



Echo International Holdings Group Limited

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

Interim Report
2017

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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\$20.34 million for the six months ended 30 September 2017, representing a decrease of approximately 5.63% over the same period of the previous year.
- Recorded an unaudited loss attributable to the owners of the Company of approximately HK\$5.08 million for the six months ended 30 September 2017 (2016: unaudited loss attributable to the owners of the Company approximately HK\$5.46 million).
- Basic and diluted loss per share for the six months ended 30 September 2017 were HK0.59 cents (2016: basic loss per share HK0.68 cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017 (2016: 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 2017 (the “**Period**”) and the comparative unaudited figures for the corresponding period in 2016, as follows:

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

For the three months and six months ended 30 September 2017

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	3	12,097	10,383	20,344	21,556
Cost of sales		(9,554)	(6,960)	(14,514)	(14,728)
Gross profit		2,543	3,423	5,830	6,828
Other revenue and gains	4	166	142	331	288
Selling and distribution expenses		(335)	(419)	(617)	(727)
Administrative and other expenses		(5,188)	(5,661)	(10,131)	(11,222)
Finance costs		(200)	(321)	(492)	(623)
Loss before taxation	5	(3,014)	(2,836)	(5,079)	(5,456)
Taxation	6	–	–	–	–
Loss for the period		(3,014)	(2,836)	(5,079)	(5,456)
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		1,872	417	542	(686)
Total comprehensive loss for the period		(1,142)	(2,419)	(4,537)	(6,142)

		Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2017	2016	2017	2016
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company		<u>(3,014)</u>	<u>(2,836)</u>	<u>(5,079)</u>	<u>(5,456)</u>
Total comprehensive loss for the period attributable to owners of the Company		<u>(1,142)</u>	<u>(2,419)</u>	<u>(4,537)</u>	<u>(6,142)</u>
Loss per share					
— Basic and diluted (HK cents)	8	<u>(0.33) cents</u>	<u>(0.35) cents</u>	<u>(0.59) cents</u>	<u>(0.68) cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2017

	Notes	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Non-current assets			
Property, plant and equipment	9	<u>1,312</u>	<u>1,178</u>
Current assets			
Inventories		11,500	12,986
Trade receivables	10	7,995	4,696
Amount due from a related company		323	75
Deposits, prepayments and other receivables		3,873	3,900
Pledged time deposits		2,011	2,010
Cash and bank balances		13,960	4,617
		<u>39,662</u>	<u>28,284</u>
Current liabilities			
Trade payables	11	3,282	2,766
Accrual and other payables		2,420	3,599
Bank overdrafts		–	988
Trade deposit received		872	700
Borrowings	12	–	8,000
Obligations under finance leases		229	117
		<u>6,803</u>	<u>16,170</u>
Net current assets		<u>32,859</u>	<u>12,114</u>
Total assets less current liabilities		<u>34,171</u>	<u>13,292</u>
Non-current liability			
Obligations under finance leases		487	107
Net assets		<u>33,684</u>	<u>13,185</u>
Capital and reserves			
Share capital	13	2,400	2,000
Reserves		31,284	11,185
Total equity		<u>33,684</u>	<u>13,185</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017 (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 2017, audited	2,000	28,840	4,836	(89)	5,794	(1,214)	(26,982)	13,185
Total comprehensive income/(loss) for the period	-	-	-	-	-	542	(5,079)	(4,537)
Share placing	400	24,636	-	-	-	-	-	25,036
	<u>2,400</u>	<u>53,476</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(672)</u>	<u>(32,061)</u>	<u>33,684</u>
At 30 September 2017, unaudited	<u>2,400</u>	<u>53,476</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(672)</u>	<u>(32,061)</u>	<u>33,684</u>

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
	<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>
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>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Unaudited six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Net cash used in operating activities	(5,847)	(1,540)
Net cash used in investing activities	(621)	(258)
Net cash (used in)/generated from financing activities	16,137	(2,730)
Net increase/(decrease) in cash and cash equivalents	9,669	(4,528)
Effect of foreign currency exchange rate changes	(326)	(521)
Cash and cash equivalents at beginning of period, audited	4,617	9,718
Cash and cash equivalents at end of period, unaudited	13,960	4,669
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	13,960	4,669

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 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 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 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 2017 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	
	2017	2016
	HK\$'000	HK\$'000
Sales of electronic products	20,120	21,350
Subcontracting income	224	206
	<u>20,344</u>	<u>21,556</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'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 separations by reportable and operating segments:

For the six months ended 30 September 2017 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Total HK\$'000
Revenue	<u>1,051</u>	<u>19,293</u>	<u>20,344</u>
Segment results	<u>477</u>	<u>(2,398)</u>	<u>(1,921)</u>
Unallocated other revenue and gains			293
Unallocated selling and distribution expenses			(322)
Unallocated administrative and other expenses			<u>(2,637)</u>
Loss from operations			<u>(4,587)</u>
Finance costs			<u>(492)</u>
Loss before taxation			<u>(5,079)</u>
Taxation			<u>-</u>
Loss for the period			<u><u>(5,079)</u></u>

3 SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2016 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Total HK\$'000
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>(5,456)</u>

3 SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue from external customers Unaudited six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Hong Kong	1,279	1,307
Asian countries, other than Hong Kong (Note 1)	3,389	2,426
European countries (Note 2)	11,927	12,572
North and South American countries (Note 3)	3,341	4,902
Others	408	349
	<u>20,344</u>	<u>21,556</u>

Notes:

1. Asian countries include the People's Republic of China ("PRC"), India, Korea, Malaysia 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:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Hong Kong	1,211	1,023
People's Republic of China ("PRC")	101	155
	<u>1,312</u>	<u>1,178</u>

4 OTHER REVENUE AND GAINS

	Unaudited six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Bank interest income	1	5
Sundry income	330	283
	<u>331</u>	<u>288</u>

5 LOSS BEFORE TAXATION

	Unaudited six months ended 30 September	
	2017	2016
	HK\$'000	HK\$'000
Loss before taxation is arrived after charging:		
Finance costs		
Interest on:		
Bank overdrafts wholly repayable within five years	4	–
Debenture interest	483	618
Obligation under finance leases	5	5
	<u>492</u>	<u>623</u>
Other items		
Depreciation of property, plant and equipments	226	233
Costs of inventories sold	14,191	14,515
Loss on disposal of fixed assets	216	36
	<u>14,633</u>	<u>15,287</u>

6 TAXATION

	Unaudited six months ended 30 September	
	2017 HK\$'000	2016 HK\$'000
Current tax		
— Hong Kong	-	-
— PRC	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the six months ended 30 September 2017 and 2016.

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 2017 and 2016.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2017 (2016: 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 2017	2016
	Note	HK\$'000	HK\$'000
Loss for the period attributable to owners of the Company		<u>(5,079)</u>	<u>(5,456)</u>
		Unaudited six months ended 30 September 2017	2016
		No. of shares	No. of shares
Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	(a), (b)	<u>865,573,770</u>	<u>800,000,000</u>

Notes:

- (a) On 18 July 2017, 160,000,000 placing shares have been successfully placed by the Company's placing agent to not less than six places at the placing price of HK\$0.163 per placing share pursuant to the terms and conditions of the placing agreement entered into between the Company and its placing agent dated 27 June 2017. The aggregate nominal value of the placing shares under the placing is HK\$400,000 of HK\$0.0025 each.
- (b) The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2017 and 2016 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 2017, the Group acquired property, plant and equipment amounting to HK\$0.61 million (six months ended 30 September 2016: HK\$0.26 million) and disposed property, plant and equipment amounting to HK\$0.26 million for the six months ended 30 September 2017 (the corresponding period in 2016: HK\$0.15 million).

10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
0 to 30 days	6,302	4,116
31 to 60 days	547	92
61 to 90 days	335	–
91 to 180 days	236	13
Over 180 days	575	475
	<u>7,995</u>	<u>4,696</u>

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

Trade receivables as at 30 September 2017 are denominated in HK\$ and USD.

11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within 30 days	2,135	1,600
31 to 60 days	239	804
61 to 90 days	494	241
91 to 180 days	296	50
Over 180 days	118	71
	<u>3,282</u>	<u>2,766</u>

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

Trade payables as at 30 September 2017 are denominated in HK\$, USD and RMB.

12 BORROWINGS

	As at 30 September 2017 HK\$'000	As at 31 March 2017 HK\$'000
Debenture — non-secured, due within one year	<u>—</u>	<u>8,000</u>

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

	As at 30 September 2017	As at 31 March 2017
Debenture	<u>—</u>	<u>14.4%</u>

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

Debenture is denominated in Hong Kong dollars with total principal amounts of approximately HK\$8,000,000 in 2016 bearing fixed interest rate at 14.4% p.a. that was issued on 1 September 2016 and was matured on 28 February 2017. On 1 March 2017, the mature date of the Debenture was further extended to 31 August 2017. The Company repaid the Debenture on 31 August 2017.

13 SHARE CAPITAL

	Ordinary shares of HKD0.0025 each Unaudited six months ended 30 September 2017		Ordinary shares of HKD0.0025 each Audited year ended 31 March 2017	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of the period/year	<u>4,000,000</u>	<u>10,000</u>	<u>4,000,000</u>	<u>10,000</u>
At end of the period/year	<u>4,000,000</u>	<u>10,000</u>	<u>4,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At beginning of the period/year	<u>800,000</u>	<u>2,000</u>	<u>800,000</u>	<u>2,000</u>
Share placing (Note 8(a))	<u>160,000</u>	<u>400</u>	<u>—</u>	<u>—</u>
At end of the period/year	<u>960,000</u>	<u>2,400</u>	<u>800,000</u>	<u>2,000</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.

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 2017 and 30 September 2017.

- 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:

	Unaudited 30 September 2017 HK\$'000	Audited 31 March 2017 HK\$'000
Within one year	1,880	1,040
In the second to fifth years inclusive	3,190	–
	<u>5,070</u>	<u>1,040</u>

The Group did not have any significant capital commitments as at 30 September 2017 and 31 March 2017.

16 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2017 and 31 March 2017.

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	
	2017	2016
	HK\$'000	HK\$'000
Nature of related party transactions		
Rental paid to Mobile Computer Land Limited (Note 2)	240	240
Sales to Mobile Computer Land Limited (Note 2)	582	770
Consultancy fee paid to Vashion Assets Management Limited (Note 1)	822	600
	<u>822</u>	<u>600</u>

Note 1: 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 2: 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	
	2017	2016
	HK\$'000	HK\$'000
Salaries and allowances	1,157	1,158
Retirement scheme contributions	18	27
	<u>1,175</u>	<u>1,185</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30 September 2017 (“Six Month Period”) was approximately HK\$20.34 million, representing a decrease of approximately 5.96% when compared with the same period last year. Loss attributable to owners of the Company for the Six Month Period was approximately HK\$5.08 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$5.46 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, Russia, Slovakia, Spain, Sweden, Switzerland and 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, 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\$20.12 million, representing a decrease of approximately 5.77% 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\$0.60 million and HK\$0.61 million respectively as compared with the corresponding period in 2016. 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 fire alarm for the Six Month Period by approximately HK\$1.81 million as compared with the corresponding period in 2016. Decrease in fire alarm 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\$0.22 million, representing an increase of approximately 8.74% when compared with the same period last year. The increase was mainly due to the increase in orders from providing subcontracting services in the PRC.

Financial review

The Group's revenue for the six months ended 30 September 2017 was approximately HK\$20.34 million, representing a decrease of approximately 5.63% from approximately HK\$21.56 million of the same period in 2016. Such decrease was mainly due to the decrease in sales of electronic products by approximately HK\$1.23 million.

The overall gross profit margin of the Group decreased from approximately 31.68% for the six months ended 30 September 2016 to 28.66% for the six months ended 30 September 2017. The decrease in the Group's gross profit margin for the six months ended 30 September 2017 was primarily due to the decrease in sales orders of the higher margin products, namely fire alarm.

Selling and distribution expenses for the six months ended 30 September 2017 were approximately HK\$0.62 million (approximately HK\$0.73 million for the six months ended 30 September 2016), representing a decrease of approximately 15.13%. Such decrease was mainly due to the freight charges amounting to HK\$0.09 million for the six months ended 30 September 2017 (approximately HK\$0.16 million for the six months ended 30 September 2016).

Administrative and other expenses for the six months ended 30 September 2017 were approximately HK\$10.13 million (approximately HK\$11.22 million for the six months ended 30 September 2016), representing a decrease of approximately 9.73%. Such decrease was mainly due to the decrease in professional fee amounting to HK\$0.62 million for the six months ended 30 September 2017 (approximately HK\$1.82 million for the six months ended 30 September 2016).

Loss attributable to the owners of the Company amounted to approximately HK\$5.08 million for the six months ended 30 September 2017 (approximately HK\$5.46 million for the six months ended 30 September 2016). Loss per share attributable to owners of the Company was approximately HK0.59 cents for the six months ended 30 September 2017 (approximately HK0.68 cents for the six months ended 30 September 2016).

The cash and cash balance increased from approximately HK\$4.62 million as at 31 March 2017 to HK\$13.96 million as at 30 September 2017 mainly due to the net effect of the 160,000,000 placing shares being successfully placed by the Company's placing agent at the placing price of HK\$0.163 per placing share.

IPO PROCEEDS AND USE OF THE IPO PROCEEDS

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

The details of the utilisation of the Proceeds during the period from 13 August 2015 up to 31 March 2017 and as at 12 May 2017, the change in use of proceeds announcement are as follows:

Intended use disclosed in the Announcement	As at 13 August 2015		During the period from 13 August 2015 to 31 March 2016				During the period from 1 October 2016 to 31 March 2017		Revised reallocation of net Proceeds	The remaining balance of allocation of net Proceeds after revised allocation as at 12 May 2017
	New allocation of the unutilised Proceeds		As at 30 September 2016							
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)	(approximately)		
Expansion and upgrade of the production facilities	-	-	-	-	-	-	-	-	-	
Setting up production facilities for plastic parts	1.00	-	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	0.04	2.79	2.49	2.49	
Repayment of bank overdraft	10.00	10.00	-	-	-	-	-	-	-	
Working capital and funding for other general corporate purposes	5.00	5.00	-	-	-	-	-	1.30	1.30	
Total	18.94	15.06	3.88	0.05	3.83	0.04	3.79	3.79	3.79	

As at 31 March 2017 and 12 May 2017, the Company utilised the Proceeds in the sum of approximately HK\$21.33 million and the unutilised Proceeds amounted to approximately HK\$3.79 million.

During the period from 1 April 2016 up to 31 March 2017, the Company only applied a total of approximately HK\$0.09 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 12 May 2017, the Group's management does not anticipate any substantial increase in purchase orders from its customers for the manufacture and trading of its electronics products and will not expect the demand for the Group's electronics products to exceed the Group's current level of productivity in the coming year(s). Therefore, the Board has decided to dispense with its plans for setting up production facilities for plastic parts and reallocate the relevant funding to other uses.

In this respect, as the current lease of the existing factory building wherein the Group conducts its production is due to expire on 30 June 2017, the Group will relocate its production facilities and plants to a new factory premises with a lower monthly rental. The relocation of the Group's production facilities and plants to the new factory premises requires expenditure. Hence, the Group has reallocated the amount of HK\$1 million from "Setting up production facilities for plastic parts" and the amount of HK\$0.3 million from "Strengthening the Group's position in its established markets and expanding its customer base" to "Working capital and funding for other general corporate purposes", whereby an amount of HK\$0.8 million will be used for the relocation of the Group's production facilities and plants to the new factory premises, an amount of HK\$0.3 million will be used for the refurbishment of accommodation, and an amount of HK\$0.2 million will be used for rental for surface mounting technology facility.

The Company decided to change the intended use of unutilised Proceeds as follows:

New intended use	Original	As at	As at the date	
	allocation of the unutilized Proceeds	12 May 2017 New allocation of the unutilized Proceeds	Utilized amount	Unutilized amount
	HK\$ million (approximately)	HK\$ million (approximately)	HK\$ million (approximately)	HK\$ million (approximately)
Setting up production facilities for plastic parts	1.00	–	–	–
Strengthening the Group's position in its established markets and expanding its customer base	2.79	2.49	0.10	2.39
Working capital and funding for other general corporate purposes	–	1.30	1.30	–
Total	3.79	3.79	1.40	2.39

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 of the Company.

As at 30 September 2017, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2017				Outstanding as at 30 September 2017		Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
	Outstanding	Exercised	Lapsed	Cancelled	Outstanding	Exercised		
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%
	80,000,000	-	-	-	80,000,000	-		9.09%

Share Option Scheme

During the six months period ended 30 September 2017, 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 2017, 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	169,560,000	17.66%
Mr. Lo Yan Yee	Company	Interest of spouse	169,560,000	17.66%

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 169,560,000 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	22,800,000
	Interest of spouse	Options	<u>22,800,000</u>
			<u>45,600,000</u>
Ms. Cheng Yeuk Hung (executive Director)	Personal	Options	22,800,000
	Interest of spouse	Options	<u>22,800,000</u>
			<u>45,600,000</u>
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 2017, 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 2017, 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	Long/Short position
Adamas Asset Management (HK) Limited	Investment Manager	66,338,000	8.29%	Long position

Save as disclosed above, as at 30 September 2017, 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 2017.

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 2017.

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 2017.

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 2017.

COMPETING BUSINESS

For the six months ended 30 September 2017, 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. Cheung Chin Wa, Angus and Ms. Zhou Ying. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2017 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 2017