Echo International Holdings Group Limited

(Incorporated in the Cayman Island with limited liability)

Stock Code : 8218

2018
Annual 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 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. 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.

*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.*

Content

Corporate Information

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 3207A, 32/F Cable TV Tower 9 Hoi Shing Road Tsuen Wan Hong Kong
Company website	http://www.echogroup.com.hk
Executive directors	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Mr. Lo Ding To (resigned on 1 November 2017) Ms. Zhou Jia Lin (appointed on 22 October 2014 and redesignated on 9 May 2017) Mr. Leung Kwok Kuen, Jacob (appointed on 7 September 2015 and redesignated on 25 August 2017)
Non-executive director	Mr. Chan Chun Kit
Independent non-executive directors	Mr. Lam Wai Yuen Mr. Ang Chuk Pai (resigned on 29 August 2017) Mr. Cheung Chin Wa, Angus Ms. Zhou Ying (appointed on 29 August 2017)
Compliance officer	Mr. Lo Ding To (resigned on 1 November 2017) Mr. Leung Kwok Kuen, Jacob (appointed on 1 November 2017)
Company secretary	Ms. Lui Wing Shan *HKICPA*
Members of the Audit Committee	Mr. Lam Wai Yuen *(Chairman)* Mr. Ang Chuk Pai (resigned on 29 August 2017) Mr. Cheung Chin Wa, Angus Ms. Zhou Ying (appointed on 29 August 2017)
Members of the Remuneration Committee	Mr. Ang Chuk Pai *(Chairman)* (resigned on 29 August 2017) Ms. Zhou Ying *(Chairman)* (appointed on 29 August 2017) Ms. Cheng Yeuk Hung Mr. Cheung Chin Wa, Angus
Members of the Nomination Committee	Mr. Ang Chuk Pai *(Chairman)* (resigned on 29 August 2017) Ms. Zhou Ying *(Chairman)* (appointed on 29 August 2017) Mr. Lo Ding To (resigned on 1 November 2017) Mr. Cheung Chin Wa, Angus Mr. Leung Kwok Kuen, Jacob (appointed on 1 November 2017)
Authorised representatives	Mr. Lo Ding To (resigned on 1 November 2017) Ms. Lui Wing Shan Mr. Leung Kwok Kuen, Jacob (appointed on 1 November 2017)

Corporate Information

Members of the Investment Committee	Mr. Chan Chun Kit *(Chairman)* (appointed on 25 August 2017) Mr. Cheung Chin Wa, Angus (appointed on 25 August 2017) Ms. Lui Wing Shan (appointed on 25 August 2017)
Principal bankers	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong **Chiyu Banking Corporation Limited** Shop No. 5A G/F, Belvedere Square Tsuen Wan, N.T. Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** Level 9, HSBC Main Building 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	**SMP Partners (Cayman) Limited** Royal Bank House – 3rd Floor 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditors	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Hong Kong Legal Adviser	**Fairbairn Catley Low & Kong** 23/F, Shui On Centre 6–8 Harbour Road Hong Kong
GEM Stock Code	8218

Chairman's Statement

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of Echo International Holdings Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2018.

In 2017, the Group upgraded a product — the improved fish alarm. It is equipped with a multi-colour LEDs with Colour Sync™ function and a larger indicator LED windows, which is visible from both the front and the top of the receiver around the roller wheel with better resolution and improved drainage vastly which reduces chances of roller-wheel being freezed in extreme cold conditions. It has improved its sensitivity range which has a wider range and stronger performance. It has the ability to sync up to eight RX + Micron heads. Users can manually select day and night modes, and it has an optional bivvy light function. And in this year, the Group has launched a tracker for elderly. A cloud management platform specifically designed to provide positioning and health information for the elderly and their family members is equipped with comprehensive indoor and outdoor positioning technologies, with an aim of reducing the risk of the elderly getting lost, so that the elderly can feel free to walk around and enjoy an easy life in a densely populated city while their family members can take care of their beloved senior family members easily via the mobile applications. Moreover, the new charge board/PCBA has the following features: LEDs driver control, wireless charger and innovative optical aids developed for visual rehabilitation.

FINANCIAL PERFORMANCE

The impact of the fluctuation of raw material prices and the rise of the statutory minimum wages in the PRC resulted in the financial year ended 31 March 2018 being a difficult and challenging one for the Group's manufacturing business in China. The factories in China faced escalating manufacturing costs and keen competition both domestically and from overseas. As a result, the business of the Group was adversely affected for the financial year ended 31 March 2018.

The Group's revenue for the year ended 31 March 2018 was approximately HK$38.32 million (year ended 31 March 2017: approximately HK$41.66 million), representing approximately 8.00% decrease as compared with last year. The Group's net loss for the year ended 31 March 2018 recorded approximately HK$14.72 million (year ended 31 March 2017: net loss of approximately HK$13.99 million), representing approximately 5.17% decrease as compared with last year. The gross profit margin decreased from approximately 26.45% last year to approximately 25.17% for the year ended 31 March 2018.

PROSPECTS

Looking forward, the Group will focus on the business of low risk and higher gross margin with relatively lower inventory level and investment in catering business. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirement and more in-depth management concentration. Accordingly, the Group could better capture the opportunity of growth.

The Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the market, through dedication, innovation and expansion. The Group will strictly keep the risks under control, have access to more market resources and further improve its profitability, which will in turn bring more return for its shareholders.

Chairman's Statement

APPRECIATION

Finally, I wish to extend, on behalf of the Board, my gratitude to all shareholders and business partners for their trust and support to us, and express my gratitude to the management and staff for their dedicated efforts and contribution.

Echo International Holdings Group Limited

Lo, Yan Yee
Chairman

Hong Kong, 21 June 2018

Management Discussion and Analysis

BUSINESS REVIEW

Revenue for the year ended 31 March 2018 was approximately HK$38.32 million, representing a decrease of approximately 8.00% when compared with last year. Loss attributable to owners of the Company for the year ended 31 March 2018 was approximately HK$14.72 million whilst the loss attributable to owners of the Company last year was approximately HK$13.99 million.

Notwithstanding the challenging market conditions encountered during the year, the Group continues to provide electronics products and subcontracting services on PCB assemblies and manufacturing 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, Poland, Portugal, 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 with an aim of broadening its source of income and maximising profit and return for the Group and the Shareholders of the Company in the long run. The Group will also endeavour to 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 year ended 31 March 2018 was approximately HK$37.61 million, representing a decrease of approximately 8.39% when compared with last year. Decrease in sales of electronics products was mainly due to the decrease in sales of charger board and fire alarm.

Subcontracting Income

Revenue from this segment during the year ended 31 March 2018 was approximately HK$0.23 million, representing a decrease of approximately 62.42% when compared with last year. The decrease was mainly due to decrease in orders from providing subcontracting services in the PRC.

FINANCIAL REVIEW

The Group recorded a loss of approximately HK$14.72 million for the financial year ended 31 March 2018 as compared with the loss of approximately HK$13.99 million for the financial year ended 31 March 2017. The increase in the loss is mainly due to the recognition of expense in relation to the increase in impairment loss of trade receivables expenses.

The Group's revenue for the year ended 31 March 2018 was approximately HK$38.32 million (approximately HK$41.66 million for last year), representing a decrease of approximately 8.00% when compared with last year. Such decrease was mainly due to the decrease in the revenue from manufacturing and trading of electronic products by 12.53% when compared with last year.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2018 was approximately HK$25.13 million, which decreased from approximately HK$27.91 million for the year ended 31 March 2017, representing a decrease of approximately 11.06%. The revenue attributable to the second largest customer for the year ended 31 March 2018 was approximately HK$3.86 million, which decreased from approximately HK$4.53 million for the year ended 31 March 2017, representing a decrease of approximately 14.81%.

The second largest customer mainly ordered Freefly VR and its orders attributable to the purchase of Freefly VR during the year ended 31 March 2017 was approximately HK$5.17 million, representing a significant drop when compared with the figure for the year ended 31 March 2018. Such decrease in the purchases of Freefly VR was mainly due to the reason that such products reach the decline stage of product life cycle.

Throughout the year ended 31 March 2018, some factory fixed costs and indirect costs, such as salaries and rents, have been reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group decreased. However, the result form the operation of provision of food catering service was loss making since the business started in early 2018.

The overall gross profit margin of the Group decreased from approximately 26.45% for the year ended 31 March 2017 to approximately 25.17% for the year ended 31 March 2018 primarily due to the decrease of purchase orders in the higher margin products, namely fire alarm.

Selling and distribution expense for the year ended 31 March 2018 amounted to approximately HK$1.19 million (approximately HK$1.60 million for the year ended 31 March 2017), representing a decrease of approximately 25.56%. Such decrease was mainly due to the decrease of commission paid amounting to HK$0.22 million for the year ended 31 March 2018 (approximately HK$0.36 million for the year ended 31 March 2017).

Administrative and other expenses for the year ended 31 March 2018 amounted to approximately HK$23.49 million (approximately HK$23.13 million for the year ended 31 March 2017), representing a increase of approximately 1.56%. Such increase was mainly due to there was expenses recognised in the impairment loss of trade receivables for the year ended 31 March 2018 (2017: HK$Nil).

Loss attributable to the owners of the Company amounted to approximately HK$14.72 million for the year ended 31 March 2018 (approximately HK$13.99 million for the year ended 31 March 2017). Loss per share attributable to owners of the Company was approximately HK1.6 cents for the year ended 31 March 2018 (approximately HK1.7 cents for the year ended 31 March 2017).

To cope with the loss for the financial year ended 31 March 2018, the Board intends to develop on its recurring business in providing EMS to international customers while targeting further expansion in its established market, particularly to explore the EMS for consumer electronic products in the PRC market where the Directors consider to have a promising potential. However, the European countries and the United States will still be the principal markets of the Group in the near future.

The Group's strategies are to increase its market share and to develop new customers to enlarge its client base through increasing its promotional, marketing activities and new products. The Group is going to launch two to three new tracker, charger board and fishing related products to the market in 2018 and the Group will attend and participate in more exhibitions and trade fairs in Hong Kong, the PRC and overseas to promote EMS and buzzer, to attract potential customers. Moreover, investment in catering business, the Group is going to launch one to two restaurants.

Liquidity, Financial Resources and Capital Structure

The Group continues to adopt a prudent financial management, funding and treasury policy and has a healthy financial position.

As at 31 March 2018, the Group had net current assets of approximately HK$34.01 million (2017: approximately HK$12.11 million) including cash and bank balances of approximately HK$13.34 million (2017: approximately HK$4.62 million) and pledged time deposits of approximately HK$2.01 million (2017: 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 31 March 2018 was 5.45 (2017: 1.75).

There has been no change in the capital structure of the Group during the year ended 31 March 2018 up to the date of this report. The capital of the Group mainly comprises ordinary shares and capital reserves.

Significant Investment

The Group did not have any significant investment as at 31 March 2017 and 31 March 2018.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2018 (2017: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2017 and 2018.

Charges over assets

The Group had pledged approximately HK$2.01 million time deposits on Industrial and Commercial Bank of China (Asia) Limited as at 31 March 2018 (2017: HK$2.01 million).

Capital commitment

The Group did not have any significant capital commitments as at 31 March 2017 and 2018.

Foreign Currency Exposure

As at 31 March 2018, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2018, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 31 March 2018, the Group employed a total of 163 employees (2017: 172 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$20.55 million for the year ended 31 March 2018 (2017: HK$18.10 million).

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

Management Discussion and Analysis

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 New allocation of the unutilised Proceeds	During the period from 13 August 2015 to 31 March 2016		As at 30 September 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
	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	HK$ million (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 relocate 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:

		As at 12 May 2017	As at the date of this report	
New intended use	**Original allocation of the unutilised Proceeds**	**New allocation of the unutilised Proceeds**	**Utilised amount**	**Unutilised 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

OTHER FUND RAISING ACTIVITIES DURING THE YEAR

(1) Issue of 160,000,000 Shares under general mandate

On 27 June 2017, the Company entered into a placing agreement with a placing agent in relation to placing of up to 160,000,000 Shares to independent investors at placing price of HK$0.163 (net placing price of HK$0.1563) under general mandate for fund raising purpose. The placing price HK$0.163 represented a discount of about 18.91% to the closing price of HK$0.201 on 27 June 2017. On 18 July 2017, the Company completed the placing of 160,000,000 Shares. The gross proceeds and net proceeds from the placing amounted to about HK$26 million and HK$25 million respectively. The net proceeds have been fully utilized in accordance with the intended use as announced on 5 January 2018: (i) HK$8 million used for the repayment of the debenture, (ii) HK$16 million used for working capital, and (iii) HK$1 million used for investment in catering business.

(2) Issue of HK$10,000,000 convertible bonds under general mandate

On 5 January 2018, the Company entered into a placing agreement with a placing agent in relation to placing of up to HK$10,000,000 convertible bonds to independent investors under general mandate for fund raising purpose. The initial conversion price of the convertible bonds was HK$0.197 represented a discount of about 9.63% to the closing price of HK$0.218 on 5 January 2018. On 23 January 2018, the Company completed the placing of HK$10,000,000 convertible bonds. The convertible bonds are convertible into 50,761,421 Shares based on the initial conversion price. The gross proceeds and net proceeds from the placing amounted to about HK$10 million and HK$9.63 million respectively. The net proceeds are intended to be used in investment in catering business and as at the date of this report, funds of about HK$3.85 million have been utilized for such purpose and funds of about HK$5.78 million remain unutilized.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

(1) all material controls, including but not limited to financial, operational and compliance controls;

(2) risks management functions; and

(3) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The Company has engaged the Independent Internal Control Consultant to review and improve the effectiveness of the Group's internal control system. The Internal Control Consultant has issued an internal control review report to the Company, which has identified a number of internal control issues and deficiencies of the Group. The Board has reviewed the said report and conducted a review of the Group's internal control system, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies found in the internal control review.

The Audit Committee is satisfied with the Group's internal control system. The system is designed in consideration of the nature of business and the organisation structure. The system is designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the GEM Listing Rules and all other applicable laws and regulations.

The Group will continue to engage external independent professionals to review its internal control system and further enhance its internal control as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

Set out below are (i) the major deficiencies identified by the Internal Control Consultant and the Board; and (ii) the Company's actions.

Major deficiencies	Company's actions
• Monthly autopay statements and bank receipts are signed by the director before proceeding but no signature for the salaries breakdown.	• The Company existing payroll is standardised and no significant changes in these years, so the Company only signed on internal breakdown when there was renewal in salaries. • The Management will sign on bank slip and internal breakdown before proceeding.
• No evidence of appropriate, sufficient and relevant training (internal or external) in the domain of financial reporting and listing rules has been arranged to staff of finance department.	• The Company provided the trainings of Corporate Governance and Regulatory were prepared for the directors. There were seminars held and certificate of attendance issued. • Also, training for MPF and accounting standard renewal were prepared for staffs.
• No evidence that the Group has explicit procedures for the selection of its service providers.	• The Company has compared the price, quality and reputation from different service providers for selection. • Three quotations from different providers will be gained before decision.

After the review of the Group's internal control system, the Directors are of the view that the effectiveness of the Group's internal control system has been improved.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Yan Yee (勞炘儀), aged 66, is the chairman of the Board as well as the factory general manager of the Group. Mr. Lo Yan Yee was appointed as an executive Director on 27 September 2013. He is the founder of the Group and has approximately 40 years of experience in the electronics industry of which he has spent over 27 years in managing his own business. He is responsible for managing and supervising the production teams and engineering teams in the Group's factory operation to ensure that all the environmental, quality, cost, delivery, budget and administration objectives are well achieved. Mr. Lo Yan Yee is also responsible for providing training to the staffs in the factory to enhance their effectiveness and knowledge so as to maximise production efficiency and utilise the labour force effectively. Mr. Lo Yan Yee commenced the work in the electronics industry in 1978, and prior to establishing Echo Electronics Co ("**Echo Co**"), a partnership formed in Hong Kong focusing on electronics manufacturing services, in 1989, he worked in the production department in various electronics companies in Hong Kong and acquired extensive experience in production and management. Mr. Lo Yan Yee finished Form One in 1966. Mr. Lo Yan Yee is the spouse of Ms. Cheng Yeuk Hung and the father of Mr. Lo Ding To.

Ms. Cheng Yeuk Hung (鄭若雄), aged 61, is an executive Director and the chief operation officer of the Group. Ms. Cheng was appointed as an executive Director on 21 December 2010. She is the founder of the Company and has approximately 39 years of experience in the electronics industry of which she has spent over 27 years in managing her own business. She principally oversees the operation of the Hong Kong office. She also regularly communicates with the senior staffs in the factory as well as the suppliers of the Group to understand the trend of procurement. She is responsible for resource allocation in relation to the customers in different market segments. She is also responsible for product pricing management, marketing and business development to manage the profitability of each product manufactured by the Group. Prior to establishing Echo Co in 1989, she had worked in EDAX Industrial Company Limited from 1979 to 1988 as an operation manager whereby she became skilled at business promotion, procurement of raw materials, and resource management in the electronics industry. She finished her secondary education in 1975. Ms. Cheng is the spouse of Mr. Lo Yan Yee, the sister of Mr. Cheng Kwing Sang, Raymond and the mother of Mr. Lo Ding To.

Ms. Zhou Jia Lin, aged 45, was appointed as a non-executive Director on 22 October 2014 and redesignated as an executive Director on 9 May 2017. She has more than 19 years' working experience in the management of investment portfolios. She has been a non-executive non-independent director of Vashion Group Limited whose shares are listed on the Singapore Stock Exchange. She was a director of Lissington Limited from 2003 to 2014 and was responsible for overall management and formulation of business strategies and investment plans in various investment portfolios. She was also a director of Pinnacle Investment Limited from 1998 to 2002, who undertook corporate finance projects and assisted in sourcing for viable businesses to invest in. She has been the sole director and sole shareholder of Blue Ocean Financial Group Limited, and the sole director of Blue Ocean Securities Limited since January 2017 and is responsible for overall management and formulation of business strategies and investment plans in various investment portfolios.

Mr. Leung Kwok Kuen Jacob (梁國權), aged 52, was appointed as a non-executive Director on 7 September 2015 and was redesignated as an executive Director on 25 August 2017. He has developed exposures in the financial industry over the past years. From 2003 to April 2016, he assisted the incorporation of Eternal Pearl Securities Limited ("**Eternal Pearl**") in Hong Kong, a licensed corporation to conduct type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO. Since the incorporation of Eternal Pearl, Mr. Leung has been its Administrative Manager and responsible for overseeing its support operations and planning and organising and implementing its administrative systems. In addition, from December 2013 to February 2018, he has been an independent non-executive director of Industronics Berhad, a company engaged in design, manufacture and installation of electronics and microprocessor controlled products and listed on the main market of the Bursa Malaysia Securities Berhad, since December 2013 and redesignated as Chairman from December 2015. He has been a non-executive non-independent director of Vashion Group Limited whose shares are listed on the Singapore Stock Exchange, since November 2015. Mr. Leung was redesignated as independent non-executive chairman of the board of Vashion Group Limited in March 2018. He is the Chairman of Remuneration and Nomination Committees of the Group.

NON-EXECUTIVE DIRECTOR

Mr. Chan Chun Kit (陳振傑), aged 33, graduated from the University of Exeter with a Bachelor Degree in Business Studies (major in Finance and Economics) in 2009. He was the compliance director of Supreme China Securities Limited, a licensed corporation to conduct type 1(dealing in securities) regulated activity under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**"), from August 2014 to June 2016. He has been a director of Neutron Sun Electronics Limited, an electronics sport equipment and software development company, since October 2012. Mr. Chan worked in Haitong International Securities Company Limited, a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 3 (leveraged foreign exchange trading) regulated activities under the SFO, as an assistant business manager in Forex and Bullion department from December 2009 to February 2013 and as an investment consultant from February 2013 to June 2014.

He was the Responsible Officer of OX Financial Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO from 15 December 2016 to 15 March 2017. He has been the shareholder and director of VisTreasure Asset Management Limited, a licensed corporation to conduct type 4 (advising on securities) and type 9 (asset management) regulated activity under the SFO since 2017, and he is a Responsible Officer of the said type 4 regulated activity. In addition, he is the shareholder and director of VisTreasure Securities Limited, which is fellow subsidiary of VisTreasure Asset Management Limited, a licensed corporation to conduct type 1 (dealing in securities), regulated activity under the SFO. The application for type 1 (dealing in securities) regulated activity under the SFO has been made.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Wai Yuen (林偉源), aged 52, was appointed as an independent non-executive Director on 27 September 2013. Mr. Lam is a member of Hong Kong Institute of Certified Public Accountants. He has over 30 years of experience in the fields of assurance, corporate restructuring and internal control review. He is the managing partner of Eric W.Y. Lam & Company.

Mr. Cheung Chin Wa, Angus (張展華), aged 40, was appointed as an independent non-executive Director on 17 March 2014. He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheung holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Mr. Cheung has extensive experience on corporate governance and company secretarial matters. He has been working in the company secretarial field for more than 10 years and is currently the company secretary of China Agri-Products Exchange Limited (Stock Code: 149) and Easy One Financial Group Limited (Stock Code: 221).

Ms. Zhou Ying (周瑩), aged 35, was appointed as an independent non-executive Director on 29 August 2017. She graduated from the South Western University of Finance and Economics with a Bachelor Degree in Accounting in 2005 and obtained a Master's Degree in Accounting and Finance in Manchester Business School in 2009. Ms. Zhou has worked in the investment banking department of Haitong Securities Co., Ltd. from June 2009 to April 2014 and is currently a vice president in Lilly Asia Ventures.

SENIOR MANAGEMENT

Mr. Cheng Kwing Sang, Raymond (鄭炯生), aged 68, was appointed as an executive Director on 27 September 2013, but he resigned from such position on 22 October 2014. Mr. Cheng is currently the chief executive officer as well as the marketing director of the Group. Mr. Cheng is responsible for conducting market research, delivering product development strategies and implementing marketing plan of the Group. Mr. Cheng is also responsible for analysing market data, technology trends and competitors' pricing to establish pricing strategies. Mr. Cheng joined the Group in 1993 as the CEO and sales director of Echo Co and has approximately 25 years of experience in the electronics industry. Prior to joining the Group, Mr. Cheng worked as a boarding officer in the operation department of Hong Kong Maritime Company Limited from 1967 to 1978, run two restaurants in Belize, Central America from 1978 to 1984, and run a gas station and a restaurant in Youngstown, Alberta, Canada from 1984 to 1990. Mr. Cheng Kwing Sang finished his secondary education in 1966. Mr. Cheng Kwing Sang is the elder brother of Ms. Cheng Yeuk Hung.

Ms. Lui Wing Shan (雷潁珊), aged 38, is the company secretary and the chief financial officer of the Company and she joined the Group in June 2014. She is responsible for the company secretarial function, the review and supervision of the Group's overall internal control systems and accountancy function. She has more than 11 years of experience in accounting, auditing, tax, and consulting and is specialised in auditing and accounting. Ms. Lui holds a bachelor's degree in Business Commerce with a major in Accounting from Hong Kong Shue Yan University in 2005, and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Ms. Lui worked for various accounting firms and specialised in auditing and accounting.

Mr. Lo Ding To (勞碇淘), aged 31, was appointed as an executive Director on 27 September 2013 and resigned on 1 November 2017. Mr. Lo Ding To, a son of Mr. Lo Yan Yee and Ms. Cheng Yeuk Hung, has had ample opportunity and is able to gain first hand knowledge and insight into the management and operation of the Group ever since his childhood through observing how the Group has been and is managed under his parents. While learning from his parents the skill and technique of managing and operating the Group's business operation, he also enjoys the benefit of their guidance and advice. Hence, even before Mr. Lo Ding To joined the Group, he is already well versed in the Group's day-to-day management and business operations. He therefore has an extensive understanding of the Group's overall business needs and compliance requirements. When Mr. Lo Ding To joined the Group in 2009 after his graduation from the University of East Anglia, United Kingdom, on the basis of his early learning and experience as aforesaid, he brought in new ideas about business strategy and operational functions, which help to enhance the production and quality assurance systems of the Group. Mr. Lo Ding To supervised a staff team in the then processing factory and 毅高達電子（深圳）有限公司 (Yi Gao Tech Electronics (Shenzhen) Co., Ltd*) and has been responsible for product development, quality control, production planning, logistics, shipping, warehouse and inventory management, as well as vendor management activities. Mr. Lo Ding To is currently the general manager of the Group and is responsible for overseeing the implementation of the day-to-day manufacturing operations. Mr. Lo Ding To obtained a Bachelor of Science in business management from the University of East Anglia, United Kingdom in 2009.

Ms. Tai Shan Yu, Yoko (戴珊瑜), aged 42, is the purchasing manager of the Group. She has over 19 years of procurement and material control experience. She joined the Group in 1996 as the procurement and material control executive and was promoted to the purchasing manager of the Group in January 2011. She currently leads a team of staff to coordinate the customer quotation and the sourcing of raw materials. She is responsible for (i) developing strategies for reducing the cost of raw materials; (ii) handling supply chain issues and maintaining good relationship with suppliers; (iii) preparing reports on the trend of cost of raw materials; and (iv) monitoring the trends of EMS industry and keeping abreast of the technology changes. Prior to joining the Group, Ms. Tai had worked as a senior clerk in a company engaged in production of chemical products from 1993 to 1995 and was responsible for the procurement of chemical materials. Ms. Tai finished Form Four in 1992.

* For identification purpose only

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also enhancing corporate performance and accountability.

Save as disclosed below, the Company has complied with the code provisions of the Code throughout the year ended 31 March 2018 (the "**Financial Year**").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as it own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the standard set out in the Model Code throughout the year ended 31 March 2018.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors:	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Mr. Lo Ding To (resigned on 1 November 2017) Ms. Zhou Jia Lin Mr. Leung Kwok Kuen, Jacob (appointed on 7 September 2015 and redesignated on 25 August 2017)
Non-executive Director:	Mr. Chan Chun Kit
Independent Non-executive Directors:	Mr. Lam Wai Yuen Mr. Ang Chuk Pai (resigned on 29 August 2017) Mr. Cheung Chin Wa, Angus Ms. Zhou Ying (appointed on 29 August 2017)

The biographical details of the Directors and other senior management are set out on pages 13 to 16 of this report.

THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rule 5.05(2) of the GEM Listing Rules during the Financial Year relating to the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. During the Financial Year, the Company has complied with Rules 5.05A and 5.05(1) of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

BOARD MEETING ATTENDANCE

The attendance records of each member in the Board meetings during the Financial Year are set out as follows:

Name of directors	Number of meetings attended/held
Mr. Lo Yan Yee	14/15
Ms. Cheng Yeuk Hung	13/15
Mr. Lo Ding To (resigned on 1 November 2017)	8/8
Ms. Zhou Jia Lin (appointed on 22 October 2014 and redesignated on 9 May 2017)	15/15
Mr. Leung Kwok Kuen, Jacob (appointed on 7 September 2015 and redesignated on 25 August 2017)	14/15
Mr. Chan Chun Kit	15/15
Mr. Lam Wai Yuen	15/15
Mr. Ang Chuk Pai (resigned on 29 August 2017)	6/8
Mr. Cheung Chin Wa, Angus	14/15
Ms. Zhou Ying (appointed on 29 August 2017)	7/7

ANNUAL GENERAL MEETING

During the Financial Year, the Company held the annual general meeting on 28 July 2017. Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Lo Ding To, Ms. Zhou Jia Lin, Mr. Chan Chun Kit, Mr. Ang Chuk Pai and Mr. Lam Wai Yuen attended such annual general meeting.

Pursuant to code provision A.6.7 of the Code, independent non-executive directors should attend general meetings. Mr. Leung Kwok Kuen, Jacob and Mr. Cheung Chin Wa, Angus were unable to attend the annual general meeting of the Company held on 28 July 2017 due to their other prior engagements.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The management is delegated with the authority and the responsibility by the Board for the day-to-day management, administration and operation of the Group. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are segregated and performed by Mr. Lo Yan Yee and Mr. Cheng Kwing Sang, Raymond, respectively.

RELATIONSHIP BETWEEN THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee are couples. Mr. Lo Ding To is a son of Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee. Mr. Cheng Kwing Sang, Raymond is the elder brother of Ms. Cheng Yeuk Hung.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every 3 years.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung); (ii) 22 October 2014 (in respect of Ms. Zhou Jia Lin who was appointed on 22 October 2014 as non-executive Director and redesignated on 9 May 2017), and (iii) 7 September 2015 (in respect of Mr. Leung Kwok Kuen, Jacob who was appointed on 7 September 2015 as non-executive Director and redesignated on 25 August 2017), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from 30 January 2015 (in respect of Mr. Chan Chun Kit); which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen); (ii) 17 March 2014 (in respect of Mr. Cheung Chin Wa, Angus); and (iii) 29 August 2017 (in respect of Ms. Zhou Ying), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

Pursuant to the code provision A.1.8 of the Code, the Company should arrange appropriate insurance coverage in respect of legal action against its Directors. The Company has arranged the directors and officers liability insurance for its Directors during the Financial Year.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors, namely Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Lo Ding To, Ms. Zhou Jia Lin, Mr. Leung Kwok Kuen, Jacob, Mr. Chan Chun Kit, Mr. Lam Wai Yuen, Mr. Ang Chuk Pai, Mr. Cheung Chin Wa, Angus, and Ms. Zhou Ying participated in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board during the Financial Year. A record of the training for the respective Directors are kept and updated by the company secretary of the Company.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 27 September 2013. The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. During the Financial Year, the Company adopted a whistleblowing policy in order to allow our employees or other stakeholders (e.g. suppliers and customers) of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Lam Wai Yuen, Mr. Cheung Chin Wa, Angus and Ms. Zhou ying. Mr. Lam Wai Yuen is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During 1 April 2017 up to the date of this report, the Audit Committee had reviewed the first quarterly results and report of the Company for the three months ended 30 June 2017, the interim results and report of the Company for the six months ended 30 September 2017, the third quarterly results and report of the Company for the nine months ended 31 December 2017 and the annual results and report of the Company for the year ended 31 March 2018. The Audit Committee also reviewed the Group's internal control system for the year. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the Financial Year, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this report under the GEM Listing Rules. The Group's annual results for the year ended 31 March 2018 had been reviewed by the Audit Committee prior to the submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance records of each member of the Audit Committee meeting during the Financial Year are set out as follows:

Name of members of Audit Committee	Number of meetings attended/held
Mr. Lam Wai Yuen	4/4
Mr. Ang Chuk Pai (resigned on 29 August 2017)	2/2
Mr. Cheung Chin Wa, Angus	4/4
Ms. Zhou Ying (appointed on 29 August 2017)	1/2

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 27 September 2013. The Remuneration Committee currently consists of the two independent non-executive Directors Ms. Zhou Ying Pai, Mr. Cheung Chin Wa, Angus and one executive Director, Ms. Cheng Yeuk Hung. Ms. Zhou Ying is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Board about the remuneration proposals for all Directors and senior management, making recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management. The Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions of the Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance records of each member of the Remuneration Committee during the Financial Year are set out as follows:

Name of members of Remuneration Committee	**Number of meetings attended/held**
Ms. Cheng Yeuk Hung	1/2
Mr. Ang Chuk Pai (resigned on 29 August 2017)	0/1
Mr. Cheung Chin Wa, Angus	2/2
Ms. Zhou Ying (appointed on 29 August 2017)	1/1

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 27 September 2013. The Nomination Committee currently consists of the two independent non-executive Directors Ms. Zhou Ying, Mr. Cheung Chin Wa, Angus and one executive Director Mr. Leung Kwok Kuen, Jacob. Ms. Zhou Ying is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non- executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

During the Financial Year, the Board adopted a Board Diversity Policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All the appointments for the Board members will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

Selection and appointment of new directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, qualifications, skills, knowledge, business and related experience, commitment, ability to contribute to the Board process and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall review the Board Diversity Policy established for implementing diversity on the Board periodically.

The attendance records of each member of the Nomination Committee are set out as follows:

Name of members of Nomination Committee	Number of meetings attended/held
Ms. Zhou Ying (appointed on 29 August 2017)	0/0
Mr. Lo Ding To (resigned on 1 November 2017)	1/1
Mr. Ang Chuk Pai (resigned on 29 August 2017)	0/1
Mr. Cheung Chin Wa, Angus	1/1
Mr. Leung Kwok Kuen, Jacob (appointed on 1 November 2017)	0/0

INVESTMENT COMMITTEE

The investment committee of the Company ("**Investment Committee**") was established on 25 August 2017 and Mr. Chan Chun Kit, Mr. Cheung Chin Wa, Angus and Ms. Lui Wing Shan (Company Secretary and Chief Financial Officer) were appointed as members of the Investment Committee on the same date. Mr. Chan Chun Kit is the chairman of the Investment Committee. The overall objective of the Investment Committee is to monitor and supervise investment affairs of the Company, review and evaluate investment projects, and recommend investment proposals to the Board, in order to facilitate the strategic investment of the Company.

The attendance records of each member of the Investment Committee are set out as follows:

Name of members of Investment Committee	Number of meetings attended/held
Mr. Chan Chun Kit (appointed on 25 August 2017)	2/2
Mr. Cheung Chin Wa, Angus (appointed on 25 August 2017)	2/2
Ms. Lui Wing Shan (appointed on 25 August 2017)	2/2

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties according to the code provision D.3.1 of the Code, which include:

(1) developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

During the Financial Year, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company to comply with the Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review on the system of internal controls of the Group, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies. The major deficiencies of the Group's internal control system and the Company's actions are set out on page 12 of this report.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and minimise risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditors' Report.

Auditors' Remuneration

During the Financial Year, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	450
Non-audit services	7

The accounts for the Financial Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

COMPANY SECRETARY

Ms. Lui Wing Shan ("**Ms. Lui**") was appointed as the company secretary of the Company on 1 June 2014. The biographical details of Ms. Lui are set out under the section headed "Biographical Details of Directors and Senior Management".

Ms. Lui has been informed of the requirement of Rule 5.15 of the GEM Listing Rules, and she confirmed that she had attained no less than 15 hours of relevant professional training during the Financial year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, any one or more members holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, be signed by the requisitionist(s) and deposited to the Board or the company secretary of the Company at the Company's principal place of business at Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the Articles and the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Articles for including a resolution at an EGM. The requirements and procedures are set out above.

The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.echogroup.com.hk.

For the Financial Year, there had been no change in the Company's constitutional documents.

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 March 2018.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands.

Pursuant to the pre-listing reorganisation of the Group ("**Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 March 2013. Details of the Reorganisation were set out in the paragraph head "Reorganisation" in the section headed "History and development" in the Prospectus.

Following the capitalisation issue of 130,000,000 Shares and the placing of 60,000,000 Shares at a price of HK$0.60 per Share, the Company was listed on the GEM on 11 October 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of electronic products and accessories. The principal activities of its principal subsidiaries are set out in note 24 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Financial Year.

An analysis of the Group's performance for the year by segments is set out in note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2018 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 55 to 122.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out in the section headed "Management Discussion and Analysis" on the pages 6 to 11 of the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place of various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that had a significant impact on the business and operations of our Group.

Report of the Directors

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus employee management focuses on recruiting and nurturing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Our Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between our Group and its business partners.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 123.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 29 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 March 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year ended 31 March 2018.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2018 are set out in note 35 and note 32 to the consolidated financial statements and the consolidated statement of changes in equity on page 57, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$16.31 million. The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of revenue for the year ended 31 March 2018 attributable to the Group's major customers and the percentages of purchases for the year ended 31 March 2018 attributable to the Group's major suppliers were as follows:

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 65.57% of the Group's total revenue. The amount of revenue from the Group's largest customer represented approximately 41.07% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 29.06% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 12.53% of the Group's total purchases.

None of the Directors nor any of their close associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 March 2018.

DIRECTORS

The Directors during the year ended 31 March 2018 and up to the date of this report were as follows:

Executive Directors
Mr. Lo Yan Yee *(Chairman)*
Ms. Cheng Yeuk Hung
Mr. Lo Ding To (resigned on 1 November 2017)
Ms. Zhou Jia Lin (appointed on 22 October 2014 and redesignated on 9 May 2017)
Mr. Leung Kwok Kuen, Jacob (appointed on 7 September 2015 and redesignated on 25 August 2017)

Non-executive Director
Mr. Chan Chun Kit

Independent non-executive Directors
Mr. Lam Wai Yuen
Mr. Ang Chuk Pai (resigned on 29 August 2017)
Mr. Cheung Chin Wa, Angus
Ms. Zhou Ying (appointed on 29 August 2017)

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract (an appointment letter in the case of Ms. Zhou Jia Lin) with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung); (ii) 22 October 2014 (in respect of Ms. Zhou Jia Lin who was appointed on 22 October 2014 as non-executive Director and redesignated on 9 May 2017); and (iii) 7 September 2015 (in respect of Mr. Leung Kwok Kuen, Jacob who was appointed on 7 September 2015 as non-executive Director and redesignated on 1 November 2017), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from 30 January 2015 (in respect of Mr. Chan Chun Kit); which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen; (ii) 17 March 2014 (in respect of Mr. Cheung Chin Wa, Angus); and (iii) 29 August 2017 (in respect of Ms. Zhou Ying) which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. The appointment of the Directors is subject to the provisions of the Articles in force from time to time including, but not limited to, the removal provisions and provisions on retirement by rotation and re-election.

Pursuant to the Articles, Ms. Zhou Ying shall hold office until the forthcoming annual general meeting, and Ms. Cheng Yeuk Hung, Mr. Leung Kwok Kuen, Jacob and Mr. Lam Wai Yuen shall retire from their offices as Directors in the forthcoming annual general meeting. They will offer themselves for re-election as the Directors in the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

None of the Directors nor the controlling shareholder of the Company (i.e. Ms. Cheng Yeuk Hung) had any 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 year ended 31 March 2018.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Financial Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

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 with an exercise price of HK$0.15, which is equal to the placing price as defined in the Prospectus.

As at 31 March 2018, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2017	Exercised	Lapsed	Reclassified	Outstanding as at 31 March 2018	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	2.19%
Ms. Cheng Yeuk Hung	22,800,000	–	–	–	22,800,000	11 October 2016– 11 October 2023	2.19%
Mr. Lo Ding To *(note)*	12,000,000	–	–	(12,000,000)	–	11 October 2016– 11 October 2023	–
Directors	57,600,000	–	–	–	45,600,000		4.38%
Employees	22,400,000	–	–	12,000,000	34,400,000	11 October 2016– 11 October 2023	3.31%
	80,000,000	–	–	–	80,000,000		7.69%

Note: Mr. Lo Ding To resigned as a Director on 1 November 2017 but he remains to be an employee of the Group. As such, 12,000,000 share options granted to him were reclassified under the category of "Employees" in the above table.

Share Option Scheme

During the year ended 31 March 2018, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 31 March 2018, 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 of the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Personal interest	169,560,000	17.66%
Mr. Lo Yan Yee	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	Personal interest	Options	22,800,000
(executive Director)	Interest of spouse	Options	22,800,000
			45,600,000
Ms. Cheng Yeuk Hung	Personal interest	Options	22,800,000
(executive Director)	Interest of spouse	Options	22,800,000
			45,600,000
Mr. Cheng Kwing Sang, Raymond (chief executive officer)	Personal interest	Options	22,400,000

Save as disclosed above, as at 31 March 2018, 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 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 31 March 2018, 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/ Lending Pool
Adamas Asset Management (HK) Limited	Investment manager	66,338,000	6.91%	Long position

Save as disclosed above, as at 31 March 2018, the Directors are not aware of any other persons (other than a director or chief executive of the Company) 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2018.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in note 13 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performances.

CONFIRMATION OF INDEPENDENCE

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The consultancy fee paid to Vashion Assets Management Limited, the sales to, purchase of property, plant and equipment from and rental paid to Mobile Computer Land Limited and the remuneration to the Directors as disclosed in note 36 to the consolidated financial statements constituted continuing connected transactions under Chapter 20 of the GEM Listing Rules, and are exempt from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Other than that, the Directors are not aware of any related party transactions as disclosed in note 36 to the consolidated financial statements that constituted a connected transaction or a continuing connected transaction of the Group under the GEM Listing Rules.

COMPETING BUSINESS

For the year ended 31 March 2018, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close 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.

COMPLIANCE OF DEED OF NON-COMPETITION

Ms. Cheng Yeuk Hung (the "**Controlling Shareholder**") had entered into a deed of non-competition dated 27 September 2013 (the "**Deed of Non-Competition**") in favour of the Company (for itself and on behalf of its subsidiaries), pursuant to which the Controlling Shareholder had undertaken, among others, (i) she would not, and would procure her close associates not to, except through their interests in the Company, participate in, acquire or hold any right or interest or otherwise be interested, involved or engaged in or concerned with, directly or indirectly, any business which will or may compete with the businesses engaged by the Group (the "**Restricted Business**"); and (ii) if any business opportunity, which would cause the Controlling Shareholder and/or any of her close associates to be directly or indirectly engaged or interested in any Restricted Business, has come to her attention, she would promptly notify the Company in writing and refer such business opportunity to the Company for consideration and provide such information as may be reasonably required by the Company in order to make an informed assessment of such business opportunity.

Details of the Deed of Non-Competition are set out in the section headed "Controlling, Substantial and Significant Shareholders — Deed of Non-Competition" of the Prospectus.

In order to ensure the Controlling Shareholder has complied with the Deed of Non-Competition, the following actions have been taken:

(1) the Company has enquired the Controlling Shareholder, from time to time, on whether she or any of her close associates has engaged in any business which competes or might compete with the business of the Group before publication of its quarterly, interim and annual reports, and the Company has gained an understanding from the Controlling Shareholder that she or any of her close associates has not engaged in any business which compete or might compete with the business of the Group, which had been disclosed in the Company's quarterly, interim and annual reports;

(2) the Company has required the Controlling Shareholder to give confirmation to the Company on an annual basis as to whether she and her close associates have complied with the Deed of Non-Competition;

(3) the Controlling Shareholder has provided to the Company such written confirmation in respect of the compliance with the Deed of Non-competition by her and her close associates during the Financial Year; and

(4) the independent non-executive Directors of the Company have reviewed the status of compliance by the Controlling Shareholder with the undertakings in the Deed of Non-Competition during the Financial Year and confirmed that, so far as they can ascertain, the Controlling Shareholder has complied with the Deed of Non-competition.

As at 31 March 2018, the Company is not aware of any other matters regarding the compliance of the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company, and there has not been any change in the terms of the Deed of Non-Competition during the Financial Year.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 18 to 25 of this report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2018 and up to the date of this report.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Lo Yan Yee
Chairman

Hong Kong, 21 June 2018

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This is the first report presents the corporate social responsibility performance of Echo International Holdings Group Limited (stock code: 08218) (the "**Company**") during the Financial Year.

Reporting scope: This report covers the operations of the Company and its subsidiary 毅高電子(深圳)有限公司 (collectively, the "**Group**") in Hong Kong and the PRC.

Reporting period: 1 April 2017 to 31 March 2018.

Report release cycle: This is a yearly report published concurrently with the Company's annual report.

Report references: This Report is prepared pursuant to the revised "Environmental, Social and Governance ("**ESG**") Reporting Guide" issued by The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in December 2015.

2. BACKGROUND OF THE GROUP

The Group is engaged in electronics manufacturing services (EMS) in Hong Kong since 1989 and was listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange on 11 October 2013.

The Group is an EMS provider incorporated in Hong Kong and is principally engaged in the manufacturing and trading of electronic products and accessories. The Group provides integrated manufacturing services, including provision of design verification, procurement, manufacturing, assembly, testing and inspection, packaging and after-sales services for its brand customers. The Group's products mainly include PCB assemblies used in beauty related products, fishing related products, security related products and other electronic related products, e.g. hair remover, starter, control board, charger board and other miscellaneous electronic products. In addition, the Group also provides a one-stop manufacturing and assembly services of electronic products such as security alarm, buzzer, fire alarm, massage toner, fishing indicator and communicator.

3. PRINCIPLE OF THE GROUP'S SOCIAL RESPONSIBILITY

The Group is committed to support corporate sustainable development with efforts to implement various policies and measures in daily operations so as to reduce the Group's impact on the environment and the society.

4. RELATIONSHIPS WITH STAKEHOLDERS

We welcome comments and suggestions from readers on this report. All of the comments and suggestions from our customers, business partners, the public, the media or social groups will help determine and reinforce the Group's future sustainability strategies. Please feel free to give us feedback through the following ways:

Echo International Holdings Group Limited
Address: Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Telephone: (852) 2412 0878
Facsimile: (852) 2415 4249
Email address: info@echogroup.com.hk

Listening to our stakeholders' opinions on an effective and continuous basis and responding to their concerns is vital for the stable business development and the fulfillment of our corporate social responsibility. Therefore, we obtain an in-depth understanding of the concerns of different stakeholders, and take into account their opinions in developing our sustainability strategies. We also build a relationship based on mutual trust and mutual benefit with our stakeholders so as to achieve business objectives and realise sustainable development. Set forth below are the principal communication channels we used to communicate with our stakeholders.

Key stakeholders and means of communications:

Key stakeholders	Principal communication channels
Shareholders	Company's website Annual reports and interim reports Annual general meetings and other general meetings Press releases, announcements, financial and other information in relation to the Company and its business
Staff	Newsletters to the staff Company's intranet
Customers	Visits and meetings Telephone conferences Customer surveys Exhibitions
Suppliers and contractors	Tendering process Regular meetings
Community	Volunteer activities Charity events

5. COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

Pursuant to the general disclosure requirements in all aspects set out in the "ESG Reporting Guide", the Group adopts the "comply or explain" approach to fulfil the disclosure obligation under relevant laws and regulations with significant impact . As at 31 March 2018, the Group did not violate the relevant laws and regulations with significant impact on the Group in all aspects.

6. DETAILS OF ENVIRONMENT AND SOCIETY

A. Environment

Environmental protection

Management principles and policies

The Group has been committed to practising environmental protection and promoting sustainable development. We has endeavored to reduce irrecoverable damages to the environment resulted from the Group's operations by implementing environmental management measures covering various aspects such as carbon emissions reduction, energy saving and green procurement. Meanwhile, the Group also requires all departments to strictly comply with its internal environmental management system to ensure compliance with the relevant laws and regulations and fulfillment of its responsibilities on environmental protection.

The Group strictly complies with all applicable environmental laws and regulations. During the reporting period, there was no case of prosecution against the Group in relation to the violation of environmental laws.

A1 Pollution control

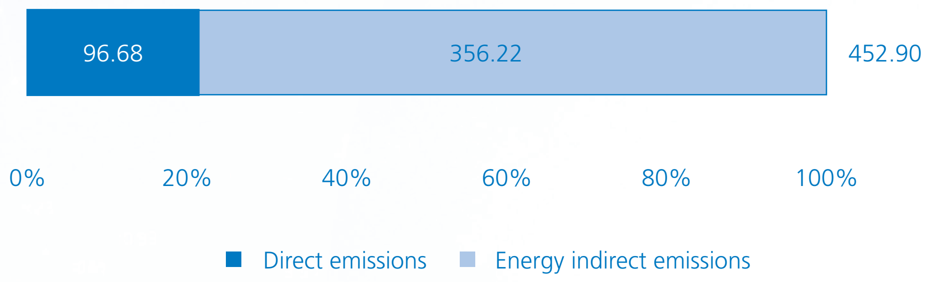
Responses to climate change

The Group has been paying attention to climate change issues when developing its business. We aim at reducing energy consumption and greenhouse gas footprint as well as mitigating the impacts of climate change through the implementation of regional procurements, the use of environmentally-friendly materials and the optimisation of manufacturing process.

As the Group is aware that business trips will increase the environment footprint of an organization, we prefer to use network communications or video conferences, with an aim of reducing massive greenhouse gas emissions produced by transportation such as airplanes. Moreover, in order to reduce energy consumption and greenhouse gas emissions resulted from additional transportation, we have formulated the regional procurement policy. Local suppliers shall be selected in first priority subject to its fulfillment of our requirements.

The Group has been adopting new technologies and equipment so as to increase productivity and enhance the environmental protection performance in terms of reducing energy consumption and carbon emissions. Previously, our plants have undergone a complete replacement of air-conditioning equipment with variable frequency drives and used refrigerants which can reduce the damages to the ozone layer. Electromagnetic stoves are used in our kitchens to replace gas stoves, thereby reducing atmospheric pollution and greenhouse gas emissions.

During the reporting period, the Group's total greenhouse gas emissions are as follows:



Greenhouse gas emissions (tonnes of carbon dioxide equivalent)

Direct emissions	Energy indirect emissions (tonnes of carbon dioxide equivalent)	Total greenhouse gas emissions
96.68	356.22	452.90

Waste management

The Group attaches great importance to waste management. For the management of non-hazardous waste, the Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy with an aim of realising "zero" emission, so that our waste management commitment can be met. On the other hand, all of our hazardous solid waste will be properly stored and labeled. In order to strictly comply with relevant laws and regulations, we engage companies which are qualified to process and recycle hazardous solid waste when the amount of waste stored reaches a certain level.

Set forth below is the total amount of waste produced during the reporting period:

Categories of waste	Total amount of waste produced for the year
hazardous waste	100 kilogrammes
non-hazardous waste	54 tonnes

Wastewater discharge reduction

The Group strives to deal with sewage discharge in a responsible manner. All wastewater will be reused as much as possible after being recycled so as to reduce discharge and to save water resources. During the reporting period, we optimised the manufacturing process so that the circuit boards no longer need cleaning; as a result, sewage discharge was reduced effectively. When there is a need for sewage discharge, we will discharge the sewage into the municipal sewage pipes in compliance with the requirements of environmental protection laws.

A2 *Making good use of resources*

In order to use all resources, including energy, water and other natural resources, in a more effective and prudent way, we have formulated a series of policies to provide our staff with more specific advices and measures on energy and water saving management.

Energy saving and consumption reduction

The Group has been committed to enhancing its environmental performance by reducing energy consumption. In order to further reduce energy consumption, the Group conducted numerous customerised energy saving reforms in the past. For example, we reformed the lighting system by replacing the original lighting with 300 LED lighting. It was estimated that over 2,400 kWh of electricity (i.e. approximately 2.08 tonnes of carbon dioxide equivalent) was reduced for the year. For the cooling process of plastic injection moulding machines, we replaced the air cooling system with water cooling system to increase and accelerate the cooling effect with lesser energy consumption. Air-conditioning heat pump system is used in our new plants to provide hot water to our staff quarters so as to reduce the massive consumption of natural resources. Meanwhile, we examine the status of each of our equipment on a regular basis so that repairing and maintenance works can be conducted in a timely manner, hence, the energy waste due to ageing machinery can be reduced.

Water conservation and efficiency enhancement

In order to cherish the precious water resources, we have actively introduced the concept of water conservation to our staff and reinforced the maintenance, inspections and management of water-consuming equipment, with an aim to achieve the objective of water conservation. We will carry out inspections in the water-consuming areas of the park from time to time to prevent water wasting due to facility damages. The Group will also monitor and analyse its monthly water consumption condition on a regular basis for formulating more effective water conservation plans and measures to ensure that its water conservation goals will be achieved.

Paper use reduction

We have set up our company e-mail, established our enterprise resource planning (ERP) system and human resources system, and developed network communications through creating corporate WeChat groups. Besides, we have also established a file server for storing all internal information and statistics, which can be accessed by our staff with authorisation of the Company. By implementing the above control measures, it is believed that the use of paper can be reduced and a paperless office can be realised.

During the reporting period, the major types of resources consumed in the operation and production course of the Group are summarised as follows:

Resources	Unit	Total consumption
Electricity	kilowatts-hour	410,578.00
Gasoline consumed by cars	liters	45,163.65
Water	cubic meters	7,345.00
Plastics used for packaging	tonnes	0.394
Paper used for packaging	tonnes	12.567

A3 Green operation

In order to fulfill its due corporate social responsibilities, the Group has formulated green office policies and management measures, and actively integrated environmental responsibility into its daily operations to reduce the impacts on the environment and the consumption of natural resources, thereby promoting the concept of environmental protection amongst various aspects of the supply chain.

Green offices

The Group promotes its environmental protection related policies through internal trainings and bulletin boards, aiming to raise the staff's awareness of environmental protection, and conducts regular inspections on the Company's operating environment to assess potential risks and formulate corresponding countermeasures for improvement. During the reporting period, we adopted the following measures for green offices:

- Advocate the use of double-sided paper and other measures to save office supplies;
- Refuse to use disposable tools at meals to reduce the load on waste disposal;
- Purchase sustainable foods from the market and refuse to use ecologically destructive foods;
- Adjust the temperature of air-conditioners to 25 degrees or above to ensure a comfortable working environment and to save energy at the same time;
- All machines are required to be turned off during non-office hours and daily inspections are conducted after work;
- Reminders on water and electricity conservation are posted at prominent positions at the place of operation to remind the staff to save energy and resources;
- Purchase equipment and machines with higher energy efficiency based on the information indicated on energy labels to reduce energy consumption.

Green operation

The Group gives priority to the development and selection of materials, products and services that will not cause severe damages to the environment. Since 2005, the Group started to use materials that meet the requirements under the Restriction of Hazardous Substances (RoHS) Directive as raw materials for production, which limit the use of certain hazardous substances in electrical and electronic devices. Besides, as part of the management procedures, we require our suppliers to sign letters of guarantee to ensure the products and materials they provided are in compliance with relevant environmental laws and the Group's requirements. We hope that the implementation of environmental protection policies and measures in the supply chain will raise stakeholders' awareness of environmental protection.

B. Society

B1 People-oriented

Management principles and policies

The Group is firmly committed to fulfilling its social responsibilities in the course of business development. We are dedicated to provide our employees and customers with the best possible offers. With an aim of providing the safest and most reliable products, we implement various plans and measures. Meanwhile, we have also actively participated in and sponsored meaningful community programmes and events so as to create a better society.

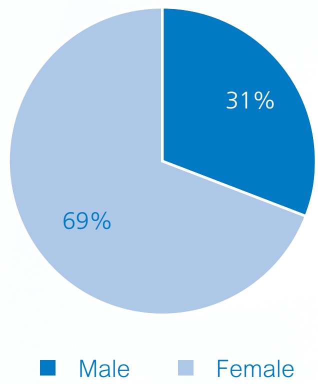
Growth on win-win basis

Management principles and policies

We have always been aiming for "An Excellent Employer" and committed to providing our employees with a harmonious and safe working environment where each of them will be respected. We have also arranged training courses and provided career development opportunities to our employees as appropriate so that they can pursue excellence at work. Besides, we review and improve relevant policies on a regular basis to ensure that we comply with local laws and industry standards.

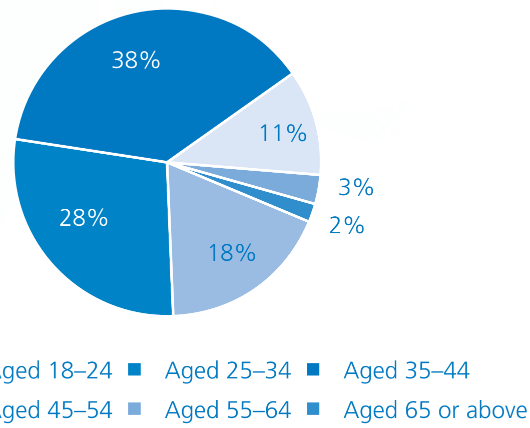
During the reporting period, there were not any irregularities or complaints in relation to discrimination or recruitment being discovered or received by the Group.

Information about the Group's employees for the past year is summarised as follows:



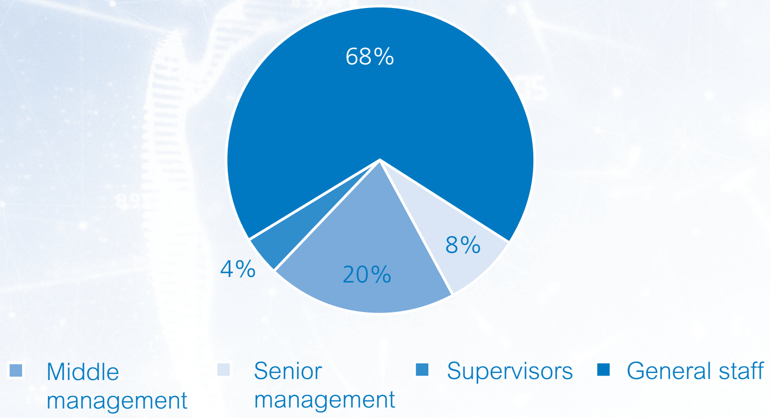
Breakdown of employees by gender

Male	51
Female	112



Breakdown of employees by age

Aged 18–24	30
Aged 25–34	46
Aged 35–44	62
Aged 45–54	18
Aged 55–64	4
Aged 65 or above	3



Breakdown of employees by position

Senior management	12
Middle management	33
Supervisors	7
General staff	111

Equal opportunity and diversity

We adhere to the principle of equal employment and offer diversified and equal employment opportunities. We recruit employees based on respective job requirements by reference to individual applicant's working experience and personal capabilities. We will not discriminate against and reject an applicant due to the factors such as gender, age, ethnicity and physical condition.

The Group provides employees with a clear promotion path. Our job descriptions elaborate the promotion criteria for each position. We will provide promotion opportunities based on the principle of "suitable personnel for appropriate position" and the actual situation so as to ensure that our employees have corresponding development opportunities at different stages. When reviewing the promotion of an employee, reference is made to the employee's performance assessment, experience and personal capability.

Rights and interests protection

We have entered into employment contracts with our employees according to the local employment laws and regulations to protect employees' statutory rights and interests, and have provided our employees with medical insurance and minimum wages according to the requirements of the laws. Our employees are also entitled to benefits such as paid holidays, sick leave, work-related injury leave and maternity leave. In addition, the Group has always determined the remuneration of its employees based on the principal of fairness by reference to the employee's individual performance and prevailing market practices. We assess the salary range of different positions according to the government policies and external conditions on an annual basis and make adjustments when necessary. Regarding the dismissal policy, the Group will dismiss an employee and pay any related compensation according to relevant national laws.

Employee benefits

The Group considers its employees as the most important family members and hopes that they can work together with the Group in a safe and stable environment to achieve success in the future. Therefore, in addition to basic rights and interests, we have also prepared comprehensive benefit package for our employees so that their basic necessities of living can be taken care of.

Welfare	Prepare birthday presents for our employees' birthday Provide our employees with living quarters for free Provide free meals and offer various kinds of cooling drinks such as dessert soup and Chinese herbal tea depending on seasons and weather
Additional marriage and parenting benefits	Provide 170 days of maternity leave for our female employees giving birth Provide 15 days of paternity leave for our male employees who are going to have new born babies
Benefits for personal safety and insurance	Purchase additional inpatient medical insurance for our employees to enable them to enjoy medical services at lower cost and purchase social insurance for our employees working at domestic factories in the PRC Purchase pension insurance for our current employees so that they can maintain their retirement life with the monthly pensions paid when they retire We provide additional pension to retired employees who have worked for 20 years or more in recognition of their contributions over the years
Life balance	Our employees are not encouraged or forced to work overtime so that they can maintain balance between family and work Our domestic factories are equipped with recreational facilities such as basketball courts and badminton courts so that our employees can enjoy better life in their spare time We have adopted employee caring measures such as organizing group tours, arranging extra meals on festivals and holidays and providing psychological counseling services, so as to help them ease working pressure and enhance their sense of belonging to the Company

Employee communication

The Group welcomes and values its employees' opinions. With the efforts made by all of our employees and the help of sub-districts office in the community, our trade union was established in 2012 and has continued to develop. Our employees can make suggestions for the Company at any time via suggestion boxes, mail boxes, telephones and WeChat. In addition, the Group discusses relevant labour issues according to its internal and external environment in the middle of each year with an aim of enhancing relevant employees' benefits.

B2 *Occupational health and safety*

Management principles and policies

We have advocated and upheld the idea of "Safety First" and have endeavored to create the safest and most suitable working environment for our employees and strived in achieving the goal of zero work accident. We have formulated the "Occupational Health System", "Fire Safety System" and "Employee Operation Guidelines" to regulate the Group's management work on occupational safety and health so that its employees can work in good physical condition and with positive attitude.

During the reporting period, the Group was not aware of any violation of local laws and regulations related to occupational health and safety, or any situations involving our employees' loss of lives due to work or loss of working hours due to injuries.

Safety management for our plants

The workshop area in our plants is the core region for our production and also the principal work place for our employees. To ensure that our employees can work in a safe environment, we adopt the most stringent management measures. For example, the inspections within our plants are conducted by our designated personnel. Condition of personal protective equipment is examined and relevant warning labels are posted at high-risk areas. Meanwhile, we have installed forced exhaust system, vacuum cleaning equipment, heat insulation layer and forced ventilation system to protect our employees' health and create a more ideal working environment.

Training on safety

As a responsible employer, we provide employees with adequate training on occupational health and safety so that they will be able to identify high-risk areas in workplace and the response plans, thereby minimising work-related risks, preventing the occurrence of accidents in operation and reducing occupational hazards. Moreover, in order to enable our employees to understand and practice the contingency measures in case of emergency, we arrange different emergency drills every year, such as fire drills and integrated emergency drills.

Safety management at office

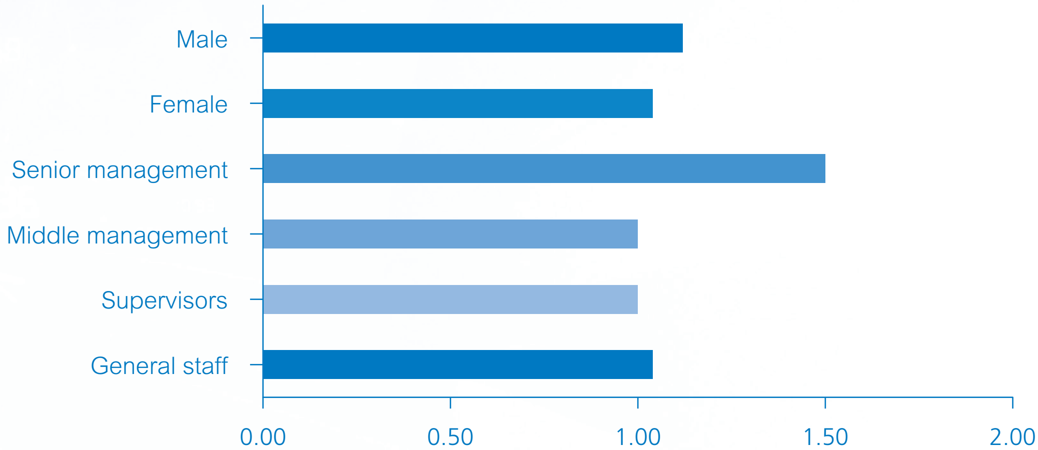
We provide our employees with suitable facilities in our office such as adjustable chairs with handles, the latest training on the operation of display devices, and regular risk assessment of using display devices. In addition to provision of equipment, the Group will provide the newly recruited employees with training on safety at office, so as to raise our employees' safety awareness.

B3 *Career development*

Management principles and policies

The Group believes that the continuous success of a company relies on the essential skills and efforts of all of its employees. Therefore, we attach importance to the cultivation of talents and help our employees enhance their professional capabilities so as to grow together with the Company. We provide pre-employment training for our newly recruited employees, including information about our corporate culture, employee handbooks, job skills and relevant safety knowledge, with an aim of enhancing their understanding of the Company, their position and working environment. In addition, we provide latest courses in relation to skills and management to our employees on a regular basis. In addition, employees may apply for relevant courses held by relevant trade unions or colleges. The Company will consider internal promotion for those employees with good performance when they finish their courses.

The average number of training hours per employee of the Group received during the reporting period is as follows:



average number of training hours per employee

Male	1.12
Female	1.04
Senior management	1.50
Middle management	1.00
Supervisors	1.00
General staff	1.04

B4 Rights and interests protection

Management principles and policies

The Group has been committed to protecting its employees' rights and interests and creating a fair working environment for them. Therefore, the Group strictly prohibits the recruitment of child labour and the use of any forms of forced labour. Upon job recruitment, we check every applicant's identification card and other valid documents for age verification. We strictly verify the identification of each applicant to ensure that relevant information complies with local laws. In case overtime work is needed for completing their tasks, in order to ensure that it is on voluntary basis and under the principle of fairness, employees will fill in overtime application sheets after being informed of the overtime working tasks.

During the reporting period, the Group was not aware of any case in relation to the use of child labour and forced labour.

Operational commitment

B5 Supply chain management

Management principles and policies

The Group has actively strengthened its internal management of sustainable development and would like to exert its influence over the supply chain so as to work with its suppliers, customers and other stakeholders together for sustainable development. The Group has stipulated internal rules to regulate the process of public tender and quotation. The Group will also explain our principles and expectations to our partners and establish effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

Green supply chain

The Group gives first priority to the suppliers with awards or certificates in relation to corporate social responsibility. The scope of corporate social responsibility includes elements such as product and service quality, environmental protection, community involvement and conscientious employer. We require all suppliers to comply with the "Code for Suppliers" prepared by the Group and we assess on annual basis whether the suppliers' performance meets our requirements for corporate social responsibility, product and service quality.

Suppliers' engagement

The Group stipulated new supplier management measures in 2017. The Company will adopt a series of measures to evaluate a supplier's performance and appropriateness before entering into a transaction, with an aim to ensure the suppliers are in compliance with all local laws and regulations as well as the Group's requirements.

The control measures included:

- Conduct sample tests to ensure that the materials provided meet relevant standards for producing safe products with high quality.

- Conduct company background investigations, which include reviewing the relationship between the supplier's management and the Company to prevent conflicts of interest; conducting site inspections to ensure that the supplier will be able to provide suitable services or products that meets relevant standards and prevent the occurrence of fraud; and conducting investigations through the Internet to review the supplier's basic information and past governance performance.

B6 Safe production

Management principles and policies

The Group has been upholding the operating philosophy of "Quality First" and we consider product quality as the key to our business success. Therefore, we are committed to providing customers with quality, healthy and safe products and services in compliance with applicable local and international laws. Since 2000, we have been continuously accredited with the international management standards of the quality management system (ISO 9001).

During the reporting period, the Group has not received any reports or related complaints on product recalls due to safety and quality issues.

Product safety

The Group provides customers with accurate and true information about product quality and safety. The products provided by us are subject to quality inspection and the product quality and safety inspection records can be provided at the request of individual customers. Quality assurance is given for all of our products.

After-sale services

Customer feedback is the major contributor for driving the Group forward, and therefore we maintain good communication with our customers to understand their requirements so as to improve our products and services. Hotline service is also available for customers' enquiries on product details.

Privacy protection for consumers' information

The Group pays attention to information security and confidentiality. Personal data collected and held are properly protected. To prevent leakage of information, we also prohibit our employees from disclosing any confidential or proprietary information to third parties. All of our employees are required to comply with privacy policies regarding personal information and local regulations to protect customers' information.

B7 Corporate governance

Management principles and policies

Good corporate governance is the first line of defense for anticorruption. We will not tolerate any form of corruption, including bribery, extortion, fraud and money laundering. Therefore, in order to establish ethical corporate culture, the Board of the Company is comprised of members from different institutions to jointly monitor the corporate governance of the Company.

During the reporting period, the Group was not aware of any lawsuits involving corruption filed against the Group or its individual employees or any cases regarding corruption.

Prevention and supervision

In order to prevent any corruption, we have established internal code of business ethics. When there are cases of conflict of interest, they must be reported to the human resources department. Anticorruption trainings are provided to management and procurement department which are facing higher risks of conflict of interest to minimise the risk of participating in corruption and bribery activities.

We have also stipulated an equal, open and fair tendering process for the procurement of products or services, which will be reviewed and approved by personnel at different ranks based on the contracted amounts so as to reduce the risk of participating in corruption and bribery activities.

Whistleblowing policy

As part of the anticorruption measures, our employees and relevant parties may report any inappropriate or illegal behaviour such as fraud and corruption to the Group through mail and telephone. All reported cases are kept confidential to protect the interests of the whistleblowers. We will not tolerate any behavior of corruption. Serious cases will be reported to the relevant law enforcement authorities.

B8 *Community contribution*

The Group is well aware that our responsibility lies not only in its direct contribution to the society and economy, but also in our business operations and public welfare projects to broaden the impact and effects on the entire society. The Group welcomes any cooperation with community groups that have similar concepts on corporate responsibility. In the past, we have made donations and sponsorships to support non-profit making organisations to respond the cultural, educational and other social needs. For example, we have attended the Longhua District Green and Clean Production Promotion Conference 2017 (2017年龍華區綠色清潔生產推進會) convened by the Economic Development Bureau of Longhua District (龍華區經濟促進局) in August 2017 to raise the awareness of the community and our employees on environmental conservation.

Summary of data performance

Environment

Pollutants emissions	**Unit**	
Solid waste		
Hazardous waste	kilogrammes	100.00
Hazardous waste intensity	kilogrammes per employee	0.61
Non-hazardous waste	tonnes	54.00
Non-hazardous waste intensity	tonnes per employee	0.33
Greenhouse gas emissions and intensity		
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	452.90
Direct emission	tonnes of carbon dioxide equivalent	96.68
Energy-related indirect emissions	tonnes of carbon dioxide equivalent	356.22
Emission intensity	tonnes of carbon dioxide equivalent per employee	2.78
Energy use		
Power purchased	kilowatts-hour	410,578.00
Power intensity	kilowatts-hour per employee	2,518.88
Gasoline (mobile source)	liters	45,163.65
Intensity of gasoline consumed	liters per employee	277.08
Water	cubic meters	7,345.00
Intensity of water consumed	cubic meters per employee	45.06
Packaging materials		
Plastic	tonnes	0.394
Paper	tonnes	12.567

HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

Independent Auditors' Report

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

TO THE SHAREHOLDERS OF
ECHO INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Echo International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 122, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (Continued)

Key audit matter	
Carrying values of inventories Refer to Note 16 to the consolidated financial statements	
The carrying values of inventories was approximately HK$13,301,000 as at 31 March 2018, with write-down of approximately HK$832,000 for the year ended 31 March 2018 recorded in the consolidated statement of profit or loss and other comprehensive income. The management estimated the net realisable values of the inventories by reference to the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.	Our procedures in relation to management's determination of the carrying values of inventories included: • assessing the appropriateness of the methodologies used by the management for the assessment of the net realisable value of inventories; • assessing, on a sample basis, whether items in ageing report prepared by the management where classified within the appropriate aging bracket of comparing items, and • testing, on a sample basis, the net realisable value of selected inventory items, by comparing the subsequent selling price to year end carrying amount. We found the carrying values of the inventories were supported by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group’s financial reporting process.

AUDITORS’ RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 21 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Revenue	5	**38,324**	41,657
Cost of sales		**(28,679)**	(30,639)
Gross profit		**9,645**	11,018
Other gains or loss	7	**1,068**	918
Selling and distribution expenses		**(1,188)**	(1,596)
Administrative and other expenses		**(23,491)**	(23,130)
Finance costs	8	**(720)**	(1,203)
Loss before taxation	9	**(14,686)**	(13,993)
Taxation	10	**(30)**	–
Loss for the year		**(14,716)**	(13,993)
Other comprehensive income/(loss), net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**997**	(1,061)
Other comprehensive income/(loss) for the year, net of income tax		**997**	(1,061)
Total comprehensive loss for the year		**(13,719)**	(15,054)
Loss for the year attributable to the owners of the Company		**(14,716)**	(13,993)
Total comprehensive loss for the year attributable to the owners of the Company		**(13,719)**	(15,054)
Loss per share			
— Basic and diluted (HK$ cents)	12	**(1.6)**	(1.7)

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	15	**2,585**	1,178
Current assets			
Inventories	16	**13,301**	12,986
Trade receivables	17	**4,728**	4,696
Amount due from a related company	18	**196**	75
Deposits, prepayments and other receivables	19	**6,343**	3,900
Financial assets at fair value through profit or loss	20	**1,737**	–
Pledged time deposits	21	**2,012**	2,010
Cash and bank balances	21	**13,340**	4,617
		41,657	28,284
Current liabilities			
Bank overdrafts	21	**–**	988
Trade payables	22	**3,667**	2,766
Accruals and other payables	23	**2,571**	3,599
Trade deposits received		**1,268**	700
Debenture	25	**–**	8,000
Tax payable		**41**	–
Obligation under finance leases	26	**96**	117
		7,643	16,170
Net current assets		**34,014**	12,114
Total assets less current liabilities		**36,599**	13,292
Non-current liabilities			
Obligation under finance leases	26	**399**	107
Convertible bonds	27	**7,586**	–
Deferred taxation	28	**399**	–
		8,384	107
Net assets		**28,215**	13,185
Capital and reserves			
Share capital	29	**2,400**	2,000
Reserves		**25,815**	11,185
Total equity		**28,215**	13,185

Approved by the Board of Directors on 21 June 2018 and signed on its behalf by:

Lo, Yan Yee
Executive Director

Cheng, Yeuk Hung
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Share capital HK$'000	Share premium HK$'000	Contribution reserve HK$'000 Note 30(a)	Capital reserve HK$'000 Note 30(b)	Share option reserve HK$'000 Note 30(c)	Exchange reserve HK$'000 Note 30(d)	Convertible bonds-equity component reserve HK$'000 Note 30(e)	Accumulated loss HK$'000	Total HK$'000
As at 1 April 2016	2,000	28,840	4,836	(89)	4,769	(153)	–	(12,989)	27,214
Total comprehensive loss for the year	–	–	–	–	–	(1,061)	–	(13,993)	(15,054)
Employee share option benefits (Note 27)	–	–	–	–	1,025	–	–	–	1,025
As at 31 March 2017 and 1 April 2017	2,000	28,840	4,836	(89)	5,794	(1,214)	–	(26,982)	13,185
Total comprehensive income/(loss) for the year	–	–	–	–	–	997	–	(14,716)	(13,719)
Share placing	400	25,680	–	–	–	–	–	–	26,080
Issuance cost on share placing	–	(1,044)	–	–	–	–	–	–	(1,044)
Issuance of convertible bonds	–	–	–	–	–	–	4,242	–	4,242
Issuance cost on convertible bonds	–	–	–	–	–	–	(119)	–	(119)
Deferred tax liability arising from issue of convertible bonds	–	–	–	–	–	–	(410)	–	(410)
As at 31 March 2018	**2,400**	**53,476**	**4,836**	**(89)**	**5,794**	**(217)**	**3,713**	**(41,698)**	**28,215**

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Operating activities			
Loss before taxation		**(14,686)**	(13,993)
Adjustments for:			
Interest income	7	**(7)**	(9)
(Gain)/loss on disposal of property, plant and equipment	7	**(210)**	36
Change in fair value of financial assets at fair value through profit or loss	7	**294**	–
Inventories write down	9	**832**	808
Share based payment	9	**–**	1,025
Finance costs	8	**720**	1,203
Impairment loss of trade receivable	9	**690**	–
Depreciation of property, plant and equipment	9	**444**	503
Operating cash flows before movements in working capital		**(11,923)**	(10,427)
(Increase)/decrease in trade receivables		**(722)**	2,737
(Increase)/decrease in inventories		**(1,147)**	4,089
(Increase)/decrease in deposits, prepayments and other receivables		**(2,443)**	1,787
(Increase)/decrease in amount due from a related company		**(121)**	61
(Decrease)/increase in accruals and other payables		**(1,028)**	360
Increase/(decrease) in trade deposits received		**568**	(235)
Increase in trade payables		**901**	112
Cash used in operations		**(15,915)**	(1,516)
Income tax paid		**–**	–
Net cash used in operating activities		**(15,915)**	(1,516)
Investing activities			
Interest received		**7**	9
Increase in pledged time deposits		**(2)**	(7)
Proceeds from disposal of property, plant and equipment		**426**	9
Purchase of property, plant and equipment		**(1,439)**	(272)
Net cash used in investing activities		**(1,008)**	(261)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Financing activities			
Proceeds from issue of debenture		**–**	8,000
Repayment of debenture		**(8,000)**	(10,000)
Issue of share capital		**26,080**	–
Payment of transaction cost on share placing		**(1,044)**	–
Finance costs paid	30	**(650)**	(1,203)
Repayment of obligation under finance leases		**(341)**	(117)
Proceeds from issue of convertible bonds	27	**10,000**	–
Payment of transaction cost on issue of convertible bonds	27	**(392)**	–
Net cash generated from/(used in) financial activities		**25,653**	(3,320)
Net increase/(decrease) in cash and cash equivalents		**8,730**	(5,097)
Cash and cash equivalents at the beginning of the year		**3,629**	9,718
Effect of exchange rates on the balance of cash held in foreign currencies		**981**	(992)
Cash and cash equivalents at the end of the year		**13,340**	3,629
Analysis of the balance of cash and cash equivalents:			
Being:			
Cash and bank balance		**13,340**	4,617
Bank overdraft		**–**	(988)
		13,340	3,629

1. GENERAL INFORMATION

Echo International Holdings Group Limited was incorporated as an exempted company with limited liability in Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands. The addresses of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business of the Company is Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The shares of the Company are listed on the GEM of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its ultimate controlling shareholder is Ms. Cheng Yeuk Hung ("**Madam Cheng**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the manufacturing and trading of electronic products and accessories and provision of food catering services. The consolidated financial statements are presents in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. All values are rounded to nearest thousands ("**HK$'000**") unless otherwise stated.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

In the current year, the Group has adopted all of the new standards, amendments and interpretations ("**new HKFRSs**") (which included all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2017.

A summary of the new HKFRSs are set out as below:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

Amendments to HKAS 7 — *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other business; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 30, the application of these amendments has had no impact on the Group's consolidated financial statements. Except as described above, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

Amendments to HKAS 7 — *Disclosure Initiative* (Continued)

In the opinion of directors, the application of the new HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not applied the following new HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

HKFRS 9	Financial Instruments[1]
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK (IFRIC)-22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC)-23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRS Standards 2014–2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2015–2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 — *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' ("**FVTOCI**") measurement category for certain simple debt instruments.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

HKFRS 9 — *Financial Instruments* (Continued)

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors anticipate the following potential impact on initial application of HKFRS 9:

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

HKFRS 9 — *Financial Instruments* (Continued)

Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In general, the directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group. However, the directors do not anticipate that the application of the expected credit loss model of HKFRS 9 will have a material impact to the opening retained earnings as at 1 April 2018.

HKFRS 15 — *Revenue from Contracts with Customers*

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The Group's revenue recognition policies are disclosed in note 3. Management has assessed the effects of applying the new standard on the Group's financial statements and does not expect a significant impact on the recognition of revenue.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

HKFRS 16 — *Leases*

HKFRS 16 was issued on 13 January 2016 and is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$18,238,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the management completes a detailed review.

2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (Continued)

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance ("**CO**") and the applicable disclosure provisions of The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of compliance (Continued)

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly venture.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(i) *Sales of goods*

Revenue is recognised when goods are recognised on the transfer of risks and rewards of ownership, which generally considers with the time when goods are delivered to customers and title has passed. Revenue is recognised after deduction of any trade discounts.

(ii) *Subcontracting income*

Revenue from the provision of subcontracting service is recognised when the service are provided.

(iii) *Interest income*

Interest income from a financial asset (other than a financial asset at fair value through profit or loss) is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(iv) *Service income*

Revenue from restaurant operations is recognised when catering services have been provided to the customers.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the leasee. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The functional currency of the Company and its Hong Kong subsidiary is HK$. The functional currency of the People's Republic of China ("**PRC**") subsidiary is Renminbi ("**RMB**"). The consolidated financial statements is presented in HK$ which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the consolidated financial statements of each individual Group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the reporting period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange difference on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign translation reserve (attributable to non-controlling interests as appropriate).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in entity under the heading of exchange reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs (Continued)

As stipulated by the rules and regulations of the PRC, the Company's subsidiary registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirements are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form in integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year end. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively when current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised in the consolidated statements of financial position so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	3–5 years
Computer equipment	3–5 years
Motor vehicles	3–5 years
Mould	3–4 years
Plant and machinery	3–4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average basis and, in the case of work in progress and finished goods, includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognized as an expense in which the reversal occurs.

Provisions

Provisions are recognised when the Group has a present obligation (legal and constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of each of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convertible bonds

Convertible bonds issued by the Group that contain both the liability, conversion option and redemption options components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and embedded derivative. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component and redemption option components from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Note: Convertible bonds issued by the Group are measured at amortised cost, using the effective interest method. Transaction costs are included in the carrying amount of the convertible bonds and amortised over the period of the convertible bonds using the effective interest method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

<u>Financial assets</u>

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on effective basis for debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net loss on financial assets at fair value through profit or loss" line item. Fair value is determined in the manner described in Note 20 and 27.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets

(i) Financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimate future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of financial assets (Continued)

(ii) Other assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, amount due from a related company, other receivables, pledged time deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Other financial liabilities

Other financial liabilities (including trade payables, debentures, convertible bonds other payables, bank overdrafts, borrowings and obligation under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees or points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense as recognised on an effective interest basis.

<u>Derecognition</u>

Financial assets are derecognised when the rights to receive cash flows from the asset expire, or when financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are removed from the Group's consolidated statements of financial position when the obligations specified in the relevant contract are discharged cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties transactions

A party is considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(2) An entity is related to the Group if any of the following conditions applies:

  (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

  (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

  (iii) both entities are joint ventures of the same third party;

  (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

  (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

  (vi) the entity is controlled or jointly controlled by a person identified in (1);

  (vii) a person identified (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

  (viii) the entity, or any member of a group is a part, provides key management personnel services to the group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

A related party transaction is a transfer of resources, services or obligations between reporting entity and a related party, regardless of whether a price is charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's executive directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Share based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(b) Impairment of trade receivables

The Group estimates impairment losses for bad and doubtful debts resulting from inability of the customers to make the require payments. The estimate is based on the aging of the trade receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of the customers were to deteriorate, actual write-offs would be higher than estimated.

(c) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Share based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

(d) Share based payment (Continued)

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

5. REVENUE

The principal activities of the Group are manufacturing and trading of electronic products and accessories. The amount of each significant category of revenue recognised during the year is as follows:

	2018	2017
	HK$'000	HK$'000
Sale of electronic products	**37,609**	41,053
Subcontracting income	**227**	604
Revenue from restaurant operations	**488**	–
	38,324	41,657

6. 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.

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

- indent trading of electronic products;
- manufacturing and trading of electronic products and accessories and subcontracting income; and
- provision of food catering services.

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 intersegment sales for both years.

6. SEGMENT INFORMATION (Continued)

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 purposes 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 operations by reportable and operating segments:

For the year ended 31 March 2018

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Revenue	3,999	33,837	488	38,324
Segment results	1,488	(8,105)	(878)	(7,495)
Unallocated other revenue and gains				732
Unallocated selling and distribution expenses				(708)
Unallocated administrative and other expenses				(6,495)
Loss from operations				(13,966)
Finance costs				(720)
Loss before taxation				(14,686)
Taxation				(30)
Loss for the year				(14,716)

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

For the year ended 31 March 2017

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Total HK$'000
Revenue	2,628	39,029	41,657
Segment results	915	(6,655)	(5,740)
Unallocated other revenue and gains			514
Unallocated selling and distribution expenses			(902)
Unallocated administrative and other expenses			(6,662)
Loss from operations			(12,790)
Finance costs			(1,203)
Loss before taxation			(13,993)
Taxation			–
Loss for the year			(13,993)

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities
As at 31 March 2018

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Segment assets	**603**	**17,697**	**1,425**	**19,725**
Unallocated corporate assets				**24,517**
Consolidated assets				**44,242**
Segment liabilities	**456**	**4,479**	**146**	**5,081**
Unallocated corporate liabilities				**10,946**
Consolidated liabilities				**16,027**

As at 31 March 2017

	Indent trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Total HK$'000
Segment assets	281	17,538	17,819
Unallocated corporate assets			11,643
Consolidated assets			29,462
Segment liabilities	171	3,296	3,467
Unallocated corporate liabilities			12,810
Consolidated liabilities			16,277

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of amount due from a related party, deposits, payments and other receivables); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising certain of borrowings, convertible bonds, bank overdrafts, obligations under finance leases, accruals and other payables).

Other segment information

For the year ended 31 March 2018

	Indent trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results					
Capital expenditure	–	15	1,436	600	2,051
Depreciation of property, plant and equipment	–	306	68	70	444

For the year ended 31 March 2017

	Indent trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results				
Capital expenditure	–	272	–	272
Depreciation of property, plant and equipment	–	307	196	503

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results of segments assets:

For the year ended 31 March 2018

	Indent trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	–	1	–	6	7
Finance costs	–	–	–	720	720

For the year ended 31 March 2017

	Indent trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	–	2	7	9
Finance costs	–	–	1,203	1,203

6. SEGMENT INFORMATION (Continued)

Revenue from major products and services

The Group's revenue from its major products and services are as follows:

	2018 HK$'000	2017 HK$'000
Security alarm	**579**	1,480
Hair remover	**538**	825
Buzzer	**5,695**	4,525
Massage toner	**87**	81
Fishing indicator	**15,984**	11,516
Charger board	**540**	2,763
Control board	**8,526**	7,937
Fire alarm	**590**	3,827
Communicator	**546**	69
Others	**525**	5,402
Manufacturing and trading of electronic products	**33,610**	38,425
Indent trading of electronic products	**3,999**	2,628
Subcontracting income	**227**	604
Revenue from restaurant operation	**488**	–
	38,324	41,657

Geographical information

The Group operates in two principal geographical areas — manufacturing in the PRC and trading and food catering services business in Hong Kong.

The Group's geographical segments are classified according to the location of customers. There are four customer-based geographical segments. Segment revenue from external customers by the location of customer is as follows:

	Revenue from external customers	
	2018 HK$'000	2017 HK$'000
Hong Kong	**4,200**	2,172
Asian Countries, other than Hong Kong (Note a)	**5,089**	4,098
European Countries (Note b)	**22,711**	25,654
North and South American Countries (Note c)	**5,766**	9,150
Others	**558**	583
	38,324	41,657

6. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

Notes:

(a) Asian countries include the PRC, India, Korea, Malaysia, Singapore, Thailand and Taiwan.

(b) European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.

(c) 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 set out below:

	Additions to Non-current assets		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,051**	272	**2,528**	1,023
PRC	**–**	–	**57**	155
	2,051	272	**2,585**	1,178

Information about major customers

For the year ended 31 March 2018, the Group's customer base includes two customers (2017: three customers) with whom transactions have individually exceeded 10% of the Group's revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2018 and 2017.

Revenue from major customers, amounted to 10% or more of the Group's revenue is set out below:

	Revenue from external customers	
	2018	2017
	HK$'000	HK$'000
Customer A	**15,996**	11,516
Customer B	**3,860**	4,531
Customer C (Note (a))	**–**	5,170
	19,856	21,217

Notes:

(a) No information on revenue for the current year is disclosed for this customer since it did not contribute 10% or more to the Group's revenue for the year ended 31 March 2018.

7. OTHER GAINS OR LOSS

	2018 HK$'000	2017 HK$'000
Bank interest income	**7**	9
Net foreign exchange gain	**136**	–
PRC government subsidiaries (Note)	**–**	57
Sundry income	**1,009**	852
Gain on disposal of property, plant and equipment	**210**	–
Change in fair value of derivative financial asset component of convertible bonds (Note 27)	**(294)**	–
	1,068	918

Note: Various governments grant have been received in relation to employee social benefit. There are no unfulfilled conditions or contingencies related to these subsidies.

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest on:		
— Debenture wholly repayable within one year	**483**	1,192
— Convertible bonds wholly repayable within five years (Note 27)	**200**	–
— Bank overdrafts wholly repayable within five years	**4**	–
— Obligation under finance leases	**33**	11
	720	1,203

9. LOSS BEFORE TAXATION

	2018 **HK$'000**	2017 HK$'000
Loss before taxation is arrive after charging/(crediting):		
Staff costs including directors' remuneration	**19,698**	16,213
Contribution to retirement schemes	**850**	866
Share based payment expenses	**–**	1,025
Total staff costs	**20,548**	18,104
Depreciation of property, plant and equipment (Note 15)	**444**	503
Auditors' remuneration		
— Audit services	**450**	450
— Non-audit services	**7**	19
Cost of inventories sold	**28,679**	30,277
Inventories write down (Note (a))	**832**	808
Impairment loss of trade receivables (Note 17)	**690**	–
Operating lease rental expenses	**3,518**	3,838
Net foreign exchange (gain)/loss	**(136)**	60
(Gain)/loss on disposal of property, plant and equipment	**(210)**	36

Note:

(a) The amount is included in administrative expenses.

10. TAXATION

	2018 **HK$'000**	2017 HK$'000
Current tax		
— Hong Kong	**41**	–
Deferred taxation (Note 28)	**(11)**	–
	30	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the year ended 31 March 2017 and 2018.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the year ended 31 March 2018 and 2017.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the year ended 31 March 2018 and 2017.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group has tax losses of approximately HK$3,762,000 (2017: HK$3,744,000) which are available indefinitely for affecting against future taxable profits of the companies in which the losses arose and deferred tax assets have not been recognised in respect of these losses because in the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. TAXATION (Continued)

The tax charge for the year can be reconciled to the loss before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	HK$'000
Loss before taxation	**(14,686)**	(13,993)
Tax at the applicable tax rate	**(2,995)**	(3,117)
Tax effect of non-deductible expense for tax purpose	**93**	1,580
Unrecognised temporary difference	**69**	50
Tax effect of tax losses not recognised	**3,022**	1,487
Tax effect of income not taxable for tax purpose	**(159)**	–
	30	–

11. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2018 (2017: Nil).

12. LOSS PER SHARE

	2018	2017
	HK$'000	HK$'000
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	**(14,716)**	(13,993)

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**912,219,178**	800,000,000
Loss per share		
— Basic and diluted (HK$ cents)	**(1.6)**	(1.7)

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2018 and 2017 because the Company's share options and convertible bonds outstanding during these years were anti-dilutive.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments paid by the Group to the directors and the chief executive officer of the Company during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Directors' fees	**1,031**	1,080
Salaries, allowances and benefits in kind	**3,063**	2,314
Discretionary bonus	**138**	150
Retirement scheme contributions	**57**	53
Share based payment expenses	**–**	1,025
	4,289	4,622

Details for the emoluments of each director of the Company during the year are as follows:

For the year ended 31 March 2018

	Share base payment HK$'000	Directors' fee HK$'000	Salaries allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee *(Chairman)*	–	120	600	40	–	760
Ms. Cheng Yeuk Hung ("**Madam Cheng**")	–	120	600	40	18	778
Ms. Zhou Jia Lin (Note (b))	–	120	674	–	17	811
Mr. Leung Kwok Kuen, Jacob (Note (d))	–	120	434	–	11	565
Mr. Lo Ding To (Note (a))	–	70	245	18	11	344
Non-executive director:						
Mr. Chan Chun Kit	–	120	–	–	–	120
Independent non-executive directors:						
Ms. Zhou Ying (Note (e))	–	71	–	–	–	71
Mr. Cheung Chin Wa, Angus	–	120	–	–	–	120
Mr. Lam Wai Yuen	–	120	–	–	–	120
Mr. Ang Chuk Pai (Note (c))	–	50	–	–	–	50
Chief-executive officer:						
Mr. Cheng Kwing Sang	–	–	510	40	–	550
	–	1,031	3,063	138	57	4,289

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 March 2017

	Share base payment HK$'000	Directors' fee HK$'000	Salaries allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee *(Chairman)*	292	120	600	40	17	1,069
Ms. Cheng Yeuk Hung ("**Madam Cheng**")	292	120	600	40	18	1,070
Mr. Lo Ding To (Note (a))	154	120	514	30	18	836
Ms. Zhou Jia Lin (Note (b))	–	120	–	–	–	120
Non-executive directors:						
Mr. Leung Kwok Kuen, Jacob (Note d))	–	120	–	–	–	120
Mr. Chan Chun Kit	–	120	–	–	–	120
Independent non-executive directors:						
Mr. Ang Chuk Pai (Note (c))	–	120	–	–	–	120
Mr. Cheung Chin Wa, Angus	–	120	–	–	–	120
Mr. Lam Wai Yuen	–	120	–	–	–	120
Chief-executive officer:						
Mr. Cheng Kwing Sang	287	–	600	40	–	927
	1,025	1,080	2,314	150	53	4,622

Notes:

(a) Mr. Lo Ding To has resigned as an executive director on 1 November 2017.

(b) Ms. Zhou Jia Lin has redesignated as executive director on 9 May 2017.

(c) Mr. Ang Chuk Pai has resigned as independent non-executive director on 29 August 2017.

(d) Mr. Leung Kwok Kuen, Jacob has been redesignated as an executive director on 25 August 2017.

(e) Ms. Zhou Ying has been appointed as an independent non-executive director on 29 August 2017.

For the year ended 31 March 2018, there were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join (2017: Nil). There was no arrangement under which the directors and chief executive officer waived or agreed to waive any remuneration during the year (2017: Nil). During the year ended 31 March 2018, none of the directors and chief executive are options under the share option scheme operated by the Company (2017: Nil).

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year are three directors (2017: three) with their emoluments disclosed in Note 13.

The detail of the emoluments of the remaining two (2017: two) highest paid individuals are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**1,292**	1,360
Retirement schemes contributions	**36**	15
	1,328	1,375

The emoluments of the two (2017: two) individuals with the highest emoluments are fell within the following band:

	Number of individuals	
	2018 **HK$'000**	2017 HK$'000
Within HK$1,000,000	**2**	2

(b) Senior Management of the Company

The emoluments of the senior management other than the highest paid individuals of the Group are within the following band:

	Number of individuals	
	2018 **HK$'000**	2017 HK$'000
Within HK$1,000,000	**9**	4

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Furniture & fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Mould HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
As at 1 April 2016	2,933	227	1,659	865	1,238	32	4,603	11,557
Additions	256	2	–	14	–	–	–	272
Written off on disposal	–	–	–	–	(150)	–	–	(150)
Exchange realignment	–	–	(22)	–	(16)	–	(94)	(132)
As at 31 March 2017 and 1 April 2017	3,189	229	1,637	879	1,072	32	4,509	11,547
Additions	1,259	187	18	29	558	–	–	2,051
Written off on disposal	(256)	(2)	–	–	(552)	–	–	(810)
Exchange realignment	–	–	18	–	29	–	171	218
As at 31 March 2018	**4,192**	**414**	**1,673**	**908**	**1,107**	**32**	**4,680**	**13,006**
Accumulated depreciation								
As at 1 April 2016	2,111	206	1,531	800	808	32	4,546	10,034
Provided for the year	202	5	51	41	196	–	8	503
Written off on disposal	–	–	–	–	(105)	–	–	(105)
Exchange realignment	–	–	(11)	–	(7)	–	(45)	(63)
As at 31 March 2017 and 1 April 2017	2,313	211	1,571	841	892	32	4,509	10,369
Provided for the year	240	10	40	29	125	–	–	444
Written off on disposal	(42)	–	–	–	(552)	–	–	(594)
Exchange realignment	–	–	16	–	15	–	171	202
As at 31 March 2018	**2,511**	**221**	**1,627**	**870**	**480**	**32**	**4,680**	**10,421**
Carrying amount								
As at 31 March 2018	**1,681**	**193**	**46**	**38**	**627**	**–**	**–**	**2,585**
As at 31 March 2017	876	18	66	38	180	–	–	1,178

Note: The carrying amount of the Group's property, plant and equipment which was held under finance lease as at 31 March 2018 and 2017 were approximately HK$502,000 and HK$41,000 respectively (Note 26).

16. INVENTORIES

	2018	2017
	HK$'000	HK$'000
Raw materials	**6,298**	7,309
Work-in-progress	**5,832**	5,099
Finished goods	**1,171**	578
	13,301	12,986

17. TRADE RECEIVABLES

	2018	2017
	HK$'000	HK$'000
Trade receivables	**5,418**	4,696
Less: allowances for doubtful debts	**(690)**	–
	4,728	4,696

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for doubtful debts:

	2018	2017
	HK$'000	HK$'000
Within 30 days	**2,813**	4,116
31 to 60 days	**1,528**	92
61 to 90 days	**322**	–
91 to 180 days	**65**	13
Over 180 days	**–**	475
	4,728	4,696

The average credit period on sales of goods ranges from 0 to 90 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

17. TRADE RECEIVABLES (Continued)

The movement in the allowances for doubtful debts during the year, including both specific and collective loss components, is as follows:

	2018	2017
	HK$'000	HK$'000
At 1 April	**–**	–
Impairment loss recognised	**690**	–
At 31 March	**690**	–

Trade receivables disclosed below include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables because there was no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Aging of trade receivables that are past due but not impaired.

	2018	2017
	HK$'000	HK$'000
Within 30 days	**507**	563
31 to 60 days	**229**	629
61 to 90 days	**34**	–
91 to 180 days	**31**	91
Over 180 days	**–**	503
	801	1,786

Receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there was no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18. AMOUNT DUE FROM A RELATED COMPANY

Name of related companies	**2018 HK$'000**	2017 HK$'000
Mobile Computer Land Limited (Note (i))	**196**	75

The maximum amount due from a related party outstanding during the years ended 31 March 2018 and 2017 are as follows:

Name of related companies	**2018 HK$'000**	2017 HK$'000
Mobile Computer Land Limited (Note (i))	**288**	724

Notes:

(i) Mr. Lo Ding Kwong, is the son of Madam Cheng and the shareholder of Mobile Computer Land Limited.

The amount due from a related company is unsecured, interest free and recoverable on demand.

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Deposits paid and prepayments to suppliers (Note (a))	**997**	182
Other deposits paid and prepayments	**5,346**	3,718
	6,343	3,900

Note:

(a) The amount was mainly related to guarantees paid to against other raw materials suppliers to secure a stable supply raw material or requested by such suppliers.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	HK$'000
Redemption option derivative (Note 27)	**1,737**

21. PLEDGED TIME DEPOSITS/CASH AND BANK BALANCE

	2018	2017
	HK$'000	HK$'000
Cash and bank balances	**13,340**	4,617
Pledged time deposits	**2,012**	2,010
Bank overdrafts	**–**	(988)
	15,352	5,639

As at 31 March 2018 and 2017, cash in hand and at bank comprise of following currencies:

	2018	2017
	HK$'000	HK$'000
HKD	**11,950**	1,461
USD	**983**	2,604
RMB	**404**	491
Other	**3**	61
	13,340	4,617

Cash in hand and at bank compose:

In the cash and bank balances at the year ended 31 March 2018 and 2017 mainly include amounts of approximately RMB324,000 and 432,000 (equivalent to approximately HK$404,000 and HK$491,000 respectively) which were not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through bank authorisation to conduct foreign exchange business.

Pledged time deposits:

As at 31 March 2018, time deposits are made for varying periods of between one day and three months depending cash requirements of the Group and carrying fixed interest rate of 0.29% (2017: 0.29%) per annum of approximately HK$2,012,000 (2017: HK$2,010,000) was pledged as collateral for bank facility of the Company.

Bank overdrafts:

The Group's overdrafts facilities amounting to HK$2,000,000 (2017: HK$2,000,000), of which Nil (2017: HK$988,000) has been utilised at the end of the reporting period, are secured by the pledge of the Group's time deposits amounting to HK$2,012,000 (2017: HK$2,010,000).

22. TRADE PAYABLES

Details of the aging analysis base on invoice date are as follows:

	2018 **HK$'000**	2017 HK$'000
Within 30 days	**1,688**	1,600
31 to 60 days	**984**	804
61 to 90 days	**360**	241
91 to 180 days	**305**	50
Over 180 days	**330**	71
	3,667	2,766

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

23. ACCRUALS AND OTHER PAYABLES

	2018 **HK$'000**	2017 HK$'000
Accruals and other payables	**2,571**	3,599

24. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2018 and 2017 are set out as below:

Name of subsidiaries	Place/Principal Place of Operation and date of incorporation	Paid-up capital or registered capital	Percentage of equity and voting power attributable to the Company				Principal activities	Type of legal entity
			Direct		Indirect			
			2018	2017	**2018**	2017		
Echo Asia (Hong Kong) Limited	Hong Kong, 30 June 2015	HK$10,000	**100%**	100%	**–**	–	Investment holding	Limited liability company
Gold Treasure Hung Group Limited	BVI, 6 December 2010	US$10,000	**100%**	100%	**–**	–	Investment holding	Limited liability company
Echo Electronics Company Limited	Hong Kong, 24 December 2003	HK$10,000	**–**	–	**100%**	100%	Trading of electronic products and accessories	Limited liability company
Yi Gao Tech Electronics (Shenzhen) Co., Ltd.	The PRC, 26 May 2011	HK$4,000,000	**–**	–	**100%**	100%	Manufacture of electronic products and accessories	Limited liability company
Echo International Development Limited (Note 1)	Hong Kong, 2 April 2014	HK$10,000	**–**	–	**N/A**	100%	Dormant	Limited liability company
Chiu Cuisine Limited (formerly known as Chiu Cuisine (Hong Kong) Limited)	Hong Kong, 20 October 2017	HK$10,000	**–**	–	**100%**	N/A	Provision of food catering services	Limited liability company
Yuk Cuisine Limited (formerly known as Chiu Cuisine Connoisseur Limited)	Hong Kong, 29 March 2018	HK$10,000	**–**	–	**100%**	N/A	Dormant	Limited liability company

Note 1: Echo International Development Limited had ceased its business on 11 August 2017.

25. DEBENTURE

	2018	2017
	HK$'000	HK$'000
Debenture — due within one year	–	8,000

An analysis of the carrying amounts of the total borrowings by the type is as follows:

	2018	2017
	HK$'000	HK$'000
At fixed rate	–	8,000

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

	2018	2017
	HK$'000	HK$'000
Debenture	–	14.4%

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

On 1 September 2016, the Company issued debenture with total principal amount of HK$8,000,000 bearing fixed interest rate at 14.4% per annum (the "Debenture 2017"), the maturity date of the Debenture 2017 was 28 February 2017. On 1 March 2017, the mature date of the Debenture 2017 was further extended to 31 August 2017. The Company repaid the Debenture 2017 on 31 August 2017.

26. OBLIGATION UNDER FINANCE LEASES

The Group leased the motor vehicles under finance lease. Interest rates underlying all obligations under finance leases are fixed at respective contract rates at 2% (2017:1.85%) per annum for the years ended 31 March 2018 and 2017 respectively.

	2018 **HK$'000**	2017 HK$'000
Minimum lease payments under finance leases		
— within one year	**136**	128
— in more than one year but within five years	**408**	117
	544	245
Less: future finance charges	**(49)**	(21)
Present value of finance lease	**495**	224

	2018 **HK$'000**	2017 HK$'000
Present value of minimum lease payments under finance leases		
— within one year	**96**	117
— in more than one year but not more than five years	**399**	107
	495	224
Less: amount due within one year shown under current liabilities	**(96)**	(117)
	399	107

The Group's obligations under finance leases are secured by the lessor's title to the leased assets, which have a carrying amount of HK$502,000 and HK$41,000 as at 31 March 2018 and 2017 respectively (Note 15).

27. CONVERTIBLE BONDS

The Company issued in aggregate of HK$10,000,000 7.0% convertible bonds on 23 January 2018 (the "Issue Date") and recognised its book as of fair values appraised by an independent financial valuer. The convertible bonds entitle the holders to convert them into a maximum of 50,761,421 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date or (ii) if it is not a business date, the business day immediately before such date (the "Maturity Date") at the initial conversion price of HK$0.197 per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bonds on the Maturity Date at price equal to 100% of the principal amounts of the Convertible Bonds to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bonds after the first anniversary of the issue date of the Convertible Bonds.

27. CONVERTIBLE BONDS (CONTINUED)

The convertible bonds contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 14.28% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of convertible bonds are as follows:

	As at 23 January 2018
Risk free rate	1.72%
Volatility	44.39%
Discount rate	14.09%

The movement of the equity component, liability component and redemption option derivative of the convertible notes for the year is set out below:

	Liabilities component HK$'000	**Equity component** HK$'000	**Redemption option derivative** HK$'000	**Total** HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	–	–	–	–
Issue of convertible bonds	7,733	4,242	(1,975)	10,000
Issuance cost of convertible bonds	(217)	(119)	(56)	(392)
Deferred tax liability arising from issue of convertible bonds (Note 28)	–	(410)	–	(410)
Effective interest charged (Note 8)	200	–	–	200
Interest paid	(130)	–	–	(130)
Change in fair value of derivative financial asset component of convertible bonds (Note 7)	–	–	294	294
At 31 March 2018	7,586	3,713	(1,737)	9,562

As at 31 March 2018, the outstanding principal of the convertible bonds was HK$10,000,000.

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

28. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and the movements thereon during the current and prior year:

	Convertible bonds HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	–
Issuance of convertible bonds	410
Credited to consolidated statement of profit or loss (Note 10)	(11)
At 31 March 2018	399

29. SHARE CAPITAL

	Number of shares ('000)	HK$'000
Issued and fully paid:		
As at 1 April 2016, 31 March 2017 and 1 April 2017	800,000	2,000
Issue of share capital under placing (Note)	160,000	400
As at 31 March 2018	**960,000**	**2,400**

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 regarding the Company's residual assets.

Note: On 18 July 2017, the Company placed 160,000,000 new shares to not less than six places at the placing price of HK$0.163 per placing share with total gross proceeds of HK$26,080,000 and the related issue expenses were HK$1,044,000.

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the group's consolidated cash flow statement as cash flows from financing activities.

	Debenture	Convertible bonds	Obligation under finance lease	Bank overdrafts	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2017 and 1 April 2017	8,000	–	224	988	9,212
Issuance of convertible bonds	–	7,733	–	–	7,733
Issuance cost of convertible bonds	–	(217)	–	–	(217)
Purchase of property, plant and equipments	–	–	612	–	612
Finance cost recognised (Note 8)	483	200	33	4	720
Finance cost paid	(483)	(130)	(33)	(4)	(650)
Financing cash outflows	(8,000)	–	(341)	(988)	(9,329)
As at 31 March 2018	–	7,586	495	–	8,081

31. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 27 September 2013.

As at the date of 30 September 2013, options to subscribe for 20,000,000 shares under the Pre-IPO Share Option Scheme have been granted to the Directors except for the independent non-executive Directors.

The Company has also conditionally adopted the Share Option Scheme. No option has been granted under the Share Option Scheme. The Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

The Eligible Persons of the Share Option Scheme include directors, consultants or advisers and any other person has contributed to the Group (the "**Eligible Persons**"). The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

31. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (Continued)

An offer shall remain open for acceptance by the Eligible Persons concerned for such period as determined by the board of directors, being a date not later than ten business days after the offer date by which the Eligible Persons must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. The Company may grant options to specified participant(s) beyond the 10% limit provided that the options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Persons (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an Eligible Persons would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such Eligible Persons and his associates abstaining from voting.

To quantify the effect of the options granted under the Pre-IPO Share Option Scheme, the Company has engaged an independent external valuer, Roma Appraisals Limited ("Roma") to compute the fair value of the granted options.

The fair value of the options granted under the Pre-IPO Share Options Scheme is determined using Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the Directors' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavior consideration. Expected volatility is based on the average historical volatilities of the comparable over the expected option periods of 6.5 years. Risk free rate is based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary assumptions.

31. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (Continued)

The variables and assumptions used in computation of the fair value of Pre-IPO Share Options Scheme are based on the Directors' best estimate. The value of an option varies with different variables of certain objective assumption.

Inputs into the valuation model

Grant date share price	HK$0.555
Exercise price	HK$0.150
Expected volatility	54.806%
Expected option period	6.542 years
Risk free rate	1.53%
Expected dividend yield	0.00%

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price	Number of Share outstanding 31 March 2016	Effect of share subdivision	Number of share outstanding 31 March 2017	Reclassification of share options during the year	Number of share outstanding 31 March 2018
		HK$	'000	'000	'000	'000	'000
Directors	27 September 2013	0.15	14,400	43,200	57,600	(12,000)	45,600
Employees	27 September 2013	0.15	5,600	16,800	22,400	12,000	34,400
		–	20,000	60,000	80,000	–	80,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
September 2013	11 October 2013 – 10 October 2016	11 October 2016 – 11 October 2023	HK$0.15

The options outstanding at the year ended 31 March 2018 have a weighted average remaining contractual life of 5.53 years (2017: 6.53 years). During the years ended 31 March 2018 and 2017, no share option was granted, exercised, expired or lapsed.

32. RESERVES

The movement of reserves of the Group during the year was shown in the consolidated statement of changes in equity on page 57.

(a) Contribution reserve

Pursuant to the deed of mutual set-off dated 27 September 2013 entered into between Madam Cheng (an executive director, the controlling shareholder and a founder of the Company) and the Company, Madam Cheng agreed to bear the expenses incurred by the Company in connection with the listing to the extent of HK$5.77 million by setting off against the debt of the Company owing to Madam Cheng. According to Conceptual Framework for Financial Reporting 2010 and Hong Kong Accounting Standards 1 (Revised) Presentation of Financial Statements, this represents a transaction between the Company and the controlling shareholder, and the amount will be recognised in equity rather than consolidated statements of comprehensive income prior to the listing.

(b) Capital reserve

The capital reserve of the Group represents the capital contributions by Madam Cheng, a director and controlling shareholder of the Company, to the subsidiaries directly held by Madam Cheng before the reorganisation. The additions during the year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies by the owners of the subsidiaries, which were consolidated from the effective date of acquisition.

(c) Share option reserve

Share option reserve relates to share option granted under the Company's share option scheme and which are reclassified to share capital and share premium when the share option were exercised, and to accumulated losses when the share options were lapsed or expired.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(e) Convertible bonds-equity component reserve

The convertible bonds-equity component reserve represents the value of the unexercised equity component (conversion rights) of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds. If the convertible bonds are not converted at the maturity date, the convertible bonds equity reserve will be reclassified subsequently to profit or loss.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank overdrafts, debenture, obligation under finance leases, convertible bonds and equity attributable to owners of the Company (comprising issued share capital and reserves).

33. CAPITAL RISK MANAGEMENT (Continued)

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The gearing ratio at the end of the reporting period was as follow:

	2018	2017
	HK$'000	HK$'000
Debt	**8,081**	9,212
Equity	**28,215**	13,185
Gearing ratio	**28.6%**	69.9%

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018	2017
	HK$'000	HK$'000
Financial assets		
Financial Assets at fair value through profit or loss		
— Redemption option derivative	**1,737**	–
Amortised costs		
Loan and receivables (including cash and bank balances)		
— Trade receivables	**4,728**	4,696
— Amount due from a related company	**196**	75
— Other receivables	**450**	–
— Pledged time deposits	**2,012**	2,010
— Cash and bank balances	**13,340**	4,617
Financial liabilities		
Amortised costs		
— Trade payables	**3,667**	2,766
— Bank overdrafts	**–**	988
— Convertible bonds	**7,586**	–
— Debenture	**–**	8,000
— Other payables	**13**	6
— Obligation under finance leases	**495**	224

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, pledged time deposits, trade payables, other receivables, other payables, amount due from a related company, cash and bank balances, bank overdrafts, debenture, convertible bonds and obligation under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Company has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Company reviews the recoverable amount of each individual trade debt and debt investments at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

The credit risk on bank balances is limited because the counter parties are banks with high credit ratings. The Group has no significant concentration of credit risks, with exposure spread over a number of counter parties.

Fair value measurements

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 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.

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.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (continued)

Interest rate risk

The cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Company's policy to keep its borrowings at fixed rates of interests so as to minimise the fair value interest rate risk.

The Company has no significant interest-bearing assets except for debenture, obligation under finance leases and convertible bonds, details of which have been disclosed in Notes 25, 26 and 27 respectively.

The Company has no significant interest rate risk during the year.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$, United Stated dollars ("**USD**") and RMB. HK$ is pegged to the USD and the foreign exchange exposures between them are considered limited, therefore, the Group is mainly exposed to the effects of fluctuation in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider the need of hedging significant foreign currency exposures.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

34. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

As at 31 March 2018

	Weighted Average Interest rate	On demand or within one year HK$'000	More than one year but within two years HK$'000	More than two years but within five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivate financial liabilities						
Trade payables	–	3,667	–	–	3,667	3,667
Other payables	–	13	–	–	13	13
Convertible bonds	14.3%	–	–	10,000	10,000	7,586
Obligation under finance lease	2%	136	272	136	544	495
		3,816	272	10,136	14,224	11,761

As at 31 March 2017

	Weighted Average Interest rate	On demand or within one year HK$'000	More than one year but within two years HK$'000	More than two years but within five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivate financial liabilities						
Bank overdraft	0.75%	995	–	–	995	988
Trade payables	–	2,766	–	–	2,766	2,766
Other payables	–	6	–	–	6	6
Debenture	14.4%	8,483	–	–	8,483	8,000
Obligation under finance lease	1.85%	128	117	–	245	224
		12,378	117	–	12,495	11,984

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

(a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Except for the liability component of convertible bonds which recorded at amortised cost as below, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statement of financial position approximate to their fair values.

	31 March 2018	
	Carrying amount HK$'000	**Fair value HK$'000**
Convertible bonds	7,586	7,763

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

As at 31 March 2018, the fair value of convertible bonds of approximately HK$7,763,000. The fair value of liabilities component of convertible bonds was valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See Note 27 for the details information of convertible bonds.

34. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at 31 March 2018. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair Value as at 31 March 2018 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
Financial assets				
Derivative financial instruments: — Redemption option derivative embedded in the Convertible bond	142	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.74%, volatility of 43.65%, and discount rate of 14.19% (note)

Note:

An increase in the discount rate in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond.

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Current assets		
Amount due from subsidiaries	**22,116**	22,148
Deposits, prepayments and other receivables	**304**	111
Pledged time deposits	**2,012**	2,010
Financial assets at fair value through profit or loss	**1,737**	–
Cash and bank balance	**10,964**	16
	37,133	24,285
Current liabilities		
Amounts due to subsidiaries	**934**	934
Accruals	**–**	1,178
Debenture	**–**	8,000
Bank overdrafts	**–**	988
	934	11,100
Net current assets	**36,199**	13,185
Total assets less current liabilities	**36,199**	13,185
Non-current liabilities		
Convertible bonds	**7,586**	–
Deferred taxation	**398**	–
	7,984	–
Net assets	**28,215**	13,185
Capital and reserves		
Share capital	**2,400**	2,000
Reserves (Note)	**25,815**	11,185
Total equity	**28,215**	13,185

Approved by the Board of Directors on 21 June 2018 and signed on its behalf by:

Lo, Yan Yee	**Cheng, Yeuk Hung**
Executive Director	*Executive Director*

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note:

A summary of the Company's reserve is as follows:

	Share Premium	**Contribution reserve**	**Share option reserve**	**Convertible bonds-equity component reserve**	**Accumulated loss**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2016 and 1 April 2016	28,840	4,836	4,769	–	(20,946)	17,499
Total comprehensive loss for the year	–	–	–	–	(7,339)	(7,339)
Share based payment	–	–	1,025	–	–	1,025
As at 31 March 2017 and 1 April 2017	28,840	4,836	5,794	–	(28,285)	11,185
Total comprehensive loss for the year	–	–	–	–	(13,719)	(13,719)
Share placing	25,680	–	–	–	–	25,680
Issuance cost on share placing	(1,044)	–	–	–	–	(1,044)
Issuance of convertible bonds	–	–	–	4,242	–	4,242
Issuance cost on convertible bonds	–	–	–	(119)	–	(119)
Deferred tax liability arising from issue of convertible bonds	–	–	–	(410)	–	(410)
As at 31 March 2018	**53,476**	**4,836**	**5,794**	**3,713**	**(42,004)**	**25,815**

As at 31 March 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$16,308,000 (2017: HK$5,391,000). The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

36. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the financial statements, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant related party transactions during the year, the Group entered into the following transactions with related parties:

Nature of related party transactions

	2018 **HK$'000**	2017 HK$'000
Sales to Mobile Computer Land Limited (Note (i))	**738**	1,016
Rental paid to Mobile Computer Land Limited (Note (i))	**519**	480
Purchase of property, plant and equipment paid to Mobile Computer Land Limited (Note (i))	**3**	–
Consultancy fee paid to Vashion Assets Management Limited (Note (ii))	**1,200**	1,200

Notes:

(i) Its major shareholder is Mr. Lo Ding Kwong, who is the son of Madam Cheng.

(ii) Its director is Ms. Zhou Jia Lin.

For the transactions constitutes continuing connected transactions under the GEM Listing Rules, please refer to "Connected Transactions and Continuing Connected Transactions" under "Report of Directors".

(b) Key management personnel remuneration

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 13 and 14 respectively to the consolidated financial statements, is as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and allowances (including directors' fee)	**7,668**	5,580
Retirement scheme contribution	**151**	121
Share based payment expenses	**–**	1,025
	7,819	6,726

37. OPERATING LEASE ARRANGEMENTS

The Group as leasee

The Group leases its office properties and factory under operating lease arrangements. Leases for the properties are negotiated for terms of two years.

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

	2018	2017
	HK$'000	HK$'000
Within one year	**7,077**	1,040
In the second to fifth years inclusive	**11,161**	–
	18,238	1,040

38. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitments as at 31 March 2018 and 2017.

39. SUBSEQUENT EVENT

Besides elsewhere in financial statement, the Group did not have other material subsequent event.

40. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 21 June 2018.

Financial Summary

For the year ended 31 March 2018

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and the Prospectus, is set out below:

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**38,324**	41,657	58,345	51,807	71,707
(Loss)/profit before taxation	**(14,686)**	(13,993)	(13,880)	(12,631)	(8,150)
Taxation	**(30)**	–	141	–	(571)
(Loss)/profit for the year	**(14,716)**	(13,993)	(13,739)	(12,631)	(8,721)
Attributable to:					
Owners of the Company	**(14,716)**	(13,993)	(13,739)	(12,631)	(8,721)

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**44,242**	29,462	44,383	49,811	56,879
Total liabilities	**(16,027)**	(16,277)	(17,169)	(9,885)	(6,389)
	28,215	13,185	27,214	39,926	50,490
Total equity	**28,215**	13,185	27,214	39,926	50,490