



Echo International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

INTERIM REPORT
2022

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FINANCIAL HIGHLIGHTS

- Recorded an unaudited revenue of approximately HK\$28.94 million for the six months ended 30 September 2022, representing an decrease of approximately 28.11% over the same period of the previous year.
- Recorded an unaudited loss attributable to the owners of the Company of approximately HK\$8.66 million for the six months ended 30 September 2022 (2021: unaudited profit attributable to the owners of the Company of approximately HK\$0.26 million).
- Basic and diluted loss per share for the six months ended 30 September 2022 were approximately HK3.32 cents (2021: basic and diluted earnings per share approximately HK0.20 cents).
- The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (2021: 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 2022 (the “**Period**”) and the comparative unaudited figures for the corresponding periods in 2021, as follows:

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

For the three months and six months ended 30 September 2022

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	3	15,272	22,191	28,944	40,263
Cost of sales		(13,031)	(15,475)	(24,910)	(31,654)
Gross profit		2,241	6,716	4,034	8,609
Other gains or loss	4	833	(126)	2,450	2,374
Selling and distribution expenses		(373)	(635)	(651)	(1,163)
Administrative and other expenses		(6,629)	(5,671)	(12,648)	(12,221)
Change in fair value of derivative financial assets component of convertible bonds		(53)	202	(53)	202
(Allowance for)/reversal of allowance for expected credit loss recognised in respect of financial assets at amortised cost, net		(15)	12	14	(19)
Finance costs		(777)	(873)	(1,950)	(1,596)
Share of result of associates		(184)	1,847	149	4,067
(Loss)/Profit before taxation	5	(4,957)	1,472	(8,655)	253
Taxation	6	-	(2)	-	3

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
(Loss)/Profit for the period		(4,957)	1,470	(8,655)	256
Other comprehensive income/(loss) for the period, net of tax:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		<u>2,536</u>	<u>3,049</u>	<u>517</u>	<u>21</u>
Total comprehensive (loss)/income for the period		<u>(2,421)</u>	<u>4,519</u>	<u>(8,138)</u>	<u>277</u>
(Loss)/Profit for the period attributable to owners of the Company		<u>(4,957)</u>	<u>1,470</u>	<u>(8,655)</u>	<u>256</u>
Total comprehensive (loss)/income for the period attributable to owners of the Company		<u>(2,421)</u>	<u>4,519</u>	<u>(8,138)</u>	<u>277</u>
(Loss)/Earnings per share					
— Basic and diluted (HK cents)	8	<u>(1.04) cents</u>	<u>1.26 cents</u>	<u>(3.32) cents</u>	<u>0.20 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

		Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Non-current assets			
Property, plant and equipment	9	2,265	4,646
Intangible assets		880	–
Right-of-use assets		1,110	2,869
Interests in associates		23,297	23,147
Deferred tax asset		14	14
		<u>27,566</u>	<u>30,676</u>
Current assets			
Inventories		19,793	13,330
Trade receivables	10	3,502	12,253
Deposits, prepayments and other receivables		11,282	12,594
Financial assets at fair value through profit or loss		57	110
Tax receivable		239	–
Pledged time deposits		2,002	2,001
Cash and bank balances		5,744	4,038
		<u>42,619</u>	<u>44,326</u>
Current liabilities			
Trade payables	11	2,883	3,382
Accruals and other payables		4,415	4,597
Amount due to a related company		62	62
Lease liabilities		4,138	5,536
Contract liabilities		597	619
Tax payable		–	219
Bank and other borrowings		13	17,814
Convertible bonds		9,481	9,482
		<u>21,589</u>	<u>41,711</u>
Net current assets		<u>21,030</u>	<u>2,615</u>
Total assets less current liabilities		<u>48,596</u>	<u>33,291</u>

		Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
	Notes		
Non-current liabilities			
Lease liabilities		5,766	7,818
Convertible bonds		20,249	20,248
Deferred tax liabilities		547	547
Provision for reinstatement costs		400	400
		<u>26,962</u>	<u>29,013</u>
Net assets		<u>21,634</u>	<u>4,278</u>
Capital and reserves			
Share capital	12	17,891	7,891
Reserves		3,743	(3,613)
Total equity		<u>21,634</u>	<u>4,278</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022 (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 2022, audited	7,891	86,879	4,836	(89)	5,794	(2,609)	11,657	(110,081)	4,278
Total comprehensive income/(loss) for the period	-	-	-	-	-	517	-	(8,655)	(8,138)
Share placing	4,860	7,775	-	-	-	-	-	-	12,635
Issuance cost of share placing	-	(505)	-	-	-	-	-	-	(505)
Loan capitalisation shares	5,140	8,224	-	-	-	-	-	-	13,364
At 30 September 2022, unaudited	<u>17,891</u>	<u>102,373</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(2,092)</u>	<u>11,657</u>	<u>(118,736)</u>	<u>21,634</u>

For the six months ended 30 September 2021 (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 2021, audited	3,491	65,408	4,836	(89)	5,794	(2,707)	11,657	(88,229)	161
Total comprehensive income/(loss) for the period	-	-	-	-	-	21	-	256	277
Share placing	4,400	21,471	-	-	-	-	-	-	25,871
At 30 September 2021, unaudited	<u>7,891</u>	<u>86,879</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>(2,686)</u>	<u>11,657</u>	<u>(87,973)</u>	<u>26,309</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Unaudited six months ended 30 September	
	2022 HK\$'000	2021 HK\$'000
Net cash generated from/(used in) operating activities	1,533	(3,226)
Net cash (used in)/generated from investing activities	(243)	473
Net cash generated from financing activities	<u>2,043</u>	<u>2,081</u>
Net increase/(decrease) in cash and cash equivalents	3,333	(672)
Effect of foreign currency exchange rate changes	(1,627)	(131)
Cash and cash equivalents at beginning of period, audited	<u>4,038</u>	<u>3,553</u>
Cash and cash equivalents at end of period, unaudited	<u><u>5,744</u></u>	<u><u>2,750</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>5,744</u>	<u>2,750</u>
	<u><u>5,744</u></u>	<u><u>2,750</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 2022 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	
	2022	2021
	HK\$'000	HK\$'000
Sales of electronic products	16,218	25,003
Revenue from restaurant operations	12,726	15,260
	<u>28,944</u>	<u>40,263</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.

3 SEGMENT INFORMATION (CONTINUED)

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 2022 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Provision of food catering services HK\$'000	Total HK\$'000
Revenue	1,112	15,106	12,726	28,944
Segment results	664	(3,284)	(1,226)	(3,846)
Unallocated other revenue and gains				498
Unallocated selling and distribution expenses				(176)
Unallocated administrative and other expenses				(3,705)
Unallocated finance costs				(1,536)
Loss from operations				(8,765)
Reversal of allowance for expected credit loss recognised in respect of financial assets at amortised cost, net				14
Change in fair value of derivative financial assets component of convertible bonds				(53)
Share of result of associates				149
Loss before taxation				(8,655)
Taxation				-
Loss for the period				(8,655)

3 SEGMENT INFORMATION (CONTINUED)

For the six months ended 30 September 2021 (Unaudited)

	Indent trading of electronic products HK\$'000	Manufacturing and trading of electronic products and accessories HK\$'000	Provision of food catering services HK\$'000	Total HK\$'000
Revenue	959	24,044	15,260	40,263
Segment results	376	3,691	(2,544)	1,523
Unallocated other revenue and gains				499
Unallocated selling and distribution expenses				(418)
Unallocated administrative and other expenses				(4,411)
Unallocated Finance costs				(1,190)
Loss from operations				(3,997)
Allowance for expected credit loss recognised in respect of financial assets at amortised cost, net				(19)
Change in fair value of derivative financial assets component of convertible bonds				202
Share of result of associates				4,067
Profit before taxation				253
Taxation				3
Profit for the period				256

3 SEGMENT INFORMATION (CONTINUED)

Geographical information

	Revenue from external customers	
	Unaudited	
	six months ended	
	30 September	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	13,491	16,024
Asian countries/regions, other than Hong Kong (Note 1)	1,151	555
European countries (Note 2)	10,108	17,972
North and South American countries (Note 3)	3,463	4,076
Australia	636	–
Others	95	1,636
	<u>28,944</u>	<u>40,263</u>

Notes:

1. Asian countries/regions include the People's Republic of China, Malaysia, Singapore and Taiwan.
2. European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Russia, Slovakia, Spain, Switzerland and the 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	Audited
	30 September	31 March
	2022	2022
	HK\$'000	HK\$'000
Hong Kong	3,164	7,414
People's Republic of China ("PRC")	211	101
	<u>3,375</u>	<u>7,515</u>

4 OTHER GAINS OR LOSS

	Unaudited six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Bank interest income	2	1
Government subsidies	1,684	–
Interest income on dividends income	177	177
Rent concession income	165	–
Sundry income	422	2,196
	<u>2,450</u>	<u>2,374</u>

5 PROFIT/(LOSS) BEFORE TAXATION

	Unaudited six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Profit/(Loss) before taxation is arrived after charging:		
Finance costs		
Interest on:		
Bank and other borrowings	376	123
Bank overdrafts wholly repayable within five years	22	1
Interest expense on lease liabilities	392	312
Convertible bonds wholly repayable within five years	1,160	1,160
	<u>1,950</u>	<u>1,596</u>
Other items		
Depreciation of property, plant and equipments	3,281	19
Depreciation of right-of-use assets	2,036	56
Costs of inventories sold	24,824	31,620
	<u>24,824</u>	<u>31,620</u>

6 TAXATION

	Unaudited six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
Current tax		
— Hong Kong	—	—
— PRC	—	—
Deferred taxation	—	3
	<u>—</u>	<u>3</u>
	<u>—</u>	<u>3</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 2022 and 2021.

7 DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 September 2022 (2021: Nil).

9 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired material property, plant and equipment amounting to approximately HK\$0.24 million (six months ended 30 September 2021: Nil) and did not dispose of material property, plant and equipment (the corresponding period in 2021: Nil).

10 TRADE RECEIVABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
0 to 30 days	3,472	11,194
31 to 60 days	30	338
61 to 90 days	–	691
91 to 180 days	–	10
Over 180 days	–	20
	3,502	12,253

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

Trade receivables as at 30 September 2022 are denominated in HK\$ and USD.

11 TRADE PAYABLES

Details of the ageing analysis are as follows:

	Unaudited 30 September 2022 HK\$'000	Audited 31 March 2022 HK\$'000
Within 30 days	1,859	2,905
31 to 60 days	507	275
61 to 90 days	272	39
91 to 180 days	223	125
Over 180 days	22	38
	2,883	3,382

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

Trade payables as at 30 September 2022 are denominated in HK\$, USD and RMB.

12 SHARE CAPITAL

	Ordinary shares of HK\$0.050 each Unaudited six months ended 30 September 2022		Ordinary shares of HK\$0.050 each Audited year ended 31 March 2022	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of the period/year	200,000	10,000	200,000	10,000
Increase in share capital	<u>800,000</u>	<u>40,000</u>	<u>–</u>	<u>–</u>
At end of the period/year	<u>1,000,000</u>	<u>50,000</u>	<u>200,000</u>	<u>10,000</u>
Issued and fully paid:				
At beginning of the period/year	157,823	7,891	69,823	3,491
Loan capitalisation (Note 8(c))	102,804	5,140	–	–
Share placing (Note 8(c))	97,188	4,860	–	–
Share placing (Note 8(b))	<u>–</u>	<u>–</u>	<u>88,000</u>	<u>4,400</u>
At end of the period/year	<u>357,815</u>	<u>17,891</u>	<u>157,823</u>	<u>7,891</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 2022 and 30 September 2022.

- 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 2022 and 31 March 2022.

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	
	2022 HK\$'000	2021 HK\$'000
Nature of related party transactions		
Rental paid to Mobile Computer Land Limited (Note)	186	174
Sales to Moson International Limited (Note)	474	355

Note: Its major shareholder is Mr. Lo Ding Kwong, who is the son of Ms. Cheng Yek Hung, a director and the chief executive officer 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	
	2022 HK\$'000	2021 HK\$'000
Salaries and allowances	1,308	1,535
Retirement scheme contributions	18	27

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Revenue for the six months ended 30 September 2022 (the “**Six-Month Period**”) was approximately HK\$28.94 million, representing an decrease of approximately 28.11% when compared with the same period last year. Loss attributable to owners of the Company for the Six-Month Period was approximately HK\$8.66 million whilst for the same period last year, the profit attributable to owners of the Company was approximately HK\$0.26 million.

Given the slow pace of economic recovery along with the continued slackness in the United States 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 United States and the European countries including Belgium, Denmark, Finland, Germany, Italy, Portugal, Russia, Spain and the United Kingdom.

In view of the challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, it will explore new business opportunities to broaden its source of income and maximise 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\$16.22 million, representing an decrease of approximately 35.14% when compared with the same period last year. Decrease in sales of electronics products was mainly due to the decrease in the revenue from manufacturing and trading of electronic products and accessories by approximately HK\$8.94 million as compared with the corresponding period in 2021. The decrease in the revenue from manufacturing and trading of electronic products and accessories for the Six-Month Period was mainly due to the decrease in sales of fishing indicator for the Six-Month Period by approximately HK\$5.84 million as compared with the corresponding period in 2021. Decrease in fishing indicator were caused by the decrease in volume sold in high end product.

Provision of Food Catering Services

Revenue from this segment during the Six-Month Period was approximately HK\$12.73 million, representing an decrease of approximately 16.61% from approximately HK\$15.26 million of the same period in 2021. Such decrease was mainly due to the Group's catering business and the general market condition of the Hong Kong catering industry from the impact of the COVID-19 outbreak.

Financial review

The Group's revenue for the six months ended 30 September 2022 was approximately HK\$28.94 million, representing a decrease of approximately 28.11% from approximately HK\$40.26 million of the same period in 2021. Such decrease was mainly due to the decrease in revenue from sales of electronic products by approximately HK\$8.79 million.

The overall gross profit margin of the Group decreased from approximately 21.38% for the six months ended 30 September 2021 to approximately 13.94% for the six months ended 30 September 2022. The decrease in the Group's gross profit margin for the six months ended 30 September 2022 was primarily due to the decrease in sales of higher margin of the Group's electronic products and accessories, namely fishing indicator and buzzer.

Selling and distribution expenses for the six months ended 30 September 2022 were approximately HK\$0.65 million (approximately HK\$1.16 million for the six months ended 30 September 2021), representing a decrease of approximately 44.02%. Such decrease was mainly due to the commission paid and freight charges amounting to approximately HK\$0.16 million and HK\$0.07 million, respectively, for the six months ended 30 September 2022 (approximately HK\$0.26 million and HK\$0.24 million, respectively, for the six months ended 30 September 2021).

Administrative and other expenses for the six months ended 30 September 2022 were approximately HK\$12.65 million (approximately HK\$12.22 million for the six months ended 30 September 2021), representing an increase of approximately 3.49%. Such increase was mainly due to the increase in exchange difference amounting to approximately HK\$1.13 million for the six months ended 30 September 2022 (approximately HK\$0.21 million for the six months ended 30 September 2021).

Loss attributable to the owners of the Company amounted to approximately HK\$8.66 million for the six months ended 30 September 2022 (profit attributable to the owners of the Company amounted to approximately HK\$0.26 million for the six months ended 30 September 2021). Loss per share attributable to owners of the Company was approximately HK3.32 cents for the six months ended 30 September 2022 (profit per share attributable to owners of the Company was approximately HK0.20 cents).

The cash and bank balances increased from approximately HK\$4.04 million as at 31 March 2022 to HK\$5.74 million as at 30 September 2022 mainly due to the decrease of trade receivables from HK\$12.25 million as at 31 March 2022 to HK\$3.50 million as at 30 September 2022.

Liquidity, Financial Resources and Capital Structure

As at 30 September 2022, the Group had net current assets of approximately HK\$21.03 million (as at 31 March 2022: approximately HK\$2.62 million) including cash and cash equivalents of approximately HK\$5.74 million (as at 31 March 2022: approximately HK\$4.04 million) and pledged time deposits of approximately HK\$2.00 million (as at 31 March 2022: approximately HK\$2.00 million).

The Group's equity capital and borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 30 September 2022 was 1.98 (as at 31 March 2022: 1.06). Gearing ratio was approximately 140% as at 30 September 2022 (as at 31 March 2022: 1,425%), calculated based on total borrowings over equity.

The capital of the Group mainly comprises ordinary shares and capital reserves. Please refer to notes 8 and 12 to the unaudited condensed consolidated financial statements for details of changes of capital structure of the Company during the Six-Month Period.

Significant Investment, material acquisitions and disposals of subsidiaries, associates and joint ventures

The Group did not have any significant investment, and material acquisition and disposal of subsidiaries and affiliated companies throughout the Six-Month Period.

Segmental Information

Segmental information of the Group is disclosed in note 3 of the unaudited condensed consolidated financial statements.

Contingent liabilities

The Group had no material contingent liabilities as at 30 September 2022 (2021: Nil).

Charges over assets

The Group had pledged approximately HK\$2.00 million time deposits on DBS Bank (Hong Kong) Limited as at 30 September 2022 (as at 31 March 2022: HK\$2.00 million time deposits on DBS Bank (Hong Kong) Limited).

Capital commitment

The Group did not have any significant capital commitments as at 30 September 2022 (as at 31 March 2022: nil).

Foreign Currency Exposure

As at 30 September 2022, the Directors considered the Group's foreign exchange risk to be insignificant. During the Six-Month Period, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 30 September 2022, the Group employed a total of 142 employees (as at 31 March 2022: 158 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$19.68 million for the Six-Month Period (2021: HK\$14.31 million).

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

USE OF PROCEEDS

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 2022 is summarised as follows:

Intended use	As at 12 May 2017 Revised allocation of the unutilised IPO Proceeds HK\$ million (approximately)	Utilised during the period from 13 May 2017 to 30 September 2022 HK\$ million (approximately)	Unutilised amount as at 30 September 2022 HK\$ million (approximately)
Strengthening the Group’s position in its established markets and expanding its customer base	2.49	2.02	0.47
Working capital and funding for other general corporate purposes	1.30	1.30	–
Total	<u>3.79</u>	<u>3.32</u>	<u>0.47</u>

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

ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

(a) Issue of new shares for loan capitalisation and issue of unlisted warrants under specific mandate

On 25 March 2022, the Company and its certain subsidiaries entered into a loan capitalisation agreement (the “**Loan Capitalisation Agreement(s)**”) with Ms. Siu Hiu Ki Jamie (formerly known as Ms. Siu Yik Tung Jamie), Ms. Zhou Qilin and ECGO International Limited (collectively, the “**Creditors**”), respectively, in relation to (i) allotment and issue of an aggregate of 102,804,213 new ordinary shares (the “**Loan Capitalisation Shares**”) under specific mandate at the price of HK\$0.13 per share; and (ii) subject to the fulfillment of the relevant conditions precedent, the Company shall create, and issue to the Creditors, the warrants entitling the holders thereof to subscribe up to 16,225,482 ordinary shares at nil consideration. The subscription amount payable by the Creditors under the Loan Capitalisation Agreements shall be satisfied by capitalising the respective indebted sums due from the Group.

The aggregate nominal value of the Loan Capitalisation Shares was HK\$5,140,210.65. The market price of the Loan Capitalisation Shares was HK\$0.13 per share as quoted on the Stock Exchange on 25 March 2022, being the date of the Loan Capitalisation Agreements. The net issue price of the Loan Capitalisation Shares was approximately HK\$0.13 per share.

Having taken into account of, among others, (i) the capitalisation of the indebted sums can alleviate the repayment and settlement pressure of the Company; (ii) the benefits of reducing the gearing ratio, enlarging the capital base and strengthening the financial position of the Group with improved net liabilities position of the Group; and (iii) the benefits of the issue of warrants serving as an incentive to the Creditors and potential additional financing when the warrants are exercised, the Directors consider that the entering into the Loan Capitalisation Agreements is in the interests of the Company and the shareholders of the Company as a whole.

An extraordinary general meeting was held on 21 June 2022 (“**EGM**”), and ordinary resolutions were passed to approve the aforesaid transactions and the completion of such transactions took place on 28 June 2022. For details, please refer to the Company’s announcements dated 25 March 2022, 21 June 2022 and 28 June 2022, and the Company’s circular dated 6 June 2022.

(b) Placing of new shares and issue of unlisted warrants under specific mandate

On 25 March 2022, the Company entered into a placing agreement (the “**Placing Agreement**”) with Bluemount Securities Limited (the “**Placing Agent**”) in relation to (i) placing of up to 97,188,000 new ordinary shares (the “**Placing Shares**”) at the placing price of HK\$0.13 per placing share on a best effort basis to not less than six independent investors (the “**Placee(s)**”) under specific mandate, and (ii) subject to the fulfillment of the relevant conditions precedent, the Company shall create, and issue to the Placees, the warrants entitling the holders thereof to subscribe up to 15,339,080 ordinary shares at nil consideration.

The aggregate nominal value of the Placing Shares was HK\$4,859,400. The market price of the Placing Shares was HK\$0.13 per share as quoted on the Stock Exchange on 25 March 2022, being the date of the Placing Agreement. The net issue price of the Placing Shares was approximately HK\$0.12 per share.

Having taken into account of, among others, (i) the funding needs to expand the Group’s e-commerce business; (ii) the funding needs to improve the Group’s financial position; and (iii) the financial impact of fund raising by way of issuing Placing Shares, the Directors consider that the entering into the Placing Agreement is in the interests of the Company and the shareholders of the Company as a whole.

Ordinary resolutions were passed at the EGM to approve the aforesaid transactions and the completion of such transactions took place on 28 June 2022, and the Placing Agent has successfully placed 97,188,000 Placing Shares at the placing price of HK\$0.13 per share and 15,339,080 warrants at nil consideration to not less than six (6) Placees.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Placees and their respective ultimate beneficial owner(s), as applicable, are third parties independent of, and not connected or acting in concert with (as defined in The Codes on Takeovers and Mergers and Share Buy-backs) with any directors, chief executive or substantial shareholder(s) of the Company or its subsidiaries and their respective associates (as defined under the GEM Listing Rules).

For details, please refer to the Company’s announcements dated 25 March 2022, 21 June 2022 and 28 June 2022, and the Company’s circular dated 6 June 2022.

The below table sets out the intended use of the net proceeds from the Placing and the relevant utilisation as at 30 September 2022:

Intended use	Intended use of net proceeds HK\$ million (approximately)	Utilised during the period from 27 May 2021 to 30 September 2022 HK\$ million (approximately)	Unutilised amount as at 30 September 2022 HK\$ million (approximately)
Repayment of loans	4.64	4.64	–
Expansion in e-commerce business	3.24	3.24	–
Working capital and funding for other general corporate purposes	4.00	4.00	–
Total	11.88	11.88	–

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 4,000,000 shares of the Company with an exercise price of HK\$3.00 which is equal to the placing price as defined in the prospectus of the Company.

As at 30 September 2022, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2022	Exercised	Lapsed	Cancelled	Outstanding as at 30 September 2022	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	1,140,000	-	-	-	1,140,000	11 October 2016 – 11 October 2023	0.32%
Ms. Cheng Yeuk Hung	1,140,000	-	-	-	1,140,000	11 October 2016 – 11 October 2023	0.32%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		
	2,280,000				2,280,000		0.04%
Employees	1,720,000	-	-	-	1,720,000	11 October 2016 – 11 October 2023	0.48%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>		
	4,000,000	-	-	-	4,000,000		1.12%

Share Option Scheme

During the six months ended 30 September 2022, 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 2022, 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	1.36%
Mr. Lo Yan Yee	Company	Interest of spouse	4,878,000	1.36%

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 and chief executive officer)	Personal	Options	1,140,000
	Interest of spouse	Options	1,140,000
			2,280,000

Save as disclosed above, as at 30 September 2022, 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 2022, 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 (Note 1)	Total	Percentage of the Company's issued share capital
Siu Yik Tung Jamie	Beneficial owner	35,302,504	9,851,415	45,153,919	12.62%
Siu Wa Kei	Interest of a controlled corporation	1,289,800		1,289,800	
	Beneficial owner	<u>19,287,268</u>	3,827,523	<u>23,114,791</u>	
		20,577,068		24,412,391	6.82%
Lissington Limited	Beneficial owner (Note 2)	79,791,486	11,036,032	90,827,518	25.38%
Zheng Zeli	Interest of a controlled corporation (Note 2)	79,791,486	11,036,032	90,827,518	25.38%
ECGO International Limited	Beneficial owner (Note 3)	76,008,474	11,996,339	88,004,813	24.60%
Zhou Qilin	Beneficial owner	22,867,183	5,781,598	28,648,781	8.01%

Notes:

1. These underlying Shares are Shares to be issued to holders of the convertible bonds and warrants of the Company.
2. Lissington Limited is a company incorporated in the British Virgin Islands and its entire issued share capital is beneficially owned by Ms. Zheng Zeli.
3. ECGO International Limited is a company incorporated in Hong Kong and is wholly-owned by Industronics Berhad. Industronics Berhad is a company listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (stock code: 9393).

Save as disclosed above, as at 30 September 2022, 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 2022.

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 2022.

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 2022.

DIRECTORS' INTERESTS IN CONTRACTS

Other than as disclosed under the heading "Related Party Transactions" as set out in note 15 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 ended 30 September 2022.

COMPETING BUSINESS

For the six months ended 30 September 2022, 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 three independent non-executive directors of the Company, namely Mr. Leung Yu Tung, Stanley, who is also the chairman, Mr. Chow Yun Cheung and Mr. Lam Kwok Leung, Roy. The unaudited condensed consolidated results of the Group for the six months ended 30 September 2022 have been reviewed by the Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and legal requirements, and adequate disclosures have been made.

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

Hong Kong, 10 November 2022

As at the date of this report, 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, Mr. Chow Yun Cheung and Mr. Lam Kwok Leung, Roy.

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