



**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE  
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINANCIAL HIGHLIGHTS

- Recorded an unaudited revenue of approximately HK\$21.56 million for the six months ended 30 September 2016, representing a decrease of approximately 42.00% over the same period of the previous year.
- Recorded an unaudited loss attributable to the owners of the Company of approximately HK\$5.46 million for the six months ended 30 September 2016 (2015: unaudited loss attributable to the owners of the Company approximately HK\$4.08 million).
- Basic and diluted loss per share for the six months ended 30 September 2016 were HK0.68 cents (2015: basic loss per share HK0.51 cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (2015: 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 2016 (the “**Period**”) and the comparative unaudited figures for the corresponding period in 2015, as follows:

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

*For the three months and six months ended 30 September 2016*

		Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2016	2015	2016	2015
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	<b>10,383</b>	13,944	<b>21,556</b>	37,167
Cost of sales		<b>(6,960)</b>	(10,144)	<b>(14,728)</b>	(30,379)
Gross profit		<b>3,423</b>	3,800	<b>6,828</b>	6,788
Other revenue and gains	4	<b>142</b>	105	<b>288</b>	184
Selling and distribution expenses		<b>(419)</b>	(497)	<b>(727)</b>	(862)
Administrative and other expenses		<b>(5,661)</b>	(5,333)	<b>(11,222)</b>	(10,071)
Finance costs		<b>(321)</b>	(98)	<b>(623)</b>	(115)
Loss before taxation	5	<b>(2,836)</b>	(2,023)	<b>(5,456)</b>	(4,076)
Taxation	6	<b>—</b>	—	<b>—</b>	—
Loss for the period		<b>(2,836)</b>	(2,023)	<b>(5,456)</b>	(4,076)
Other comprehensive income/ (loss) for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<b>417</b>	(775)	<b>(686)</b>	(675)
Total comprehensive loss for the period		<b>(2,419)</b>	(2,798)	<b>(6,142)</b>	(4,751)
Loss for the period attributable to owners of the Company		<b>(2,836)</b>	(2,023)	<b>(5,456)</b>	(4,076)
Total comprehensive loss for the period attributable to owners of the Company		<b>(2,419)</b>	(2,798)	<b>(6,142)</b>	(4,751)
Loss per share					
— Basic and diluted ( <i>HK cents</i> )	8	<b>(0.35) cents</b>	(0.25) cents	<b>(0.68) cents</b>	(0.51) cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION**

*As at 30 September 2016*

	<i>Notes</i>	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	<u>1,385</u>	<u>1,523</u>
<b>Current assets</b>			
Inventories		<b>16,698</b>	17,883
Trade receivables	10	<b>5,694</b>	7,433
Amount due from a related company		<b>689</b>	136
Deposits, prepayments and other receivables		<b>4,673</b>	5,687
Income tax recoverable		<b>12</b>	–
Pledged time deposits		<b>2,007</b>	2,003
Cash and bank balances		<b>4,669</b>	9,718
		<u>34,442</u>	<u>42,860</u>
<b>Current liabilities</b>			
Trade payables	11	<b>1,515</b>	2,654
Accrual and other payables		<b>2,503</b>	3,239
Trade deposit received		<b>1,488</b>	935
Debenture	12	<b>8,000</b>	10,000
Obligations under finance leases		<b>117</b>	117
		<u>13,623</u>	<u>16,945</u>
Net current assets		<u>20,819</u>	<u>25,915</u>
Total assets less current liabilities		<u>22,204</u>	<u>27,438</u>
<b>Non-current liability</b>			
Obligations under finance leases		<u>166</u>	<u>224</u>
Net assets		<u>22,038</u>	<u>27,214</u>
<b>Capital and reserves</b>			
Share capital	13	<b>2,000</b>	2,000
Reserves		<b>20,038</b>	25,214
Total equity		<u>22,038</u>	<u>27,214</u>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contribution reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2016, audited	2,000	28,840	4,836	(89)	4,769	(153)	(12,989)	27,214
Total comprehensive loss for the period	-	-	-	-	-	(686)	(5,456)	(6,142)
Employee share option benefits	-	-	-	-	966	-	-	966
At 30 September 2016, unaudited	<u>2,000</u>	<u>28,840</u>	<u>4,836</u>	<u>(89)</u>	<u>5,735</u>	<u>(839)</u>	<u>(18,445)</u>	<u>22,038</u>

For the six months ended 30 September 2015 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contribution reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2015, audited	2,000	28,840	4,836	(89)	2,839	750	750	39,926
Total comprehensive loss for the period	-	-	-	-	-	(675)	(4,076)	(4,751)
Employee share option benefits	-	-	-	-	967	-	-	967
At 30 September 2015, unaudited	<u>2,000</u>	<u>28,840</u>	<u>4,836</u>	<u>(89)</u>	<u>3,806</u>	<u>75</u>	<u>(3,326)</u>	<u>36,142</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
*For the six months ended 30 September 2016*

	<b>Unaudited</b>	
	<b>six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	<b>(1,540)</b>	(3,735)
Net cash (used in)/generated from investing activities	<b>(258)</b>	8,039
Net cash (used in)/generated from financing activities	<b>(2,730)</b>	9,856
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	<b>(4,528)</b>	14,160
Effect of foreign currency exchange rate changes	<b>(521)</b>	(626)
Cash and cash equivalents at beginning of period, audited	<b>9,718</b>	885
	<hr/>	<hr/>
Cash and cash equivalents at end of period, unaudited	<b>4,669</b>	14,419
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>4,669</b>	14,419
	<hr/> <hr/>	<hr/> <hr/>

# 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

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 2016 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.

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

	Unaudited six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
Sales of electronic products	21,350	36,851
Subcontracting income	206	316
	<u>21,556</u>	<u>37,167</u>

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- indent trading of electronic products.
- manufacturing and trading of electronic products and accessories.

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no inter-segment sale for both period.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

### Segment revenues and results

The following is an analysis of the Group's turnover and results from continuing separations by reportable and operating segments:

#### For the six months ended 30 September 2016 (Unaudited)

	<b>Indent trading of electronic products <i>HK\$'000</i></b>	<b>Manufacturing and trading of electronic products and accessories <i>HK\$'000</i></b>	<b>Total <i>HK\$'000</i></b>
Revenue	<u>1,651</u>	<u>19,905</u>	<u>21,556</u>
Segment results	<u>522</u>	<u>(1,311)</u>	(789)
Unallocated other revenue and gains			141
Unallocated selling and distribution expenses			(429)
Unallocated administrative and other expenses			<u>(3,756)</u>
Loss from operations			(4,833)
Finance costs			<u>(623)</u>
Loss before taxation			(5,456)
Taxation			<u>-</u>
Loss for the period			<u><u>(5,456)</u></u>



For the six months ended 30 September 2015 (Unaudited)

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>14,436</u>	<u>22,731</u>	<u>37,167</u>
Segment results	<u>425</u>	<u>(2,004)</u>	(1,579)
Unallocated other revenue and gains			106
Unallocated selling and distribution expenses			(414)
Unallocated administrative and other expenses			<u>(2,074)</u>
Loss from operations			(3,961)
Finance costs			<u>(115)</u>
Loss before taxation			(4,076)
Taxation			<u>–</u>
Loss for the period			<u><u>(4,076)</u></u>

### Geographical information

	<b>Revenue from external customers Unaudited six months ended 30 September</b>	
	<b>2016</b>	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	<b>1,307</b>	15,642
Asian Countries, other than Hong Kong ( <i>Note 1</i> )	<b>2,426</b>	2,386
European Countries ( <i>Note 2</i> )	<b>12,572</b>	13,177
North and South American Countries ( <i>Note 3</i> )	<b>4,902</b>	5,507
Others	<b>349</b>	455
	<u><b>21,556</b></u>	<u>37,167</u>

#### Notes:

1. Asian Countries include the People's Republic of China ("PRC"), India, Malaysia, Singapore and Taiwan.
2. European Countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.
3. North and South American Countries include Argentina, Brasil, Canada and the United States.

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:

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
Hong Kong	1,248	1,243
People's Republic of China ("PRC")	137	280
	<u>1,385</u>	<u>1,523</u>

#### 4 OTHER REVENUE AND GAINS

	<b>Unaudited six months ended 30 September 2016 HK\$'000</b>	2015 HK\$'000
Bank interest income	5	38
Sundry income	283	146
	<u>288</u>	<u>184</u>

#### 5 LOSS BEFORE TAXATION

	<b>Unaudited six months ended 30 September 2016 HK\$'000</b>	2015 HK\$'000
Loss before taxation is arrived after charging:		
<b>Finance costs</b>		
Interest on:		
Bank borrowings wholly repayable within five years	–	31
Debenture interest	618	79
Obligation under finance leases	5	5
	<u>623</u>	<u>115</u>
<b>Other items</b>		
Depreciation of property, plant and equipments	233	157
Costs of inventories sold	14,515	30,203
Loss on disposal of fixed assets	36	–
	<u>14,784</u>	<u>30,355</u>

## 6 TAXATION

	<b>Unaudited</b>	
	<b>six months ended 30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
— Hong Kong	—	—
— PRC	—	—
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>

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 2016 and 2015.

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 2016 and 2015.

## 7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2016 (2015: 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.

		<b>Unaudited</b>	
		<b>six months ended 30 September</b>	
		<b>2016</b>	<b>2015</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the period attributable to owners of the Company		<u><b>(5,456)</b></u>	<u><b>(4,076)</b></u>
		<b>Unaudited</b>	
		<b>six months ended 30 September</b>	
		<b>2016</b>	<b>2015</b>
		<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	<i>(a), (b)</i>	<u><b>800,000,000</b></u>	<u><b>800,000,000</b></u>

*Note:*

- (a) On 15 July 2015, a share subdivision on the basis that every one issued and unissued shares of HK\$0.01 each be subdivided into four subdivided shares of HK\$0.0025 each took effect.
- (b) The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2016 and 2015 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 2016, the Group acquired property, plant and equipment amounting to HK\$0.26 million (six months ended 30 September 2015: HK\$0.04 million) and disposed property, plant and equipment amounting to HK\$0.15 million for the six months ended 30 September 2016 (the corresponding period in 2015: Nil).

## 10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
0 to 30 days	4,297	5,215
31 to 60 days	258	1,195
61 to 90 days	300	368
91 to 180 days	–	189
Over 180 days	839	466
	<u>5,694</u>	<u>7,433</u>

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

Trade receivables as at 30 September 2016 are denominated in HK\$ and USD.

## 11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
Within 30 days	1,223	1,834
31 to 60 days	211	493
61 to 90 days	6	216
91 to 180 days	22	52
Over 180 days	53	59
	<u>1,515</u>	<u>2,654</u>

The average credit period on purchase of certain goods is generally within 30 days to 90 days.

Trade payables as at 30 September 2016 are denominated in HK\$, USD and RMB.

## 12 DEBENTURE

	<b>As at 30 September 2016 HK\$'000</b>	As at 31 March 2016 HK\$'000
Debenture — non-secured, due within one year	<b>8,000</b>	10,000

The contractual interest rates per annum in respect of debenture were as follows:

	<b>As at 30 September 2016</b>	As at 31 March 2016
Debenture	<b>14.4%</b>	12%

The fair values of the short-term borrowings approximate their carrying amounts.

Debenture is denominated in Hong Kong dollars with total principal amounts approximately HK\$8,000,000 (2015: HK\$10,000,000) bearing fixed interest rate at 14.4% p.a. that was issued on 1 September 2016 and will be matured on 28 February 2017. This debenture is due within six months period.

## 13 SHARE CAPITAL

	<b>Ordinary shares of HKD0.0025 each Unaudited six months ended 30 September 2016</b>		Ordinary shares of HKD0.0025 each Audited year ended 31 March 2016	
	<b>Number of shares '000</b>	<b>Nominal value HK\$'000</b>	Number of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of the period/year	<b>4,000,000</b>	<b>10,000</b>	1,000,000	10,000
Share subdivision (1 share into 4 subdivided shares on 15 July 2015)	—	—	3,000,000	—
At end of the period/year	<b>4,000,000</b>	<b>10,000</b>	4,000,000	10,000
Issued and fully paid:				
At beginning of the period/year	<b>800,000</b>	<b>2,000</b>	200,000	2,000
Share subdivision (1 share into 4 subdivided shares)	—	—	600,000	—
At end of the period/year	<b>800,000</b>	<b>2,000</b>	800,000	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.

## 14 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 2016 and 30 September 2016.

- 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.

## 15 COMMITMENTS

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

	<b>Unaudited 30 September 2016 HK\$'000</b>	Audited 31 March 2016 HK\$'000
Within one year	2,597	3,548
In the second to fifth years inclusive	<u>40</u>	<u>1,084</u>
	<u><u>2,637</u></u>	<u><u>4,632</u></u>

The Group did not have any significant capital commitments as at 30 September 2016 and 31 March 2016.

## 16 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2016 and 31 March 2016.

## 17 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	
	2016	2015
	HK\$'000	HK\$'000
Nature of related party transactions		
Rental paid to Mobile Computer Land Limited ( <i>Note 4</i> )	240	–
Sales to Mobile Computer Land Limited ( <i>Note 4</i> )	770	–
Rental paid to Progress International Holdings Limited ( <i>Note 1</i> )	–	192
Salary paid to Mr. Lo Ding Kwong ( <i>Note 2</i> )	–	270
Consultancy fee paid to Vashion Assets Management Limited ( <i>Note 3</i> )	600	600
	<u>600</u>	<u>600</u>

*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. Ms. Zhou Jia Lin was appointed as non-executive director on 22 October 2014.

*Note 4:* Its major shareholder is Mr. Lo Ding Kwong, who is the son of Ms. Cheng Yeuk Hung.

### (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	
	2016	2015
	HK\$'000	HK\$'000
Salaries and allowances	1,158	1,161
Retirement scheme contributions	27	36
	<u>1,185</u>	<u>1,197</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Business Review**

Revenue for the six months ended 30 September 2016 (“**Six Month Period**”) was approximately HK\$21.56 million, representing a decrease of approximately 42.00% when compared with the same period last year. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$5.46 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$4.08 million.

Given the slow pace of economic recovery along with the continued slackness in the U.S. and European markets, the sales of electronic products have become increasingly challenging. Notwithstanding the challenging market conditions encountered during the Six Month Period under review, the Group continues to provide electronics products and the subcontracting services on PCB assemblies and manufacture of electronic products to customers in its principal markets, i.e. the U.S.A. and the European countries including Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.

In view of challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, it will explore new business opportunities to broaden its source of income and maximize profit and return for the Group and the shareholders of the Company. The Group will also increase its market share and attract new customers to enlarge its client base through conducting more promotional and marketing activities and designing and developing new electronic products.

### **Sales of Electronic Products**

Revenue from this segment during the Six Month Period was approximately HK\$21.35 million, representing a decrease of approximately 42.06% when compared with the same period last year. Decrease in sales of electronics products was mainly due to the decrease in the revenue from indent trading of electronic products and manufacturing and trading of electronic products and accessories by approximately HK\$12.78 million and HK\$2.83 million respectively as compared with the corresponding period in 2015. The decrease in the revenue from indent trading of electronic products is mainly attributable to the decreasing purchase orders from the Group’s customers. Such decrease was mainly due to the decrease in sales of control board for the Six Month Period by approximately HK\$2.12 million as compared with the corresponding period in 2015. Decrease in control board was a result of decrease in volume sold, which mainly led to the decrease in the revenue from manufacturing and trading of electronic products and accessories for the Six Month Period.

### **Subcontracting income**

Revenue from this segment during the Six Month Period was approximately HK\$0.21 million, representing a decrease of approximately 34.81% 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 2016 was approximately HK\$21.56 million, representing a decrease of approximately 42.00% from approximately HK\$37.17 million of the same period in 2015. Such decrease was mainly due to the decrease in sales of electronic products by approximately HK\$15.50 million.

The overall gross profit margin of the Group increased from approximately 18.26% for the six months ended 30 September 2015 to 31.68% for the six months ended 30 September 2016. The increase in the Group's gross profit margin for the six months ended 30 September 2016 was primarily due to the increase in sales orders of the higher margin products, namely charger board.

Selling and distribution expenses for the six months ended 30 September 2016 were approximately HK\$0.73 million (approximately HK\$0.86 million for the six months ended 30 September 2015), representing a decrease of approximately 15.66%. Such decrease was mainly due to the commission fee amounting to HK\$0.14 million for the six months ended 30 September 2016 (approximately HK\$0.33 million for the six months ended 30 September 2015).

Administrative and other expenses for the six months ended 30 September 2016 were approximately HK\$11.22 million (approximately HK\$10.07 million for the six months ended 30 September 2015), representing an increase of approximately 11.43%. Such increase was mainly due to the increase in professional fee amounting to HK\$1.82 million for the six months ended 30 September 2016 (approximately HK\$0.99 million for the six months ended 30 September 2015) and staff salaries to approximately HK\$4.47 million for the six months ended 30 September 2016 (approximately HK\$4.37 million for the six months ended 30 September 2015).

Loss attributable to the owners of the Company amounted to approximately HK\$5.46 million for the six months ended 30 September 2016 (approximately HK\$4.08 million of loss attributable to owners of the Company for the six months ended 30 September 2015). Loss per share attributable to owners of the Company was approximately HK0.68 cents for the six months ended 30 September 2016 (approximately HK0.51 cents loss per share attributable to owners of the Company for the six months ended 30 September 2015).

The cash and cash balance decreased from approximately HK\$9.72 million as at 31 March 2016 to HK\$4.67 million as at 30 September 2016 was mainly due to the net effect of the repayment of HK\$10 million 12% Debenture and the issue of HK\$8 million 14.4% Debenture.

## **IPO PROCEEDS AND USE OF THE IPO PROCEEDS**

The Company received IPO net proceeds of approximately HK\$25.12 million (the "Proceeds").

As at 13 August 2015, the Company utilized approximately HK\$6.18 million of the Proceeds, details of which are tabulated below:

Intended use disclosed in the Prospectus	Amount of Proceeds allocated as provided in the Prospectus <i>HK\$ million</i> (approximately)	As at 3 December 2014 Utilized amount <i>HK\$ million</i> (approximately)	As at 3 December 2014 New allocation of the unutilized proceeds <i>HK\$ million</i> (approximately)	Utilized amount during the period from 4 December 2014 to 13 August 2015 <i>HK\$ million</i> (approximately)	Unutilized amount under the new allocation as at 13 August 2015 <i>HK\$ million</i> (approximately)
Expansion and upgrade of the production facilities	8.85	0.33	5.52	–	5.52
Setting up production facilities for plastic parts	10.20	–	5.00	–	5.00
Strengthening the Group's position in its established markets and expanding its customer base	3.90	0.41	8.70	0.28	8.42
Working capital and funding for other general corporate purposes	2.17	2.17	2.99	2.99	–
<b>Total</b>	<u>25.12</u>	<u>2.91</u>	<u>22.21</u>	<u>3.27</u>	<u>18.94</u>

During the period from 1 April 2015 up to 13 August 2015, the Company only applied a total of approximately HK\$0.06 million out of the Proceeds to strengthen the Group's position in its established markets and expand its customer base.

As disclosed in the announcement of the Company published on 13 August 2015, the Group was cautious about the expansion in the production facilities, and would like to downsize its plans for expansion and upgrade of the production facilities and setting up production facilities for plastic parts. To effectively utilize its proceeds and improve the return to shareholders, the Company re-allocated the unutilized proceeds in the total sum of HK\$15 million originally earmarked for expansion and upgrade of the production facilities, setting up production facilities for plastic parts and strengthening the Group's position in its established markets and expand its customer base to repayment of bank overdraft (HK\$10 million) and working capital and funding for other general corporate purposes (HK\$5.00 million).

The details of the utilization of the Proceeds during the period from 13 August 2015 up to 31 March 2016 and as at the date of this announcement are as follows:

Intended use disclosed in the Announcement	New allocation of the unutilized Proceeds as provided in the Announcement <i>HK\$ million</i> (approximately)	During the period from 13 August 2015 to 31 March 2016		As at the date of this announcement	
		Utilized amount	Unutilized amount	Utilized amount	Unutilized amount
		<i>HK\$ million</i> (approximately)	<i>HK\$ million</i> (approximately)	<i>HK\$ million</i> (approximately)	<i>HK\$ million</i> (approximately)
Expansion and upgrade of the production facilities	-	-	-	-	-
Setting up production facilities for plastic parts	1.00	-	1.00	-	1.00
Strengthening the Group's position in its established markets and expanding its customer base	2.94	0.06	2.88	0.05	2.83
Repayment of bank overdraft	10.00	10.00	-	-	-
Working capital and funding for other general corporate purposes	5.00	5.00	-	-	-
Total	<u>18.94</u>	<u>15.06</u>	<u>3.88</u>	<u>0.05</u>	<u>3.83</u>

## 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 80,000,000 shares of the Company (the “**Shares**”) with an exercise price of HK\$0.15, which is equal to the placing price as defined in the Prospectus.

As at 30 September 2016, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2016	Exercised	Lapsed	Cancelled	Outstanding as at 30 September 2016	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	22,800,000	-	-	-	22,800,000	11 October 2016 – 11 October 2023	2.59%
Ms. Cheng Yeuk Hung	22,800,000	-	-	-	22,800,000	11 October 2016 – 11 October 2023	2.59%
Mr. Lo Ding To	12,000,000	-	-	-	12,000,000	11 October 2016 – 11 October 2023	1.36%
	57,600,000				57,600,000		
Employee	22,400,000	-	-	-	22,400,000	11 October 2016 – 11 October 2023	2.55%
	<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000,000</u>		9.09%

### Share Option Scheme

During the six months period ended 30 September 2016, 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 2016, 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**

<b>Name of Director</b>	<b>Company/ associated corporation</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Ms. Cheng Yeuk Hung	Company	Personal interest	232,560,000	29.07%
Mr. Lo Yan Yee	Company	Interest of spouse	232,560,000	29.07%

*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 232,560,000 shares in which Ms. Cheng Yeuk Hung is interested.

**(ii) Long position in underlying shares of the Company**

<b>Name</b>	<b>Capacity</b>	<b>Description of equity derivatives</b>	<b>Number of underlying shares</b>
Mr. Lo Yan Yee (executive Director)	Personal	Options	22,800,000
	Interest of spouse	Options	22,800,000
			<hr/>
			45,600,000
Ms. Cheng Yeuk Hung (executive Director)	Personal	Options	22,800,000
	Interest of spouse	Options	22,800,000
			<hr/>
			45,600,000
Mr. Cheng Kwing Sang, Raymond (chief executive officer)	Personal	Options	22,400,000
Mr. Lo Ding To (executive Director)	Personal	Options	12,000,000

Save as disclosed above, as at 30 September 2016, 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 2016, 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:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares</b>	<b>Percentage of the Company's issued share capital</b>	<b>Long/Short position</b>
Adamas Asset Management (HK) Limited	Investment Manager	79,234,000	9.90%	Long position

Save as disclosed above, as at 30 September 2016, 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 2016.

## **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 2016.

## **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 emphasize a quality board, transparency and accountability to shareholders. The Company has complied with the Code during the six months ended 30 September 2016.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Other than as disclosed under the heading “Related Party Transactions” as set out in note 17 to the interim consolidated financial statements, 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 2016.

## **COMPETING BUSINESS**

For the six months ended 30 September 2016, 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.

## **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 2016 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, 10 November 2016

*As at the date of this announcement, 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, Mr. Chan Chun Kit and Mr. Leung Kwok Kuen Jacob, and the independent non-executive Directors are Mr. Lam Wai Yuen, Mr. Ang Chuk Pai and Mr. Cheung Chin Wa, Angus.*

*This announcement will be published on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company’s website at [www.echogroup.com.hk](http://www.echogroup.com.hk).*