member of the Hong Kong Institute of Certified Public Accountants since February 2005. He is currently an independent non-executive director of Moody Technology Holdings Limited (stock code: 1400), the issued shares of which are listed on the Main Board of the Stock Exchange, and an non-independent non-executive director of Industronics Berhad, the issued shares of which are listed on main market of the Bursa Malaysia Securities Berhad.

9. GENERAL

- (a) The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The principal place of business in Hong Kong of the Company is Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong.
- (c) The branch share registrar and transfer office in Hong Kong of the Company is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The company secretary of the Company is Ms. Lui Wing Shan, a fellow member of the Hong Kong Institute of Certified Public Accountants.
- (e) The compliance officer of the Company is Mr. Tansri Saridju Benui who obtained his Bachelor of Science in USA in 1988 and his Diploma in Computer Programming and Systems in Canada in 1987.
- (f) The English text of this circular and the accompany form of proxy shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection during normal office hours at the registered office of the Company for the period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for each of the two financial years ended 31 March 2019 and 2020;
- (c) the third quarter report of the Company for the nine months ended 31 December 2020;
- (d) the material contracts referred to under the paragraph "Material Contracts" in this appendix; and
- (e) the circular of the Company dated 26 February 2021 in relation to a major transaction in respect of a tenancy of a factory.



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of Echo International Holdings Group Limited (the “**Company**”) will be held at Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong on Wednesday, 12 May 2021 at 11:00 a.m., for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions as an ordinary resolutions:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the tenancy agreement entered into between Yuk Cuisine (HongKong) Limited (as tenant) (“**Tenant**”) and Tang Lung Investment Properties Limited (as landlord) dated 17 December 2020 in relation to the tenancy of the premises located at the 25th floor, Soundwill Plaza II-Midtown, 1 Tang Lung Street, Hong Kong for a term from 1 December 2020 to 30 November 2023 (both days inclusive) (“**Term**”) and an option at the discretion of the Tenant to renew for a further term of two years from the expiry of the Term (“**Tenancy Agreement**”, a copy of which has been produced to the Meeting and marked “A” and signed by the Chairman of the Meeting for the purpose of identification), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and sign, agree, ratify and/or execute all such further documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Tenancy Agreement and any of the transactions contemplated thereunder.”

NOTICE OF THE EGM

2. **“THAT:**

- (a) the agreement entered into between Yuk Cuisine (HongKong) Limited (“**Yuk Cuisine**”) and ECGO International Limited (“**Contractor**”) dated 15 January 2021, the first supplemental agreement entered into between Yuk Cuisine and the Contractor dated 12 March 2021 and the second supplemental agreement entered into between Yuk Cuisine and the Contractor dated 20 April 2021 in relation to the renovation services to be provided by the Contractor to Yuk Cuisine at the premises located at the 25th floor, Soundwill Plaza II-Midtown, 1 Tang Lung Street, Hong Kong (“**Renovation Contracts**”, a copy of which has been produced to the Meeting and marked “B” and signed by the Chairman of the Meeting for the purpose of identification), and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and
- (b) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and sign, agree, ratify and/or execute all such further documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and take all such steps as the Director in his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Renovation Contracts and any of the transactions contemplated thereunder.”

3. **“THAT:**

- (a) the conditional placing agreement dated 21 January 2021, the supplemental placing agreement dated 31 March 2021 and the second supplemental placing agreement dated 9 April 2021 entered into between the Company as the issuer and Bluemount Securities Limited (the “**Placing Agent**”) as the placing agent in relation to the placing of up to 88,000,000 new ordinary shares of the Company (the “**Placing Shares**”) at the placing price of HK\$0.30 per Placing Share (the “**Placing Agreements**”, a copy of which has been produced to the Meeting and marked “C” and signed by the Chairman of the Meeting for the purpose of identification), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the directors of the Company be and are hereby granted a specific mandate to exercise all the powers of the Company to allot and issue the Placing Shares, subject to and in accordance with the terms and conditions set out in the Placing Agreements; and
- (c) any one of the directors of the Company be and is hereby authorised to do all such further acts and things and sign, agree, ratify and/or execute all such further documents or instrument under hand (or where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and take all such steps as the Director in

NOTICE OF THE EGM

his/her discretion may consider necessary, appropriate, desirable or expedient to implement, give effect to or in connection with the Placing Agreements and any of the transactions contemplated thereunder.”

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

Hong Kong, 26 April 2021

Registered Office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

Room 3207A, 32/F
Cable TV Tower
9 Hoi Shing Road
Tsuen Wan
New Territories
Hong Kong

Notes:

1. A form of proxy for use at the Meeting or any adjournment thereof is enclosed.
2. A member entitled to attend and vote at the Meeting is entitled to appoint one or more proxy to attend and, subject to the provisions of the Articles of Association, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the Meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of Shares in respect of which each such proxy is so appointed.
3. Whether or not you intend to attend the Meeting, you are requested to complete the form of proxy and return the same to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time appointed for the holding of the Meeting (or any adjourned meeting). Completion and delivery of the form of proxy will not preclude you from attending and voting at the Meeting (or any adjourned meeting) if you so wish.
4. In case of joint holders of any share, any one of such joint holders may vote at the Meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the Meeting personally or by proxy, then one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register of members of the Company in respect of the relevant joint holding.