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Echo International Holdings Group Limited

毅高（國際）控股集團有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8218)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2023**

CHARACTERISTICS OF 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 of the Stock Exchange 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

For the year ended 31 March 2023, operating results of the Group were as follows:

- Revenue was approximately HK\$55.29 million, representing a decrease of approximately 31.18% from HK\$80.34 million last year. The decrease in the Group's revenue was mainly attributable to the decrease in revenue generated from the sale of electronic products, especially the decrease in the sales of fishing indicator and Buzzer.
- The Group's gross profit margin increased from approximately 15.49% for the year ended 31 March 2022 to approximately 24.03% for the year ended 31 March 2023 primarily due to the increase of purchase orders in the higher margin dishes of the Group's food catering business, namely abalone and shark fin.
- Loss attributable to the owners of the Company was approximately HK\$14.46 million, whilst the loss attributable to the owners of the Company last year was approximately HK\$21.85 million.
- Basic and diluted loss per share for the year based on weighted average number of ordinary shares were approximately HK3.57 cents (2022: basic and diluted loss per share approximately HK15.17 cents).
- The Board does not recommend the payment of final dividend for the year ended 31 March 2023 (2022: Nil).

RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 March 2023 and the comparative audited figures for the preceding financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	55,285	80,338
Cost of sales		<u>(42,002)</u>	<u>(67,895)</u>
Gross profit		13,283	12,443
Other income and other gains or loss, net	6	(1,017)	2,444
Selling and distribution expenses		(1,610)	(1,882)
Administrative expenses		(23,168)	(25,254)
Impairment loss on property, plant and equipment		(1,892)	(5,373)
Impairment loss on right-of-use assets		(523)	(2,050)
Reversal of (impairment loss) under expected credit loss model, net		64	(96)
Finance costs	7	(3,697)	(5,623)
Share of result of an associate		<u>3,592</u>	<u>3,299</u>
Loss before taxation	8	(14,968)	(22,092)
Taxation	9	<u>504</u>	<u>240</u>
Loss for the year		<u>(14,464)</u>	<u>(21,852)</u>
Other comprehensive income for the year: <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of foreign operations		<u>3,561</u>	<u>98</u>
Total comprehensive expense for the year		<u>(10,903)</u>	<u>(21,754)</u>
Loss per share			
— Basic and diluted (<i>in HK cents</i>)	11	<u>(3.57)</u>	<u>(15.17)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		418	4,646
Right-of-use assets		52	2,869
Intangible assets		777	–
Interest in an associate		26,739	23,147
Deferred tax assets		4	14
		27,990	30,676
Current assets			
Inventories		20,830	13,330
Trade receivables	12	615	12,253
Deposits, prepayments and other receivables		13,506	12,594
Financial assets at fair value through profit or loss		–	110
Pledged time deposits		2,008	2,001
Cash and cash equivalents		2,958	4,038
		39,917	44,326
Current liabilities			
Trade payables	13	1,744	3,382
Accruals and other payables		3,461	4,597
Amount due to a related company		62	62
Contract liabilities		2,494	619
Tax payables		110	219
Bank and other borrowings		–	17,814
Lease liabilities		3,592	5,536
Convertible bonds		–	9,482
		11,463	41,711
Net current assets		28,454	2,615
Total assets less current liabilities		56,444	33,291
Non-current liabilities			
Lease liabilities		3,763	7,818
Convertible bonds		–	20,248
Deferred tax liabilities		–	547
Provision for reinstatement costs		400	400
		4,163	29,013
Net assets		52,281	4,278
Capital and reserves			
Share capital	14	29,743	7,891
Reserves		22,538	(3,613)
Total equity		52,281	4,278

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Contribution reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Convertible bonds — equity component reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1 April 2021	3,491	65,408	4,836	(89)	5,794	(2,707)	11,657	(88,229)	161
Total comprehensive income/(expense) for the year	-	-	-	-	-	98	-	(21,852)	(21,754)
Share placing	4,400	22,000	-	-	-	-	-	-	26,400
Issuance cost of share placing	-	(529)	-	-	-	-	-	-	(529)
As at 31 March 2022 and 1 April 2022	7,891	86,879	4,836	(89)	5,794	(2,609)	11,657	(110,081)	4,278
Total comprehensive income/(expense) for the year	-	-	-	-	-	3,561	-	(14,464)	(10,903)
Loan capitalisation shares	5,140	8,224	-	-	-	-	-	-	13,364
Issue of ordinary shares upon conversion of convertible bonds	11,852	33,217	-	-	-	-	(11,657)	-	33,412
Share placing	4,860	7,775	-	-	-	-	-	-	12,635
Issuance cost of share placing	-	(505)	-	-	-	-	-	-	(505)
As at 31 March 2023	<u>29,743</u>	<u>135,590</u>	<u>4,836</u>	<u>(89)</u>	<u>5,794</u>	<u>952</u>	<u>-</u>	<u>(124,545)</u>	<u>52,281</u>

NOTES

1. CORPORATE INFORMATION

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

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

2. STATEMENT OF COMPLIANCE

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

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

3. ADOPTION OF NEW HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or 1 January 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group’s significant accounting policies. The impacts of application, if any, will be disclosed in the Group’s future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group’s consolidated financial statements.

4. REVENUE

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

	2023	2022
	HK\$'000	HK\$'000
Recognition at a point in time:		
— Sale of electronic products and accessories	26,487	47,277
— Revenue from restaurant operations	28,798	24,556
— Trading of timepieces	—	8,505
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Revenue from contracts with customers	55,285	80,338
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5. SEGMENT INFORMATION

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

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

- trading of electronic products;
- manufacturing and trading of electronic products and accessories;
- provision of food catering services; and
- trading of timepieces

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

Segment revenues reported below represents revenue generated from external customers. There were no intersegment sales during both years.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, impairment loss under expected credit loss ("ECL") model recognised in respect of financial assets at amortised cost, share of result of an associate, finance costs and taxation. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment revenues and results

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

For the year ended 31 March 2023

	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>	Trading of timepieces <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>2,138</u>	<u>24,349</u>	<u>28,798</u>	<u>-</u>	<u>55,285</u>
Segment results	<u>964</u>	<u>(5,127)</u>	<u>(6,495)</u>	<u>14</u>	<u>(10,644)</u>
Unallocated other income and other gains or loss, net					(2,073)
Unallocated administrative and other expenses					(3,205)
Unallocated finance costs					(2,609)
Unallocated impairment loss under ECL model, net					(29)
Share of result of associates					<u>3,592</u>
Loss before taxation					(14,968)
Tax credit					<u>504</u>
Loss for the year					<u>(14,464)</u>

For the year ended 31 March 2022

	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>	Trading of timepieces <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	<u>1,706</u>	<u>45,571</u>	<u>24,556</u>	<u>8,505</u>	<u>80,338</u>
Segment results	<u>576</u>	<u>790</u>	<u>(15,788)</u>	<u>551</u>	(13,871)
Unallocated other income and other gains or loss, net					(480)
Unallocated administrative and other expenses					(6,613)
Unallocated finance costs					(4,455)
Unallocated reversal of impairment loss under ECL model, net					28
Share of result of associates					<u>3,299</u>
Loss before taxation					(22,092)
Tax credit					<u>240</u>
Loss for the year					<u>(21,852)</u>

Segment assets and liabilities

As at 31 March 2023

	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>	Trading of timepieces <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	290	15,555	8,040	8,510	32,395
Unallocated corporate assets					<u>35,512</u>
Consolidated assets					<u><u>67,907</u></u>
Segment liabilities	104	11,316	3,202	–	14,622
Unallocated corporate liabilities					<u>1,004</u>
Consolidated liabilities					<u><u>15,626</u></u>

As at 31 March 2022

	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>	Trading of timepieces <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment assets	127	19,056	13,379	8,451	41,013
Unallocated corporate assets					<u>33,989</u>
Consolidated assets					<u><u>75,002</u></u>
Segment liabilities	297	13,840	9,738	–	23,875
Unallocated corporate liabilities					<u>46,849</u>
Consolidated liabilities					<u><u>70,724</u></u>

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

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of property, plant and equipment and right-of-use assets, interest in an associate, certain deposits, prepayments and other receivables, financial assets at fair value through profit or loss, pledged time deposits and certain cash and cash equivalents); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amount due to a related company, tax payables, certain bank and other borrowings, certain lease liabilities, convertible bonds, deferred tax liabilities and certain accruals and other payables).

Other segment information

For the year ended 31 March 2023

	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>	Trading of timepieces <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount included in the measure of segment results						
Capital expenditure	-	150	167	880	17	1,214
Depreciation of property, plant and equipment	9	33	2,620	-	-	2,662
Depreciation of right-for-use assets	-	-	2,073	-	56	2,129
Impairment of property, plant and equipment	-	-	1,892	-	-	1,892
Impairment of right-of-use assets	-	-	523	-	-	523
Amortisation of intangible assets	-	-	52	51	-	103
(Reversal of) impairment loss under ECL, net	-	(57)	18	(54)	29	(64)

For the year ended 31 March 2022

	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>	Trading of timepieces <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Amount included in the measure of segment results						
Capital expenditure	26	111	3,178	-	-	3,315
Depreciation of property, plant and equipment	29	11	5,119	-	-	5,159
Depreciation of right-for-use assets	-	-	3,599	-	109	3,708
Impairment of property, plant and equipment	-	-	5,373	-	-	5,373
Impairment of right-of-use assets	-	-	2,050	-	-	2,050
Impairment loss (reversal of impairment loss) under ECL, net	-	57	13	54	(28)	96

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

For the year ended 31 March 2023

	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>	Trading of timepieces <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	8	1	-	-	-	9
Finance costs	<u>38</u>	<u>439</u>	<u>611</u>	<u>-</u>	<u>2,609</u>	<u>3,697</u>

For the year ended 31 March 2022

	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>	Trading of timepieces <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Interest income	1	-	-	-	1	2
Finance costs	<u>37</u>	<u>578</u>	<u>590</u>	<u>-</u>	<u>4,418</u>	<u>5,623</u>

Revenue from major products and services

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Buzzer	2,740	6,283
Control board	5,866	6,770
Fire alarm	3,766	3,497
Fishing indicator	8,643	25,020
LED lamp assembly	929	1,677
Printed circuit board (PCB)	42	698
Printed circuit board assembly (PCBA)	1,034	190
Security alarm	–	852
Switch	1,089	114
Timer	155	–
Others	85	470
	<hr/>	<hr/>
Manufacturing and trading of electronic products and accessories	24,349	45,571
Trading of electronic products	2,138	1,706
Trading of timepieces	–	8,505
Revenue from restaurant operation	28,798	24,556
	<hr/>	<hr/>
	55,285	80,338
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Geographical information

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

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

	Revenue from external customers	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	30,511	34,373
Asian countries, other than Hong Kong (<i>Note a</i>)	1,158	1,487
European countries (<i>Note b</i>)	14,437	33,188
North and South American countries (<i>Note c</i>)	7,610	8,903
Australia	1,468	2,224
Others	101	163
	<hr/>	<hr/>
	55,285	80,338
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Asian countries include the PRC, India, Korea, Malaysia, Singapore, Taiwan and Thailand.
- (b) European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.
- (c) North and South American countries include Argentina, Brasil, Canada and the United States.

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

	Non-current assets	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	1,044	7,414
PRC	203	101
	1,247	7,515

Note: Non-current assets excluded interest in an associate and deferred tax assets.

Information about major customers

For the year ended 31 March 2023, the Group's customer base includes two customers relate to manufacturing and trading of electronic products and accessories operating segment (2022: two customers relate to manufacturing and trading of electronic products and accessories operating segment and trading of timepieces segment) with whom transactions have individually exceeded 10% of the Group's revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2023 and 2022.

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

	Revenue from external customers	
	2023	2022
	HK\$'000	HK\$'000
Customer A ¹	8,643	25,020
Customer B ²	–	8,505
Customer C ¹	6,012	N/A ³

¹ Revenue from electronic products

² Revenue from timepieces

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME AND OTHER GAINS OR LOSS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other income		
Bank interest income	9	2
Interest income on dividends receivable	348	354
Government subsidies (<i>Note (a)</i>)	1,994	162
Rent concession income	–	68
Compensation on factory relocation (<i>Note (b)</i>)	–	1,633
Services charges	162	799
Sundry income	414	202
	<u>2,927</u>	<u>3,220</u>
Other gains and losses		
Net foreign exchange loss	(3,895)	(325)
Change in value of derivative financial asset component of convertible bonds	(49)	(451)
	<u>(3,944)</u>	<u>(776)</u>
	<u><u>(1,017)</u></u>	<u><u>2,444</u></u>

Notes:

- (a) During the year ended 31 March 2023, the Group recognised government subsidies of approximately HK\$1,994,000 (2022: HK\$162,000). It mainly consists of (i) Covid-19 related subsidies, of which approximately HK\$1,018,000 (2022: nil) related to Employment Support Scheme, (ii) approximately HK\$900,000 (2022: HK\$150,000) related to Food Licence Holders Subsidy Scheme, and (iii) training allowance approximately HK\$12,000 (2022: HK\$12,000) provided by the Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or contingencies relating to these subsidies.
- (b) During the year ended 31 March 2022, the Group received compensation on factory relocation from landlord, which was amounted to approximately HK\$1,633,000 (2023: nil).

7. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on:		
— Convertible bonds wholly repayable within five years	2,609	4,196
— Bank and other borrowings	413	399
— Lease liabilities	675	1,028
	<u>3,697</u>	<u>5,623</u>

8. LOSS BEFORE TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation is arrive after charging:		
Staff costs including directors' remuneration	23,344	25,298
Contribution to retirement schemes	1,385	1,375
Total staff costs (<i>Note (a)</i>)	<u>24,729</u>	<u>26,673</u>
Depreciation of property, plant and equipment	2,662	5,159
Depreciation of right-of-use assets	2,129	3,708
Amortisation of intangible assets	103	–
Auditors' remuneration		
— Audit services	600	600
— Non-audit services	–	7
Cost of inventories sold	29,519	68,260
Provision/(reversal of provision) of obsolete and slow-moving inventories (<i>Note (b)</i>)	754	(512)
Expenses relating to short-term leases	667	676

Notes:

(a) There are approximately HK\$12,835,000 (2022: HK\$13,915,000) related to cost of sales.

(b) The amount is included in cost of sales.

9. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax		
— Hong Kong	110	81
Overprovision in prior years	(77)	—
Deferred taxation	(537)	(321)
	<u>(504)</u>	<u>(240)</u>

The Company, which was incorporated in the Cayman Islands, together with those group entities incorporated in the BVI, have no assessable profits for both years.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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, the Hong Kong Profits Tax of the qualifying group entity 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.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2022: 25%).

10. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the years ended 31 March 2023 and 31 March 2022.

11. LOSS PER SHARE

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Basic loss per share		
Loss		
Loss attributable to owners of the Company for the purpose of calculating basic and diluted loss per share	<u>(14,464)</u>	<u>(21,852)</u>
	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>404,771,816</u>	<u>144,080,373</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 March 2023 have been adjusted for the effect of share placing and loan capitalisation of shares on 28 June 2022 and conversion of convertible bonds on 3 November 2022 (2022: adjusted for the effect of share placing on 27 May 2021).

For the years ended 31 March 2023 and 31 March 2022, the computation of diluted loss per share did not assume the exercise of the Company's share options and the conversion of the outstanding convertible bonds, since the exercise price of those share options and the outstanding convertible bonds were higher than the average market price of the shares.

12. TRADE RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	624	12,374
Less: impairment allowance for ECL	(9)	(121)
	<u>615</u>	<u>12,253</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 to 30 days	322	11,194
31 to 60 days	293	338
61 to 90 days	–	691
91 to 180 days	–	10
Over 180 days	–	20
	<u>615</u>	<u>12,253</u>

The average credit period on sales of goods ranges from 0 to 90 days.

The trade receivables are denominated in HK\$, United States Dollars (“US\$”) and RMB.

13. TRADE PAYABLES

Details of the ageing analysis based on invoice date are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	1,200	2,905
31 to 60 days	213	275
61 to 90 days	142	39
91 to 180 days	58	125
Over 180 days	131	38
	<u>1,744</u>	<u>3,382</u>

14. SHARE CAPITAL

	Par value HK\$	Number of shares '000	Nominal value HK\$'000
Issued and fully paid:			
As at 1 April 2021	0.05	69,823	3,491
Issue of share capital under share placing (<i>Note (a)</i>)	0.05	<u>88,000</u>	<u>4,400</u>
As at 31 March 2022 and 1 April 2022	0.05	157,823	7,891
Issue of share capital under placing (<i>Note (b)</i>)	0.05	97,188	4,860
Capitalisation of loan (<i>Note (c)</i>)	0.05	102,804	5,140
Conversion of convertible bonds (<i>Note (d)</i>)	0.05	<u>237,045</u>	<u>11,852</u>
As at 31 March 2023	0.05	<u>594,860</u>	<u>29,743</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 regarding the Company's residual assets.

Notes:

- (a) On 27 May 2021, the Company placed 88,000,000 new shares at the placing price of HK\$0.30 per placing share to not less than six places.
- (b) On 28 June 2022, the Company placed 97,188,000 new shares at the placing price of HK\$0.13 per placing share to not less than six places.
- (c) On 28 June 2022, the Company completed a loan capitalisation and issued 102,804,000 loan capitalisation shares at HK\$0.13 each.
- (d) On 3 November 2022, the holders of convertible bonds 1, 2, 3 and 4 exercised the conversion right and the convertible bonds were converted into 20,148,867, 55,949,150, 68,279,482, 10,759,452, 16,497,826, 34,394,381, 27,070,781 and 3,945,132 ordinary shares of the Company of HK\$0.05 each, respectively. The conversion shares rank pari passu in all respects with shares of the Company.

15. EVENT AFTER THE REPORTING PERIOD

On 16 June 2023, the Company entered into a conditional subscription agreement with Ms. Zhou Qilin in relation to the subscription of a total of 71,563,010 new ordinary shares of the Company ("Subscription Shares") at an issue price of HK\$0.11 under the general mandate granted to the Directors by the Shareholders at the annual general meeting in 2022. The issue of the Subscription Shares is condition upon, among other things, the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares. For details, please refer to the Company's announcement dated 16 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

Revenue for the year ended 31 March 2023 was approximately HK\$55.29 million, representing a decrease of approximately 31.18% when compared with last year. Loss attributable to owners of the Company for the year ended 31 March 2023, was approximately HK\$14.46 million whilst the loss attributable to owners of the Company last year was approximately HK\$21.85 million.

Notwithstanding the challenging market conditions encountered during the year, the Group continues to provide electronics products and subcontracting services on PCB assemblies and manufacturing of electronic products to customers in its principal markets, i.e. the U.S.A. and the European countries including Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Portugal, Russia, Spain, Switzerland and United Kingdom. The Group also operates a catering business in Hong Kong.

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 in the long run. The Group will also endeavour to increase its market share and attract new customers to enlarge its client base through conducting more promotional and marketing activities and designing and developing new electronic products.

Sales of Electronic Products

Revenue from this segment during the year ended 31 March 2023 was approximately HK\$26.49 million, representing a decrease of approximately 43.97% when compared with last year. The decrease in sales of electronics products was mainly due to the decrease in sales of the fishing indicator and Buzzer.

Food Catering Services

During the year ended 31 March 2023, the Company has been developing and operating two e-commerce platforms, one (<https://echkmall.com/>) selling watches, jewelry, health care, skin care, food and beverage and another one (<https://www.yukcuisine.com/shop>) selling food and beverage, such as Chinese tea, mooncakes and abalone dishes.

Revenue from this segment during the year ended 31 March 2023 was approximately HK\$28.80 million, representing an increase of approximately 17.27% when compared with last year. Such increase was mainly due to the general market condition of Hong Kong catering industry from the slightly improvement of the COVID-19 outbreak during the fourth quarterly.

FINANCIAL REVIEW

The Group recorded a loss of approximately HK\$14.46 million for the financial year ended 31 March 2023 as compared with the loss of approximately HK\$21.85 million for the financial year ended 31 March 2022. The decrease in the loss is mainly due to decrease of finance costs, the impairment of right-of-use assets and property, plant and equipment.

The Group's revenue for the year ended 31 March 2023 was approximately HK\$55.29 million (approximately HK\$80.34 million for last year), representing a decrease of approximately 31.18% when compared with last year. Such decrease was mainly due to the decrease in the revenue from manufacturing and trading of electronic products by 43.97% when compared with last year respectively.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2023 was approximately HK\$21.01 million, which decreased from approximately HK\$46.21 million for the year ended 31 March 2022, representing a decrease of approximately 54.53%.

Throughout the year ended 31 March 2023, some factory fixed costs and indirect costs, such as salaries and rents, have been reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group decreased.

The overall gross profit margin of the Group increased from approximately 15.49% for the year ended 31 March 2022 to approximately 24.03% for the year ended 31 March 2023 primarily due to the increase in sales of the higher margin dishes of the Group's food catering business, namely abalone and shark fin.

Selling and distribution expenses for the year ended 31 March 2023 amounted to approximately HK\$1.61 million (approximately HK\$1.88 million for the year ended 31 March 2022), representing a decrease of approximately 14.45%. Such decrease was mainly due to the decrease in freight charges and transportation to approximately HK\$0.17 million for the year ended 31 March 2023 (approximately HK\$0.57 million for the year ended 31 March 2022) respectively.

Administrative expenses for the year ended 31 March 2023 amounted to approximately HK\$23.17 million (approximately HK\$25.25 million for the year ended 31 March 2022), representing a decrease of approximately 8.26%. Such decrease was mainly due to the decrease in staff costs including director's remuneration to approximately HK\$11.53 million (2022: staff costs including director's remuneration of HK\$12.76 million) for the year ended 31 March 2023.

Loss attributable to the owners of the Company amounted to approximately HK\$14.46 million for the year ended 31 March 2023 (approximately HK\$21.85 million for the year ended 31 March 2022). Basic and diluted loss per share attributable to owners of the Company was also approximately HK3.57 cents for the year ended 31 March 2023 (basic and diluted loss per share was approximately HK15.17 cents for the year ended 31 March 2022).

To turnaround the loss for the financial year ended 31 March 2023, the Board intends to develop on its recurring business in providing EMS to international customers while targeting further expansion in its established market, particularly to explore the EMS for consumer electronic products in the PRC market where the Directors consider to have a promising potential. However, the European countries and the United States will still be the principal markets of the Group in the near future.

The Group's strategies are to increase its market share and to enlarge its client base through increasing its marketing activities and introducing new products. The Group is going to launch four to five light security system controller, power management board, illuminated bobbin and related products to the market in 2023 and the Group will attend and participate in more exhibitions and trade fairs in Hong Kong, the PRC and overseas to promote EMS and buzzer, to attract potential customers. Moreover, in relation to the Group's food catering business, the Group is going to develop more abundant and diversified products on the current e-commerce platform in 2023.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the financial year ended 31 March 2023.

Liquidity, Financial Resources and Capital Structure

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

As at 31 March 2023, the Group had net current assets of approximately HK\$28.45 million (2022: approximately HK\$2.62 million) including cash and cash equivalents of approximately HK\$2.96 million (2022: approximately HK\$4.04 million) and pledged time deposits of approximately HK\$2.01 million (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 31 March 2023 was 3.48 (2022: 1.06). The Group's gearing ratio as at 31 March 2023 was 14.19% (2022: 1,425%).

Save as disclosed below, there has been no material change in the capital structure of the Group during the year ended 31 March 2023. The capital of the Group mainly comprises ordinary shares and capital reserves.

Please refer to Note 14 and Note 15 for details of changes of capital structure of the Company during the year ended 31 March 2023 and up to the date of this announcement, respectively.

Significant Investment

The Group did not have any significant investment as at 31 March 2023 (2022: Nil).

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2023 (2022: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2023 (2022: Nil).

Charges over assets

The Group had pledged approximately HK\$2.01 million time deposits on DBS Bank (Hong Kong) Limited as at 31 March 2023 (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 31 March 2023 (2022: Nil).

Foreign Currency Exposure

As at 31 March 2023, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2023, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 31 March 2023, the Group employed a total of 134 employees (2022: 158 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK\$24.73 million for the year ended 31 March 2023 (2022: HK\$26.67 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.

IMPACT BY COVID-19 OUTBREAK ON THE GROUP'S PERFORMANCE

The management is in the process of assessing the impact of the COVID-19 outbreak on the Group's performance. However, the COVID-19 outbreak is expected to have short-term impact. With the effective control of the COVID-19 outbreak, all parts of the country are gradually resuming work and production, and downstream needs will be released. In addition, the PRC government will likely introduce measures to stimulate economic growth after the COVID-19 outbreak. The management will continue to speed up cash flow collection, increase the volume of sales agreements with core customers, improve the pace and efficiency of procurement and sales, and improve profitability.

USE OF PROCEEDS

IPO

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

The details of the utilisation of the Proceeds since 12 May 2017 (date of the latest revision of allocation of the unutilised Proceeds) to 31 March 2023 is summarised as follows:

Use of net proceeds	Net proceeds as at 12 May 2017 pursuant to new allocation of unutilised proceeds <i>HK\$ million</i> (approximately)	Amount not yet utilised as at 31 March 2022 <i>HK\$ million</i> (approximately)	Amount utilised during the year ended 31 March 2023 <i>HK\$ million</i> (approximately)	Amount not yet utilised as at 31 March 2023 <i>HK\$ million</i> (approximately)
Strengthening the Group's position in its established markets and expanding its customer base	2.49	0.85	0.59	0.26
Working capital and funding for other general corporate purposes	1.30	–	–	–
Total	3.79	0.85	0.59	0.26

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

ISSUE OF NEW SHARES AND UNLISTED WARRANTS UNDER SPECIFIC MANDATES

(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 31 March 2023:

Intended use	Intended use of net proceeds <i>HK\$ million</i> (approximately)	Utilised during the year ended 31 March 2023 <i>HK\$ million</i> (approximately)	Unutilised amount as at 31 March 2023 <i>HK\$ million</i> (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	<u>11.88</u>	<u>11.88</u>	<u>–</u>

(c) Issue of new shares under specific mandate for debt capitalisation

On 29 August 2022, the Company entered into a capitalisation agreement (the “**Capitalisation Agreement(s)**”) with Mr. Yeung Tong Seng Terry, Bluemount Investment Fund SPC, Ms. Siu Hiu Ki Jamie (formerly known as Ms. Siu Yik Tung Jamie), Mr. Yan Ka Him, Mr. Yeung Iat Seng, Ms. Zhou Qilin, Mr. Siu Wang Kei (formerly known as Mr. Siu Wa Kei) and Mr. Pan Jiye (collectively, the “**Creditors**”), respectively, in relation to allotment and issue of an aggregate of 237,045,072 new ordinary shares (the “**Capitalisation Shares**”) under specific mandate at the price of HK\$0.15 per share. The subscription amount payable by the Creditors under the Capitalisation Agreements shall be satisfied by capitalising the respective indebted sums due to the Creditors under various convertible bonds issued by the Company (the “**Capitalisation**”). The aggregate nominal value of the Capitalisation Shares was HK\$11,852,253.60. The market price of the Capitalisation Shares was HK\$0.155 per share as quoted on the Stock Exchange on 29 August 2022, being the date of the Capitalisation Agreements. The net issue price of the Capitalisation Shares was approximately HK\$0.15 per share. Having taken into account of, among others, (i) the Capitalisation can allow the Company to save interest expense, and can alleviate the repayment and settlement pressure of the Company; (ii) the Capitalisation will enable the Company to retain cashflow of the Group for the continuous development of its businesses; and (iii) 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, the Directors consider that the entering into the 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 28 October 2022, and ordinary

resolutions were passed to approve the aforesaid transactions and the completion of such transactions took place on 3 November 2022. For details, please refer to the Company's announcements dated 29 August 2022, 30 August 2022, 6 September 2022 and 3 November 2022, and the Company's circular dated 12 October 2022.

INTERNAL CONTROL AND RISK MANAGEMENT

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

- (1) all material controls, including but not limited to financial, operational and compliance controls;
- (2) risks management functions; and
- (3) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

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

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

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

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

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

Major deficiencies

Company’s actions

- Insufficient internal control measures over the process of customer performance appraisal: The policy only states that customer performance appraisal should be conducted annually with a review of credit limit and payment terms of each customer. However, it does not specify any specific criteria or metrics for evaluating customer performance which would result in subjective evaluations or inconsistencies during the appraisal process.
- Lack of segregation of duties: The policy implies that the same person or department is responsible for both involving customers and shipping out goods. This lack of segregation of duties could lead to errors or fraud, as there is no independent check on whether the goods were actually shipped before invoicing the customer.
- It is observed that the procurement policy does not mention the policies of “procurement before approval of the purchase price” and “avoidance of conflicts of interest” in catering segment.
- The Group would consider this suggestion, namely volume payment history, customer feedback, and market trends, and the management would clearly communicate to all employees who are responsible for conducting customer performance appraisals.
- The Group will consider designating an additional staff member to segregate the duties of shipping goods and invoicing customers.
- The Group would incorporate the relevant procurement process before approval of the purchase price and the avoidance of conflicts of interest on the existing procurement policy.

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

SHARE OPTIONS SCHEMES

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

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 27 September 2013 under which the Company has granted options to certain Directors of the Group to subscribe for an aggregate of 80,000,000 shares of the Company with an exercise price of HK\$0.15, which is equal to the placing price as defined in the Prospectus.

As at 31 March 2023, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2022	Outstanding as at 31 March 2023	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	0.19%
Ms. Cheng Yeuk Hung	1,140,000	1,140,000	11 October 2016– 11 October 2023	0.19%
Directors	2,280,000	2,280,000		0.38%
Employees	1,720,000	1,720,000	11 October 2016– 11 October 2023	0.29%
	<u>4,000,000</u>	<u>4,000,000</u>		0.67%

Share Option Scheme

During the year ended 31 March 2023, no option was granted, exercised or lapsed under the Share Option Scheme.

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

As at 31 March 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (“SFO”) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the shares of the Company

Name of Director/ Chief Executive	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Personal interest	4,878,000	0.82%
Mr. Lo Yan Yee	Interest of spouse	4,878,000	0.82%

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 interest	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 interest	Options	1,140,000
	Interest of spouse	Options	1,140,000
			2,280,000

Save as disclosed above, as at 31 March 2023, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

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

As at 31 March 2023, 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	103,581,986	3,587,855	107,169,841	17.93%
Lissington Limited	Beneficial owner (Note 2)	94,011,486	11,036,032	105,047,518	17.66%
Zheng Zeli	Interest of a controlled corporation (Note 2)	94,011,486	11,036,032	105,047,518	17.66%
ECGO International Limited (Note 3)	Beneficial owner	76,008,474	11,996,339	88,004,813	14.72%
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest) (Note 4)	61,009,150	–		
	Beneficial owner	20,148,867	–		
		81,158,017	–	81,158,017	13.57%

Name	Capacity and nature of interest	Number of shares	Number of underlying shares (Note 1)	Total	Percentage of the Company's issued share capital
Bluemount investment Fund SPC — Bluemount investment Fund SP	Trustee (other than a bare trustee) (Note 4)	61,009,150	–	61,009,150	10.20%
Zhou Qilin	Beneficial owner	57,261,564	3,609,104	60,870,668	10.18%
Siu Wang Kei (formerly known as Siu Wa Kei)	Interest of a controlled corporation Beneficial owner	1,289,800		1,289,800	
		<u>66,578,049</u>	971,595	<u>61,549,644</u>	
		61,867,849		62,839,444	10.56%

Notes:

1. These underlying Shares are Shares to be issued to holders of the 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 company listed on Bursa Malaysia Securities Berhad (the stock exchange of Malaysia) (Stock code: 9393).
4. 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 31 March 2023, the Directors are not aware of any other persons (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

PURCHASE, SALES OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2023.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Model Code**”) as its own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the standard set out in the Model Code throughout the year ended 31 March 2023.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

The Company has complied with the code provisions of the Code throughout the year ended 31 March 2023 (the “**Financial Year**”).

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

None of the Directors nor the controlling shareholder of the Company had any material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2023.

COMPETING BUSINESS

For the year ended 31 March 2023, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

AUDIT COMMITTEE

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

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Leung Yu Tung, Stanley, Mr. Lam Kwok Leung, Roy and Mr. Lam Wing Bui, Thomas. Mr. Leung Yu Tung, Stanley is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company’s website and on the website of the Stock Exchange.

During 1 April 2022 up to the date of this announcement, the Audit Committee had reviewed the first quarterly results and report of the Company for the three months ended 30 June 2022, the interim results and report of the Company for the six months ended 30 September 2022, the third quarterly results and report of the Company for the nine months ended 31 December 2022 and the annual results and report of the Company for the year ended 31 March 2023. The Audit Committee also reviewed the Group’s internal control system for the year. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the Financial Year, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this announcement under the GEM Listing Rules. The Group’s annual results for the year ended 31 March 2023 had been reviewed by the Audit Committee prior to the submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 28 July 2023. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the GEM Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 July 2023 to Friday, 28 July 2023, both days inclusive, for the purpose of determining the entitlement of the members of the Company to attend and vote at the AGM. No transfer of shares can be registered during the said period. In order to be qualified to attend and vote at the AGM, all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 24 July 2023.

By Order of the Board
Echo International Holdings Group Limited
Chan Wan Shan Sandra
Executive Director

Hong Kong, 23 June 2023

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, Mr. Lam Kwok Leung, Roy and Mr. Lam Wing Bui, Thomas.

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 and the Company's website at www.echogroup.com.hk.