



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

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

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

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

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This 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

- Recorded an unaudited revenue of approximately HK\$25.35 million for the six months ended 30 September 2020, representing an decrease of approximately 7.24% over the same period of the previous year.
- Recorded an unaudited loss attributable to the owners of the Company of approximately HK\$4.93 million for the six months ended 30 September 2020 (2019: unaudited loss attributable to the owners of the Company approximately HK\$14.35 million).
- Basic and diluted loss per share for the six months ended 30 September 2020 were HK9.66 cents (2019: basic loss per share HK1.41 cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: Nil).

UNAUDITED INTERIM RESULTS

The board of Directors (the “**Board**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 September 2020 (the “**Period**”) and the comparative unaudited figures for the corresponding period in 2019, as follows:

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

For the three months and six months ended 30 September 2020

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2020 HK\$'000	2019 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	3	13,009	14,316	25,352	27,330
Cost of sales		(10,945)	(11,982)	(19,362)	(21,920)
Gross profit		2,064	2,334	5,990	5,410
Other gains or loss	4	1,325	328	2,449	607
Selling and distribution expenses		(286)	(317)	(541)	(516)
Administrative and other expenses		(5,318)	(6,771)	(9,840)	(11,997)
Change in fair value of derivative financial assets component of convertible bonds		(2,176)	(5,132)	(2,176)	(5,132)
Finance costs		(1,513)	(2,318)	(2,224)	(2,811)
Share of result of associates		1,091	(149)	1,281	4
Loss before taxation	5	(4,813)	(12,025)	(5,061)	(14,435)
Taxation	6	135	84	132	84
Loss for the period		(4,678)	(11,941)	(4,929)	(14,351)
Other comprehensive loss for the period, net of tax: Items that may be reclassified subsequently to profit or loss: Exchange differences on translation of foreign operations		824	1,040	674	9
Total comprehensive loss for the period		(3,854)	(10,901)	(4,255)	(14,342)
Loss for the period attributable to owners of the Company		(4,678)	(11,941)	(4,929)	(14,351)
Total comprehensive loss for the period attributable to owners of the Company		(3,854)	(10,901)	(4,255)	(14,342)
Loss per share — Basic and diluted (<i>HK cents</i>)	8	(9.64) cents	(1.17) cents	(9.66) cents	(1.41) cents

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION**

As at 30 September 2020

	<i>Notes</i>	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Non-current assets			
Property, plant and equipment	9	1,456	1,683
Right-of-use assets		1,455	2,514
Interests in associates		17,772	16,490
Deferred tax asset		8	11
		<u>20,691</u>	<u>20,698</u>
Current assets			
Inventories		10,123	11,168
Trade receivables	10	5,463	2,409
Amount due from a related company		2	–
Deposits, prepayments and other receivables		9,010	7,759
Financial assets at fair value through profit or loss		1,615	3,603
Pledged time deposits		2,092	2,075
Cash and bank balances		5,363	6,456
		<u>33,668</u>	<u>33,470</u>
Current liabilities			
Trade payables	11	2,858	2,197
Accruals and other payables		1,569	1,620
Amount due to a related company		30	30
Lease liabilities		1,181	2,676
Contract liabilities		588	409
Tax payable		375	354
Bank borrowing		154	151
		<u>6,755</u>	<u>7,437</u>
Net current assets		<u>26,913</u>	<u>26,033</u>
Total assets less current liabilities		<u>47,604</u>	<u>46,731</u>
Non-current liabilities			
Bank borrowing		173	251
Lease liabilities		66	368
Convertible bonds		29,980	25,774
Deferred tax liabilities		1,189	1,095
		<u>31,408</u>	<u>27,488</u>
Net assets		<u>16,196</u>	<u>19,243</u>
Capital and reserves			
Share capital	12	2,550	2,550
Reserves		13,646	16,693
Total equity		<u>16,196</u>	<u>19,243</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contribution reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds — equity component reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2020, audited	2,550	59,326	4,836	(89)	5,794	(3,115)	11,490	(61,549)	19,243
Total comprehensive income/(loss) for the period	-	-	-	-	-	674	-	(4,929)	(4,255)
Issuance of convertible bonds	-	-	-	-	-	-	1,477	-	1,477
Issuance cost on convertible bonds	-	-	-	-	-	-	(40)	-	(40)
Deferred tax liability arising from issue of convertible bonds	-	-	-	-	-	-	(229)	-	(229)
At 30 September 2020, unaudited	<u>2,550</u>	<u>59,326</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(2,441)</u>	<u>12,698</u>	<u>(66,478)</u>	<u>16,196</u>

For the six months ended 30 September 2019 (Unaudited)

	Share capital HK\$'000	Share premium HK\$'000	Contribution reserve HK\$'000	Capital reserve HK\$'000	Share option reserve HK\$'000	Exchange reserve HK\$'000	Convertible bonds — equity component reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2019, audited	2,550	59,326	4,836	(89)	5,794	(2,469)	7,460	(36,450)	40,958
Total comprehensive income/(loss) for the period	-	-	-	-	-	9	-	(14,351)	(14,342)
Issuance of convertible bonds	-	-	-	-	-	-	4,489	-	4,489
Issuance cost on convertible bonds	-	-	-	-	-	-	(74)	-	(74)
Deferred tax liability arising from issue of convertible bonds	-	-	-	-	-	-	(385)	-	(385)
At 30 September 2019, unaudited	<u>2,550</u>	<u>59,326</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(2,460)</u>	<u>11,490</u>	<u>(50,801)</u>	<u>30,646</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Unaudited six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Net cash used in operating activities	(3,423)	(7,828)
Net cash used in investing activities	(45)	(88)
Net cash generated from financing activities	<u>(964)</u>	<u>6,652</u>
Net (decrease)/increase in cash and cash equivalents	(4,432)	(1,264)
Effect of foreign currency exchange rate changes	3,339	2,213
Cash and cash equivalents at beginning of period, audited	<u>6,456</u>	<u>8,310</u>
Cash and cash equivalents at end of period, unaudited	<u><u>5,363</u></u>	<u><u>9,259</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>5,363</u>	<u>9,259</u>
	<u><u>5,363</u></u>	<u><u>9,259</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability. The Company's shares have been listed on GEM of the Stock Exchange since 11 October 2013.

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

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

2 BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements set out in Chapter 18 of the Rule Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated financial statements have been prepared under historical cost basis except for certain financial assets and financial liabilities, which are measured at fair values. The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2020 except in relation to the new and revised standards, amendments and interpretations (“**new and revised HKFRSs**”) issued by the HKICPA that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements. The unaudited condensed consolidated interim results have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early adopted any new Hong Kong Financial Reporting Standards (“**HKFRS**”) that have been issued but are not yet effective.

3 SEGMENT INFORMATION

Information reported internally to the Directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided.

An analysis of the Group's revenue of each significant category for the Period is as follows:

	Unaudited six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Sales of electronic products	20,267	17,483
Revenue from restaurant operations	5,085	9,847
	<u>25,352</u>	<u>27,330</u>

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

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

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

Segment revenues reported below represent revenue generated from external customers. There were no inter-segment sales for both period.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment revenues and results

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

For the six months ended 30 September 2020 (Unaudited)

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Provision of food catering services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>790</u>	<u>19,477</u>	<u>5,085</u>	<u>25,352</u>
Segment results	<u>256</u>	<u>693</u>	<u>444</u>	1,393
Unallocated other revenue and gains				904
Unallocated selling and distribution expenses				(248)
Unallocated administrative and other expenses				(4,200)
Unallocated finance costs				<u>(2,033)</u>
Loss from operations				(4,184)
Reversal of expected credit loss recognised in respect of trade receivables and amount due from a related company				18
Change in fair value of derivative financial assets component of convertible bonds				(2,176)
Share of result of associates				<u>1,281</u>
Loss before taxation				(5,061)
Taxation				<u>132</u>
Loss for the period				<u>(4,929)</u>

For the six months ended 30 September 2019 (Unaudited)

	Indent trading of electronic products <i>HK\$'000</i>	Manufacturing and trading of electronic products and accessories <i>HK\$'000</i>	Provision of food catering services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>1,280</u>	<u>16,203</u>	<u>9,847</u>	<u>27,330</u>
Segment results	<u>761</u>	<u>(2,597)</u>	<u>5,937</u>	4,101
Unallocated other revenue and gains				495
Unallocated selling and distribution expenses				(298)
Unallocated administrative and other expenses				<u>(10,553)</u>
Loss from operations				(6,255)
Finance costs				(2,811)
Allowance for expected credit loss recognised in respect of trade receivables and amount due from a related company				(241)
Change in fair value of derivative financial assets component of convertible bonds				(5,132)
Share of result of associates				<u>4</u>
Loss before taxation				(14,435)
Taxation				<u>84</u>
Loss for the period				<u><u>(14,351)</u></u>

Geographical information

	Revenue from external customers	
	Unaudited	
	six months ended 30 September	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	6,103	10,578
Asian countries, other than Hong Kong (<i>Note 1</i>)	917	2,198
European countries (<i>Note 2</i>)	13,752	9,744
North and South American countries (<i>Note 3</i>)	3,459	3,666
Others	1,121	1,144
	<u>25,352</u>	<u>27,330</u>

Notes:

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

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

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Hong Kong	2,908	4,197
People's Republic of China ("PRC")	3	–
	<u>2,911</u>	<u>4,197</u>

4 OTHER GAINS OR LOSS

	Unaudited six months ended 30 September 2020 HK\$'000	2019 HK\$'000
Bank interest income	10	21
Interest income on dividends income	174	–
Rent concession income	395	–
Sundry income	1,852	534
Reversal for expected credit loss/impairment loss recognised in respect of trade receivables	18	52
	<u>2,449</u>	<u>607</u>

5 LOSS BEFORE TAXATION

	Unaudited six months ended 30 September 2020 HK\$'000	2019 HK\$'000
Loss before taxation is arrived after charging:		
Finance costs		
Interest on:		
Bank borrowing	5	–
Bank overdrafts wholly repayable within five years	1	1
Interest expense on lease liabilities	197	419
Obligation under finance leases	–	17
Convertible bonds wholly repayable within five years	2,021	2,374
	<u>2,224</u>	<u>2,811</u>
Other items		
Depreciation of property, plant and equipments	17	285
Depreciation of right-of-use assets	56	1,850
Costs of inventories sold	19,226	15,693
Loss on disposal of a subsidiary	–	635
Allowance for expected credit loss recognised in respect of amount due from a related company	–	293
	<u>–</u>	<u>293</u>

6 TAXATION

	Unaudited	
	six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Current tax		
— Hong Kong	—	—
— PRC	—	—
Deferred taxation	<u>132</u>	<u>84</u>
	<u>132</u>	<u>84</u>

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

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

PRC subsidiary is subjected to PRC enterprise income tax at 25%.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands for the six months ended 30 September 2020 and 2019.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2020 (2019: Nil).

8 LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the Period attributable to owners of the Company and the weighted average number of the Company's ordinary shares in issue during the Period after the adjustment of the Share Consolidation (Note 8(b)).

		Unaudited six months ended 30 September	
	Note	2020 HK\$'000	2019 HK\$'000
Loss for the period attributable to owners of the Company		<u>(4,929)</u>	<u>(14,351)</u>
		Unaudited six months ended 30 September	
		2020 No. of shares (restated)	2019 No. of shares
Weighted average number of ordinary shares and dilutive potential ordinary share in issue during the period	(a), (b)	<u>51,000,000</u>	<u>1,020,000,000</u>

Notes:

- (a) The diluted loss per share is the same as the basic loss per share for the six months ended 30 September 2020 and 2019 because the Company's share options outstanding during those periods were either anti-dilutive or have no potential dilutive effects.
- (b) On 30 July 2020, the Company held an extraordinary general meeting and an ordinary resolution was passed, approving the consolidation of every twenty (20) issued and unissued ordinary shares of HK\$0.0025 each in the share capital of the Company into one (1) consolidated share of HK\$0.050 each in the share capital of the Company (the "Share Consolidation"). The Share Consolidation became effective on 3 August 2020.

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, the Group did not acquire material property, plant and equipment (six months ended 30 September 2019: HK\$0.94 million) and did not dispose of material property, plant and equipment (the corresponding period in 2019: HK\$2.48 million).

10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
0 to 30 days	5,138	1,578
31 to 60 days	1	2
61 to 90 days	–	63
91 to 180 days	324	766
	<u>5,463</u>	<u>2,409</u>

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

Trade receivables as at 30 September 2020 are denominated in HK\$ and USD.

11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2020 HK\$'000	Audited 31 March 2020 HK\$'000
Within 30 days	1,974	1,528
31 to 60 days	186	174
61 to 90 days	259	47
91 to 180 days	409	418
Over 180 days	30	30
	<u>2,858</u>	<u>2,197</u>

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

Trade payables as at 30 September 2020 are denominated in HK\$, USD and RMB.

12 SHARE CAPITAL

	Ordinary shares of HKD0.050 each Unaudited six months ended 30 September 2020		Ordinary shares of HKD0.0025 each Audited year ended 31 March 2020	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of the period/year	4,000,000	10,000	4,000,000	10,000
Share consolidation (<i>Note 8(b)</i>)	(3,800,000)	–	–	–
At end of the period/year	<u>200,000</u>	<u>10,000</u>	<u>4,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At beginning of the period/year	1,020,000	2,550	1,020,000	2,550
Share consolidation (<i>Note 8(b)</i>)	(969,000)	–	–	–
At end of the period/year	<u>51,000</u>	<u>2,550</u>	<u>1,020,000</u>	<u>2,550</u>

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

13 FINANCIAL INSTRUMENTS

Fair value measurement

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

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 31 March 2020 and 30 September 2020.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

14 CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2020 and 31 March 2020.

15 RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim consolidated financial statements, the Company had the following material transactions with related parties during the period:

(a) Significant related party transactions

During the period, the Group entered into the following transactions with related parties:

	Unaudited six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Nature of related party transactions		
Rental paid to Mobile Computer Land Limited (<i>Note 2</i>)	167	287
Sales to Mobile Computer Land Limited (<i>Note 2</i>)	4	52
Consultancy fee paid to Vashion Assets Management Limited (<i>Note 1</i>)	–	300
	<u> </u>	<u> </u>

Note 1: Ms. Zhou Jia Lin is a director of Vashion Assets Management Limited. Ms. Zhou Jia Lin was appointed as non-executive director on 22 October 2014. Ms. Zhou resigned on 7 September 2018.

Note 2: Its major shareholder is Mr. Lo Ding Kwong, who is the son of Ms. Cheng Yeuk Hung, a director of the Company.

(b) Key management personnel compensation

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees is as follows:

	Unaudited six months ended 30 September	
	2020	2019
	HK\$'000	HK\$'000
Salaries and allowances	1,336	1,648
Retirement scheme contributions	27	27
	<u> </u>	<u> </u>
	<u>1,363</u>	<u>1,675</u>

16 EVENT AFTER REPORTING PERIOD

Placing of convertible bonds on 6 November 2020

On 6 November 2020, the Company entered into a conditional placing agreement with a placing agent, pursuant to which the placing agent has agreed to place, on a best effort basis, convertible bonds (the "Convertible Bonds") of aggregate principal amounts up to HK\$4,100,400. The maximum number of 10,200,000 conversion shares will be issued upon full conversion of Convertible Bonds at initial conversion price of HK\$0.402. Please refer to the announcement of the Company dated 6 November 2020 for details of the transaction. It should be noted that the placing is subject to the fulfillment of the condition precedent set out in the placing agreement, and may or may not proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30 September 2020 (“**Six-Month Period**”) was approximately HK\$25.35 million, representing an decrease of approximately 7.24% when compared with the same period last year. Loss attributable to owners of the Company for the Six-Month Period was approximately HK\$4.93 million whilst for the same period last year, the loss attributable to owners of the Company was approximately HK\$14.35 million.

Given the slow pace of economic recovery along with the continued slackness in the U.S. and European markets, the sales of electronic products have become increasingly challenging. Notwithstanding the challenging market conditions encountered during the Six-Month Period under review, the Group continues to provide electronics products and the subcontracting services on PCB assemblies and manufacture of electronic products to customers in its principal markets, i.e. the U.S.A. and the European countries including Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Russia, Spain, Sweden and United Kingdom.

During the Six-Month Period, the Group also operates catering business in Hong Kong. Revenue from restaurant operations during the Six-Month Period was approximately HK\$5.09 million, representing an decrease of approximately 48.36% from approximately HK\$9.85 million of the same period in 2019. Such decrease was mainly due to the impact of the COVID-19 outbreak.

In view of the challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, it will explore new business opportunities to broaden its source of income and maximize profit and return for the Group and the shareholders of the Company. The Group will also increase its market share and attract new customers to enlarge its client base through conducting more promotional and marketing activities and designing and developing new electronic products.

Sales of Electronic Products

Revenue from this segment during the Six-Month Period was approximately HK\$20.67 million, representing an increase of approximately 15.92% when compared with the same period last year. Increase in sales of electronics products was mainly due to the increase in the revenue from manufacturing and trading of electronic products and accessories by approximately HK\$3.27 million respectively as compared with the corresponding period in 2019. The increase in the revenue from manufacturing and trading of electronic products and accessories for the Six-Month Period was mainly due to the increase in sales of fishing indicator for the Six-Month Period by approximately HK\$3.63 million as compared with the corresponding period in 2019. Increase in fishing indicator were caused by the increase in volume sold.

Financial review

The Group's revenue for the six months ended 30 September 2020 was approximately HK\$25.35 million, representing an decrease of approximately 7.24% from approximately HK\$27.33 million of the same period in 2019. Such decrease was mainly due to the decrease in revenue from restaurant operations by approximately HK\$4.76 million.

The overall gross profit margin of the Group increased from approximately 19.80% for the six months ended 30 September 2019 to 23.63% for the six months ended 30 September 2020. The increase in the Group's gross profit margin for the six months ended 30 September 2020 was primarily due to the increase in sales of higher margin electronic products.

Selling and distribution expenses for the six months ended 30 September 2020 were approximately HK\$0.54 million (approximately HK\$0.52 million for the six months ended 30 September 2019), representing an increase of approximately 4.84%. Such increase was mainly due to the product design fee amounting to HK\$0.16 million for the six months ended 30 September 2020 (no product design fee for the six months ended 30 September 2019).

Administrative and other expenses for the six months ended 30 September 2020 were approximately HK\$9.84 million (approximately HK\$12.00 million for the six months ended 30 September 2019), representing a decrease of approximately 17.98%. Such decrease was mainly due to the decrease in staff costs and professional fee amounting to HK\$5.16 million and HK\$1.11 million respectively for the six months ended 30 September 2020 (approximately HK\$5.40 million and HK\$2.21 million respectively for the six months ended 30 September 2019).

Loss attributable to the owners of the Company amounted to approximately HK\$4.93 million for the six months ended 30 September 2020 (approximately HK\$14.35 million for the six months ended 30 September 2019). Loss per share attributable to owners of the Company was approximately HK9.66 cents (as restated by the adjustment of the Share Consolidation) for the six months ended 30 September 2020 (approximately HK1.41 cents for the six months ended 30 September 2019).

The cash and cash balance decreased from approximately HK\$6.46 million as at 31 March 2020 to HK\$5.36 million as at 30 September 2020 mainly due to the increase of trade receivables from HK\$2.41 million as at 31 March 2020 to HK\$5.46 million as at 30 September 2020.

Share Consolidation

On 22 June 2020, the Board proposed (i) to implement the share consolidation on the basis that every twenty (20) existing shares of par value of HK\$0.0025 each in the share capital of the Company will be consolidated into one (1) consolidated share of par value of HK\$0.050 each (the "**Share Consolidation**"); and (ii) to change the board lot size for trading on the Stock Exchange from 4,000 existing shares to 12,000 consolidated shares conditional upon the Share Consolidation becoming effective. The aforesaid proposed Share Consolidation and change in board lot size were approved by the shareholders in the extraordinary general meeting held on 30 July 2020 and became effective on 3 August 2020.

USE OF PROCEEDS

(1) IPO

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

The utilisation of the IPO Proceeds since 12 May 2017 (date of the latest revision of allocation of the unutilised IPO Proceeds) to 30 September 2020 is summarised as follows:

Intended use	As at 12 May 2017 Revised allocation of the unutilised IPO Proceeds <i>HK\$ million</i> (approximately)	Utilised during the period from 13 May 2017 to 30 September 2020 <i>HK\$ million</i> (approximately)	Unutilised amount as at 30 September 2020 <i>HK\$ million</i> (approximately)
Strengthening the Group’s position in its established markets and expanding its customer base	2.49	0.63	1.86
Working capital and funding for other general corporate purposes	1.30	1.30	–
Total	3.79	1.93	1.86

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

(2) Issue of HK\$9,408,000 convertible bonds under general mandate

On 11 July 2019, the Company entered into a placing agreement with a placing agent in relation to placing of up to HK\$9,408,000 convertible bonds to independent investors under general mandate for fund raising purpose. The initial conversion price of the convertible bonds was HK\$0.049 represented a premium of about 2.08% to the closing price of HK\$0.048 on 11 July 2019. On 6 August 2019, the Company completed the placing of HK\$9,408,000 convertible bonds. The convertible bonds are convertible into 192,000,000 Shares based on the initial conversion price. The gross proceeds and net proceeds from the placing amounted to about HK\$9.41 million and HK\$9.18 million respectively. The net proceeds are intended to be used in investment in catering business and as working capital of the Group.

As disclosed in the Company's announcement dated on 5 June 2020, the Board has resolved to re-allocate approximately HK\$5.74 million of the unutilised net proceeds from expansion of catering business to supplementing the general working capital after careful consideration of the global economic environment and detailed evaluation of the Group's operation.

The below table sets out intended use of net proceeds and utilisation of the net proceeds as at 30 September 2020:

Intended use	Intended use of net proceeds <i>HK\$ million</i> (approximately)	Utilisation up to 31 March 2020 <i>HK\$ million</i> (approximately)	Reallocation as at 5 June 2020 <i>HK\$ million</i> (approximately)	Utilisation up to 30 September 2020 <i>HK\$ million</i> (approximately)
Expansion of catering business	5.98	0.24	(5.74)	0.24
General working capital	3.2	3.2	5.74	8.94
Total	9.18	3.44	–	9.18

OTHER FUND RAISING ACTIVITIES DURING THE SIX-MONTH PERIOD

(1) Issue of HK\$4,640,000 convertible bonds under general mandate

On 11 June 2020, the Company entered into a placing agreement with a placing agent in relation to placing of up to HK\$4,640,000 convertible bonds to independent investors under general mandate for fund raising purpose. The initial conversion price of the convertible bonds was HK\$0.0232 (adjusted to HK\$0.464 after the Share Consolidation) represented a premium of about 0.87% to the closing price of HK\$0.023 on 11 June 2020. On 7 July 2020, the Company completed the placing of HK\$4,640,000 convertible bonds. The convertible bonds are convertible into 200,000,000 shares (adjusted to 10,000,000 shares after the Share Consolidation) based on the initial conversion price. The gross proceeds and net proceeds from the placing amounted to about HK\$4.64 million and HK\$4.50 million respectively. The net proceeds are intended to be used in investment in catering business and as working capital of the Group and as at the date of this announcement, funds of about HK\$4.50 million have been utilised for such purposes.

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 (adjusted to 4,000,000 shares after the Share Consolidation) of the Company with an exercise price of HK\$0.15 (adjusted to HK\$3.00 after the Share Consolidation), which is equal to the placing price as defined in the prospectus of the Company.

As at 30 September 2020, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2020	Exercised	Lapsed	Cancelled	Outstanding as at 30 September 2020 (Note)	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	22,800,000	-	-	-	1,140,000	11 October 2016 – 11 October 2023	2.19%
Ms. Cheng Yeuk Hung	22,800,000	-	-	-	1,140,000	11 October 2016 – 11 October 2023	2.19%
	45,600,000				2,280,000		4.38%
Employees	34,400,000	-	-	-	1,720,000	11 October 2016 – 11 October 2023	3.31%
	<u>80,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000,000</u>		7.69%

Note: The number of options has been adjusted for the Share Consolidation.

Share Option Scheme

During the six months period ended 30 September 2020, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 30 September 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (“SFO”)) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by Directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the Shares

Name of Director	Company/ associated corporation	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Company	Personal interest	4,878,000	9.56%
Mr. Lo Yan Yee	Company	Interest of spouse	4,878,000	9.56%

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

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee (executive Director)	Personal	Options	1,140,000
	Interest of spouse	Options	1,140,000
			2,280,000
Ms. Cheng Yeuk Hung (executive Director)	Personal	Options	1,140,000
	Interest of spouse	Options	1,140,000
			2,280,000
Mr. Cheng Kwing Sang, Raymond (chief executive officer)	Personal	Options	1,120,000

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

As at 30 September 2020, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Total	Percentage of the Company's issued share capital
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest)	5,060,000 (Note 2)	3,679,245 (Notes 1 & 2)		
	Beneficial owner	–	1,551,812 (Note 1)		
		<u>5,060,000</u>	<u>5,231,057</u> (Note 1)	10,291,057	20.18%
Bluemount investment Fund SPC — Bluemount investment Fund SP	Trustee (other than a bare trustee)	5,060,000	3,679,245 (Note 1)	8,739,245 (Note 2)	17.14%
Siu Yik Tung Jamie	Beneficial owner		9,929,509 (Note 1)	9,929,509	19.46%
Siu Wa Kei	Interest of a controlled corporation	1,297,800		1,297,800	
	Beneficial owner	<u>2,155,974</u>		<u>2,155,974</u>	
		3,453,774		3,453,774	6.77%
Lissington Limited		2,204,800	3,549,648 (Note 1)	5,754,448	11.28%

Notes:

1. These underlying Shares are Shares to be issued to a hold or holders of the convertible bonds issued by the Company.
2. These shares were held by Bluemount investment Fund SPC — Bluemount investment Fund SP as trustee of Mr. Yeung Tong Seng Terry.

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2020.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standards set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry to all Directors, the Company was not aware of any non-compliance with the required standards of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions (the "**Code**") as set out in Appendix 15 of the GEM Listing Rules. The principles adopted by the Company emphasize a quality board, transparency and accountability to its shareholders. The Company has complied with the Code during the six months ended 30 September 2020, except the following:

- Ms. Tsui Chun Shing ("**Mr. Tsui**") has resigned as an independent non-executive Director and as the chairman of each of the audit Committee, remuneration committee and nomination committee of the Company with effect from 30 October 2020. Following the resignation of Mr. Tsui as an independent non-executive Director with effect from 30 October 2020, the Company has two independent non-executive Directors, the number of which falls below the minimum number required under Rule 5.05(1) of the GEM Listing Rules. As a result of the insufficient number of independent non-executive Directors, the Company has also failed to comply with the minimum number of committee members requirements regarding its audit committee under Rule 5.28 of the GEM Listing Rules.

The Board will make every effort to ensure that action is taken as soon as possible and in any event within three months to comply with Rules 5.05(1) and 5.28 of the GEM Listing Rules. Further announcement will be made by the Company upon fulfilling such requirements.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the heading “Related Party Transactions” as set out in note 16 to the interim consolidated financial statements, no Director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the six months period ended 30 September 2020.

COMPETING BUSINESS

For the six months ended 30 September 2020, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

The Company has set up an audit committee (the “**Committee**”) with written terms of reference in compliance with the GEM Listing Rules, for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The Committee currently comprises two independent non-executive directors of the Company, namely Mr. Leung Yu Tung, Stanley, who is also the chairman, and Mr. Lee Kwok Po. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 11 November 2020

As at the date of this announcement, the executive Directors are Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Tansri Saridju Benui and Ms. Chan Wan Shan Sandra, and the independent non-executive Directors are Mr. Leung Yu Tung, Stanley and Mr. Lee Kwok Po.

This announcement will be published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.echogroup.com.hk.