

NS Issue of Debt



## FUNDING UPDATE – ISSUE OF £2.2M CONVERTIBLE LOAN

### [EAST IMPERIAL PLC](#)

Released 07:00:05 17 July 2023

RNS Number : 1466G  
East Imperial PLC  
17 July 2023

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#### East Imperial plc (the "Company")

#### Funding Update - proposed issue of £2.2 million 10% Secured Convertible Loan Notes

East Imperial, the global purveyor of ultra-premium beverages, is pleased to announce that it is proposing to raise in aggregate £2.2 million (before expenses) by the issue of 10% Secured Convertible Loan Notes ("**2025 Convertible Loan Notes**") to strategic investor Wen Hua International ("**WHI**"), the Company's current Chinese Mainland and Macau distribution partner (the "**Proposed Transaction**"). The 2025 Convertible Loan Notes will be unlisted and no offer or invitation is being made to shareholders more generally to purchase, acquire or subscribe for any of the 2025 Convertible Loan Notes in conjunction with the Proposed Transaction.

#### Highlights

- Proposed issue of £2.2 million of 10% Secured Convertible Loan Notes to strategic investor WHI in two tranches of £1,466,666.67 and £733,333.33 respectively.
- The net proceeds of the issue of the 2025 Convertible Loan Notes will provide much needed additional working capital to support the Company's plans for continued expansion.
- The 2025 Convertible Loan Notes will be secured by way of a debenture which contains fixed and floating charges over the assets of the Company; security to be granted over the Company's wholly owned Singapore incorporated subsidiary; and a charge to be granted over up to 75 per cent. of the ordinary shares of £0.01 each in the capital of the Company ("**Ordinary Shares**") held by the Company's chief executive officer, Tony Burt.
- No application will be made for the admission of the 2025 Convertible Loan Notes to trading on any recognised securities exchange.

- The holders will have the right to convert the 2025 Convertible Loan Notes, including the rolled-up 10% interest thereon, into Ordinary Shares at a price equal to a 20% discount to the 60 day VWAP of the Ordinary Shares as at the date of the conversion notice, subject to a minimum price per Ordinary Share of £0.01 (being the nominal value of the Ordinary Shares) (the "**Conversion Price**"), at any time after the expiry of the 12 month period commencing on the date of the instrument constituting the 2025 Convertible Loan Notes ("**Convertible Loan Note Instrument**") until the redemption of the 2025 Convertible Loan Notes in accordance with the terms of the Convertible Loan Note Instrument. The maturity date of the 2025 Convertible Loan Notes is the first Business Day falling twenty-four months after the date of issue of the relevant 2025 Convertible Loan Notes.
- The minimum Conversion Price of £0.01 represents a premium of approximately 15 per cent. to the closing middle market price of £0.0085 per Ordinary Share on 14 July 2023, being the latest practicable trading day prior to the publication of this Announcement.
- The maximum number of new Ordinary Shares capable of being issued in respect of the 2025 Convertible Loan Notes if all of the 2025 Convertible Loan Notes are converted and all of the rolled-up interest thereon is converted at the minimum Conversion Price of £0.01 is 264,000,000 Ordinary Shares, which would represent approximately 43.8 per cent. of the issued share capital of the Company.
- The Directors are strongly of the belief that the issue of the 2025 Convertible Loan Notes is the best available option for securing further investment in the near term, and the funds from the Proposed Transaction will enable the Company to meet its ongoing working capital and capital expenditure requirements.
- The Proposed Transaction is conditional on the passing of the resolutions by Shareholders at the general meeting of the Company ("**General Meeting**") ("**Resolutions**") as proposed in a circular, which will shortly be despatched to Shareholders ("**Circular**") including a special resolution which will give the Directors the required authority to disapply statutory pre-emption rights in respect of the potential future issue of new Ordinary Shares upon conversion of the 2025 Convertible Loan Notes.

**Tony Burt, CEO of East Imperial, said:**

*"I'm extremely pleased to add such an important cornerstone investor to our investor group, who brings with them unparalleled experience and knowledge in a key strategic region for East Imperial.*

*I'm delighted they share our vision for East Imperial as the world's only true ultra-premium choice of mixer and want to genuinely support and be a part of our continued success. We continue to have a huge opportunity ahead of us, and I'm confident we will deliver significant progress this year and beyond.*

*We will use the funds raised to capitalise on the future opportunities ahead of us, particularly to accelerate our growth in the strategically important US and explore further opportunities with WHI in Asian markets with greater sales resources and some new exciting product innovations."*

**Jason Jeong, CEO of WHI, said:**

*"Being a leading distributor of Imported Spirits & Wines in China, we are excited to extend our business relationship with East Imperial, the global purveyor of ultra-premium beverages. With our support, we believe East Imperial will be able to fast-track its global development in all strategic markets and capitalize the premiumization trend in the beverage category globally."*

**1. Introduction**

On 2 May 2023, the Company issued its audited full year results, which included a statement that the cash flow forecasts prepared rely on successful funding in the form of a debt raise in Q2 2023 to continue expansion and settle current liabilities as they fall due.

The Company announces today that it is proposing to raise in aggregate £2.2 million (before expenses) by way of the issue of 2025 Convertible Loan Notes to WHI, in two tranches of £1,466,666.67 and £733,333.33 respectively. The 2025 Convertible Loan Notes will be unlisted and no offer or invitation is being made to Shareholders more generally to purchase, acquire, or subscribe for any of the 2025 Convertible Loan Notes in conjunction with the issue.

The Directors strongly believe that the issue of the 2025 Convertible Loan Notes is the best available option for securing further investment in the near term, and the funds from the Proposed Transaction will enable the Company to meet its ongoing working capital and capital expenditure requirements.

The issue of the 2025 Convertible Loan Notes is conditional on the passing of the Resolutions by Shareholders at the General Meeting, including a special resolution which will give the Directors the required authority to disapply statutory pre-emption rights in respect of the potential future issue of new Ordinary Shares upon conversion of the 2025 Convertible Loan Notes.

The purpose of the impending Circular is to outline the reasons for, and provide further information on, the Proposed Transaction and to explain why the Directors believe this to be in the best interests of the Company and its Shareholders as a whole.

In the Circular, you will find a notice of the General Meeting at which the Resolutions will be proposed to approve the issue of the 2025 Convertible Loan Notes. The General Meeting is expected to be convened for 11.00 a.m. on 4 August 2023 at the offices of Shakespeare Martineau LLP at 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

The Directors are strongly of the belief that the Proposed Transaction is in the best interests of the Company and its Shareholders as a whole. The Directors also stress that it is very important that Shareholders vote in favour of the Resolutions proposed at the General Meeting, as those Directors who hold Ordinary Shares intend to do. The Directors believe that if the Resolutions are not passed at the General Meeting and the issue of the 2025 Convertible Loan Notes does not proceed, then in the absence of available alternative sources of funding, it is likely that the Directors will have to consider options including ceasing to trade or selling the business.

## **2. Conditional Loan Note Subscription Agreement**

The Company and WHI, through its wholly owned Hong-Kong based subsidiary, INL Investment Limited, has today entered into a Conditional Loan Note Subscription Agreement ("**Subscription Agreement**") pursuant to which WHI has agreed to invest £2,200,000 in two tranches of £1,466,666.67 ("**Tranche 1**") and £733,333.33 ("**Tranche 2**") respectively, conditional on the passing of the Resolutions by Shareholders at the General Meeting by 31 August 2023 (or such later date as agreed by the Company and WHI). If the Resolutions are duly passed, completion of Tranche 1 will take place immediately following the General Meeting, and (subject to delivery of the Singapore Share Charge and the TB Share Charge to WHI in accordance with the Subscription Agreement), completion of Tranche 2 will take place on the first Business Day falling three (3) calendar months following First Completion.

The Subscription Agreement contains customary warranties given by WHI. Under the terms of the Subscription Agreement, following completion of the Tranche 1 investment ("**First Completion**"), WHI may in its absolute discretion appoint one director to the board of Directors of the Company and remove any such director and appoint a replacement, provided that WHI shall cease to be entitled to appoint a director if (i) WHI does not validly elect to convert at least 20% in nominal value of the 2025 Convertible Loan Notes (taking Tranche 1 and Tranche 2 together) in accordance with the terms of the Convertible Loan Note Instrument prior to the Redemption Date of Tranche 2 (being the first business day falling twenty-four months after the date of issue of the Tranche 2 notes, the "**Tranche 2 Redemption Date**") or (ii) WHI validly elects to convert at least 20% in nominal value of the 2025 Convertible Loan Notes (taking Tranche 1 and Tranche 2 together) in accordance with the terms of the Convertible Loan Note Instrument prior to the Tranche 2 Redemption Date but subsequently ceases to hold at least 7% of the fully diluted share capital of the Company, following the Tranche 2 Redemption Date.

The Subscription Agreement also contains certain covenants in favour of WHI in respect of (i) the Company incurring financial indebtedness in excess of £50,000 without the prior written consent of WHI, excluding the 2025 Convertible Loan Notes, (ii) amalgamation, demerger, merger or corporate reconstruction of the Company, excluding a change of control or other acquisition of interests in the Company by WHI or third parties, without the prior written consent of WHI, (iii) issuing shares or share capital (or any instrument convertible into shares or share capital) to any person, other than pursuant to options or warrants which are outstanding at the First Completion or pursuant to a bona fide employee share or share option scheme, without the prior written consent of WHI, other than in respect of repaying all or any amounts due under the 2025 Convertible Loan Notes, (iv) the appointment of new Directors of the Company without the prior written consent of WHI, other than to replace an existing Director, (v) any substantial change to the general nature or scope of its business as carried out on at the date of First Completion and (vi) entry into a material acquisition or corporate joint venture transaction, excluding for the avoidance of doubt the acquisition of trading stock in the ordinary course of business and distribution or equivalent commercial agreements in the ordinary course of business, without the prior written consent of WHI. The Company will also be responsible for paying WHI a capped amount of £15,000 plus VAT (if applicable) in respect of certain costs and expenses incurred by WHI in connection with the negotiation, preparation and implementation of the Subscription Agreement and the 2025 Convertible Loan Notes.

Under the terms of the Subscription Agreement, WHI has undertaken to ensure that the Company is run independently of WHI for the benefit of all Shareholders and that all arrangements between WHI and the Company will be on an arm's length basis and on normal commercial terms.

## **3. The Secured 2025 Convertible Loan Notes**

On First Completion, the Company will enter into the Convertible Loan Note Instrument pursuant to which the Company will create 2025 Convertible Loan Notes of an aggregate principal amount of £2.2 million. The issue of the 2025 Convertible Loan Notes is conditional only upon the passing of the Resolutions at the proposed General Meeting.

Interest shall be payable on the outstanding 2025 Convertible Loan Notes at a rate of 10% per annum on the date of redemption or conversion of the 2025 Convertible Loan Notes. The maturity date of the 2025 Convertible Loan Notes is the first Business Day falling twenty-four months after the date of issue of the relevant 2025 Convertible Loan Notes.

The Company's obligations under the 2025 Convertible Loan Notes will initially be secured by a debenture which contains fixed and floating charges over the assets of the Company (the "**Debenture**").

On the earlier of (i) First Completion and (ii) the Business Day falling within 45 days following the date of the Subscription Agreement, the Company's obligations under the 2025 Convertible Loan Notes will also be secured by (1) a share charge to be granted over the entire issued share capital of East Imperial Pte. Ltd, the Company's wholly owned Singapore incorporated subsidiary (the "**Singapore Share Charge**") and (2) a share charge (the "**TB Share Charge**") to be granted over: (a) on the date of creation of such TB Share Charge, 75% of the Ordinary Shares registered in the name of Anthony Burt (or a nominee thereof); (b) following the first business day occurring after First Completion when the 10 day VWAP per Ordinary Share is equal to or greater than £0.05 but less than £0.075, 50% of the Ordinary Shares registered in the name of Anthony Burt (or a nominee thereof); (c) following the first business day occurring after First Completion when the 10 day VWAP per Ordinary Share is equal to or greater than £0.075 but less than £0.10, 25% of the Ordinary Shares registered in the name of Anthony Burt (or a nominee thereof); and (d) following the first business day occurring after First Completion when the 10 day VWAP per Ordinary Share is equal to or greater than £0.10, 0% of the Ordinary Shares registered in the name of Anthony Burt

(or a nominee thereof) (at which time the TB Share Charge shall terminate and be released in accordance with its terms).

No application will be made for the admission of the 2025 Convertible Loan Notes to trading on any recognised securities exchange.

The Convertible Loan Note Instrument gives the holders of the 2025 Convertible Loan Notes the right to convert the 2025 Convertible Loan Notes they hold into Ordinary Shares at a price per Ordinary Share equal to a 20% discount to the 60 day VWAP of the Ordinary Shares as at the date of the conversion notice, subject to a minimum price per Ordinary Share of £0.01 (being the nominal value of the Ordinary Shares) (the "**Conversion Price**"), at any time after the expiry of the 12 month period commencing on the date of the Convertible Loan Note Instrument until the redemption of the 2025 Convertible Loan Notes in accordance with the terms of the Convertible Loan Note Instrument.

The minimum Conversion Price of £0.01 represents a premium of approximately 15 per cent. to the closing middle market price of £0.0085 per Ordinary Share on 14 July 2023, being the latest practicable trading day prior to the publication of this Announcement.

The Proposed Transaction is conditional on the passing of the Resolutions by Shareholders at the General Meeting, including a special resolution which will give the Directors the required authority to disapply statutory pre-emption rights in respect of the potential future issue of new Ordinary Shares upon conversion of the 2025 Convertible Loan Notes.

Upon the passing of the proposed Resolutions, the Company shall issue Tranche 1 of the 2025 Convertible Loan Notes to WHI and execute and deliver a certificate in respect of Tranche 1 of the 2025 Convertible Loan Notes.

Following publication of the Circular, a copy of the draft Convertible Loan Note Instrument and Debenture will be available for inspection at the Company's registered office until the time and date of the General Meeting.

#### **4. Potential Dilutive Effect Resulting From The Proposed Transaction**

The maximum number of new Ordinary Shares capable of being issued in respect of the 2025 Convertible Loan Notes if all of the 2025 Convertible Loan Notes are converted and all of the rolled-up interest thereon is converted at the minimum Conversion Price of £0.01 is 264,000,000 Ordinary Shares, which would represent approximately 43.8 per cent. of the issued share capital of the Company.

#### **5. General Meeting**

The Directors do not currently have sufficient authority under section 551(1)(b) of the Companies Act 2006 to issue the 2025 Convertible Loan Notes. The 2025 Convertible Loan Notes will not be issued therefore until the Resolutions are passed at the General Meeting. The Company will shortly dispatch the Circular to Shareholders convening a General Meeting of the Company at which the Resolutions summarised below will be proposed:

- (A) Resolution 1, which will be proposed as an Ordinary Resolution (this means that, for the Resolution to be passed, more than 50 per cent. of the votes cast must be in favour of the Resolution), is to authorise the Directors to allot the 2025 Convertible Loan Notes
- (B) Resolution 2, which will be proposed as a Special Resolution (this means that, for the Resolution to be passed, at least 75 per cent. of the votes cast must be in favour of the Resolution), is to disapply statutory pre-emption rights in respect of the allotment of the equity securities under Resolution 1.

Resolution 2 is conditional on Resolution 1 being passed so that, if Resolution 1 is not passed, neither of the Resolutions will become effective and the issue of 2025 Convertible Loan Notes will not be implemented.

#### **6. Importance of Approving the Proposed Transaction**

IT IS VERY IMPORTANT that Shareholders vote in favour of the Resolutions at the General Meeting. The Directors believe that if the Resolutions are not passed at the General Meeting and so the issue of the 2025 Convertible Loan Notes does not proceed and in the absence of available alternative sources of funding, is likely that the Directors will have to consider options including ceasing to trade or selling the business.

#### **7. Recommendation**

The Directors strongly believe that the issue of the 2025 Convertible Loan Notes is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as those Directors (and their associates) intend to do in respect of their entire beneficial holdings of Ordinary Shares.

#### **Enquiries**

##### **East Imperial Plc**

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*THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE UK VERSION OF REGULATION (EU) NO 596/2014 WHICH IS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018, AS AMENDED. UPON THE PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE, THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.*

#### **About East Imperial**

Founded in New Zealand and Singapore in 2012, East Imperial produces a range of ultra-premium mixers that sell throughout APAC, the US and EMEA. Guided by a clear strategy to capitalise on the growing demand for premiumisation across the beverage industry, East Imperial has sold over 25 million bottles in over 20 countries since its founding, with popular products including Old World Tonic, Grapefruit Tonic, Yuzu Tonic and Mombasa Ginger Beer. In 2023, East Imperial won 8 medals at the coveted Tonic & Mixers Masters Competition in London. The company was founded on the philosophy of creating exquisite products defined by heritage, tradition and authenticity. All products are made from the highest quality, all-natural ingredients, reflecting East Imperial's commitment to providing a sustainable product and minimising environmental impacts at every stage of the manufacturing process. For more information about East Imperial and its ultra-premium mixers, visit [eastimperial.co.uk](http://eastimperial.co.uk).

**About WHI**

Wen Hua International (WHI) is a subsidiary of Wen Hua Hang Wine & Spirits Co Ltd, which was originally founded in 2004, and is located in Zhongshan, Guangdong province. Wen Hua Hang is an exclusive first-tier wholesaler in South China, covering Guangdong, Hainan and Guangxi provinces for Pernod Ricard.

**Forward-Looking Statements**

This announcement includes statements that are, or may be deemed to be, "forward-looking statements" which reflect the Directors' current views, interpretations, beliefs or expectations with respect to the financial performance, business strategy and plans and objectives of management for future operations of the Company and its group. These statements include forward-looking statements with respect to the Company and its group and the sector and industry in which the business currently operates. Statements which include the words "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "aims", "targets", "will", "should" or, "future", "opportunity", "potential" or, in each case, their negatives, and similar statements of a future or forward-looking nature identify forward-looking statements. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this announcement. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this announcement are based on certain factors and assumptions, including the Directors' current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity. While the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Save as required by law, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this announcement that may occur due to any change in the Directors' expectations or to reflect events or circumstances after the date of this announcement.

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