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## **Echo International Holdings Group Limited**

**毅高（國際）控股集團有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8218)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015**

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

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

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

*This announcement, for which the directors (the “**Directors**”) of Echo International Holdings Group Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

## FINANCIAL HIGHLIGHTS

For the year ended 31 March 2015, operating results of the Group were as follows:

- Revenue was approximately HK\$51.81 million, representing an increase of approximately 0.94% from HK\$51.33 million last year. The increase in the Group's revenue was mainly attributable to the increase in revenue generated from the sale of electronic products, especially the increase in the sales of control board, fire alarm and indent trading of electronic product.
- The Group's gross profit margin decreased from approximately 30.64% for the year ended 31 March 2014 to approximately 20.61% for the year ended 31 March 2015 primarily due to the decrease of sales orders in the higher margin products, namely massage toner, communicator and security alarm.
- Loss attributable to the owners of the Company was approximately HK\$12.63 million, whilst the loss attributable to the owners of the Company last year was approximately HK\$8.72 million.
- Basic and diluted loss per share for the year based on weighted average number of ordinary shares were HK6.3 cents (2014: basic and diluted loss per share HK\$5.2 cents).
- The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: Nil).

## RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2015 and the comparative audited figures for the preceding financial year, as follows:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2015*

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Revenue</b>	4	<b>51,807</b>	51,328
Cost of sales		<b>(41,128)</b>	(35,602)
<b>Gross profit</b>		<b>10,679</b>	15,726
Other revenue and gains	6	<b>277</b>	278
Selling and distribution expenses		<b>(2,329)</b>	(1,162)
Administrative and other expenses		<b>(21,189)</b>	(22,920)
Finance costs	7	<b>(69)</b>	(72)
<b>Loss before taxation</b>	8	<b>(12,631)</b>	(8,150)
Taxation	9	<b>—</b>	(571)
<b>Loss for the year</b>		<b>(12,631)</b>	(8,721)
<b>Other comprehensive income, net of tax:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of foreign operations		<b>137</b>	292
Other comprehensive income for the year, net of income tax		<b>137</b>	292
<b>Total comprehensive loss for the year</b>		<b>(12,494)</b>	(8,429)
<b>Loss for the year attributable to the owners of the Company</b>		<b>(12,631)</b>	(8,721)
<b>Total comprehensive loss for the year attributable to the owners of the Company</b>		<b>(12,494)</b>	(8,429)
<b>Loss per share</b>			
— Basic and diluted ( <i>HK cents</i> )	11	<b>(6.3)</b>	(5.2)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<u>1,052</u>	<u>1,444</u>
<b>Current assets</b>			
Inventories		19,981	18,498
Trade receivables	12	9,332	8,961
Amount due from a related company		64	36
Deposits, prepayments and other receivables		7,752	7,100
Pledged time deposits		10,041	—
Cash and bank balances		<u>1,589</u>	<u>20,840</u>
		<u>48,759</u>	<u>55,435</u>
<b>Current liabilities</b>			
Trade payables	13	5,287	1,616
Accruals and other payables		1,538	1,957
Bank overdrafts		704	—
Trade deposits received		1,149	157
Bank borrowings	15	49	1,920
Obligation under finance leases	16	117	117
Current tax liabilities		<u>700</u>	<u>163</u>
		<u>9,544</u>	<u>5,930</u>
<b>Net current assets</b>		<u>39,215</u>	<u>49,505</u>
<b>Total assets less current liabilities</b>		<u>40,267</u>	<u>50,949</u>
<b>Non-current liability</b>			
Obligation under finance leases	16	<u>341</u>	<u>459</u>
<b>Net assets</b>		<u>39,926</u>	<u>50,490</u>
<b>Capital and reserves</b>			
Share capital	14	2,000	2,000
Reserves		<u>37,926</u>	<u>48,490</u>
<b>Total equity</b>		<u>39,926</u>	<u>50,490</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Contribution reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
As at 1 April 2013	100	—	—	(89)	—	321	22,102	22,434
Loss for the year	—	—	—	—	—	—	(8,721)	(8,721)
Other comprehensive income for the year	—	—	—	—	—	292	—	292
Total comprehensive income/(loss) for the year	—	—	—	—	—	292	(8,721)	(8,429)
Capitalisation issue	1,300	(1,300)	—	—	—	—	—	—
Special contribution by shareholder	—	—	4,836	—	—	—	—	4,836
Placing of new shares (net of issuing cost)	600	30,140	—	—	—	—	—	30,740
Employee share option benefits	—	—	—	—	909	—	—	909
As at 31 March 2014 and 1 April 2014	2,000	28,840	4,836	(89)	909	613	13,381	50,490
Loss for the year	—	—	—	—	—	—	(12,631)	(12,631)
Other comprehensive income for the year	—	—	—	—	—	137	—	137
Total comprehensive income/(loss) for the year	—	—	—	—	—	137	(12,631)	(12,494)
Employee share option benefits	—	—	—	—	1,930	—	—	1,930
<b>As at 31 March 2015</b>	<b>2,000</b>	<b>28,840</b>	<b>4,836</b>	<b>(89)</b>	<b>2,839</b>	<b>750</b>	<b>750</b>	<b>39,926</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 1 CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 11 October 2013 (the "Listing Date") (the "Listing").

The principal activities of the Company is investment holding and the principal activities of its subsidiaries (collectively referred to as the "Group") are engaged in the manufacturing and trading of electronic products and accessories.

## 2 STATEMENT OF COMPLIANCE

The consolidated financial statements has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). These financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32). In accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance and applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange ("GEM Listing Rules"). These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to nearest thousand except when otherwise indicated.

## 3 ADOPTION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted all of the new and revised standards, amendments and interpretations ("new and revised HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKASs") and interpretations) issued by the HKICPA that are relevant to its operations and effective for annual periods beginning on or after 1 April 2014.

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

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Novation of Derivatives and Continuation of Hedge Accounting
HK (IFRIC) — Int 21	Levies

### **Amendments to HKFRS 10, HKFRS 12 and HKAS 27 — *Investment Entities***

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

#### **Amendments to HKAS 32 — *Offsetting Financial Assets and Financial Liabilities***

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### **Amendments to HKAS 39 — *Novation of Derivatives and Continuation of Hedge Accounting***

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

#### **HK (IFRIC) — Int 21 *Levies***

The Group has applied HK(IFRIC) — Int 21 *Levies* for the first time in the current year. HK(IFRIC) — Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

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

HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transaction Disclosure <sup>6</sup>
HKFRS 9	Financial Instruments <sup>6</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>3</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>5</sup>
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations <sup>4</sup>
HKAS 1 (Amendments)	Presentation of Financial Statements — Disclosure initiative <sup>4</sup>
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>4</sup>
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants <sup>4</sup>
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contribution <sup>1</sup>
HKAS 27 (Amendments)	Equity method in Separate Financial Statements <sup>4</sup>
HKFRS 10, HKFRS 12 And HKAS 28 (Amendments)	Investment Equities: Applying the consolidation Exception <sup>3</sup>
HKFRS 10, HKFRS 12 And HKAS 28 (2014) (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application permitted.

<sup>3</sup> Effective for first annual HKFRSs financial statements beginning on or after 1 January 2016, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

The directors of the Company anticipate that the application of other HKFRSs will have no material impact on the results and the consolidated financial positions of the Group.

#### 4 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:

	<b>2015</b>	2014
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Sale of electronic products	<b>51,026</b>	50,400
Subcontracting income	<b>781</b>	928
	<b><u>51,807</u></b>	<u>51,328</u>



## 5 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 are as follows:

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

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

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

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 separations by reportable and operating segments:

#### For the year ended 31 March 2015

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>16,808</u>	<u>34,999</u>	<u>51,807</u>
Segment results	<u>1,791</u>	<u>(7,616)</u>	<u>(5,825)</u>
Unallocated other revenue and gains			153
Unallocated selling and distribution expenses			(1,327)
Unallocated administrative and other expenses			<u>(5,598)</u>
Loss from operations			(12,597)
Finance costs			<u>(34)</u>
Loss before taxation			(12,631)
Taxation			<u>—</u>
			<u>(12,631)</u>

For the year ended 31 March 2014

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	—	51,328	51,328
Segment results	—	116	116
Unallocated other revenue and gains			168
Unallocated selling and distribution expenses			(601)
Unallocated administrative and other expenses			(7,807)
Loss from operations			(8,124)
Finance costs			(26)
Loss before taxation			(8,150)
Taxation			(571)
Loss for the year			(8,721)

#### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities from continuing operations by reportable segment:

As at 31 March 2015

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	2,856	40,995	43,851
Unallocated corporate assets			5,960
Consolidated assets			49,811
Segment liabilities	3,544	3,641	7,185
Unallocated corporate liabilities			2,700
Consolidated liabilities			9,885

As at 31 March 2014

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	—	30,172	30,172
Unallocated corporate assets			<u>26,707</u>
Consolidated assets			<u><u>56,879</u></u>
Segment liabilities	—	3,856	3,856
Unallocated corporate liabilities			<u>2,533</u>
Consolidated liabilities			<u><u>6,389</u></u>

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 bank overdrafts, obligations under finance leases, accruals and other payables).

#### Other segment information

For the year ended 31 March 2015

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amount included in the measure of segment results</b>				
Capital expenditure	—	111	—	111
Depreciation of property, plant and equipment	—	270	239	<u><u>509</u></u>

For the year ended 31 March 2014

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Amount included in the measure of segment results</b>				
Capital expenditure	—	398	702	1,100
Depreciation of property, plant and equipment	—	309	147	456
Gain on disposal of property, plant and equipment	—	—	(39)	(39)
	<u>—</u>	<u>—</u>	<u>(39)</u>	<u>(39)</u>

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 2015**

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	—	2	41	43
Finance costs	—	35	34	69
Income tax expenses	—	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

For the year ended 31 March 2014

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	—	4	16	20
Finance costs	—	46	26	72
Income tax expenses	—	571	—	571
	<u>—</u>	<u>571</u>	<u>—</u>	<u>571</u>

## Revenue from major products and services

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Starter	524	634
Security alarm	515	2,834
Hair remover	4,131	4,743
Buzzer	5,409	5,323
Massage toner	2,690	5,159
Fishing indicator	3,738	14,670
Charger board	518	1,189
Control board	10,954	4,272
Fire alarm	4,897	3,914
Communicator	740	1,793
Others	16,910	5,869
	<hr/>	<hr/>
	51,026	50,400
Subcontracting income	781	928
	<hr/>	<hr/>
Total	<u>51,807</u>	<u>51,328</u>

## Geographical information

The Group operates in two principal geographical areas — manufacturing in the PRC and trading 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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	17,572	4,060
Asia Countries, other than Hong Kong ( <i>Note 1</i> )	3,637	3,373
European Countries ( <i>Note 2</i> )	18,833	34,457
United States	9,338	7,651
Others	2,427	1,787
	<hr/>	<hr/>
	<u>51,807</u>	<u>51,328</u>

*Notes:*

1. Asian countries include the PRC, Malaysia, Singapore, and Taiwan.
2. European countries include Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, Ukraine and United Kingdom.

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

	Additions to Non-current assets		Non-current assets	
	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	102	767	597	768
PRC	9	333	455	676
	<u>111</u>	<u>1,100</u>	<u>1,052</u>	<u>1,444</u>

#### Information about major customers

For the year ended 31 March 2015, the Group's customer base includes four customers (2014: two 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 2015 and 2014.

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

	Revenue from external customers	
	2015	2014
	HK\$'000	HK\$'000
Customer A	6,191	9,542
Customer B (Note (a))	—	14,670
Customer C (Note (b))	8,801	—
Customer D (Note (b))	7,873	—
Customer E (Note (b))	7,038	—
	<u>29,903</u>	<u>24,212</u>

Note:

- (a) No information on revenue for the current year is disclosed for this customer since this customer did not contribute 10% or more to the Group's revenue for the year ended 31 March 2015.
- (b) No information on revenue for the last year is disclosed for these customers since none of them contributed 10% or more to the Group's revenue for the year ended 31 March 2014.

#### 6 OTHER REVENUE AND GAINS

	2015	2014
	HK\$'000	HK\$'000
Bank interest income	43	20
Gain on disposal of property, plant and equipment	—	39
Net foreign exchange gain	64	—
Sundry income	170	219
	<u>277</u>	<u>278</u>

## 7 FINANCE COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interests on:		
— Bank borrowings wholly repayable within five years	35	46
— Bank overdrafts wholly repayable within five years	23	—
— Obligation under finance leases	11	26
	<u>69</u>	<u>72</u>

## 8 LOSS BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation is arrived after charging:		
Staff costs including directors' remuneration	16,580	14,731
Contribution to retirement schemes	969	1,425
Share based payment expenses	1,930	909
	<u>19,479</u>	<u>17,065</u>
Total staff costs		17,065
Depreciation of property, plant and equipment	509	456
Auditors' remuneration	450	450
Cost of inventories sold	24,562	32,764
Operating lease rental expenses	3,131	2,982
Listing expenses	100	5,210

## 9 TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
— Hong Kong	<u>—</u>	<u>571</u>

Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for the year ended 31 March 2015 and 2014.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. Taxation arising in other jurisdictions is calculated at the rate prevailing in the relevant jurisdiction.

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 2015 and 2014.

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.

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 2015 and 2014.

No deferred tax liabilities was provided in respect of the tax that would be payable on the distribution of the retained profits as the Group determined that the retained profits as at 31 March 2015 would not be distributed in the foreseeable future.

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:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss before taxation	<u>(12,631)</u>	<u>(8,150)</u>
Tax at the applicable tax rate	(2,084)	(1,345)
Tax effect of non-deductible expense for tax purpose	516	183
Unrecognised temporary difference	176	958
Tax effect of tax losses not recognised	2,004	1,174
Effect of different tax rate of group entities operating in jurisdictions other than Hong Kong	<u>(612)</u>	<u>(399)</u>
	<u>—</u>	<u>571</u>

## 10 DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2015 (2014: HK\$Nil).

## 11 LOSS PER SHARE

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

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
<b>Loss</b>		
Loss attributable to owners of the Company for the purpose of calculating basic loss per share	<u>(12,631)</u>	<u>(8,721)</u>
	<b>2015</b>	2014
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	<u>200,000,000</u>	<u>168,273,973</u>

For the purpose of this report, the calculation of the basic loss per share attributable to owners of the Company for the year ended 31 March 2014 is based on the weighted average number of shares (comprising 10,000,000 shares in issue and 130,000,000 shares to be issued under the capitalisation issue as described in Appendix V "Statutory and General Information" to the Prospectus) as if these 140,000,000 shares were outstanding throughout the year ended 31 March 2014. On 11 October 2013, the Company newly issued 60,000,000 shares as the result of the Listing.

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2015 and 2014 because the Company's share options outstanding during these years were either anti-dilutive or have no potential dilutive effect.



## 12 TRADE RECEIVABLES

### The Group

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Trade receivables	<u>9,332</u>	<u>8,961</u>

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:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
0 to 30 days	6,983	7,641
31 to 60 days	816	715
61 to 90 days	1,278	5
91 to 180 days	101	419
Over 180 days	<u>154</u>	<u>181</u>
Total	<u>9,332</u>	<u>8,961</u>

The average credit period on sales of goods ranging 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.

Trade receivables disclosed above 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 has not been a 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.

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
<b>Overdue by:</b>		
0 to 30 days	1,035	456
31 to 60 days	645	95
61 to 90 days	577	419
91 to 180 days	5	—
Over 180 days	<u>154</u>	<u>180</u>
Total	<u>2,416</u>	<u>1,150</u>

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 has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

### 13 TRADE PAYABLES

#### The Group

Details of the ageing analysis are as follows:

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Within 30 days	4,689	1,446
31 to 60 days	474	85
61 to 90 days	30	46
91 to 180 days	69	26
Over 180 days	25	13
Total	<u>5,287</u>	<u>1,616</u>

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

### 14 SHARE CAPITAL

	2015		2014	
	Number of shares '000	Nominal value <i>HK\$'000</i>	Number of shares '000	Nominal value <i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>10,000</u>	1,000,000	10,000
<b>Issued and fully paid:</b>				
At beginning of year	200,000	2,000	10,000	100
Issue of shares by capitalisation issue	—	—	130,000	1,300
Issue of shares by placing	—	—	60,000	600
At end of year	<u>200,000</u>	<u>2,000</u>	<u>200,000</u>	<u>2,000</u>

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

### 15 BANK BORROWINGS

#### The Group

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
Bank borrowings — secured, due within one year	<u>49</u>	<u>1,920</u>

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

	As at 31 March 2015 <i>HK\$'000</i>	As at 31 March 2014 <i>HK\$'000</i>
At floating interest rate	<u>49</u>	<u>1,920</u>

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

	As at 31 March 2015	As at 31 March 2014
Bank borrowings	<u>2.95%</u>	<u>2.95%</u>

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

Bank borrowing is denominated in Hong Kong dollar with total principal amounts approximately HK\$49,000 (2014: HK\$1,920,000) bearing floating interest rate at 2.95%p.a. below Hong Kong Dollar Best Lending Rate as determined by bank from time to time, subject to amendments at any time at the bank discretion and the carrying amount are approximately to their fair values.

The borrowing is secured by corporate guarantees to the extent of approximately HK\$7,310,000 given by the Group as at 31 March 2015 and 2014.

## 16 OBLIGATION UNDER FINANCE LEASES

The Group has leased the motor vehicles under finance leases. The lease term is 5 years. Interest rates underlying all obligations under finance leases are fixed at respective contract rates, ranged 2% per annum. Obligations under finance lease are denominated in Hong Kong dollars. The obligations under finance leases are secured by the lessor's title to the leased asset.

## 17 COMMITMENTS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	3,354	2,475
In the second to fifth years inclusive	<u>3,843</u>	<u>7,498</u>
	<u>7,197</u>	<u>9,973</u>

The Group did not have any significant capital commitments as at 31 March 2015 and 2014.

## 18 CONTINGENT LIABILITIES

The Group and the Company had no material contingent liabilities as at 31 March 2015 and 2014.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Revenue for the year ended 31 March 2015 was approximately HK\$51.81 million, representing an increase of approximately 0.94% when compared with last year. Loss attributable to owners of the Company for the year ended 31 March 2015 was approximately HK\$12.63 million, whilst the loss attributable to owners of the Company last year was approximately HK\$8.72 million.

Notwithstanding the challenging market conditions encountered during the year, the electronics products and the subcontracting services on PCB assemblies and manufacture of electronic products were still provided to the customers in the Group's principle markets, i.e. the U.S.A. and the European countries including Argentina, Belgium, Bulgaria, Denmark, Finland, France, Germany, Italy, Netherlands, Poland, Russia, Spain, Sweden, Switzerland, Ukraine and United Kingdom.

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

### Sales of Electronic Products

Revenue from this segment during the year ended 31 March 2015 was approximately HK\$51.03 million, representing an increase of approximately 1.25% when compared with last year. Increase in sales of electronics products was mainly due to the increase in sales of control board, fire alarm and indent trading of electronic product.

### Subcontracting Income

Revenue from this segment during the year ended 31 March 2015 was approximately HK\$0.78 million, representing a decrease of approximately 16.13% 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\$12.63 million for the financial year ended 31 March 2015 as compared with the loss of approximately HK\$8.72 million for the financial year ended 31 March 2014. The increase in the loss is mainly due to the decrease in customers' orders, increase in cost of sales, and the recognition of expense in relation to the share options issued under the Pre-IPO Share Option Scheme of approximately HK\$1.93 million for the year ended 31 March 2015 and the increase in the Hong Kong staff salaries of the Group.

During the year ended 31 March 2015, due to the weak economic and business environment in electronic products industry, the customers' order has been starting to decrease in the European countries.

The Group's revenue for the year ended 31 March 2015 was approximately HK\$51.81 million (approximately HK\$51.33 million for last year), representing an increase of approximately 0.94% when compared with last year. Such increase was mainly due to the increase in sales of control board and fire alarm by 156.42% and 25.12% respectively when compared with last year. Increase in sales of control board was a result of increase in orders for higher end products of control board during the year.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2015 was approximately HK\$34.66 million, which increased from approximately HK\$33.24 million for the year ended 31 March 2014, representing an increase of approximately 4.28%. The revenue attributable to the second largest customer for the year ended 31 March 2015 was approximately HK\$7.87 million, which increased from approximately HK\$3.71 million for the year ended 31 March 2014, representing an increase of approximately 112.13%.

The second largest customer mainly ordered control board which attributable to the purchase of control board during the year ended 31 March 2015 was approximately HK\$7.20 million, representing an increase of approximately 148.28% when compared with the figure in last year (i.e. approximately 2.90 million). Such increase in the purchases of control board was mainly due to the reason that such customer is satisfied with our quality of products and after-sales service, thus it shift the purchase order from other EMS manufacturers to us.

Throughout the year ended 31 March 2015, the quantity of products ordered by our customers decreased when compared with the quantity last year, but some factory fixed costs and indirect costs, such as salaries and rents, cannot be reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group increased. Moreover, in order to keep good business relationship with customers under the challenging market conditions, the Group does not mark-up a higher price on its products despite that the cost of production has increased. The Group absorb the cost by generating low gross profit.

The overall gross profit margin of the Group decreased from approximately 30.64% for the year ended 31 March 2014 to approximately 20.61% for the year ended 31 March 2015 primarily due to the decrease of purchase orders in the higher margin products, namely massage toner, communicator and security alarm.

Selling and distribution expense for the year ended 31 March 2015 were approximately HK\$2.33 million (approximately HK\$1.16 million for the year ended 31 March 2014), representing an increase of approximately 100.86%. Such increase was mainly due to the product design fee, advertising and promotional fee amounting to HK\$1.58 million for the year ended 31 March 2015 (approximately HK\$0.60 million for the year ended 31 March 2014).

Administrative expenses for the year ended 31 March 2015 were approximately HK\$21.19 million (approximately HK\$22.92 million for the year ended 31 March 2014), representing a decrease of approximately 7.55%. Such decrease was mainly due to the decrease in the listing expenses by approximately HK\$5.11 million which is partially offset by the recognition of increased expense by approximately HK\$1.02 million in relation to the share options issued under the Pre-IPO Share Option Scheme (as defined hereunder) and the increase in staff costs including director's remuneration by approximately HK\$2.18 million.

Loss attributable to the owners of the Company amounted to approximately HK\$12.63 million for the year ended 31 March 2015 (approximately HK\$8.72 million for the year ended 31 March 2014). Loss per share attributable to owners of the Company was approximately HK6.3 cents for the year ended 31 March 2015 (approximately HK5.2 cents for the year ended 31 March 2014).

To cope with the loss for the financial year ended 31 March 2015, 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 the PRC market has 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 six to seven new toys, beauty and fishing related products to the market in 2015 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.

### **Liquidity, Financial Resources and Capital Structure**

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

As at 31 March 2015, the Group had net current assets of approximately HK\$39.22 million (2014: approximately HK\$49.51 million) including cash and cash equivalents of approximately HK\$1.59 million (2014: approximately HK\$20.84 million) and pledged time deposits of approximately HK\$10.04 million (2014: Nil).

The Group's equity capital and bank borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 March 2015 was 5.11 (2014: 9.35).

As at 31 March 2015, the Group's gearing ratio (defined as the ratio of total debts to total equity) was 3.03% (2014: 4.94%).

There has been no change in the capital structure of the Group during the year ended 31 March 2015 up to the date of this announcement. The capital of the Group mainly comprises ordinary shares and capital reserves. On 11 June 2015, the Board proposes that each of the existing issued and unissued shares of HK\$0.01 each in the share capital of the Company be subdivided into four subdivided shares of HK\$0.0025 each (the "Share Consolidation"). It is expected that the Share Consolidation will take effect from 15 July 2015.

### **Significant Investment**

The Group did not have any significant investment as at 31 March 2015.

### **Dividend**

The Board does not recommend the payment of final dividend for the year ended 31 March 2015 (2014: Nil).

### **Contingent liabilities**

The Group had no material contingent liabilities as at 31 March 2014 and 2015.

### **Charges over assets**

The Group had no charges on its assets.

### **Capital commitment**

The Group did not have any significant capital commitments as at 31 March 2014 and 2015.

## Foreign Currency Exposure

As at 31 March 2015, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2015, the Group did not use any financial instruments for hedging purposes.

## Employees and Emolument Policy

As at 31 March 2015, the Group employed a total of 195 employees (2014: 258 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$19.48 million for the year ended 31 March 2015 (2014: HK\$17.07 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.

## COMPARISON BETWEEN BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

An analysis comparing the business objectives as stated in the prospectus of the Company dated 30 September 2013 (the "Prospectus") for the year ended 31 March 2015 with the Group's actual business progress for the year ended 31 March 2015 is set out below:

<b>Business objectives for the year ended 31 March 2015</b>	<b>Actual business progress for the year ended 31 March 2015</b>
---	--

*Expand and upgrade the production facilities*

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

The Group's existing dormitory is able to satisfy the existing demand from our employees. In short run, the lease and renovate a four-storey dormitory is unlikely to happen. Therefore, the Group have changed the intended use of unutilized Proceed in the sum of HK\$2.99 million and HK\$0.01 million for such purpose to working capital and funding for other general corporate purposes and strengthening the Group's position in its established markets and expanding its customer base as announced by the Company on 3 December 2014 respectively.

- Reconstruct the front gate of the factory

The Group's existing front gate of the factory which is able to satisfy the current purpose of usage. The Group will begin to reconstruct the front gate of the factory when there is a sign of the front gate is deteriorate.

*Set up production facilities for plastic parts*

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

The existing production capacity of the plastic parts is sufficient to satisfy the existing demand of the customers. The Group have changed the intended use of unutilized Proceed in the sum of HK\$2 million for such purpose to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.

**Business objectives for the year ended 31 March 2015**

**Actual business progress for the year ended 31 March 2015**

- Reconstruct a water well to improve environmental protection
  
- Leasehold improvement for environmental protection regarding the treatment of plastic waste
  
- Reconstruct the electric supply system to support the new production facility
  
- Purchase 1 new motor vehicle
  
- Purchase 4 new machines for producing plastic parts

The Group's existing water tower for environmental protection which was built in 2011 is able to satisfy the current demand from the factory production capacity. The Group have changed the intended use of unutilized Proceed in the sum of HK\$0.2 million for such purpose to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.

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

The Group's existing electric supply system is able to satisfy the current demand from the factory production capacity. The Group will begin to reconstruct electric supply system to improve the system when there is a sign of the increase in the production capacity of the factory.

The Group has not yet purchase new motor vehicle. The Group will purchase new motor vehicle when there is a sign of the increase in the production for the plastic parts.

The Group has not started the purchase of 4 new machines for producing plastic parts. The Group have changed the intended use of the unutilized Proceed in the sum of HK\$3 million to strengthen the Group's position in its established markets and expand its customer base as announced by the Company on 3 December 2014.

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

- Participate in trade fairs and exhibitions
  
- Place advertisements on trading magazines and website

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

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



## IPO Proceeds and Use of the IPO Proceeds

The Company received IPO net proceeds of approximately HK\$25.12 million (the “**Proceeds**”). As at 3 December 2014, the Company utilized approximately HK\$2.91 million of the Proceeds, details of which are tabulated below:

<b>Intended use disclosed in the Prospectus</b>	<b>Amount of Proceeds allocated as provided in the Prospectus</b> <i>HK\$ million (approximately)</i>	<b>Utilized amount</b> <i>HK\$ million (approximately)</i>	<b>Unutilized amount</b> <i>HK\$ million (approximately)</i>
Expansion and upgrade of the production facilities	8.85	0.33	8.52
Setting up production facilities for plastic parts	10.20	—	10.20
Strengthening the Group’s position in its established markets and expanding its customer base	3.9	0.41	3.49
Working capital and funding for other general corporate purposes	2.17	2.17	0
<b>Total</b>	<b>25.12</b>	<b>2.91</b>	<b>22.21</b>

During the period from 1 April 2014 up to 3 December 2014, the Company only applied a total of approximately HK\$0.239 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 3 December 2014, the Group was cautious about the expansion in the production facilities, and would like to downsize its plans for expansion and upgrade of the production facilities and setting up production facilities for plastic parts. To effectively utilize its proceeds and improve the return to shareholders, the Company re-allocated the unutilized proceeds in the total sum of HK\$8.20 million originally earmarked for expansion and upgrade of the production facilities and setting up production facilities for plastic parts to strengthening the Group’s position in its established markets and expand its customer base (HK\$5.21 million) and working capital and funding for other general corporate purposes (HK\$2.99 million).

The details of the utilization of the Proceeds during the period from 4 December 2014 up to 31 March 2015 and as at the date of this announcement are as follows:

Intended use disclosed in the Announcement	Amount of the unutilized Proceeds as provided in the Announcement <i>HK\$ million</i> <i>(approximately)</i>	During the period from 4 December 2014 to 31 March 2015		As at the date of this announcement	
		Utilized amount <i>HK\$ million</i> <i>(approximately)</i>	Unutilized amount <i>HK\$ million</i> <i>(approximately)</i>	Utilized amount <i>HK\$ million</i> <i>(approximately)</i>	Unutilized amount <i>HK\$ million</i> <i>(approximately)</i>
Expansion and upgrade of the production facilities	5.52	0.00	5.52	—	5.52
Setting up production facilities for plastic parts	5.00	0.00	5.00	—	5.00
Strengthening the Group's position in its established markets and expanding its customer base	8.70	0.22	1.11 ( <i>Note 1</i> )	0.22	8.48 ( <i>Note 2</i> )
Working capital and funding for other general corporate purposes	2.99	10.36 ( <i>Note 3</i> )	0.00	2.99 ( <i>Note 4</i> )	0.00
<b>Total</b>	<b>22.21</b>	<b>10.58</b>	<b>11.63</b>	<b>3.21</b>	<b>19.00</b>

*Note:*

1. A shortage of approximately HK\$7.37 million.
2. An increase of approximately HK\$7.37 million in the unutilized amount for such purpose as at 31 March 2015.
3. It exceeds the allocated amount by approximately HK\$7.37 million.
4. A reduction of approximately HK\$7.37 million in the utilized amount for such purpose as at 31 March 2015.

In March 2015, due to the inadvertent mistake of the responsible personnel, the Company used approximately HK\$7.37 million from the Proceeds allocated for strengthening the Group's position in its established markets and expanding its customer base for the repayment of bank overdraft to reduce the Company's interest cost, and the amount of the Proceeds used for working capital and funding for other general corporate purpose during such period exceeded its allocated sum by approximately HK\$7.37 million. The chief financial officer of the Company found the misuse of the Proceeds when she noticed that the total sum in the bank accounts of the Group as at 31 March 2015 was below HK\$19 million, the least aggregate amount supposed to be in such bank accounts. Having identified the aforementioned situation, the Company has withdrawn approximately HK\$7.37 million from its bank overdraft in April 2015 to restore the amount of the unutilized Proceeds allocated for strengthening the Group's position in its established markets and expanding its customer base from approximately HK\$1.11 million to approximately HK\$8.48 million and rectify the deviation from intended use of the unutilized Proceeds. Meanwhile, the proceeds utilized for general working capital and funding for other corporate purpose since 4 December 2014 was finally reduced to HK\$2.99 million.

The Company intends to strengthen the Group's position in its established markets and expand its customer base by recruiting professional(s) who has/have expertise in design and development of new electronic products, expanding its engineering department, and commencing design and development of new electronic products. Although the Company tried to recruit the said professional(s) during the past months, no appropriate candidates have been identified. Therefore, no substantial sum has been utilized for the said purpose during the period from 4 December 2014 up to the date of this announcement. Therefore, the misuse of the unutilized Proceeds has no adverse impact on the Group's plan in strengthening its position in its established markets and expanding its customer base, nor does it have any material adverse impact on the business, operation and financial position of the Company.

Due to the above incident, the chief financial officer of the Company looked into the use of the Proceeds in the past and noticed that the amount of Proceeds used for working capital and funding for other general corporate purpose as at 31 March 2014 and 30 September 2014 exceeded its allocated amount by approximately HK\$1.6 million and HK\$2.0 million respectively. In view of the insignificant amount of the misused Proceeds and restoration of the amount of the unutilized Proceeds, the deviation from intended use of the Proceeds in the past has no material adverse on the Company's business, operation and financial position.

In view of the aforesaid deviation from the intended use of the Proceeds, the Company has delegated Mr. Lo Yan Yee, an executive director of the Company and the chief financial officer of the Company to closely monitor the use of Proceeds. In addition, the Company has appointed an independent internal control expert to review and improve the effectiveness of the Company's internal control system.

## **INTERNAL CONTROL**

The Company has engaged Tai Kong CPA Limited (the “**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.

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**

<p>Long term or short term cash flow forecast is not prepared regularly.</p>	<p>The Company will prepare semi-monthly or monthly cash flow forecast to enhance the control over cash and liquidity risk. If the cash flow forecast indicates insufficient cash, the Company may raise funds or change the use of the Proceeds to resolve its cash problem.</p>
<p>Only one authorized signatory is required for cheque payment.</p>	<p>The Company has implemented an independent check on the arrangement of cheque payment before it is approved by the authorized signatory.</p>
<p>There were occasions that the Proceeds were not used in the manner as announced.</p>	<p>The Company has rectified the deviation from intended use of the Proceeds and delegated Mr. Lo Yan Yee, an executive director of the Company and the chief financial officer of the Company to closely monitor the use of Proceeds.</p>
<p>There is no evidence to indicate that changes in bill of materials and sales orders, which translate into changes in purchase projection, are subsequently reflected in purchase requisition as well as the purchase orders placed with suppliers.</p>	<p>The Company has carried work to ensure the completeness of (i) customers or sales orders database; (ii) bill of materials database; (iii) purchase requisition; and (iv) purchase order database, and will make proper documentation in future.</p>

## Major deficiencies

## Company's actions

The quality of the raw materials is presumed to be acceptable if the Production and Material Control Manager does not receive discrepancy report from the warehouse.

The Company will impose time limit (7 to 10 days) on the completion of quality check by the warehouse, and will make payment to the suppliers only if positive confirmation of quality of raw materials is obtained.

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

## SHARE OPTIONS SCHEMES

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

### Pre-IPO Share Option Scheme

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

As at 31 March 2015, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding	Reclassified	Outstanding	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
	as at 31 March 2014		as at 31 March 2015		
Mr. Lo Yan Yee	5,700,000	—	5,700,000	11 October 2016–11 October 2023	2.59%
Ms. Cheng Yeuk Hung	5,700,000	—	5,700,000	11 October 2016–11 October 2023	2.59%
Mr. Cheng Kwing Sang, Raymond	5,600,000	(5,600,000)	—	11 October 2016–11 October 2023	—
Mr. Lo Ding To	3,000,000	—	3,000,000	11 October 2016–11 October 2023	1.36%
	20,000,000	—	20,000,000		6.54%
Employee	—	5,600,000	5,600,000	11 October 2016–11 October 2023	2.55%
	20,000,000	—	20,000,000		9.09%

### Share Option Scheme

During the year ended 31 March 2015, 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 2015, 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**

<b>Name of Director</b>	<b>Capacity</b>	<b>Number of Shares</b>	<b>Approximate percentage of interest</b>
Ms. Cheng Yeuk Hung	Personal interest	87,640,000	43.82%
Mr. Lo Yan Yee	Interest of spouse	87,640,000	43.82%

*Note:* Mr. Lo Yan Yee is the executive Director and the spouse of Madam Cheng, and is deemed under the SFO to be interested in those 87,640,000 shares in which Madam Cheng is interested.

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

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

Save as disclosed above, as at 31 March 2015, 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 2015, so far as is known to the Directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital	Long/Short position
Adamas Asset Manager (HK) Limited	Investment manager	24,840,000	12.42%	Long position
Citigroup Inc.	Interest of controlled corporation	25,692,000	12.85%	Long position
Hui Chau Yuet	Beneficial owner	13,780,000	6.89%	Long position
Siu Hiu Ki Jamie	Beneficial owner	20,000,000	10%	Long position
	Beneficial owner	8,355,556	4.20%	Short position
	—	11,644,444	5.82%	Lending Pool
Sunny Luck International Ltd.	Beneficial owner	20,000,000	10%	Long position
	Beneficial owner	8,355,556	4.20%	Short position
	—	11,644,444	5.82%	Lending Pool

Save as disclosed above, as at 31 March 2015, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

## PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2015.

## **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 its own code governing securities transactions by 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 2015.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company's corporate governance practices are based on the principles and the code provisions (the “**Code**”) as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to shareholders. Pursuant to code provision A.6.7, independent non-executive directors and other non-executive directors should also attend general meetings and develop a balanced understanding of the views of shareholders. Ms. Kwok Ni Ha (a former independent non-executive Director) and Mr. Ang Chuk Pai (an independent non-executive Director) were unable to attend the annual general meeting of the Company held on 30 July 2014 due to their other prior engagements. Save as disclosed above, the Company has complied with the Code during the year ended 31 March 2015.

## **DIRECTORS' INTERESTS IN CONTRACTS**

None of the Directors 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 2015.

## **COMPETING BUSINESS**

For the year ended 31 March 2015, 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.

## **INTERESTS OF THE COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, RaffAello Capital Limited (the “**Compliance Adviser**”), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser on 8 August 2014, none of the Compliance Adviser, or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interests in the Group (including options or rights to subscribe for such securities) as at 31 March 2015 which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## **AUDIT COMMITTEE**

The Company has set up an audit committee (the “**Committee**”) with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee comprises three independent non-executive directors of the Company, namely Mr. Lam Wai Yuen, Mr. Ang Chuk Pai and Mr. Cheung Chin Wa, Angus. The audited condensed consolidated results of the Group for the year ended 31 March 2015 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 March 2015 have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year.

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

Hong Kong, 25 June 2015

*As at the date of this announcement, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung and Mr. Lo Ding To, the non-executive Directors are Ms. Zhou Jia Lin and Mr. Chan Chun Kit, and the independent non-executive Directors are Mr. Lam Wai Yuen, Mr. Ang Chuk Pai and Mr. Cheung Chin Wa, Angus.*

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