



Echo International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

2023

INTERIM REPORT

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

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*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\$31.55 million for the six months ended 30 September 2023, representing an increase of approximately 9.01% over the same period of the previous year.
- Recorded an unaudited profit attributable to the owners of the Company of approximately HK\$0.65 million for the six months ended 30 September 2023 (2022: unaudited loss attributable to the owners of the Company of approximately HK\$8.66 million).
- Basic and diluted earnings per share for the six months ended 30 September 2023 were approximately HK0.10 cents (2022: basic and diluted loss per share approximately HK3.32 cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

UNAUDITED 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 2023 (the “**Period**”) and the comparative unaudited figures for the corresponding periods in 2022, as follows:

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

For the three months and six months ended 30 September 2023

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Revenue	3	15,437	15,272	31,552	28,944
Cost of sales		(10,767)	(13,031)	(23,356)	(24,910)
Gross profit		4,670	2,241	8,196	4,034
Other gains or loss	4	(319)	833	425	2,450
Selling and distribution expenses		(355)	(373)	(726)	(651)
Administrative and other expenses		(3,381)	(6,629)	(7,967)	(12,648)
Change in fair value of derivative financial assets component of convertible bonds		-	(53)	-	(53)
Reversal of/(Allowance for) under expected credit loss recognised in respect of financial assets at amortised cost, net		112	(15)	87	14
Finance costs		(119)	(777)	(279)	(1,950)
Share of result of associates		886	(184)	909	149
Profit/(Loss) before taxation	5	1,494	(4,957)	645	(8,655)
Taxation	6	-	-	-	-

Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit/(Loss) for the period	1,494	(4,957)	645	(8,655)
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	<u>(32)</u>	<u>2,536</u>	<u>(808)</u>	<u>517</u>
Total comprehensive income/(loss) for the period	<u>1,462</u>	<u>(2,421)</u>	<u>(163)</u>	<u>(8,138)</u>
Profit/(Loss) for the period attributable to owners of the Company	<u>1,494</u>	<u>(4,957)</u>	<u>645</u>	<u>(8,655)</u>
Total comprehensive income/(loss) for the period attributable to owners of the Company	<u>1,462</u>	<u>(2,421)</u>	<u>(163)</u>	<u>(8,138)</u>
Earnings/(Loss) per share — Basic and diluted (HK cents)	8 <u>0.24 cents</u>	<u>(1.04) cents</u>	<u>0.10 cents</u>	<u>(3.32) cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	9	316	418
Right-of-use assets		–	52
Intangible assets		689	777
Interests in associates		27,648	26,739
Deferred tax asset		4	4
		<u>28,657</u>	<u>27,990</u>
Current assets			
Inventories		21,578	20,830
Trade receivables	10	1,701	615
Deposits, prepayments and other receivables		13,323	13,506
Tax receivable		11	–
Pledged time deposits		2,015	2,008
Cash and bank balances		3,615	2,958
		<u>42,243</u>	<u>39,917</u>
Current liabilities			
Trade payables	11	2,251	1,744
Accruals and other payables		2,347	3,461
Amount due to a related company		62	62
Lease liabilities		2,307	3,592
Contract liabilities		1,030	2,494
Tax payable		–	110
		<u>7,997</u>	<u>11,463</u>
Net current assets		<u>34,246</u>	<u>28,454</u>
Total assets less current liabilities		<u>62,903</u>	<u>56,444</u>

		Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities		2,574	3,763
Provision for reinstatement costs		400	400
		<u>2,974</u>	<u>4,163</u>
Net assets		<u>59,929</u>	<u>52,281</u>
Capital and reserves			
Share capital	12	33,321	29,743
Reserves		26,608	22,538
		<u>59,929</u>	<u>52,281</u>
Total equity		<u>59,929</u>	<u>52,281</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023 (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 2023, audited	29,743	135,590	4,836	(89)	5,794	952	(124,545)	52,281
Total comprehensive income/(loss) for the period	-	-	-	-	-	(808)	645	(163)
Share placing	3,578	4,293	-	-	-	-	-	7,871
Issuance cost of share placing	-	(60)	-	-	-	-	-	(60)
At 30 September 2023, unaudited	<u>33,321</u>	<u>139,823</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>144</u>	<u>(123,900)</u>	<u>(59,929)</u>

For the six months ended 30 September 2022 (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	Convertible bonds — equity component reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2022, audited	7,891	86,879	4,836	(89)	5,794	(2,609)	11,657	(110,081)	4,278
Total comprehensive income/(loss) for the period	-	-	-	-	-	517	-	(8,655)	(8,138)
Share placing	4,860	7,775	-	-	-	-	-	-	12,635
Issuance cost of share placing	-	(505)	-	-	-	-	-	-	(505)
Loan capitalisation shares	5,140	8,224	-	-	-	-	-	-	13,364
At 30 September 2022, unaudited	<u>17,891</u>	<u>102,373</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(2,092)</u>	<u>11,657</u>	<u>(118,736)</u>	<u>21,634</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Unaudited six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(3,949)	1,533
Net cash (used in) investing activities	(50)	(243)
Net cash generated from financing activities	5,059	2,043
	<hr/>	<hr/>
Net increase in cash and cash equivalents	1,060	3,333
Effect of foreign currency exchange rate changes	(403)	(1,627)
Cash and cash equivalents at beginning of period, audited	2,958	4,038
	<hr/>	<hr/>
Cash and cash equivalents at end of period, unaudited	3,615	5,744
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	3,615	5,744
	<hr/>	<hr/>
	3,615	5,744
	<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 GEM of the Stock Exchange since 11 October 2013.

The unaudited condensed consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is same as the functional currency of the Company. All values are rounded to the nearest thousands (HK\$'000) except when otherwise indicated.

The principal activities of the Group are engaged in the manufacturing and trading of electronic products and accessories. The Group also operates catering business in Hong Kong.

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 Standards ("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 GEM 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 2023 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 the 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	
	2023	2022
	HK\$'000	HK\$'000
Sales of electronic products	15,573	16,218
Revenue from restaurant operations	15,979	12,726
	<u>31,552</u>	<u>28,944</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.
- provision of food catering services.

The Group's 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 represent revenue generated from external customers. There were no inter-segment sales 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.

3 SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

For the six months ended 30 September 2023 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Provision of food catering services HK\$'000	Total HK\$'000
Revenue	<u>1,988</u>	<u>13,585</u>	<u>15,979</u>	<u>31,552</u>
Segment results	<u>462</u>	<u>769</u>	<u>912</u>	2,143
Unallocated other revenue and gains				230
Unallocated selling and distribution expenses				(255)
Unallocated administrative and other expenses				(2,451)
Unallocated finance costs				<u>(18)</u>
Loss from operations				(351)
Reversal of allowance for expected credit loss recognised in respect of financial assets at amortised cost, net				87
Share of result of associates				<u>909</u>
Profit before taxation				645
Taxation				<u>-</u>
Profit for the period				<u><u>645</u></u>

3 SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2022 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Provision of food catering services HK\$'000	Total HK\$'000
Revenue	<u>1,112</u>	<u>15,106</u>	<u>12,726</u>	<u>28,944</u>
Segment results	<u>664</u>	<u>(3,284)</u>	<u>(1,226)</u>	(3,846)
Unallocated other revenue and gains				498
Unallocated selling and distribution expenses				(176)
Unallocated administrative and other expenses				(3,705)
Unallocated finance costs				<u>(1,536)</u>
Loss from operations				(8,765)
Reversal of allowance for expected credit loss recognised in respect of financial assets at amortised cost, net				14
Change in fair value of derivative financial assets component of convertible bonds				(53)
Share of result of associates				<u>149</u>
Loss before taxation				(8,655)
Taxation				<u>-</u>
Loss for the period				<u>(8,655)</u>

3 SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue from external customers	
	Unaudited	
	six months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	17,744	13,491
Asian countries/regions, other than Hong Kong (Note 1)	97	1,151
European countries (Note 2)	10,130	10,108
North and South American countries (Note 3)	2,833	3,463
Australia	630	636
Others	118	95
	<u>31,552</u>	<u>28,944</u>

Notes:

1. Asian countries/regions include the People's Republic of China, Malaysia, Singapore and Taiwan.
2. European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Russia, Slovakia, Spain and the United Kingdom.
3. North and South American countries include Brasil 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:

	Unaudited	Audited
	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
Hong Kong	831	1,044
People's Republic of China ("PRC")	174	203
	<u>1,005</u>	<u>1,247</u>

4 OTHER GAINS OR LOSS

	Unaudited six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Bank interest income	9	2
Government subsidies	–	1,684
Interest income on dividends income	174	177
Rent concession income	–	165
Services charges	94	–
Sundry income	148	422
	<u>425</u>	<u>2,450</u>

5 PROFIT/(LOSS) BEFORE TAXATION

	Unaudited six months ended 30 September	
	2023 HK\$'000	2022 HK\$'000
Profit/(Loss) before taxation is arrived after charging:		
Finance costs		
Interest on:		
Bank and other borrowings	–	376
Bank overdrafts wholly repayable within five years	18	22
Interest expense on lease liabilities	261	392
Convertible bonds wholly repayable within five years	–	1,160
	<u>279</u>	<u>1,950</u>
Other items		
Depreciation of property, plant and equipments	149	3,281
Depreciation of right-of-use assets	–	2,036
Costs of inventories sold	13,007	24,824
	<u>13,007</u>	<u>24,824</u>

6 TAXATION

	Unaudited six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
Current tax		
— Hong Kong	—	—
— PRC	—	—
Deferred taxation	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the year ended 31 March 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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 2023 and 2022.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2023 (2022: Nil).

8 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit 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.

	Notes	Per value HK\$	Unaudited six months ended 30 September	
			2023 HK\$'000	2022 HK\$'000
Profit/(Loss) for the period attributable to owners of the Company			<u>645</u>	<u>(8,655)</u>
			Unaudited six months ended 30 September	
			2023 No. of shares	2022 No. of shares
Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	(a), (b), (c)	0.05	<u>631,428,035</u>	<u>260,551,080</u>

Notes:

- (a) The diluted earnings and loss per share is the same as the basic earnings and loss per share for the six months ended 30 September 2023 and 2022, respectively, because the Company's share options outstanding during those periods were either anti-dilutive or have no potential dilutive effects.
- (b) The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share for the six months ended 30 September 2022 have been adjusted for the effect of the completion of the loan capitalisation whereby the Company issued 102,804,213 new shares at HK\$0.13 per loan capitalisation share and the placing of 97,188,000 new shares at HK\$0.30 per placing share under specific mandate on 28 June 2022. For further details, please refer to the announcements of the Company dated 25 March 2022 and 28 June 2022, respectively, and the circular of the Company dated 6 June 2022.
- (c) The weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share for the six months ended 30 September 2023 have been adjusted for the effect of (i) the completion of the debt capitalisation whereby the Company issued 237,045,071 new shares at HK\$0.15 per share under specific mandate on 3 November 2022; for further details, please refer to the announcements of the Company dated 29 August 2022, 30 August 2022 and 6 September 2022, respectively, and the circular of the Company dated 12 October 2022; and (ii) the completion of issue of new shares under general mandate whereby the Company issued 71,563,010 new shares at HK\$0.11 per share on 29 June 2023; for further details, please refer to the announcements of the Company dated 16 June 2023 and 29 June 2023, respectively.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2023, the Group acquired material property, plant and equipment amounting to approximately HK\$0.05 million (six months ended 30 September 2022: HK\$0.24 million) and did not dispose of material property, plant and equipment (the corresponding period in 2022: Nil).

10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
0 to 30 days	1,545	322
31 to 60 days	88	293
61 to 90 days	68	–
91 to 180 days	–	–
Over 180 days	–	–
	<u>1,701</u>	<u>615</u>

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

Trade receivables as at 30 September 2023 are denominated in HK\$ and USD.

11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2023 HK\$'000	Audited 31 March 2023 HK\$'000
Within 30 days	1,583	1,200
31 to 60 days	351	213
61 to 90 days	111	142
91 to 180 days	184	58
Over 180 days	22	131
	<u>2,251</u>	<u>1,744</u>

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

Trade payables as at 30 September 2023 are denominated in HK\$, USD and RMB.

12 SHARE CAPITAL

	Ordinary shares of HK\$0.050 each Unaudited six months ended 30 September 2023		Ordinary shares of HK\$0.050 each Audited year ended 31 March 2023	
	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	50,000	1,000,000	50,000
Increase in share capital	–	–	–	–
At end of the period/year	<u>1,000,000</u>	<u>50,000</u>	<u>1,000,000</u>	<u>50,000</u>
Issued and fully paid:				
At beginning of the period/year	594,860	29,743	157,823	7,891
Loan capitalisation (Note 8(b))	–	–	102,804	5,140
Placing of new shares (Note 8(b))	–	–	97,188	4,860
Debt capitalisation (Note 8(c))	–	–	237,045	11,852
Share subscription (Note 8(c))	<u>71,563</u>	<u>3,578</u>	–	–
At end of the period/year	<u>666,432</u>	<u>33,321</u>	<u>594,860</u>	<u>29,743</u>

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 with 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 2023 and 30 September 2023.

- 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 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2023 and 31 March 2023.

15 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	
	2023 HK\$'000	2022 HK\$'000
Nature of related party transactions		
Rental paid to Mobile Computer Land Limited (Note)	186	186
Sales to Moson International Limited (Note)	958	474
Interest income on dividends receivable from an associate	174	174
	<u>1,318</u>	<u>834</u>

Note: Its major shareholder is Mr. Lo Ding Kwong, who is the son of Ms. Cheng Yeuk Hung, a director and the chief executive officer of the Company.

(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	
	2023 HK\$'000	2022 HK\$'000
Salaries and allowances	1,305	1,308
Retirement scheme contributions	18	18
	<u>1,323</u>	<u>1,326</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30 September 2023 (the “**Six-Month Period**”) was approximately HK\$31.55 million, representing an increase of approximately 9.01% when compared with the same period last year. Profit attributable to owners of the Company for the Six-Month Period was approximately HK\$0.65 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$8.66 million.

Given the slow pace of economic recovery along with the continued slackness in the United States 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 United States and the European countries including Bulgaria, Finland, Germany, Italy, Poland, Russia and the United Kingdom.

In view of the challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, including increasing 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, it will explore new business opportunities to broaden its source of income and maximise profit and return for the Group and the shareholders of the Company. In particular, subsequent to the Six-Month Period, on 20 October 2023, Echo Asia (Hong Kong) Limited (“**Echo Asia**”), a direct wholly owned subsidiary of the Company, entered into a non-legally binding memorandum of agreement (the “**MOA**”) with Industronics Berhad (“**Industronics**”), a company incorporated under the laws of Malaysia, shares of which are listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (stock code: 9393). Pursuant to the MOA, Echo Asia intends to appoint Industronics as project management company to assist in the setup and management of an international duty-free city in Pulau Langkawi. For details, please refer to the Company’s announcement dated 20 October 2023.

Sales of Electronic Products

Revenue from this segment during the Six-Month Period was approximately HK\$15.57 million, representing an decrease of approximately 3.98% when compared with the same period last year. Decrease in sales of electronics products was mainly due to the decrease in the revenue from manufacturing and trading of electronic products and accessories by approximately HK\$1.52 million as compared with the corresponding period in 2022. The decrease in the revenue from manufacturing and trading of electronic products and accessories for the Six-Month Period was mainly due to the decrease in sales of fishing indicator for the Six-Month Period by approximately HK\$1.78 million as compared with the corresponding period in 2022. Decrease in fishing indicator were caused by the decrease in volume sold in high end product.

Provision of Food Catering Services

Revenue from this segment during the Six-Month Period was approximately HK\$15.98 million, representing an increase of approximately 25.56% from approximately HK\$12.73 million of the same period in 2022. Such increase was mainly due to the Group's catering business and the general market condition of the Hong Kong catering industry from the improvement of the COVID-19 outbreak.

Financial review

The Group's revenue for the six months ended 30 September 2023 was approximately HK\$31.55 million, representing a increase of approximately 9.01% from approximately HK\$28.94 million of the same period in 2022. Such increase was mainly due to the increase in revenue from restaurant operations by approximately HK\$3.25 million.

The overall gross profit margin of the Group increased from approximately 13.94% for the six months ended 30 September 2022 to approximately 25.98% for the six months ended 30 September 2023. The increase in the Group's gross profit margin for the six months ended 30 September 2023 was primarily due to the increase in sales of higher margin dishes of the Group's food catering business, namely abalone and shark fin.

Selling and distribution expenses for the six months ended 30 September 2023 were approximately HK\$0.73 million (approximately HK\$0.65 million for the six months ended 30 September 2022), representing an increase of approximately 11.52%. Such increase was mainly due to the Advertising and promotion amounting to approximately HK\$0.16 million for the six months ended 30 September 2023 (approximately HK\$0.05 million for the six months ended 30 September 2022).

Administrative and other expenses for the six months ended 30 September 2023 were approximately HK\$7.97 million (approximately HK\$12.65 million for the six months ended 30 September 2022), representing a decrease of approximately 37.01%. Such decrease was mainly due to the decrease in exchange difference and professional fee amounting to approximately HK\$1.54 million gain and HK\$0.72 million, respectively for the six months ended 30 September 2023 (approximately HK\$1.13 million loss and HK\$1.88 million, respectively for the six months ended 30 September 2022).

Profit attributable to the owners of the Company amounted to approximately HK\$0.65 million for the six months ended 30 September 2023 (loss attributable to the owners of the Company amounted to approximately HK\$8.66 million for the six months ended 30 September 2022). Earnings per share attributable to owners of the Company was approximately HK0.10 cents for the six months ended 30 September 2023 (loss per share attributable to owners of the Company was approximately HK3.32 cents).

The cash and bank balances increased from approximately HK\$2.96 million as at 31 March 2023 to HK\$3.62 million as at 30 September 2023 mainly due to the increase of trade payables from HK\$0.62 million as at 31 March 2023 to HK\$1.70 million as at 30 September 2023.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2023, the Group had net current assets of approximately HK\$34.25 million (as at 31 March 2023: approximately HK\$28.45 million) including cash and cash equivalents of approximately HK\$3.62 million (as at 31 March 2023: approximately HK\$2.96 million) and pledged time deposits of approximately HK\$2.02 million (as at 31 March 2023: approximately HK\$2.01 million).

The Group's equity capital and borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 30 September 2023 was 5.28 (as at 31 March 2023: 3.48). Gearing ratio was approximately 8.25% as at 30 September 2023 (as at 31 March 2023: 14.19%), calculated based on total borrowings over equity.

The capital of the Group mainly comprises ordinary shares and capital reserves. Please refer to notes 8 and 12 to the unaudited condensed consolidated financial statements for details of changes of capital structure of the Company during the Six-Month Period.

Significant Investment, material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any significant investment, and material acquisition and disposal of subsidiaries and affiliated companies throughout the Six-Month Period.

Segmental Information

Segmental information of the Group is disclosed in note 3 of the unaudited condensed consolidated financial statements.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2023 (2022: Nil).

Charges over assets

The Group had pledged approximately HK\$2.02 million time deposits on DBS Bank (Hong Kong) Limited as at 30 September 2023 (as at 31 March 2023: HK\$2.01 million time deposits on DBS Bank (Hong Kong) Limited).

Capital commitment

The Group did not have any significant capital commitments as at 30 September 2023 (as at 31 March 2023: nil).

Foreign Currency Exposure

As at 30 September 2023, the Directors considered the Group's foreign exchange risk to be insignificant. During the Six-Month Period, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 30 September 2023, the Group employed a total of 117 employees (as at 31 March 2023: 134 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$12.30 million for the Six-Month Period (2022: HK\$19.68 million).

The Group reviews the emoluments of its directors and staff based on the qualification, experience, performance and the relevant market rates to maintain the remunerations of its directors and staff at a competitive level.

USE OF PROCEEDS

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

The details of the utilisation of the IPO Proceeds since 12 May 2017 (date of the latest revision of allocation of the unutilised IPO Proceeds) to 30 September 2022 is summarised as follows:

Intended use	IPO proceeds as at 12 May 2017 pursuant to new allocation of the unutilised proceeds	Amount not yet utilized as at 31 March 2023	Amount utilised during the six months ended 30 September 2023	Amount not yet utilised as at 30 September 2023
	HK\$ million (approximately)	HK\$ million (approximately)	HK\$ million (approximately)	HK\$ million (approximately)
Strengthening the Group’s position in its established markets and expanding its customer base	2.49	0.26	0.22	0.04
Working capital and funding for other general corporate purposes	1.30	–	–	–
Total	<u>3.79</u>	<u>0.26</u>	<u>0.22</u>	<u>0.04</u>

It is expected that the unutilised IPO Proceeds will be utilised within 1 year after the date of this report.

ISSUE OF NEW SHARES UNDER GENERAL MANDATE

On 16 June 2023, the Company entered into a subscription agreement with Ms. Zhou Qilin (“**Ms. Zhou**”), pursuant to which Ms. Zhou has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 71,563,010 ordinary shares of the Company (“**Shares**”) at the subscription price of HK\$0.11 per Share (the “**Subscription**”). The aggregate nominal value of the subscription Shares is HK\$3,578,150.50 based on the nominal value of HK\$0.05 per Share. The subscription price of HK\$0.11 per Share represents a discount of approximately 15.38% to the closing price of HK\$0.13 per Share as quoted on the Stock Exchange on the date of the subscription agreement. The Board considers that the Subscription represent a good opportunity for the Company to raise additional funds for general working capital and to widen the Company’s shareholder base. The Company allotted and issued 71,563,010 Shares to Ms. Zhou on 29 June 2023. The gross proceeds and net proceeds from the Subscription amounted to about HK\$7.87 million and HK\$7.79 million, respectively, and the net subscription price amounts to approximately HK\$0.109 per subscription Share. For details, please refer to the Company’s announcements dated 16 June 2023 and 29 June 2023, respectively.

The table below sets out the intended use of the net proceeds from the Subscription and the relevant utilisation as at 30 September 2023:

Intended use	Amount of net proceeds HK\$ million (approximately)	Amount utilised during the six months ended 30 September 2023 HK\$ million (approximately)	Amount not yet utilised as at 30 September 2023 HK\$ million (approximately)
General working capital	7.79	5.72	2.07
Total	7.79	5.72	2.07

It is expected that the unutilised amount of the net proceeds will be utilised within 1 year after the date of this report.

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 4,000,000 shares of the Company with an exercise price of HK\$3.00 which is equal to the placing price as defined in the prospectus of the Company.

As at 30 September 2023, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2023		Lapsed	Cancelled	Outstanding as at 30 September 2023		Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
	Exercised							
Mr. Lo Yan Yee	1,140,000	-	-	-	1,140,000		11 October 2016 – 11 October 2023	0.17%
Ms. Cheng Yeuk Hung	1,140,000	-	-	-	1,140,000		11 October 2016 – 11 October 2023	0.17%
	<u>2,280,000</u>				<u>2,280,000</u>			0.34%
Employees	1,720,000	-	-	-	1,720,000		11 October 2016 – 11 October 2023	0.26%
	<u>4,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>			0.60%

Share Option Scheme

During the six months ended 30 September 2023, 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 2023, 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	4,878,000	0.73%
Mr. Lo Yan Yee	Company	Interest of spouse	4,878,000	0.73%

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

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee (executive Director)	Personal	Options	1,140,000
	Interest of spouse	Options	1,140,000
			<hr/> 2,280,000
Ms. Cheng Yeuk Hung (executive Director and chief executive officer)	Personal	Options	1,140,000
	Interest of spouse	Options	1,140,000
			<hr/> 2,280,000

Save as disclosed above, as at 30 September 2023, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

As at 30 September 2023, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Number of underlying shares (Note 1)	Total	Percentage of the Company's issued share capital
Zhou Qilin	Beneficial owner	128,824,574	3,609,104	132,433,678	19.87%
Siu Hiu Ki Jamie	Beneficial owner	103,581,986	3,587,855	107,169,841	16.08%
Lissington Limited	Beneficial owner (Note 2)	94,011,486	11,036,032	105,047,518	15.76%
Zheng Zeli	Interest of a controlled corporation (Note 2)	94,011,486	11,036,032	105,047,518	15.76%
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest) (Note 3)	61,009,150	–		
	Beneficial owner	<u>20,148,867</u>	–		
		81,158,017	–	81,158,017	12.18%
Bluemount Investment Fund SPC — Bluemount Investment Fund SP	Trustee (other than a bare trustee) (Note 3)	61,009,150	–	61,009,150	9.15%
ECGO International Limited	Beneficial owner (Note 4)	76,008,474	11,996,339	88,004,813	13.21%
Siu Wa Kei	Interest of a controlled corporation	1,289,800		1,289,800	
	Beneficial owner	<u>60,578,049</u>	971,595	<u>61,549,644</u>	
		61,867,849		62,839,444	9.43%

Notes:

1. These underlying Shares are Shares to be issued to holders of the convertible bonds and warrants of the Company.
2. Lissington Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Ms. Zheng Zeli.
3. These shares were held by Bluemount Investment Fund SPC — Bluemount Investment Fund SP as trustee of Mr. Yeung Tong Seng Terry.
4. ECGO International Limited is a company incorporated in Hong Kong and is wholly-owned by Industronics Berhad. Industronics Berhad is a company listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (stock code: 9393).

Save as disclosed above, as at 30 September 2023, 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 2023.

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 2023.

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 its shareholders. The Company has complied with the Code during the six months ended 30 September 2023.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the heading “Related Party Transactions” as set out in note 15 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 ended 30 September 2023.

COMPETING BUSINESS

For the six months ended 30 September 2023, 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 currently comprises three independent non-executive directors of the Company, namely Mr. Leung Yu Tung, Stanley, who is also the chairman, Mr. Lam Kwok Leung, Roy and Mr. Lam Wing Biu, Thomas. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2023 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 2023

As at the date of this report, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Tansri Saridju Benui and Ms. Chan Wan Shan Sandra, and the independent non-executive Directors are Mr. Leung Yu Tung, Stanley, Mr. Lam Kwok Leung, Roy and Mr. Lam Wing Biu, Thomas.

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.