



ECHO INTERNATIONAL HOLDINGS GROUP LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

The background of the lower half of the page is a complex, abstract geometric design. It consists of multiple overlapping semi-circular and circular shapes in various shades of blue, from light to dark. These shapes are further divided into smaller rectangular and square segments, creating a layered, architectural effect. The overall impression is one of modernity and technology.

Interim Report 2014

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*This report, for which the directors (the “**Directors**”) of Echo International Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report 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 report misleading.*

FINANCIAL HIGHLIGHTS

- Recorded an unaudited revenue of approximately HK\$20.18 million for the six months ended 30 September 2014, representing a decrease of approximately 23.78% over the same period of the previous year.
- Recorded an unaudited loss attributable to the owners of the Company of approximately HK\$5.51 million for the six months ended 30 September 2014 (2013: unaudited loss attributable to the owners of the Company approximately HK\$1.09 million) .
- Basic and diluted loss per share for the six months ended 30 September 2014 were HK2.76 cents (2013: basic loss per share HK0.8 cents) and HK2.76 cents (2013: diluted loss per share of HK0.8 cents) respectively.
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2014 (2013: Nil).

INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 September 2014 (the “**Period**”) and the comparative unaudited figures for the corresponding period in 2013, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and six months ended 30 September 2014

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
Revenue	3	10,520	12,669	20,175	26,468
Cost of sales		(8,901)	(8,859)	(15,972)	(17,495)
Gross profit		1,619	3,810	4,203	8,973
Other revenue and gains	4	107	26	166	57
Selling and distribution expenses		(268)	(156)	(718)	(331)
Administrative and other expenses		(4,560)	(6,015)	(9,129)	(9,436)
Finance costs		(15)	(16)	(33)	(36)
Loss before taxation	5	(3,117)	(2,351)	(5,511)	(773)
Taxation	6	—	58	—	(318)
Loss for the period		(3,117)	(2,293)	(5,511)	(1,091)
Other comprehensive (loss)/ income for the period, net of tax: Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		8	(116)	(600)	74
Total comprehensive loss for the period		(3,109)	(2,409)	(6,111)	(1,017)
Loss for the period attributable to owners of the Company		(3,117)	(2,293)	(5,511)	(1,091)
Total comprehensive loss for the period attributable to owners of the Company		(3,109)	(2,409)	(6,111)	(1,017)
Loss per share — Basic and diluted (HK cents)	8	(1.6) cents	(1.6) cents	(2.76) cents	(0.8) cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2014

	Notes	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Non-current assets			
Property, plant and equipment	9	1,221	1,444
Current assets			
Inventories		20,598	18,498
Trade receivables	10	10,743	8,961
Amount due from a related company		64	36
Deposits, prepayments and other receivables		8,338	7,100
Tax recoverable		415	—
Cash and bank balances		20,171	20,840
		60,329	55,435
Current liabilities			
Trade payables	11	2,456	1,616
Accrued charges		1,981	1,957
Trade deposit received		137	157
Bank borrowings		11,113	1,920
Obligations under finance leases		117	117
Current tax liabilities		—	163
		15,804	5,930
Net current assets		44,525	49,505
Total assets less current liabilities		45,746	50,949
Non-current liability			
Obligations under finance leases		400	459
Net assets		45,346	50,490
Capital and reserves			
Share capital	12	2,000	2,000
Reserves		43,346	48,490
Total equity		45,346	50,490

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2014 (Unaudited)

	Share capital	Share premium	Contribution reserve	Capital reserve	Share option reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2014, audited	2,000	28,840	4,836	(89)	909	613	13,381	50,490
Loss for the period	—	—	—	—	—	—	(5,511)	(5,511)
Other comprehensive loss for the period	—	—	—	—	—	(600)	—	(600)
Total comprehensive loss for the period	—	—	—	—	—	(600)	(5,511)	(6,111)
Employee share option benefits	—	—	—	—	967	—	—	967
At 30 September 2014, unaudited	2,000	28,840	4,836	(89)	1,876	13	7,870	45,346

For the six months ended 30 September 2013 (Unaudited)

	Share capital	Capital reserve	Exchange reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2013, audited	100	(89)	321	22,102	22,434
Loss for the period	—	—	—	(1,091)	(1,091)
Other comprehensive income for the period	—	—	74	—	74
Total comprehensive income/(loss) for the period	—	—	74	(1,091)	(1,017)
At 30 September 2013, unaudited	100	(89)	395	21,011	21,417

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Unaudited	
	six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(9,135)	5,283
Net cash used in investing activities	(35)	(161)
Net cash generated from/(used in) financing activities	9,101	(2,339)
	<hr/>	
Net (decrease)/increase in cash and cash equivalents	(69)	2,783
Effect of foreign currency exchange rate changes	(600)	74
Cash and cash equivalents at beginning of period, audited	20,840	1,215
	<hr/>	
Cash and cash equivalents at end of period, unaudited	20,171	4,072
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Analysis of the balances of cash and cash equivalents		
Cash and bank balances	20,171	4,072
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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on the GEM since 11 October 2013 (the "Listing Date") (the "Listing").

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is same as the functional currency of the Company.

The principal activities of the Group are engaged in the manufacturing and trading of electronic products and accessories.

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Pursuant to the group reorganisation (the "Reorganisation") to rationalize the structure of the Group in preparation for the Listing, the Company became the holding company of the Group on 14 March 2013, the details of which are as set out in the prospectus issued by the Company dated 30 September 2013 (the "Prospectus").

The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rule Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited. The unaudited condensed consolidated financial statements have been prepared under historical cost basis except for certain financial assets and financial liabilities, which are measured at fair values.

The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2014 except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements. The unaudited condensed consolidated interim results have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early adopted any new Hong Kong Financial Reporting Standards ("HKFRS") that have been issued but are not yet effective.

3 SEGMENT INFORMATION

Information reported internally to the directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group currently operates in two business segments which are (i) in the manufacturing and trading of electronic products and accessories; and (ii) the providing of subcontracting services on PCB assemblies and manufacture of electronic products. A single management team reports to the chief operating decision makers, the directors, who comprehensively manages the entire business. Accordingly, the Group does not have separately reportable segment.

An analysis of the Group's revenue of each significant category for the Period is as follows:

	Unaudited	
	six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Sales of electronic products	19,920	25,822
Subcontracting income	255	646
	20,175	26,468

Geographical information

	Revenue from external customers	
	Unaudited	
	six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Hong Kong	3,832	2,117
Asian Countries, other than Hong Kong (Note 1)	1,260	1,825
European Countries (Note 2)	9,958	18,992
United States	4,139	2,918
Others	986	616
	20,175	26,468

Notes:

1. Asian Countries include the People's Republic of China ("PRC"), Malaysia, Singapore and Taiwan.
2. European Countries include Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Russia, Spain, Sweden, Switzerland and United Kingdom.

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are detailed below:

	Unaudited 30 September 2014 HK\$'000	Audited 31 March 2014 HK\$'000
Hong Kong	657	768
People's Republic of China ("PRC")	564	676
	<hr/> 1,221	<hr/> 1,444

4 OTHER REVENUE AND GAINS

	Unaudited six months ended 30 September 2014 HK\$'000	2013 HK\$'000
Bank interest income	2	2
Sundry income	164	55
	<hr/> 166	<hr/> 57

5 LOSS BEFORE TAXATION

Unaudited	
six months ended 30 September	
2014	2013
HK\$'000	HK\$'000

Loss before taxation is arrived after charging:

Finance costs

Interest on:

Bank borrowings wholly repayable within five years	27	27
Obligation under finance leases	6	9
	<hr/>	
	33	36
	<hr/>	

Other items

Depreciation of property, plant and equipments	260	250
Costs of inventories sold	15,752	17,321
Listing expenses	91	2,105
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6 TAXATION

Unaudited	
six months ended 30 September	
2014	2013
HK\$'000	HK\$'000

Current tax		
— Hong Kong	—	318
— PRC	—	—
	<hr/>	
	—	318
	<hr/>	

Hong Kong Profits Tax is calculated at 16.5% of the estimate assessable profits arising in Hong Kong for the six months ended 30 September 2014 and 2013.

PRC subsidiary is subjected to PRC enterprise income tax at 25%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands for the six months ended 30 September 2014 and 2013.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2014 (2013: Nil).

8 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company and the weighted average number of the Company's ordinary shares in issue during the Period.

		Unaudited	
		six months ended 30 September	
		2014	2013
Note		HK\$'000	HK\$'000
	Loss for the period attributable to owners of the Company	(5,511)	(1,091)
		<hr/>	
		Unaudited	
		six months ended 30 September	
		2014	2013
		No. of shares	No. of shares
	Weighted average number of ordinary shares in issue during the period	200,000,000	140,000,000
	Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	200,000,000	140,000,000

Note:

- (a) For the purpose of this report, the calculation of the basic loss per share attributable to owners of the Company is based on the weighted average number of share (comprising 10,000,000 shares in issue and 130,000,000 shares to be issued under the capitalization issue as described in Appendix V "Statutory and General Information" to the Prospectus) as if these 140,000,000 shares were outstanding throughout the periods. On 11 October 2013, the Company newly issued 60,000,000 shares as the result of the Listing.
- (b) The diluted (loss)/earnings per share is the same as the basic (loss)/earnings per share for the six months ended 30 September 2014 and 2013 because the Company's share options outstanding during those periods were either anti-dilutive or have no potential dilutive effects.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2014, the Group acquired property, plant and equipment amounting to HK\$0.04 million (six months ended 30 September 2013: HK\$0.16 million) and no property, plant and equipment had been disposed of for the six months ended 30 September 2014 (the corresponding period in 2013: Nil).

10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	Unaudited	Audited
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
0 to 30 days	6,852	7,641
31 to 60 days	1,000	715
61 to 90 days	1,486	5
91 to 180 days	1,405	419
Over 180 days	—	181
	<hr/> 10,743	<hr/> 8,961

The Company normally allows a credit period ranging from 0 to 90 days.

Trade receivables as at 30 September 2014 are denominated in HK\$ and USD.

11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	Unaudited	Audited
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
Within 30 days	1,779	1,446
31 to 60 days	255	85
61 to 90 days	338	46
91 to 180 days	71	26
Over 180 days	13	13
	<hr/> 2,456	<hr/> 1,616

Trade payables as at 30 September 2014 are denominated in HK\$, USD and RMB.

12 SHARE CAPITAL

	Ordinary shares of HKD0.01 each			
	Unaudited		Audited	
	six months ended		year ended	
	30 September 2014		31 March 2014	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of the period/ year	1,000,000	10,000	1,000,000	10,000
At end of the period/year	1,000,000	10,000	1,000,000	10,000
Issued and fully paid:				
At beginning of the period/ year	200,000	2,000	10,000	100
Issue of shares by capitalisation issue	—	—	130,000	1,300
Issue of shares by placing	—	—	60,000	600
At end of the period/year	200,000	2,000	200,000	2,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally in regard to the Company's residual assets.

13 FINANCIAL INSTRUMENTS

Fair value measurement

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 March 2014 and 30 September 2014.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

14 COMMITMENTS

At the end of reporting period, the Group had total future minimum lease payable under non-cancellable operating lease falling due as follows:

	Unaudited	Audited
	30 September	31 March
	2014	2014
	HK\$'000	HK\$'000
Within one year	3,244	2,475
In the second to fifth years inclusive	5,537	7,498
	8,781	9,973

The Group did not have any significant capital commitments as at 30 September 2014 and 31 March 2014.

15 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2014 and 31 March 2014.

16 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim consolidated financial statements, the Company had the following material transactions with related parties during the period:

(a) Significant related party transactions

During the period, the Group entered into the following transactions with related parties:

	Unaudited	
	six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Nature of related party transactions		
Rental paid to Progress International Holdings Limited (Note 1)	168	120
Salary paid to Mr. Lo Ding Kwong (Note 2)	405	30
Consultancy fee paid to Vashion Assets Management Limited (Note 3)	300	—

Note 1: In the opinion of the Directors, the above transaction is entered into in the term agreed by the company with reference to the terms for the similar transactions in the market and is carried out in the ordinary course of the Group's business.

Note 2: Mr. Lo Ding Kwong is the son of Ms. Cheng Yeuk Hung.

Note 3: Ms. Zhou Jia Lin is a director of Vashion Assets Management Limited.

(b) Key management personnel compensation

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees is as follows:

	Unaudited	
	six months ended 30 September	
	2014	2013
	HK\$'000	HK\$'000
Salaries and allowances	563	513
Retirement scheme contributions	26	26

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30 September 2014 (“**Six Month Period**”) was approximately HK\$20.18 million, representing a decrease of approximately 23.78% when compared with the same period last year. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$5.51 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$1.09 million.

Notwithstanding the challenging market conditions encountered during the Six Month Period under review, the electronics products and the subcontracting services on PCB assemblies and manufacture of electronic products were provided to the customers in the U.S.A. and the European countries including Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Russia, Spain, Sweden, Switzerland and United Kingdom, which are still the Group’s principle markets.

Moving forward, the Group will continue to focus on its core business of the sales of electronic products. The Group will also increase its market share and lure new customers to enlarge its client base through conducting more promotional and marketing activities.

Sales of Electronic Products

Revenue from this segment during the Six Month Period was approximately HK\$19.92 million, representing a decrease of approximately 22.86% when compared with the same period last year. The decrease in sales of electronics products was mainly due to the decrease in sales of security alarm, fishing indicator and hair remover.

Subcontracting income

Revenue from this segment during the Six Month Period was approximately HK\$0.26 million, representing a decrease of approximately 60.53% when compared with the same period last year. The decrease was mainly due to the decrease in orders from providing subcontracting services in the PRC.

Financial review

The Group's revenue for the six months ended 30 September 2014 was approximately HK\$20.18 million, representing a decrease of approximately 23.78% from approximately HK\$26.47 million of the same period in 2013. Such decrease was mainly due to the decrease in sales of security alarm, fishing indicator and hair remover by 94.14%, 82.40% and 31.20% respectively compared to the same period last year. The decrease in security alarm was mainly due to the decrease in volume sold to a customer which was in the process of updating the model of security alarm to suit the use in different countries, had not yet commenced the production and therefore reduced its purchase orders for the Six-Month Period. It is expected that such customer will resume its purchase of security alarm in the second half of 2015. The decrease in sales of fishing indicator was mainly due to the decrease in volume sold to a customer which had a promotional campaign in the same period in 2013. As at the date of this report, the Company received purchase orders of approximately HK\$2.45 million for fishing indicator in the second half of the year ending 31 March 2015. The decrease in sales of hair remover was mainly due to the fact that a customer is in the process of testing the new model of hair remover. As at the date of this report, the Company received purchase orders of approximately HK\$3.41 million for hair remover in the second half of the year ending 31 March 2015.

The overall gross profit margin of the Group decreased from approximately 33.90% for the six months ended 30 September 2013 to 20.83% for the six months ended 30 September 2014. The decrease in the Group's gross profit margin for the six months ended 30 September 2014 was primarily due to the decrease in sales orders of the higher margin products, namely communicator, security alarm, hair remover and fishing indicator.

Selling and distribution expenses for the six months ended 30 September 2014 were approximately HK\$0.72 million (approximately HK\$0.33 million for the six months ended 30 September 2013), representing an increase of approximately 116.92%. Such increase was mainly due to the product design fee, advertising and promotional fee amounting to HK\$0.37 million for the six months ended 30 September 2014 (approximately HK\$0.03 million for the six months ended 30 September 2013).

Administrative and other expenses for the six months ended 30 September 2014 were approximately HK\$9.13 million (approximately HK\$9.44 million for the six months ended 30 September 2013), representing a slightly decrease of approximately 3.25%. Such decrease was mainly due to the decrease of listing expenses to HK\$0.09 million for the six months ended 30 September 2014 (approximately HK\$2.11 million for the six months ended 30 September 2013), which is partially offset by the recognition of expense of approximately HK\$0.97 million for the six months ended 30 September 2014 in relation to the share options issued under the Pre-IPO Share Option Scheme and the increase in staff salaries to approximately HK\$3.40 million for the six months ended 30 September 2014 (approximately HK\$2.98 million for the six months ended 30 September 2013).

Loss attributable to the owners of the Company amounted to approximately HK\$5.51 million for the six months ended 30 September 2014 (approximately HK\$1.09 million of loss attributable to owners of the Company for the six months ended 30 September 2013). Loss per share attributable to owners of the Company was approximately HK2.76 cents for the six months ended 30 September 2014 (approximately HK0.8 cents loss per share attributable to owners of the Company for the six months ended 30 September 2013).

COMPARISON BETWEEN BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the prospectus of the Company dated 30 September 2013 (the “**Prospectus**”) for the period from 1 April 2014 to 30 September 2014 with the Group’s actual business progress for the period from 1 April 2014 to 30 September 2014 is set out below:

Business objectives for the period from 1 April 2014 to 30 September 2014

Expand and upgrade the production facilities

- Lease and renovate a four-storey dormitory for the new employees

Actual business progress from 1 April 2014 up to 30 September 2014

The Group’s existing dormitory is able to satisfy the existing demand from our employees. In short run, the lease and renovation of a four-storey dormitory is unlikely to happen. Therefore, the Group expects to make investments towards expansion and upgrade of four-storey dormitory when the sales ramp up to a level that is financially profitable for the Group.

Set up production facilities for plastic parts

- Lease and renovate a two-storey factory premise for setting up production facilities for plastic parts

The existing production capacity of the plastic parts is sufficient to satisfy the existing demand from the customers. The Group will begin to lease and renovate a two-story factory premise for setting up of new production facilities for plastic parts when there is a sign of the increase in demand for the plastic parts.

Business objectives for the period from 1 April 2014 to 30 September 2014

— Reconstruct a water well to improve environmental protection

— Leasehold improvement for environmental protection regarding the treatment of plastic waste

Strengthen the Group's position in its established markets and expand its customer base

— Participate in trade fairs and exhibitions

— Place advertisements on trading magazines and website

Actual business progress from 1 April 2014 up to 30 September 2014

The Group's existing water tower for environmental protection which was built in 2011 is able to satisfy the current demand from the factory production capacity. The Group will begin to reconstruct a water well to improve environment protection when there is a sign of the increase in the production capacity of the factory.

The Group has not started the construction of leasehold improvement for environmental protection regarding the treatment of plastic waste. The Group will begin to setting up of leasehold improvement for environmental protection regarding the treatment of plastic waste when there is a sign of the increase in the production for the plastic parts.

The Group had participated in Hong Kong Electronics Fair (Spring Edition) and (Autumn Edition) organized by The Hong Kong Trade Development Council during the period from 13 April 2014 to 16 April 2014 and from 13 October 2014 to 16 October 2014 to promote the Group's business respectively.

The Group had also placed advertisements on <http://adwords.google.com> starting from March 2014 to enrich the Group's position in its market.

As of the date of this report, the Directors had no intention to make any changes to the business plan.

Use of Proceeds

As disclosed in the Prospectus, the net proceeds from the placing of the shares of the Company, after deducting the related expenses paid by the Company in connection thereto, were approximately HK\$25.12 million.

During the six months ended 30 September 2014, the net proceeds from the placing of the shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus during the period from 1 April 2014 to 30 September 2014	Actual use of proceeds during the period from 1 April 2014 up to 30 September 2014
	HK\$'000	HK\$'000
Expand and upgrade the production facilities	3,000	3
Set up production facilities for plastic parts	3,700	—
Strengthen the Group's position in its established markets and expand its customer base	1,400	240
Working capital	—	—
	8,100	243

Notes:

- (a) The business objectives as stated in the Prospectus were based on the best estimation of the future market conditions made by the Group at the time of preparing the Prospectus. The use of proceeds was applied in accordance with the actual development of the market. The actual business progress for the period was shown on Pages 18–19.
- (b) The application of proceeds for above items may defer to the first half of 2015.
- (c) The unused net proceeds as at the date of this report have been placed with licensed bank in Hong Kong.

SHARE OPTIONS SCHEMES

The Company has two share option schemes namely, the pre-IPO share option scheme (the “**Pre-IPO Share Option Scheme**”) and the share option scheme (the “**Share Option Scheme**”) which were both adopted on 27 September 2013.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 27 September 2013 under which the Company has granted options to certain Directors of the Group to subscribe for an aggregate of 20,000,000 shares of the Company (the “**Shares**”) with an exercise price of HK\$0.60, which is equal to the placing price as defined in the Prospectus.

As at 30 September 2014, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2014				Outstanding as at 30 September 2014		Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
	Exercised	Lapsed	Cancelled					
Mr. Lo Yan Yee	—	—	—	5,700,000	5,700,000	11 October 2016–11 October 2023	2.59%	
Ms. Cheng Yeuk Hung	—	—	—	5,700,000	5,700,000	11 October 2016–11 October 2023	2.59%	
Mr. Cheng Kwing Sang, Raymond	—	—	—	5,600,000	5,600,000	11 October 2016–11 October 2023	2.55%	
Mr. Lo Ding To	—	—	—	3,000,000	3,000,000	11 October 2016–11 October 2023	1.36%	
	20,000,000	—	—	—	20,000,000		9.09%	

Share Option Scheme

During the six months period ended 30 September 2014, no option was granted, exercised or lapsed under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 September 2014, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the Shares

Name of Director	Company/ associated corporation	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Company	Personal interest	110,020,000	55.01%
Mr. Lo Yan Yee	Company	Interest of spouse	110,020,000	55.01%

Note: Mr. Lo Yan Yee is the executive Director and the spouse of Ms. Cheng Yeuk Hung, and is deemed under the SFO to be interested in those 110,020,000 shares in which Ms. Cheng Yeuk Hung is interested.

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee (executive Director)	Personal	Options	5,700,000
	Interest of spouse	Options	5,700,000
			<hr/> 11,400,000
Ms. Cheng Yeuk Hung (executive Director)	Personal	Options	5,700,000
	Interest of spouse	Options	5,700,000
			<hr/> 11,400,000
Mr. Cheng Kwing Sang, Raymond (executive Director)	Personal	Options	5,600,000
Mr. Lo Ding To (executive Director)	Personal	Options	3,000,000

Save as disclosed above, as at 30 September 2014, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September 2014, so far as is known to the Directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital
Adamas Asset Management (HK) Limited	Investment Manager	24,840,000	12.42%
Citigroup Inc.	Security interest	26,140,000	13.07%

Save as disclosed above, as at 30 September 2014, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2014.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2014.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasis a quality board, transparency and accountability to shareholders. The Company has complied with the Code during the six months ended 30 September 2014.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months period ended 30 September 2014.

COMPETING BUSINESS

For the six months ended 30 September 2014, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, RaffAello Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 8 August 2014, none of the Compliance Adviser, or its directors, employees or associates (as defined under the GEM Listing Rules) had any interests in the Group (including options or rights to subscribe for such securities) as at 30 September 2014 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Committee**”) with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Lam Wai Yuen, Mr. Ang Chuk Pai, and Mr. Cheung Chin Wa, Angus. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2014 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 14 November 2014

As at the date of this report, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, and Mr. Lo Ding To, the non-executive Director is Ms. Zhou Jia Lin, and the independent non-executive Directors are Mr. Lam Wai Yuen, Mr. Ang Chuk Pai, Mr. Cheung Chin Wa, Angus and Mr. Shiu Shu Ming.

This report will be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.echogroup.com.hk.