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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)**

### **CHANGE IN USE OF PROCEEDS**

#### **USE OF PROCEEDS**

Reference is made to the prospectus of Echo International Holdings Group Limited (the “**Company**”, together with its subsidiaries as the “**Group**”) dated 30 September 2013 (the “**Prospectus**”) in relation to the listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placing (the “**Placing**”) and the announcement of the Company dated 3 December 2014 (the “**Announcement**”) in respect of the change in use of net proceeds raised from the Placing (the “**Proceeds**”).

As stated in the section headed “**Business Objective and Future Plans**” of the Prospectus, the Company intended to use net proceeds raised from the Placing (the “**Proceeds**”) as follows:

- (1) approximately HK\$8.85 million (being approximately 35.23% of the Proceeds) for expansion and upgrade of the production facilities;
- (2) approximately HK\$10.20 million (being approximately 40.61% of the Proceeds) for setting up production facilities for plastic parts;
- (3) approximately HK\$3.9 million (being approximately 15.52% of the Proceeds) for strengthening the Group’s position in its established markets and expanding its customer base; and
- (4) approximately HK\$2.17 million (being approximately 8.64% of the Proceeds) for the working capital and funding for other general corporate purposes.

The Proceeds received by the Company from the Placing were approximately HK\$25.12 million. Up to 3 December 2014, the Company utilized the Proceeds in the sum of approximately HK\$2.91 million and the unutilized Proceeds amounted to approximately HK\$22.21 million. On 3 December 2014, the Company changed the intended use of unutilized Proceeds as follows:

<b>New intended use</b>	<b>New allocation of the unutilized the Proceeds HK\$ million (approximately)</b>
Expansion and upgrade of the production facilities	5.52
Setting up production facilities for plastic parts	5.00
Strengthening the Group's position in its established markets and expanding its customer base	8.70
Working capital and funding for other general corporate purposes	<u>2.99</u>
Total	<u><u>22.21</u></u>

Up to the date of this announcement, Company utilized the Proceeds in the sum of approximately HK\$6.18 million and the unutilized Proceeds amounted to approximately HK\$18.94 million.

#### **CHANGE IN USE OF PROCEEDS**

The Group's original plan of upgrading and expansion of production facilities and setting up production facilities for plastic parts were determined mainly on the expectation that the future increase in the demand for the Group's products would exceed its production capacity. Given the slow pace of economic recovery along with the continued slackness in the U.S. and European markets (the principal markets of the Group), the electronics manufacturing and trading business has become increasingly challenging. For each of the year ended 31 March 2013, 2014 and 2015, the Group's revenue amounted to approximately HK\$71.71 million, HK\$51.33 million and HK\$51.81 million. Although the Group's revenue for the year ended 31 March 2015 remained the same level with the revenue for the year ended 31 March 2014, the Group's revenue from the manufacturing and trading of electronic products and accessories for the year ended 31 March 2015 decreased by approximately HK\$16.33 million as compared with the one for the year ended 31 March 2014. In consideration of the Group's financial performance in the past three years and the challenging business environment for the electronics manufacturing and trading business, the management of the Company expects that there will not be a substantial increase in the purchase orders from its customers for manufacturing and trading electronic products and the demand for the Group's products will not exceed the Group's current level of production capacity in the coming year(s). Therefore, the Board is of the view that there is no need to expand and upgrade the production facilities and the Company should downsize its plans for setting up production facilities for plastic parts.

As disclosed in the Announcement, the Group 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 Group has recruited relevant professional and commenced the design and development of new electronic products since the end of last year, the expense in relation thereof was not as high as expected by the management of the Company. The Group has only utilized approximately HK\$0.28 million for the said purpose during the past eight months. Therefore, the Company would like to allocate more resources from the intended use in strengthening the Group's position in its established markets and expanding its customer base to other purposes.

The Group's factory in China faced escalating manufacturing costs and keen competition both domestically and overseas. The revenue of the Group for the year ended 31 March 2014 decreased by approximately HK\$20.38 million, representing a decrease of approximately 28.42%. In addition, the Group's revenue for the year ended 31 March 2015 did not show any improvement. Although the Director expected the Group could achieve profit for the year ended 31 March 2014 when the shares of the Company were listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, loss attributable to the owners of the Company for the year ended 31 March 2014 amounted to approximately HK\$8.72 million. Even worse, loss attributable to the owners of the Company for the year ended 31 March 2015 and the three months ended 30 June 2015 amounted to approximately HK\$12.63 million and HK\$2.05 million respectively, which absorbed the Group's internal fund resources apart from the Proceeds. Due to the poor economic environment, most of the Group's customers only settled the bills at the end of their credit period. As at the date of this announcement, the Proceeds originally allocated to working capital and funding for other general corporate purposes have been fully utilized. In addition, the Company has utilized its bank overdraft in the sum of approximately HK\$10 million to fund its business operations. However, the Company needs to settle the interest incurred for the said bank overdraft every month. Based on the cash flow forecast prepared by the management of the Company, the Group may suffer from a shortage in the cash flow by approximately HK\$1.22 million, HK\$3.66 million and HK\$4.88 million for the three months ended 30 September 2015, the nine months ended 31 March 2016 and the year ended 30 June 2016. Due to the cash flow issue, the Company had to turn down some purchase orders placed by its customers which requested for a relatively longer credit period. Therefore, the Company would like to adjust the proposed use of some of the unutilized Proceeds to repayment of the bank overdraft and working capital and funding for other general corporate purposes to cater for the Group's financial needs more effectively and mitigate the financial pressure on the Group.

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

<b>New intended use</b>	<b>Original allocation of the unutilized Proceeds</b> <i>HK\$ million</i> (approximately)	<b>New allocation of the unutilized Proceeds</b> <i>HK\$ million</i> (approximately)
Expansion and upgrade of the production facilities	5.52	—
Setting up production facilities for plastic parts	5.00	1.00
Strengthening the Group's position in its established markets and expanding its customer base	8.42	2.94
Repayment of bank overdraft	—	10.00
Working capital and funding for other general corporate purposes	<u>—</u>	<u>5.00</u>
Total	<u><u>18.94</u></u>	<u><u>18.94</u></u>

The Board has considered the impact of the proposed change in the use of the Proceeds on the Group's business and is of the view that the new allocation of the unutilized Proceeds will meet the overall financial needs of the Group more efficiently as a result of the latest development of the Group's operation and business. The Board believes that the above change to the proposed use of the unutilized Proceeds will not adversely affect the existing operation and business of the Group and is in the best interests of the Company and its shareholders as a whole.

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

Hong Kong, 13 August 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, 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.*

*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).*