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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)

**(1) ISSUE OF NEW SHARES FOR LOAN CAPITALISATION AND
ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE;
(2) PLACING OF NEW SHARES AND ISSUE OF UNLISTED
WARRANTS UNDER SPECIFIC MANDATE; AND
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EGM**

A letter from the Board is set out on pages 7 to 39 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 Tuesday, 21 June 2022 at 11:00 a.m. is set out on pages 40 to 46 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.

6 June 2022

PRECAUTIONARY MEASURES FOR EGM

Voting by proxy in advance of the EGM

The Company does not in any way wish to diminish the opportunity available to the Shareholders to exercise their rights and to vote, but is conscious of the pressing need to protect the Shareholders from possible exposure to the COVID-19 pandemic. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairperson of the Meeting as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights. Completion and return of the proxy form will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should they subsequently so wish.

Precautionary measures at the Meeting

To safeguard the health and safety of Shareholders and prevent the spread of the coronavirus (COVID-19) pandemic, the following measures will be implemented at the EGM:

- Each attendee will be required to undergo a mandatory body temperature check. Any person with a body temperature above 37.3 degrees Celsius, or who is exhibiting flu-like symptoms, will be denied entry into the EGM venue.
- Shareholders, proxies and other attendees are required to wear surgical face masks inside the EGM venue at all times, and maintain a safe distance between seats. Any person who does not comply with his requirement will be required to leave the EGM venue.
- No refreshments will be served at the EGM, and there will be no corporate gifts.

The Company reminds all Shareholders that any person who is subject to any quarantine order prescribed by the Hong Kong Government will be denied entry into the EGM venue in order to ensure the health and safety of all attendees at the EGM.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue so as to ensure the health and safety of the attendees at the EGM.

The Company will closely monitor the development of the COVID-19 pandemic and any regulations or measures introduced or to be introduced by the Hong Kong government in relation to the COVID-19 pandemic. The Company will ensure that the EGM will be conducted in compliance with the regulations or measures of the Hong Kong government and Shareholders will not be deprived of their right of voting on the resolutions to be proposed at the EGM. Further announcements will be made by the Company as soon as possible if there is any update to the preventive measures as mentioned above.

PRECAUTIONARY MEASURES FOR EGM

If Shareholders have any questions relating to the EGM, please contact Tricor Investor Services Limited, the Company's Hong Kong branch share registrar, as follows:

Level 54,
Hopewell Centre,
183 Queen's Road East,
Hong Kong
Fax: (852) 2810 8185
E-mail: is-enquiries@hk.tricorglobal.com

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.

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DEFINITION

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

“Board”	the board of Directors
“Business Day”	a day (excluding a Saturday, Sunday or public holiday) on which licensed banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Echo International Holdings Group Limited, a limited company incorporated in the Cayman Islands whose shares are listed on the GEM of the Stock Exchange (stock code: 8218)
“Completion”	collectively, the Loan Capitalisation Completion, the Loan Capitalisation Warrant Completion, the Placing Completion and the Placing Warrant Completion
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Creditors”	collectively, Creditor A, Creditor B and Creditor C
“Creditor A”	Ms. Siu Hiu Ki Jamie (formerly known as Ms. Siu Yik Tung Jamie)
“Creditor B”	Ms. Zhou Qilin
“Creditor C”	ECGO International Limited, a company incorporated under the laws of Hong Kong
“Director(s)”	the director(s) of the Company
“Echo Asia”	Echo Asia (Hong Kong) Limited, a company incorporated under the law of Hong Kong, and a direct wholly owned subsidiary of the Company
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, (i) the granting the Special Mandate; (ii) the Loan Capitalisation Agreements and the transactions contemplated thereunder; (iii) the Placing Agreement and the transactions contemplated thereunder; and (iv) the Increase in Authorised Share Capital
“FRC”	Financial Reporting Council
“GEM”	the GEM operated by the Stock Exchange

DEFINITION

“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Increase in Authorised Share Capital”	the proposed increase in the authorised share capital of the Company from HK\$10,000,000 divided into 200,000,000 Shares to HK\$50,000,000 divided into 1,000,000,000 Shares by creating an additional 800,000,000 unissued Shares
“Indebted Sums”	the total sum of HK\$13,364,547.94, being the aggregate amount of Indebted Sum A, Indebted Sum B and Indebted Sum C
“Indebted Sum A”	a total sum of HK\$510,712.39 owed by the Group to the Creditor A, being the aggregated outstanding principal amount under Loan A and the interests accrued thereunder as at 28 February 2022
“Indebted Sum B”	a total sum of HK\$2,972,733.81 owed by the Group to the Creditor B, being the aggregated outstanding principal amount under Loan B and the interests accrued thereunder as at 28 February 2022
“Indebted Sum C”	a total sum of HK\$9,881,101.74 owed by the Group to the Creditor C, being the aggregated outstanding principal amount under Loan C and the interests accrued thereunder as at 28 February 2022
“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)
“Latest Practicable Date”	31 May 2022, the latest practicable date for the identification of certain information in this circular prior to the despatch of this circular
“Loans”	collectively, Loan A, Loan B and Loan C

DEFINITION

“Loan A”	the loan provided by Creditor A to Yuk Cuisine HK in the aggregated principal amount of HK\$0.5 million pursuant to the loan agreements between the parties and is subject to the Loan Capitalisation
“Loan B”	the loan provided by Creditor B to Yuk Cuisine HK, Yuk Cuisine and Echo Asia in the aggregated principal amount of HK\$2.92 million pursuant to the loan agreements between the parties and is subject to the Loan Capitalisation
“Loan C”	the loan provided by Creditor C to Yuk Cuisine HK and Echo Asia in the aggregated principal amount of HK\$9.80 million pursuant to the loan agreements between the parties and is subject to the Loan Capitalisation
“Loan Capitalisation”	the capitalisation of the amount equivalent to the Indebted Sums into 102,804,213 Loan Capitalisation Shares of HK\$0.13 per Loan Capitalisation Share pursuant to the Loan Capitalisation Agreements
“Loan Capitalisation Agreements”	the loan capitalisation agreements dated 25 March 2022 entered into between the Company and the Creditors, respectively, in respect of the Loan Capitalisation and the issue of Loan Capitalisation Warrants
“Loan Capitalisation Completion”	the completion of Loan Capitalisation
“Loan Capitalisation Completion Date”	a Business Day within five (5) Business Days after fulfilment of the Loan Capitalisation Conditions Precedent (or such other time and date as the relevant parties may agree in writing prior to the Loan Capitalisation Completion)
“Loan Capitalisation Conditions Precedent”	the conditions precedent to the Loan Capitalisation Completion
“Loan Capitalisation Long Stop Date”	30 June 2022 (or such other date as may be agreed by the respective Creditors and the Company in writing)
“Loan Capitalisation Price”	HK\$0.13 per Loan Capitalisation Share
“Loan Capitalisation Share(s)”	102,804,213 new Shares to be issued and allotted to the Creditors by the Company through the Loan Capitalisation

DEFINITION

“Loan Capitalisation Warrants”	up to 16,225,482 non-listed warrants to be issued by the Company, each entitles the holder thereof initially to subscribe for one Loan Capitalisation Warrant Share at the Warrant Exercise Price (subject to adjustment) at any time during the Warrant Exercise Period
“Loan Capitalisation Warrant Completion”	the completion of the issue of Loan Capitalisation Warrants
“Loan Capitalisation Warrant Completion Date”	a Business Day within five (5) Business Days after fulfilment of the Loan Capitalisation Warrant Conditions Precedent (or such other time and date as the relevant parties may agree in writing prior to the Loan Capitalisation Completion)
“Loan Capitalisation Warrant Conditions Precedent”	the conditions precedent to the Loan Capitalisation Warrant Completion
“Loan Capitalisation Warrant Share(s)”	up to 16,225,482 new Shares to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Loan Capitalisation Warrants
“Placees”	professional, institutional and other investors selected and procured by or on behalf of the Placing Agent to subscribe for the Placing Shares pursuant to the provisions as contemplated by the Placing 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 (藍山證券有限公司), a company incorporated in Hong Kong with limited liability and licensed by the SFC to carry on Type 1 (dealing in 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
“Placing Agreement”	the placing agreement dated 25 March 2022 entered into between the Company and the Placing Agent in respect of the Placing and the issue of Placing Warrants
“Placing Completion”	the completion of Placing

DEFINITION

“Placing Completion Date”	a Business Day within five (5) Business Days after fulfilment of the Placing Conditions Precedent (or such other time and date as the Company and the Placing Agent may agree in writing prior to the Placing Completion)
“Placing Conditions Precedent”	the conditions precedent to the Placing Completion
“Placing Long Stop Date”	30 June 2022 (or such other date as may be agreed by the Placing Agent and the Company in writing)
“Placing Price”	HK\$0.13 per Placing Share
“Placing Share(s)”	up to 97,188,000 new Shares to be issued and allotted to the Placees by the Company through the Placing
“Placing Warrants”	up to 15,339,080 non-listed warrants to be issued by the Company, each entitles the holder thereof initially to subscribe for one Placing Warrant Share at the Warrant Exercise Price (subject to adjustment) at any time during the Warrant Exercise Period
“Placing Warrant Completion”	the completion of the issue of Placing Warrants
“Placing Warrant Completion Date”	a Business Day within five (5) Business Days after fulfilment of the Placing Warrant Conditions Precedent (or such other time and date as the Company and the Placing Agent may agree in writing prior to the Placing Warrant Completion)
“Placing Warrant Conditions Precedent”	the conditions precedent to the Placing Warrant Completion
“Placing Warrant Share(s)”	up to 15,339,080 new Shares to be allotted and issued by the Company upon exercise of the subscription rights attaching to the Placing Warrants
“PRC”	People’s Republic of China
“SFC”	the Securities and Futures Commission of Hong Kong
“Share(s)”	ordinary share(s) of nominal value of HK\$0.05 each in the share capital of the Company
“Shareholder(s)”	shareholder(s) of the Company

DEFINITION

“Specific Mandate”	the specific mandate to allot, issue and deal with the Placing Shares, the Loan Capitalisation Shares and the Warrant Shares upon full exercise of the subscription rights attached to the Warrants, each 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 Listing Rules
“Takeovers Code”	the codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Warrant(s)”	the Loan Capitalisation Warrants and/or Placing Warrants collectively or separately, as the case may be or the context requires
“Warrant Exercise Period”	a period of 3 years commencing from the date of the issue of the relevant Warrants
“Warrant Exercise Price”	an initial exercise price of HK\$0.13 per Warrant Share (subject to adjustment) at which holder of the Warrants may subscribe for the Warrant Share(s)
“Warrant Share(s)”	the Loan Capitalisation Warrant Shares and/or Placing Warrant Shares collectively or separately, as the case may be or the context requires
“Yuk Cuisine”	Yuk Cuisine Limited, a company incorporated under the law of Hong Kong, and an indirect wholly owned subsidiary of the Company
“Yuk Cuisine HK”	Yuk Cuisine (HongKong) Limited, a company incorporated under the law of Hong Kong, and an indirect wholly owned subsidiary of the Company
“%”	per cent

* *For identification purpose only*



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 (*Chief Executive Officer*)
Mr. Tansri Saridju Benui
Ms. Chan Wan Shan Sandra

Independent non-executive Directors:

Mr. Leung Yu Tung Stanley
Mr. Chow Yun Cheung
Mr. Lam Kwok Leung Roy

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

6 June 2022

To the Shareholders

Dear Sir or Madam,

**(1) ISSUE OF NEW SHARES FOR LOAN CAPITALISATION AND
ISSUE OF UNLISTED WARRANTS UNDER SPECIFIC MANDATE;
(2) PLACING OF NEW SHARES AND ISSUE OF UNLISTED
WARRANTS UNDER SPECIFIC MANDATE; AND
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
AND
NOTICE OF EGM**

INTRODUCTION

Reference is made to the announcement of the Company dated 25 March 2022 in relation to (i) the Loan Capitalisation Agreements, (ii) the Placing Agreement and (iii) the proposed Increase in Authorised Share Capital.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among others, (i) further information on the Loan Capitalisation Agreements, the Placing Agreement, the proposed Increase in Authorised Share Capital 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.

(1) LOAN CAPITALISATION AGREEMENTS

The principal terms of the Loan Capitalisation Agreements are set out below:

Date: 25 March 2022 (after trading hours)

Parties: (a) the Company (as the issuer);
(b) Yuk Cuisine, Yuk Cuisine HK and/or Echo Asia (as the debtor(s)); and
(c) Creditor A, Creditor B or Creditor C

Subject: The Company has conditionally agreed:

- (i) to allot and issue to the Creditors and the Creditors have conditionally agreed to subscribe for an aggregate of 102,804,213 Loan Capitalisation Shares at the Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share; and
- (ii) subject to the fulfillment of the Loan Capitalisation Warrant Conditions Precedent, the Company shall create, and issue to each Creditor, the Loan Capitalisation Warrants entitling the holders thereof to subscribe up to 16,225,482 Loan Capitalisation Warrant Shares at nil consideration.

Settlement method: (i) The subscription amount payable by the Creditors under the Loan Capitalisation Agreements shall be satisfied by capitalising the respective Indebted Sums due from the Group; and
(ii) the Group shall settle any accrued interest calculated on the respective principal amount of the Loans during the period between 1 March 2022 and the Loan Capitalisation Completion Date by bank transfer to the respective Creditors within 14 Business Days after the Loan Capitalisation Completion Date.

LETTER FROM THE BOARD

The principal terms of the Loan Capitalisation Agreements are identical except for the amount of debts under the respective Loans, the number of Loan Capitalisation Shares and Loan Capitalisation Warrants to be allotted and/or issued by the Company to each of the Creditors as more particularly set out in the paragraphs headed “Loan Capitalisation Shares” and “Loan Capitalisation Warrants Shares” below.

Loan Capitalisation

Pursuant to the Loan Capitalisation Agreements, the Company has conditionally agreed to allot and issue to the Creditors and the Creditors have conditionally agreed to subscribe for an aggregate of 102,804,213 Loan Capitalisation Shares at the Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share.

Loan Capitalisation Shares

Details of the number of Loan Capitalisation Shares to be subscribed by each of the Creditors, the underlying debts and the Indebted Sums are as follows:

Creditors	Principal amount (HK\$)	Interest rate per annum	Maturity Date	Sums to be capitalised under the Loan Capitalisation Agreements (HK\$)	Number of Loan Capitalisation Shares (Approximately)
Creditor A	500,000	2%	June 2022	510,712.39	3,928,556
Creditor B	2,620,000	2%	June 2022	2,669,577.65	
	<u>300,000</u>	2%	August 2022	<u>303,156.16</u>	
	2,920,000			2,972,733.81	22,867,183
Creditor C	400,000	8%	September 2022	413,786.68	
	400,000	8%	October 2022	410,520.54	
	6,000,000	10%	January 2023	6,055,890.41	
	<u>3,000,000</u>	11%	February 2023	<u>3,000,904.11</u>	
	9,800,000			9,881,101.74	76,008,474
Total	<u>13,220,000</u>			<u>13,364,547.94</u>	<u>102,804,213</u>

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the Loan Capitalisation Completion Date, the Loan Capitalisation Shares represent (i) approximately 65.14% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 39.44% of the total issued share capital of the Company as enlarged by the allotment and issue of the Loan Capitalisation Shares. The Loan Capitalisation Shares have an aggregate nominal value of HK\$5,140,210.65 based on the nominal value of HK\$0.05 per Share.

LETTER FROM THE BOARD

The Loan Capitalisation 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 Loan Capitalisation Shares.

Loan Capitalisation Price

The Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share:

- (i) is equal to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 25 March 2022, being the date of the Loan Capitalisation Agreements;
- (ii) represents a discount of approximately 1.07% to the average closing price of approximately HK\$0.1314 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the date of the Loan Capitalisation Agreements; and
- (iii) represents a discount of approximately 2.26% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and excluding the date of the Loan Capitalisation Agreements.

The subscription amount payable by the Creditors under the Loan Capitalisation Agreements shall be satisfied by capitalising the respective Indebted Sums due from the Group.

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

Loan Capitalisation Conditions Precedent

The Loan Capitalisation Completion is conditional upon the following conditions being fulfilled:

- (i) the Stock Exchange granting or agreeing to grant (either unconditionally or subject to conditions to which neither the Company nor the Creditors shall reasonably object) the listing of, and permission to deal in all of the Loan Capitalisation Shares;
- (ii) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Loan Capitalisation Agreements and the transactions contemplated thereunder including but not limited to the allotment and issue of the Loan Capitalisation Shares;
- (iii) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Increase in Authorised Share Capital; and
- (iv) 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 Loan Capitalisation Completion Date.

LETTER FROM THE BOARD

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

The Loan Capitalisation Agreements are not inter-conditional upon one another.

Completion of the Loan Capitalisation

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

Loan Capitalisation Warrant

Pursuant to the Loan Capitalisation Agreements, subject to the fulfillment of the Loan Capitalisation Warrant Conditions Precedent, the Company shall create, and issue 620,039, 3,609,104 and 11,996,339 Loan Capitalisation Warrants to Creditor A, Creditor B and Creditor C, respectively, entitling the holders thereof to subscribe an aggregate of up to 16,225,482 Loan Capitalisation Warrant Shares at nil consideration. The Loan Capitalisation Warrants may be exercised in full or in part at any time during a period of 3 years commencing from the date of issue and are not convertible into further rights to subscribed securities, and thus the Company is in compliance with Rule 21.02(2) of the GEM Listing Rules.

Loan Capitalisation Warrant Shares

Assuming the subscription rights attached to the Loan Capitalisation Warrants are exercised in full at the Warrant Exercise Price HK\$0.13 per Warrant Share, 16,225,482 Loan Capitalisation Warrant Shares will be allotted and issued under the Specific Mandate, which represent (i) approximately 10.28% of the total issued share capital of the Company as at the date of the Latest Practicable Date; and (ii) approximately 5.86% of the total issued share capital of the Company as enlarged by the issue of the Loan Capitalisation Shares and Loan Capitalisation Warrants Shares in full.

The Loan Capitalisation Warrant 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 Loan Capitalisation Warrant Shares.

LETTER FROM THE BOARD

Loan Capitalisation Warrant Conditions Precedent

The Loan Capitalisation Warrant Completion is conditional upon the following conditions being fulfilled:

- (i) the Loan Capitalisation Completion;
- (ii) the Stock Exchange approving (either unconditionally or subject to conditions to which neither the Company nor the Creditors shall reasonably object) the issue of the Loan Capitalisation Warrants;
- (iii) the Stock Exchange granting or agreeing to grant (either unconditionally or subject to conditions to which neither the Company nor the Creditors shall reasonably object) the listing of, and permission to deal in all of the Loan Capitalisation Warrant Shares;
- (iv) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Loan Capitalisation Agreements and the transactions contemplated thereunder including but not limited to the issue of the Loan Capitalisation Warrants;
- (v) 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 Loan Capitalisation Warrant Completion Date.

If any of the above conditions precedent have not been fulfilled on or before the Loan Capitalisation Long Stop Date, the issue of the Loan Capitalisation Warrants and all related rights and obligations thereunder in relation to the issue of the Loan Capitalisation Warrants shall lapse immediately thereafter and be of no further effect and neither the Company nor the Creditors shall have any claim against or liability or obligation to each other save for any rights or obligations which may accrue prior to the date of such termination.

Completion of the Loan Capitalisation Warrant

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

For the avoidance of doubt, the Loan Capitalisation Completion is not conditional on the Loan Capitalisation Warrant Completion while the Loan Capitalisation Warrant Completion under each of the Loan Capitalisation Agreements with Creditor A, B and C is conditional (but not inter-conditional) on the respective Loan Capitalisation Completion.

LETTER FROM THE BOARD

Information on the Creditors and the Loans

Creditor A is a Hong Kong citizen and possesses experience in investing in various securities products. Loan A comprises of a loan agreement Creditor A entered into with Yuk Cuisine HK dated 3 February 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021). The aggregated principal amount under Loan A is HK\$0.5 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Creditor A is an Independent Third Party.

Creditor B is a PRC citizen and possesses experience in investing in various securities products. Loan B comprises of loan agreements Creditor B entered into with (i) Yuk Cuisine HK dated 2 March 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021), 31 March 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021) and 3 May 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021), respectively; (ii) Yuk Cuisine dated 2 February 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021) and 5 February 2021 (as supplemented by a supplemental loan agreement dated 16 June 2021), respectively; and (iii) Echo Asia dated 18 August 2021. The aggregated principal amount under Loan B is HK\$2.92 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Creditor B is an Independent Third Party.

Creditor C is a company incorporated in Hong Kong and is principally engaged in provision of design and renovation services. Creditor C is wholly owned by Industronics Berhad which is a company listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (stock code: 9393). Loan C comprises loan agreements Creditor C entered into with (i) Yuk Cuisine HK dated 6 September 2021; and (ii) Echo Asia dated 1 November 2021, 26 January 2022 and 28 February 2022, respectively. The aggregated principal amount under Loan C is HK\$9.80 million. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Creditor C and its ultimate beneficial owners are Independent Third Parties.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Creditors are independent of each other.

All of the Loans are unsecured, and the reasons for obtaining the Loans is to support the Group's working capital and the Directors considered that such transactions were incurred in the ordinary and usual course of business of the Group. Given that the terms of each of the Loans are similar to that of the loans of the Group due from other Independent Third Parties, the Directors are of the view that the Loans were on normal commercial terms and at arm's length basis.

LETTER FROM THE BOARD

REASONS AND BENEFITS OF THE LOAN CAPITALISATION AND ISSUE OF LOAN CAPITALISATION WARRANTS AND USE OF PROCEEDS

The Company is an investment holding company. The Group is principally engaged in the manufacture and trading of electronic products and accessories and provision of catering business.

In considering the source of funding to settle the Indebted Sums, apart from the Loan Capitalisation, the Directors have considered other alternative financing methods, however, those other financing methods taken into consideration have the following disadvantages:

- (a) Debt financing such as bank borrowings, will impose additional interest burden on the Group, based on the weighted average interest rate of 9% of the current loans owed by the Company, such additional interest burden will amount to approximately HK\$1.54 million per annum, and this will in turn worsen the Group's net liabilities position and gearing ratio of the Group; it may also require pledge of assets and/or other kind of securities which may reduce the Group's flexibility in managing its portfolio; further, debt financing may be subject to lengthy and time-consuming due diligence and negotiations for more favourable terms for such borrowings; and
- (b) Equity financing methods such as rights issue and open offer will incur substantial costs in relation to the engagement of legal adviser, financial adviser and brokerage agent as well as underwriting commission, with an estimated aggregated costs of at least HK\$1 million which might in turn cause an adverse impact on the financial condition of the Group; it will possibly require a relatively longer time period, estimated at least four months, to complete in view of the relatively more stringent documentary requirements for preemptive 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. The Group also considered utilizing the proceeds from the Placing for settlement of the Indebted Sums, however, in view of the prevailing market price of the Shares remaining in the low level since mid-March 2022, in order to avoid a material potential dilution impact on the shareholding as well as considering the market demand, it is unlikely the Group could issue such number of Shares to generate sufficient proceeds to settle all of the Group's outstanding loans. Further, in view of the funding needs of the Group as detailed in the section headed "Reasons and benefit of the Placing and issue of the Placing Warrants and use of proceeds", the Directors are of the view that the Company should conduct the Loan Capitalisation and the Placing separately.

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Set out below is the key financial ratios of the Group (a) as at/for the nine months ended 31 December 2021 (unaudited), and by illustration only, based on the financial information as at/for the nine months ended 31 December 2021 (unaudited), (b) immediately after the Loan Capitalisation Completion and (c) immediately after the Loan Capitalisation Warrant Completion (assuming full exercise of the Loan Capitalisation Warrants):

	Based on the financial information as at/for the nine months ended 31 December 2021 (unaudited)		
	As at/ for the nine months ended 31 December 2021 (unaudited)	Immediately after the Loan Capitalisation Completion	Immediately after the Loan Capitalisation Warrant Completion (assuming full exercise of the Loan Capitalisation Warrants)
Current ratio	2.99:1	4.10:1	4.27:1
Gearing ratio	2.12:1	2.91:1	3.07:1
Debt to equity ratio	1.51:1	1.02:1	0.98:1

Apart from the Loans, there are another two outstanding loans owing by the Group as at the Latest Practicable Date, details of which is set out below:

Creditors	Principal amount (HK\$)	Interest rate per annum	Maturity Date	Total outstanding amount by maturity date (HK\$)
Fuka Meito Group Limited (formerly known as Industronics Technology Limited) (“Fuka Meito”)	500,000	2%	June 2022	513,342.51
Creditor C	4,000,000	11%	February 2023	4,432,767.12
Total	4,500,000			4,946,109.63

The Company has selected the Loans to be capitalised on the basis that: (i) the shares of Fuka Meito are wholly owned by Mr. Lee Kwok Po, a former Director of the Company whom resigned on 23 August 2021, hence Fuka Meito is a connected person pursuant to Rule 20.07(2) of the GEM Listing Rules, and thus extra time and cost may be incurred if the

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Company is to enter into loan capitalisation arrangement with Fuka Meito as it will be subject to the reporting, announcement and independent Shareholders' approval requirements under the GEM Listing Rules; and (ii) based on the Loan Capitalisation Price, if loan capitalisation is performed on the remaining outstanding sum owing to Creditor C, the Shares to be allotted to it will trigger mandatory offer obligation under Rule 26 of the Takeovers Code, and this is not the intention of the parties.

Even though the allotment and issue of the Loan Capitalisation Shares will have a dilution effect to the existing Shareholders, having considered that (i) the maturity date of most of the Loans has already been extended through supplemental agreements and the current maturity dates are mostly in mid-2022, while taking into account the current financial position of the Group as shown in the key financial ratios above, the capitalisation of the Indebted Sums can alleviate the repayment and settlement pressure of the Company; and (ii) the Loan Capitalisation Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base, and accordingly, with the improved net liabilities position, as shown in the table above, strengthen the financial position of the Group, the Directors are of the view that the Loan Capitalisation is a more desirable and cost-effective solution for the Group to settle the Indebted Sums.

In relation to the issue of Loan Capitalisation Warrants, the Directors are of the view that: despite the total value of the Loan Capitalisation Shares and the Loan Capitalisation Warrants is higher than the total value of the repayment of the Indebted Sums, (i) given the general downward trend of the closing price of the Shares, dropping from HK\$0.28 in early January 2022 to the lowest at HK\$0.12 in late March 2022, and despite a slight increase to HK\$0.143 per Share on 28 March 2022 (being the first trading day after the publication of the announcement of the Company dated 25 March 2022 in relation to, among others, the Loan Capitalisation and the Placing), the price then dropped and maintained at HK\$0.132 from 31 March 2022 to 25 April 2022, while the trading volume of the Shares dropped from an average daily trading volume of 56,571 Shares in January 2022 to 20,400 Shares in April 2022 (up to 25 April 2022) as shown in the chart and table below, and given that by performing the Loan Capitalisation, the Creditors are foregoing their right as a creditor, it is necessary to provide incentive to encourage the Creditors to enter into the Loan Capitalisation arrangement with the Company; in this regard, the Creditors initially requested a discount to the Loan Capitalisation Price, however, as the closing price of the Shares around the time of the date of Loan Capitalisation Agreements reached its historical low, and with a lower Loan Capitalisation Price, taking into account the parties do not intend to trigger a mandatory offer obligation under Rule 26 of the Takeover Code, the Indebted Sums on which Loan Capitalisation could be performed would be reduced, as such, the Directors are of the view that allowing discount to the prevailing market price of the Shares is not in the best interest of the Company and its Shareholders as a whole; further, with the low closing price of the Shares, the Directors are of the view that there is not much alternative incentive the Company can provide to which the Creditors would agree; accordingly, as proposed by and mutually agreed with the Creditors, the Company shall issue the Loan Capitalisation Warrants, and since such issue is subject to Shareholders' approval, should the Shareholders vote against it, the Loan Capitalisation may still be approved and be proceeded with; based on the foregoing and coupled with the advantages of issuing Loan Capitalisation Warrants as stated below, the Directors are of the view that the issue of Loan Capitalisation Warrants as an incentive to the Creditors is in the

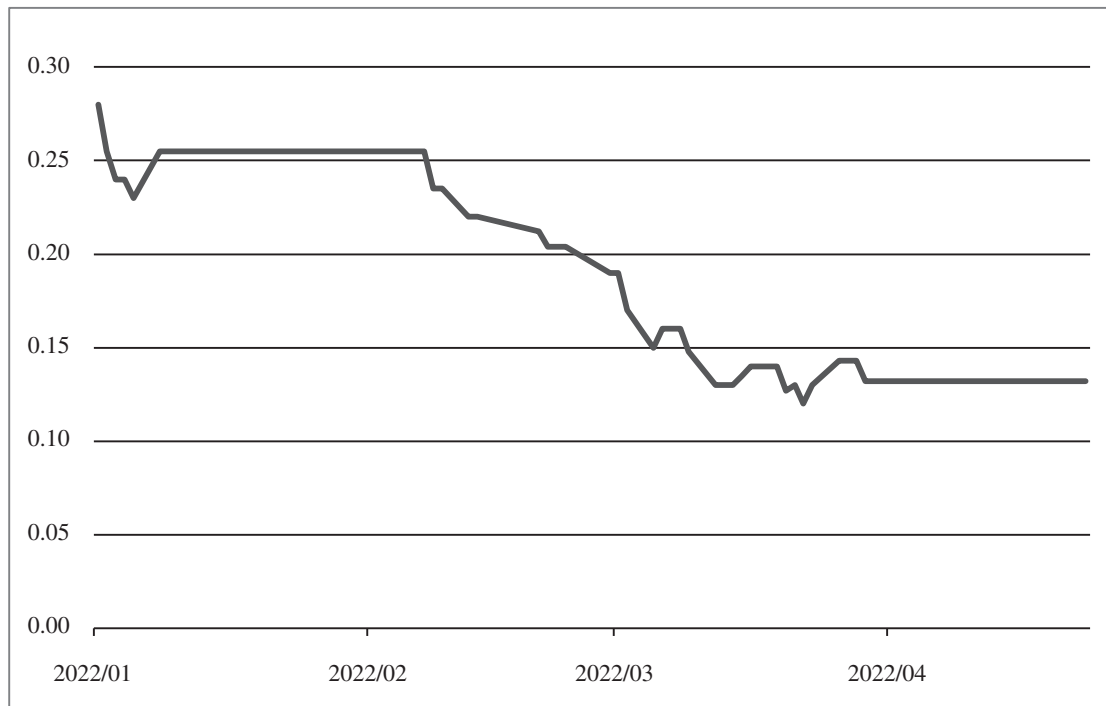
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interest of the Company and its Shareholders as a whole; (ii) the Loan Capitalisation Warrants will not impose immediate dilution on the shareholding of the existing Shareholders, and when the Loan Capitalisation Warrants are exercised, the Loan Capitalisation Warrants Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base; (iii) although the Loan Capitalisation Warrants are issued at no cost, if the subscription rights attaching to the Loan Capitalisation Warrants are exercised, the Company will obtain additional financing, and together with the improved gearing ratio, this will in turn further strengthen the financial position of the Group; and (iv) the issue of Loan Capitalisation Warrants is subject to the Stock Exchange's and the Shareholders' approval and therefore the Shareholders are given the opportunity and full discretion to consider the Loan Capitalisation Warrants and decide whether to vote in favour of or against such issue. Accordingly, the Directors are of the view that the issue of Loan Capitalisation Warrants is in the interest of the Company and its Shareholders as a whole.

The Directors have reviewed the closing price and the trading volume of the Shares during the period from January 2022 and up to and including the date of the Loan Capitalisation Agreements (namely, 25 March 2022) (the “**Pre-announcement Period**”) and the period commencing from 26 March 2022 up to 25 April 2022 (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)

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

Month/Period	Total trading volume (No. of Shares)	Number of trading days (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 1) (%)
Pre-announcement Period				
January 2022	1,188,000	21	56,571	0.036
February 2022	252,000	11	22,909	0.015
March 2022 (up to 25 March 2022)	630,000	17	37,059 <i>(note 2)</i>	0.023 <i>(note 2)</i>
Post-announcement Period				
March 2022 (from 26 March 2022)	252,000	4	63,000 <i>(note 2)</i>	0.040 <i>(note 2)</i>
April 2022 (up to 25 April 2022)	204,000	10	20,400	0.013

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

Notes:

1. 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. 157,822,839 Shares).
2. In March 2022, the total trading volume is 882,000 Shares and the total trading days is 21 days, thus, the average daily trading volume of the Shares in March 2022 is 42,000 Shares, which is approximately 0.027% of the total number of Shares in issue.

During the Review Period, the price of the Shares dropped from HK\$0.28 in early January 2022 to the lowest at HK\$0.12 in late March 2022, and after the publication of the announcement of the Company dated 25 March 2022 in relation to, among others, the Loan Capitalisation and the Placing, the Directors noted that the closing price of the Shares increased slightly to HK\$0.143 per Share on 28 March 2022 (being the first trading day after the publication of the announcement) as compared to that of HK\$0.13 per Share on the date of the Loan Capitalisation Agreements and the Placing Agreement, and the price then dropped and maintained at HK\$0.132 from 31 March 2022 to 25 April 2022. Apart from the price of the Shares, as illustrated in Table 1 above, there is a relatively low liquidity of the Shares during the Review Period ranging from 0.013% to 0.036%, and there is a general downward trend of the trading volume during the Review Period: despite there is an increase in the average daily trading volume of the Shares from 22,909 Shares in February 2022 to 42,000 Shares in March 2022, there were relatively less trading days in February 2022 (i.e. 11 days) as compared to January 2022 and March 2022 (i.e. 21 days in both months), and the average daily trading volume of the Shares generally dropped from 56,571 Shares in January 2022 to 42,000 Shares in March 2022 and to 20,400 in April 2022 (up to 25 April 2022). Save for (i)

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the number of trading days in the relevant months, and (ii) announcement of the Loan Capitalisation and the Placing, the Directors were not aware of any other reasons that led to the fluctuation in the closing price and trading volume of the Shares during the Review Period.

Accordingly, the Directors are of the view that among the Indebted Sums which is subject to Loan Capitalisation, the maturity dates of the aggregated sum of HK\$4,307,753.42 fall within June to October 2022, whereas the aggregated sum of HK\$9,056,794.52 are due in less than a year, hence given such repayment pressure while taking into account the current financial position of the Group, and the funding needs of the Group as detailed in the section headed “Reasons and benefit of the Placing and issue of the Placing Warrants and use of proceeds” in this circular, despite there is general downward trend of the price and trading volume of the Shares, it is in the best interest of the Company and its Shareholders as a whole for the Company to enter into the Loan Capitalisation arrangement and provide the Creditors incentive to enter into the same by the proposed issue of the Loan Capitalisation Warrants, such that the Loans could be settled by the maturity dates, alleviating the repayment and settlement pressure and improving the Group’s liabilities position; while any proceeds from the Placing and/or the exercise of any of the Warrants, if approved and proceeded, would provide the Group with extra funding to maintain, develop and expand its businesses. For further details on the Group’s business expansion, please refer to the section headed “Reasons and benefit of the Placing and issue of the Placing Warrants and use of proceeds” in this circular.

Assuming the subscription rights attached to the Loan Capitalisation Warrants are fully exercised, the gross proceeds and net proceeds (after deducting all relevant expenses) from the issue of Loan Capitalisation Warrants are estimated to be approximately HK\$2.11 million and HK\$2.10 million, respectively. The net price is approximately HK\$0.13 per Loan Capitalisation Warrant Share. The Company intends to apply the net proceeds from the issue of Loan Capitalisation Warrant Shares for repayment of interest payable on the existing convertible bonds issued by the Company and/or general working capital of the Group.

The Directors consider that the terms of the Loan Capitalisation Agreements (including the price and number of Shares involved under Loan Capitalisation and issue of Loan Capitalisation Warrants) are on normal commercial terms and are fair and reasonable based on the prevailing market conditions. Therefore, and in view of the above, the Directors consider the entering into the Loan Capitalisation Agreements is in the interests of the Company and the Shareholders as a whole.

(2) THE PLACING AGREEMENT

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

- Date: 25 March 2022 (after trading hours)
- Parties: (1) The Company as the issuer; and
(2) Bluemount Securities Limited as the Placing Agent.

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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.

In considering the appointment of the Placing Agent, the Company did not consider other placing agents, given the previous experience appointing the Placing Agent in similar transaction and the terms of the Placing Agreement (including the placing commission) offered by the Placing Agent which, in the view of the Directors, is in line with the prevailing market conditions, being the low liquidity of the Shares during the Review Period, as well as the recent economic slump and the inactivity of the trading market in general, and thus the potential difficulty in seeking Placees for the Placing. In order to assess the suitability of the Placing Agent and the fairness and reasonableness of the placing commission of the Placing, references have been made to (i) the previous engagement of the Placing Agent, where it has successfully completed one placing of new shares under specific mandate, one placing of new shares under general mandate and five placing of convertible bonds under general mandate for the Group during 2017 to 2021; and (ii) the Placing Comparable, for details, please refer to the section headed "Placing Commission" below.

- Subject:
- (i) the Placing Agent conditionally agreed to effect the Placing by procuring Placees (currently expected to be no fewer than six) to subscribe for a maximum of 97,188,000 Placing Shares at the Placing Price of HK\$0.13 per Placing Share on a best effort basis; and
 - (ii) subject to the fulfillment of the Placing Warrant Conditions Precedent, the Company shall create, and issue to each Placee, the Placing Warrants entitling the holders thereof to subscribe up to 15,339,080 Placing Warrants Shares at nil consideration.

The Loan Capitalisation and the Placing are not conditional upon each other.

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.

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Placing Commission

Upon the Placing Completion, the Company will pay to the Placing Agent a placing commission of 4% of the aggregate amount equal to the Placing Price multiplied by the actual number of the Placing Shares being placed.

The placing commission was determined after arm's length negotiation between the Company and the Placing Agent by reference to the size and the current and expected market conditions to procure Places for the Placing.

References have been made to a total of 16 transactions (the “**Placing Comparable**”) which involve placing of new shares by the companies listed on the Main Board or GEM of the Stock Exchange (excluding transactions involving A-share, B-share and H-share companies), which announced in the six-month period prior to the date of the Placing Agreement on the website of the Stock Exchange (<https://www.hkexnews.hk>). The six-month timeframe was adopted to demonstrate the recent market trends with exhaustive list of Placing Comparable and thus, the Board considers the timeframe is reasonable and representative. Among the Placing Comparable, the placing commission ranges from 0.5% to 5% with an average of approximately 2.06%, and the Directors notice that the placing commission is relatively higher (ranging from 3% to 5%) where there is a downward trend in the price and/or trading volume of the shares. As the placing commission under the Placing Agreement lies within the range of the commission of the Placing Comparable and in view of the price and trading performance of the Shares during the Review Period, the Directors are of the view that the placing commission of 4% is in line with the current market rate and is therefore fair and reasonable.

Placing of new 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 97,188,000 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 selected by the Placing Agent at the Placing Price of HK\$0.13 per Placing Share (together with the Stock Exchange trading fee, SFC transaction levy, FRC 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.

The maximum number of the Placing Shares is determined based on the required fund of the Group with reference to the prevailing market price of the Shares in mid to late March 2022, which is between HK\$0.12 to HK\$0.16. In light of the funding needs of the Group and the general downward trend of the closing price of the Shares and thus the possible Placing Price, taking into the expected costs of the Placing, the Directors are of the view that the number of Placing Shares is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

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Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of the Latest Practicable Date and the Placing Completion Date, the Placing Shares represent (i) approximately 61.58% of the total issued share capital of the Company as at the date of the Latest Practicable Date; and (ii) approximately 38.11% of the total 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\$4,859,400 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.

Placing Price

The Placing Price of HK\$0.13 per Placing Share:

- (i) is equal to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 25 March 2022, being the date of the Placing Agreement;
- (ii) represents a discount of approximately 1.07% to the average closing price of approximately HK\$0.1314 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the date of the Placing Agreement; and
- (iii) represents a discount of approximately 2.26% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and excluding the date of the Placing Agreement.

Taking into account all commissions and other expenses in relation to the Placing, the net issue price of each Placing Share is approximately HK\$0.12 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 mid to late March 2022, which is between HK\$0.12 to HK\$0.16.

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) the Company has considered alternative fund-raising methods, including other types of debt financing and equity fund raising methods; however, in view of the current financial position of the Company and the costs and time 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 and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds" in this circular;

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- (ii) in determining the Placing Price, the Directors have reviewed the closing price and the trading volume of the Shares during the Review Period, for details, please refer to the section headed “Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds” in this circular. Notwithstanding the Placing Price is low comparing with the Share price in beginning of the Review Period, the Directors observed a general downward trend in both closing price and trading volume, and thus, after confirming with the Placing Agent, it is reasonable and necessary to set the Placing Price at a price close to the prevailing market price, and together with the issue of Placing Warrants, so as to attract the investors to participate in the Placing.

Placing Conditions Precedent

The Placing Completion is conditional upon the following conditions being fulfilled:

- (i) 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;
- (ii) 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;
- (iii) the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Increase in Authorised Share Capital; and
- (iv) 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 Placing Completion Date.

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

Completion of the Placing

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

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

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Placing Warrants

Pursuant to the Placing Agreement, subject to the fulfillment of the Placing Warrant Conditions Precedent, the Company shall create, and issue to each Placee, the Placing Warrants entitling the holders thereof to subscribe up to 15,339,080 Placing Warrants Shares at nil consideration. The Placing Warrants may be exercised in full or in part at any time during a period of 3 years commencing from the date of issue and are not convertible into further rights to subscribed securities, and thus the Company is in compliance with Rule 21.02(2) of the GEM Listing Rules.

The number of Placing Warrants Shares was determined with reference to the maximum amount allowed under Rule 21.02(1) of the GEM Listing Rules, as well as taking into account the number of Shares to be issued under the Loan Capitalisation Warrants as a whole. The Placing Warrants shall be issued at nil consideration to act as an incentive to the Placees to participate in the Placing as detailed under the section headed “Reasons and benefits of the Placing and issue of the Placing Warrants and use of proceeds” in this circular.

Placing Warrant Shares

The actual number of Placing Warrants to be issued to each Placees will be determined according to the following formula:

$$\frac{P}{(A/B)}$$

where:

- P being the total number of Placing Shares to be issued to each Placee;
- A being the total number of Placing Shares; and
- B being the total number of Placing Warrants.

Assuming the subscription rights attached to the Placing Warrants are exercised in full at the Warrant Exercise Price HK\$0.13 per Warrant Share, 15,339,080 Placing Warrant Shares will be allotted and issued under the Specific Mandate, which represent (i) approximately 9.72% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 5.67% of the total issued share capital of the Company as enlarged by the issue of the Placing Shares and Placing Warrants Shares in full.

The Placing Warrant 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 Warrant Shares.

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Placing Warrant Conditions Precedent

The Placing Warrant Completion is conditional upon the following conditions being fulfilled:

- (i) the Placing Completion;
- (ii) the Stock Exchange approving (either unconditionally or subject to conditions to which neither the Company nor the Placing Agent shall reasonably object) the issue of the Placing Warrants;
- (iii) 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 Placing Warrant Shares;
- (iv) 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 issue of the Placing Warrants;
- (v) 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 Placing Warrant Completion Date.

If any of the above conditions precedent have not been fulfilled on or before the Placing Long Stop Date, the issue of the Placing Warrants and all related rights and obligations thereunder in relation to the issue of the Placing Warrants 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 save for any rights or obligations which may accrue prior to the date of such termination.

Completion of the Placing Warrant

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

For the avoidance of doubt, the Placing Completion is not conditional on the Placing Warrant Completion while the Placing Warrant Completion is conditional on the Placing Completion.

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Termination

If at any time prior to the Placing Completion, 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, 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 the Placing 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.

LETTER FROM THE BOARD

REASONS AND BENEFITS OF THE PLACING AND ISSUE OF THE PLACING WARRANTS AND USE OF PROCEEDS

Similar to the Loan Capitalisation, the Directors is aware of the potential dilution impact of the Placing on the existing shareholding of the Shareholders. However, further to the reasons set out under the section headed “Information of the Group and Reasons for the Loan Capitalisation and issue of Loan Capitalisation Warrants and Use of Proceeds”, the Directors consider that the potential dilution impact was justified for the following reasons:

(a) funding needs to expand the Group’s e-commerce business

As mentioned in the Company’s third quarterly report for the nine months ended 31 December 2021, the Group developed and has been operating an e-commerce platform selling food and drinks in 2021, and such platform has contributed to an increase in the revenue (unaudited) in the food catering services segment as compared with the corresponding period in 2020. In view of the potential of the e-commerce market, the Group has launched another e-commerce platform in February 2022 selling more diversified products, such as Chinese tea, jewelry, watches and health care products. The new e-commerce platform has been in operation since its launching and in March 2022, it generated an unaudited net profit of HK\$0.61 million, which amounts to 7% of the total turnover attributable to such platform. In order to continue to develop such business, the Placing will strengthen the financial position of the Group and provide working capital to the Group to meet any future development opportunities and financial obligations of the Group. Therefore, notwithstanding the prevailing market price of the Shares is low, the Directors are of the view that given there is downward trend of the closing price of the Shares in recent months, the aforesaid funding needs outweighs the possibility for a rebound in the Share price;

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(b) funding needs to improve the Group's financial position

Set out below is the key financial ratios of the Group (a) as at/for the nine months ended 31 December 2021 (unaudited), and by illustration only, based on the financial information as at/for the nine months ended 31 December 2021 (unaudited), (b) immediately after the Placing Completion and (c) immediately after the Placing Warrant Completion (assuming full exercise of the Placing Warrants):

		Based on the financial information as at/for the nine months ended 31 December 2021 (unaudited)	Immediately after the Placing Warrant Completion (assuming full exercise of the Placing Warrants)
	As at/for the nine months ended 31 December 2021 (unaudited)	Immediately after the Placing Completion	
Current ratio	2.99:1	3.71:1	3.83:1
Gearing ratio	2.12:1	2.84:1	2.96:1
Debt to equity ratio	1.51:1	1.13:1	1.09:1

As shown in the table of key financial ratios above, in particular, the current ratio, higher liquidity is required to sustain the existing operation of the Group as well as to diversify its business by expanding its e-commerce business as mentioned above; hence, the Placing can improve the Group's liquidity and increase its operational flexibility so as to sustain its existing businesses and develop new businesses by way of increasing general working capital of the Group. Further, assuming the Loan Capitalisation is approved and proceeded thus excluding the Loans, there are still two loans with an aggregate principal amount of HK\$4.5 million outstanding as at the Latest Practicable Date, for details, please refer to the section headed "Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds" in this circular. Apart from the aforementioned outstanding loans, the Group is also required to make interest payment on the Loans (between 1 March 2022 and the Loan Capitalisation Completion) and on the existing convertible bonds it issued. Therefore, it is necessary for the Group to raise additional funds to improve its financial position;

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

The Group is able to increase its working capital and strengthen the financial position of the Group through the Placing without (i) increasing the interest burden on the Group; and (ii) affecting the financial position and the liquidity risk of the

LETTER FROM THE BOARD

Group by means of equity fundraising. Please also refer to the section “Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds” in this circular for the disadvantages of debt financing and other equity financing methods.

In relation to the issue of Placing Warrants, the Directors are of the view that: (i) given the downward trend of the closing price and trading volume of the Shares in recent months as mentioned under the section “Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds” in this circular, it is necessary to provide incentive to encourage the subscription of the Placing Shares under the Placing; in this regard, the Directors considered issuing the Placing Shares at a discount to the prevailing market price, however, as the closing price of the Shares around the time of the date of Placing Agreement reached its historical low, and with a lower Placing Price, taking into account the funding the Group requires while balancing the dilution effect on the shareholding of the existing Shareholders if the Company is to issue more Placing Shares, the Directors are of the view that such discount is not in the best interest of the Company and its Shareholders as a whole; further, with the low closing price of the Shares, the Directors are of the view that there is not much alternative incentive the Company can provide to the potential Placees; accordingly, as proposed by and mutually agreed with the Placing Agent, the Company shall issue the Placing Warrants, and since such issue is subject to Shareholders’ approval, should the Shareholders vote against it, the Placing may still be approved and be proceeded with; based on the foregoing, and coupled with the advantages of issuing the Placing Warrants as stated below, the Directors are of the view that the issue of Placing Warrants as an incentive to the Placees is in the interest of the Company and its Shareholders as a whole; (ii) the Placing Warrants will not impose immediate dilution on the shareholding of the existing Shareholders, and when the Placing Warrants are exercised, the Placing Warrants Shares, when allotted and issued, will be recognised entirely as equity of the Company which in turn will reduce the gearing ratio, enlarge the capital base; and (iii) although the Placing Warrants are issued at no cost, if the subscription rights attaching to the Placing Warrants are exercised, the Company will obtain additional financing, and together with the improved gearing ratio, this will in turn further strengthen the financial position of the Group.

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\$12.63 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\$11.88 million. The Group intends to allocate approximately (i) HK\$3.24 million from the proceeds of the Placing to support the development in the e-commerce business; (ii) HK\$4.64 million for repayment of loans (being the loans (and any accrued interest) not subject to Loan Capitalisation as mentioned under the section headed “Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds” in this circular and/ or the accrued interest on the Loans (calculated since 1 March 2022)); and (iii) HK\$4.00 million as working capital of the Group, which includes administrative expenses such as staff costs, rental expenses, and other operating and corporate expenses etc.

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Assuming the subscription rights attached to the Placing Warrants are fully exercised, the gross proceeds and net proceeds (after deducting all relevant expenses) from the issue of Placing Warrants are estimated to be approximately HK\$1.99 million and HK\$1.98 million respectively. The net price is approximately HK\$0.13 per Placing Warrant Share. The Company intends to apply the net proceeds from the issue of Placing Warrant Shares for repayment of interest payable on the existing convertible bonds issued by the Company and/or general working capital of the Group.

Based on the above, the Directors consider that the terms of the Placing Agreement (including the Placing Commission, the price and number of Shares involved under the Placing and the issue of Placing Warrants) are on normal commercial terms and are fair and reasonable based on the prevailing market conditions. Therefore, and in view of the above, the Directors consider that the entering into the Placing Agreement is in the interests of the Company and the Shareholders as a whole.

WARRANTS

The principal terms of the instruments constituting the Loan Capitalisation Warrants and the Placing Warrants are identical except for the amount of Warrants to be issued by the Company to each of the Creditors and Placees under the Loan Capitalisation Agreements and Placing Agreement, respectively.

Set out below are the principal terms of the Warrants under the instrument constituting the Warrants:

Issuer:	the Company
Warrant Exercise Period:	The Warrants may be exercised in full or in part at any time during a period of 3 years commencing from the date of the issue of the relevant Warrants.
Warrant Exercise Price:	Initially of HK\$0.13 per Warrant Share The Warrant Exercise Price will be subject to adjustments in the events of subdivision or consolidation of Shares, capitalisation of profits or reserves, capital distributions, issue of Shares or convertible securities at less than 80% of market price.

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Exercise of the
subscription rights:

The holders of the Warrants shall have the right, which may be exercised in whole or in part, but not in respect of a fraction of a Share, at any time during the Warrant Exercise Period, to subscribe in cash the whole or part, in integral multiples of 2,000 units of the Warrant Exercise Price, for fully paid Shares at the Warrant Exercise Price. Where the exercise moneys of the outstanding amount of Warrants is of an amount less than 2,000 units of the Warrant Exercise Price, the holders of the Warrants shall have the right to exercise the whole but not in part of the outstanding number of Warrants to subscribe for the Shares in cash at the Warrant Exercise Price per Share. Any subscription rights which have not been exercised upon the expiry of the Warrant exercise period shall lapse and thereupon the Warrants and the warrant certificate shall cease to be valid for any purpose whatsoever.

Voting rights:

Holders of the Warrants shall not be entitled to attend and vote at any general meeting of the Company by reason of only being a holder of the Warrants.

Ranking:

The Shares issued upon the exercise of the subscription rights shall rank *pari passu* in all respects with the fully paid Shares in issue on the relevant subscription date and shall accordingly entitle the holders to participate in full in all dividends or other distributions declared, paid or made on the Shares after the relevant subscription date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant subscription date and notice of the amount and record date for which shall have been given to the Stock Exchange prior to the relevant subscription date.

Transferability:

The Warrants shall be in registered form and shall be transferable in amounts of integral multiples of 2,000 units of the Warrant Exercise Price (or if at the time of transfer, the outstanding amount of Warrants are less than 2,000 units of the Warrant Exercise Price), the whole but not in part of the outstanding Warrants) by instrument of transfer in any usual or common form or such other form as may be approved by the Directors, provided always that the Warrants shall not be assigned or transferred to any connected person of the Company (as defined under the GEM Listing Rules) except with the prior written approval of the Company.

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Rights on liquidation: If the Company is wound up, all subscription rights which have not been exercised at the date of the passing of such resolution shall lapse and warrant certificate will cease to be valid for any purpose.

Warrant Exercise Price

The Warrant Exercise Price of HK\$0.13 per Warrant Share:

- (i) is equal to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on 25 March 2022, being the date of the Loan Capitalisation Agreements and the Placing Agreement, respectively;
- (ii) represents a discount of approximately 1.07% to the average closing price of approximately HK\$0.1314 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to and excluding the date of the Loan Capitalisation Agreements and the Placing Agreement; and
- (iii) represents a discount of approximately 2.26% to the average closing price of approximately HK\$0.133 per Share as quoted on the Stock Exchange for the last ten consecutive trading days prior to and excluding the date of the Loan Capitalisation Agreements and the Placing Agreement.

The Warrant Exercise Price was negotiated on an arm's length basis between the Company and each of the Creditors and the Placing Agent and was determined with reference to the prevailing market price of the Shares in mid to late March 2022, which is between HK\$0.12 to HK\$0.16.

In determining the Warrant Exercise Price, the Directors have reviewed the closing price and the trading volume of the Shares during the Review Period, for details, please refer to the section headed "Reasons and benefits of the Loan Capitalisation and issue of the Loan Capitalisation Warrants and use of proceeds" in this circular. Notwithstanding the Warrant Exercise Price is lower comparing with the Share price in beginning of the Review Period, the Directors observed a general downward trend in both closing price and trading volume, and thus, after negotiation with each of the Creditors and confirming with the Placing Agent, the Directors are of the view that it is reasonable and necessary to set the Warrant Exercise Price at a price close to the prevailing market price, so as to provide incentive for the Creditors/potential Placees to enter into the relevant transaction with the Company. Based on the foregoing, the Directors are of the view that the Warrant Exercise Price are on normal commercial terms, fair and reasonable.

LETTER FROM THE BOARD

Valuation of the Warrants

The Company did not conduct valuation of the Warrants as the Directors consider that it is not appropriate to state the value of the Warrants that can be issued as if they had been issued on the Latest Practicable Date as a number of variables which are crucial for the calculation of the Warrants value have not been determined. Such variables include but are not limited to the date of issue, exercise price and exercise period, which remains to be uncertain as none of the conditions precedent of such issue is satisfied (including the approval from the Shareholders and the Stock Exchange). The Directors believe that any calculation of the value of the Warrants as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and may be misleading to the Shareholders in the circumstances.

EFFECTS ON SHAREHOLDINGS STRUCTURE OF THE COMPANY

Assuming that the Loan Capitalisation, the issue of Loan Capitalisation Warrants, the Placing and the issue of Placing Warrants complete on the same date, and there is no change in the total issued share capital of the Company between the Latest Practicable Date and the Completion Date and assuming full exercise of the Warrants at the Warrant Exercise Price, the number of new Shares allotted and issued under the Special Mandate as a result of the Completion represent (i) approximately 246.72% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 59.47% of the total issued share capital of the Company as enlarged by the allotment and issue of the new Shares allotted and issued under the Special Mandate as a result of the Completion. The aggregate nominal value of the number of new Shares to be allotted and issued under the Special Mandate (including the Loan Capitalisation Shares, the Placing Shares and the Warrants Shares, assuming full exercise of the Warrants) as a result of the Completion will be HK\$11,577,838.75.

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Loan Capitalisation Completion and Loan Capitalisation Warrant Completion

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Loan Capitalisation Completion and Loan Capitalisation Warrant Completion but without full exercise of the Loan Capitalisation Warrants, assuming no other Shares will be issued or repurchased; and (iii) immediately after the Loan Capitalisation Completion and Loan Capitalisation Warrant Completion and assuming full exercise of the Loan Capitalisation Warrants at the Warrant Exercise Price, assuming no other Shares will be issued or repurchased:

Shareholders	As at the Latest Practicable Date		Immediately after the Loan Capitalisation Completion and Loan Capitalisation Warrant Completion		Immediately after the Loan Capitalisation Completion and Loan Capitalisation Warrant Completion and assuming full exercise of the Loan Capitalisation Warrants	
	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding	Number of Shares	Approximate % of shareholding
<i>Director</i>						
Ms. Cheng Yeuk Hung	4,878,000	3.09%	4,878,000	1.87%	4,878,000	1.76%
Creditor C	—	—	76,008,474	29.16%	88,004,813	31.79% <i>(Note)</i>
<i>Public Shareholders</i>						
— Creditor A	14,621,948	9.26%	18,550,504	7.12%	19,170,543	6.92%
— Creditor B	—	—	22,867,183	8.77%	26,476,287	9.56%
— Others	138,322,891	87.65%	138,322,891	53.07%	138,322,891	49.97%
Total	157,822,839	100%	260,627,052	100%	276,852,534	100%

Note: According to the instrument of the Warrants, any exercise of the Warrants is subject to the conditions that, among others, it will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code.

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Placing Completion and Placing Warrant Completion

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Placing Completion and Placing Warrant Completion but without full exercise of the Placing Warrants, assuming no other shares will be issued or repurchased; and (iii) immediately after the Placing Completion and Placing Warrant Completion and assuming full exercise of the Placing Warrants at the Warrant Exercise Price, assuming no other Shares will be issued or repurchased:

Shareholders	As at the Latest Practicable Date		Immediately after the Placing Completion and Placing Warrant Completion		Immediately after the Placing Completion and Placing Warrant Completion and assuming full exercise of the Placing Warrants	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>% of shareholding</i>	<i>Number of Shares</i>	<i>% of shareholding</i>	<i>Number of Shares</i>	<i>% of shareholding</i>
<i>Director</i>						
Ms. Cheng Yeuk Hung	4,878,000	3.09%	4,878,000	1.91%	4,878,000	1.80%
<i>Public Shareholders</i>						
— The Placees	—	—	97,188,000	38.11%	112,527,080	41.62%
— Others	<u>152,944,839</u>	<u>96.91%</u>	<u>152,944,839</u>	<u>59.98%</u>	<u>152,944,839</u>	<u>56.57%</u>
Total	<u><u>157,822,839</u></u>	<u><u>100%</u></u>	<u><u>255,010,839</u></u>	<u><u>100%</u></u>	<u><u>270,349,919</u></u>	<u><u>100%</u></u>

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The Completion

The table below sets out, for the purpose of illustration only, the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after the Completion but without full exercise of the Warrants, assuming no other shares will be issued or repurchased; and (iii) immediately after the Completion and assuming full exercise of the Warrants at the Warrant Exercise Price, assuming no other Shares will be issued or repurchased:

Shareholders	As at the Latest Practicable Date		Immediately after the Completion		Immediately after the Completion and assuming full exercise of the Warrants	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>Number of Shares</i>	<i>% of shareholding</i>	<i>Number of Shares</i>	<i>% of shareholding</i>	<i>Number of Shares</i>	<i>% of shareholding</i>
<i>Director</i>						
Ms. Cheng Yeuk Hung	4,878,000	3.09%	4,878,000	1.36%	4,878,000	1.25%
Creditor C	—	—	76,008,474	21.24%	88,004,813	22.60%
<i>Public Shareholders</i>						
— Creditor A	14,621,948	9.26%	18,550,504	5.18%	19,170,543	4.92%
— Creditor B	—	—	22,867,183	6.39%	26,476,287	6.80%
— The Placees	—	—	97,188,000	27.16%	112,527,080	28.90%
— Others	138,322,891	87.65%	138,322,891	38.66%	138,322,891	35.52%
Total	157,822,839	100%	357,815,052	100%	389,379,614	100%

Public Float

As at the Latest Practicable Date, there was no Shareholder holding 10% or more shareholding of the Company, and thus there was no substantial shareholder. Upon (a) the completion of Loan Capitalisation and issue of Loan Capitalisation Warrants; or (b) the Completion, Creditor C will hold more than 10% shareholding of the Company and thus will become a substantial shareholder of the Company.

Save for aforesaid, none of the Creditors or the Placees will be expected to hold 10% or more shareholding of the Company upon the relevant completion, thus they are public shareholders and all of the Shares held by them will be counted towards to the public float; accordingly, the number of Shares held by members of the public (within the meaning of the GEM Listing Rules) will constitute at least 25% of the total issued share capital of the Company, resulting in the Company being in compliance with the requirement of public float under the GEM Listing Rules.

LETTER FROM THE BOARD

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

There has not been any equity fund raising activity conducted by the Company in the past 12 months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, save as disclosed in this circular, the Company has no plan for any equity fund raising activity in the next 12 months.

(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company is HK\$10,000,000 divided into 200,000,000 Shares. In order to facilitate the issue of the Loan Capitalisation Shares, the Placing Shares and the Warrants Shares, accommodate the future expansion and growth of the Group and provide the Company with greater flexibility for future expansion in the share capital of the Company, the Board proposes that the authorised share capital of the Company be increased to HK\$50,000,000 divided into 1,000,000,000 Shares. The proposed Increase in Authorised Share Capital is subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

The Board is of the view that the Increase in Authorised Share Capital will provide the Company with greater flexibility for future fundraising and expansion in the share capital of the Company, and is therefore in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE GEM LISTING RULES

The Loan Capitalisation, the Placing and the issue of warrants

The Loan Capitalisation Shares, the Placing Shares and the Warrant Shares will be allotted and issued under the Specific Mandate to be obtained at the EGM and therefore the Loan Capitalisation, the Placing, the issue of the Warrants and the Special Mandate are subject to the Shareholders' approval.

Pursuant to Rule 21.02(1) of the GEM Listing Rules, the Warrant Shares to be issued on exercising of the Warrants must not, when aggregated with all other equity securities remain to be issued on exercise of any other subscription rights, if all such rights were immediately exercised, whether or not such exercise is permissible, exceed 20% of the issued share capital of the Company at the time the Warrants are issued. Options granted under share option schemes which comply with Chapter 23 of the Listing Rules and convertible bonds are excluded for the purpose of such limit. As at the Latest Practicable Date, the Company does not have any equity securities with subscription rights outstanding and not yet exercised. Assuming full exercise of the subscription rights attaching to the Warrants, the maximum number of the Warrant Shares to be issued is 31,564,562 Shares, representing approximately 20% of the issued share capital of the Company as at the Latest Practicable Date and approximately 8.11% of the issued share capital of the Company as enlarged by the Loan Capitalisation Shares, the Placing Shares and the Warrant Shares. Accordingly, the issue of the Warrant is in compliance with Rule 21.02(1).

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As at the Latest Practicable Date, Creditor A held 14,621,948 Shares, constituting approximately 9.26% shareholding of the Company, Creditor A shall be required to abstain from voting on the proposed resolution(s) of the Company in approving the Loan Capitalisation Agreements and the transactions contemplated thereunder at the EGM. Save as disclosed and to the best knowledge of the Directors, no other Shareholders or their associates would have any material interest in and is required to abstain from voting at the EGM in approving the Loan Capitalisation Agreements, the Placing Agreement and the transactions contemplated thereunder at the EGM.

No application will be made for the listing of the Warrants on the Stock Exchange or any other stock exchange. Applications will be made to the Stock Exchange for the issue of the Warrants, and the listing of, and permission to deal in, the Loan Capitalisation Shares, the Loan Capitalisation Warrant Shares, the Placing Shares and the Placing Warrant Shares, respectively.

The Increase in Authorised Share Capital

The Increase in Authorised Share Capital is conditional upon the approval by the Shareholders by way of an ordinary resolution at the EGM. To the best knowledge of the Directors, as none of the Shareholders or their associates would have any material interest in the Increase in Authorised Share Capital, no Shareholder would be required to abstain from voting in favour of the resolution(s) relating to the Increase in Authorised Share Capital at the EGM.

EGM

The EGM will be convened at Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong at 11:00 a.m. on 21 June 2022 for the purpose of considering and, if thought fit, approving, among other things, (i) the granting the Special Mandate; (ii) the Loan Capitalisation Agreements and the transactions contemplated thereunder; (iii) the Placing Agreement and the transactions contemplated thereunder; and (iv) the Increase in Authorised Share Capital.

The notice convening the EGM is set out on pages 40 to 46 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

Save as disclosed and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder has a material interest in (i) the granting the Special Mandate; (ii) the Loan Capitalisation Agreements and the transactions contemplated thereunder; (iii) the Placing Agreement and the transactions contemplated thereunder; and (iv) the Increase in Authorised Share Capital and accordingly no other Shareholder is required to abstain from voting on the resolution(s) 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 Loan Capitalisation Agreements and the Placing Agreement are fair and reasonable, and (i) the granting the Special Mandate; (ii) the Loan Capitalisation Agreements and the transactions contemplated thereunder; (iii) the Placing Agreement and the transactions contemplated thereunder; and (iv) the Increase in Authorised Share Capital 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.

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.

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

NOTICE OF THE EGM



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 Tuesday, 21 June 2022 at 11:00 a.m., Hong Kong for the purpose of considering and, if thought fit, passing each of the following resolutions as an ordinary resolution. Unless otherwise indicated, capitalised terms used herein shall have the same meanings as those defined in the circular of the Company dated 6 June 2022 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the conditional loan capitalisation agreement entered into between the Company (as the issuer) and Yuk Cuisine HK (as the debtor) and Creditor A dated 25 March 2022 (“**Creditor A Agreement**”) in relation to the issue of 3,928,556 Loan Capitalisation Shares (“**Creditor A Shares**”) at the Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share and excluding the parts relating to the issue of Loan Capitalisation Warrants (a copy of which has been produced to the Meeting and marked “**A-1**” 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;
- (b) the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot, issue and deal with the Creditor A Shares, subject to and in accordance with the terms and conditions set out in the Creditor A Agreement; and
- (c) any Directors 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 Creditor A Agreement and any of the transactions contemplated thereunder.”

NOTICE OF THE EGM

2. “**THAT** subject to the ordinary resolutions no. 1 above being duly passed:
 - (a) the conditional Creditor A Agreement, to the extent relating to the issue of Loan Capitalisation Warrants entitling the holders thereof to subscribe up to 620,039 Loan Capitalisation Warrant Shares (“**Creditor A Warrant Shares**”) at nil consideration only, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to resolutions no. 1(b) above be and is hereby extended by the addition thereon of a number representing the number of Creditor A Warrant Shares; and
 - (c) any Directors 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 issue of the Loan Capitalisation Warrants under Creditor A Agreement.”

3. “**THAT:**
 - (a) the conditional loan capitalisation agreement entered into between the Company (as the issuer), Yuk Cuisine, Yuk Cuisine HK and Echo Asia (as the debtors) and Creditor B dated 25 March 2022 (“**Creditor B Agreement**”) in relation to the issue of 22,867,183 Loan Capitalisation Shares (“**Creditor B Shares**”) at the Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share and excluding the parts relating to the issue of Loan Capitalisation Warrants (a copy of which has been produced to the Meeting and marked “**A-2**” 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;
 - (b) the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot, issue and deal with the Creditor B Shares, subject to and in accordance with the terms and conditions set out in the Creditor B Agreement; and

NOTICE OF THE EGM

- (c) any Directors 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 Creditor B Agreement and any of the transactions contemplated thereunder.”
4. **“THAT** subject to the ordinary resolutions no. 3 above being duly passed:
- (a) the conditional Creditor B Agreement, to the extent relating to the issue of Loan Capitalisation Warrants entitling the holders thereof to subscribe up to 3,609,104 Loan Capitalisation Warrant Shares (**“Creditor B Warrant Shares”**) at nil consideration only, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to resolutions no. 3(b) above be and is hereby extended by the addition thereon of a number representing the number of Creditor B Warrant Shares; and
- (c) any Directors 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 issue of the Loan Capitalisation Warrants under Creditor B Agreement.”
5. **“THAT:**
- (a) the conditional loan capitalisation agreement entered into between the Company (as the issuer), Yuk Cuisine HK and Echo Asia (as the debtors) and Creditor C dated 25 March 2022 (**“Creditor C Agreement”**) in relation to the issue of 76,008,474 Loan Capitalisation Shares (**“Creditor C Shares”**) at the Loan Capitalisation Price of HK\$0.13 per Loan Capitalisation Share and excluding the parts relating to the issue of Loan Capitalisation Warrants (a copy of which has been produced to the Meeting and marked **“A-3”** 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;

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- (b) the Directors be and are hereby granted a specific mandate to exercise all the powers of the Company to allot, issue and deal with the Creditor C Shares, subject to and in accordance with the terms and conditions set out in the Creditor C Agreement; and
 - (c) any Directors 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 Creditor C Agreement and any of the transactions contemplated thereunder.”
6. “**THAT** subject to the ordinary resolutions no. 5 above being duly passed:
- (a) the conditional Creditor C Agreement, to the extent relating to the issue of Loan Capitalisation Warrants entitling the holders thereof to subscribe up to 11,996,339 Loan Capitalisation Warrant Shares (“**Creditor C Warrant Shares**”) at nil consideration only, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
 - (b) the specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to resolutions no. 5(b) above be and is hereby extended by the addition thereon of a number representing the number of Creditor C Warrant Shares; and
 - (c) any Directors 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 issue of the Loan Capitalisation Warrants under Creditor C Agreement.”

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7. **“THAT:**

- (a) the conditional placing agreement dated 25 March 2022 entered into between the Company and the Placing Agent in relation to the placing of up to 97,188,000 new ordinary shares of the Company at the placing price of HK\$0.13 per Placing Share and excluding the parts relating to the issue of Placing Warrants (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;
- (b) the Directors 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 Agreement; and
- (c) any Directors 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 Placing Agreement and any of the transactions contemplated thereunder.”

8. **“THAT** subject to the ordinary resolutions no. 7 above being duly passed:

- (a) the conditional Placing Agreement, to the extent relating to the issue of Placing Warrants entitling the holders thereof to subscribe up to 15,339,080 Placing Warrant Shares at nil consideration only, and all the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;
- (b) the specific mandate granted to the Directors to exercise the powers of the Company to allot, issue and deal with additional shares in the capital of the Company pursuant to resolution no. 7(b) above be and is hereby extended by the addition thereon of a number representing the relevant number of Placing Warrant Shares; and
- (c) any Directors 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 issue of Placing Warrants under the Placing Agreement.”

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9. “**THAT:**

- (a) the authorised share capital of the Company be and is hereby increased from HK\$10,000,000 divided into 200,000,000 Shares to HK\$50,000,000 divided into 1,000,000,000 Shares by creating an additional 800,000,000 unissued Shares; and
- (b) any Directors 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 Increase in Authorised Share Capital.”

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

Hong Kong, 6 June 2022

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.

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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. The record date for determining the entitlement of members of the Company to attend and vote at the Meeting is fixed at the close of business on Monday, 20 June 2022. In order to be eligible to attend and vote at the Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 20 June 2022.
5. 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.