You should read the following discussion and analysis in conjunction with our combined financial information and notes thereto set forth in the Accountants' Report included as Appendix I and our selected historical combined financial information and operating data included elsewhere in this prospectus. Our combined financial information has been prepared in accordance with HKFRSs. Potential investors should read the whole of the accountants' report set out in Appendix I to this prospectus and not rely merely on the information contained in this section.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and our financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors which we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. Please refer to the sections headed "Risk factors" and "Forward-looking statements" for discussions of those risks and uncertainties.

Unless the context otherwise requires, financial information described in this section is described on a combined basis.

OVERVIEW

We have been providing ELV solutions in Hong Kong since 2003. Our Company has accumulated vast experience through the projects undertaken over the years.

During the Track Record Period, our clientele comprises customers from both the private and public sectors. Our customers in the private sector are mainly property developers and property management companies in Hong Kong. Our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc.

BASIS OF PRESENTATION

The Company was incorporated in the Cayman Islands on 3 October 2016 as an exempted company with limited liability under the Companies Law (as revised) of the Cayman Islands. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No.62 Hoi Yuen Road, Kowloon. The Company is principally engaged in investment holding. The principal activity of its major operating subsidiary is the provision of installation and maintenance services. The ultimate holding company of the Company is ECI Asia, a company incorporated in the BVI. The ultimate controlling shareholder of the Group is Dr. Ng Tai Wing ("Dr. Ng").

Pursuant to the Reorganisation, the Company became the holding company of the Group on 3 October 2016. The Group has been under the control of Dr. Ng throughout the Track Record Period or since their respective dates of incorporation up to 31 August 2016.

As the Reorganisation only involved inserting new holding company and has not resulted in any change of economic substances, the Financial Information for the Track Record Periods has been presented as a continuation of the existing company using the pooling of interests method as if the Reorganisation had been completed at the beginning of the Track Record Period.

The combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the Track Record Period including the results and cash flows of the companies now comprising the Group including the Company, ECI International and EC Infotech have been prepared as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation up to 31 August 2016, whichever is a shorter period. The combined statements of financial position of the Group as at 31 August 2015 and 2016 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those dates.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiaries.

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards. It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on our management's best knowledge and judgment of current facts and circumstances, actual results may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 to the Accountants' Report.

Further details on the basis of presentation are set out in the note 1 to the Accountants' Report.

KEY FACTORS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our income from installation and maintenance services is generally project based and non-recurring in nature and any decrease in the number of projects and/or any decrease in the demand of maintenance services would affect our operations and financial results

Our income is primarily generated from the provision of ELV solutions, which can be generally divided into new project installation and maintenance services. Apart from variation orders or supplemental orders placed by our customer during the course of a project, our engagements with our customers are on a project basis and are generally non-recurring in nature. In general, the duration of work for our installation projects may vary from 1 month to 30 months. A customer that accounts for a significant portion of our income for a particular period may not generate any income to us in subsequent periods. In addition, we do not enter into any long-term agreements with our customers except for some maintenance service agreements with our customers which generally last for one to three years. After completion of our services, our customers are not obliged to engage us again in the future for maintenance and enhancement services or for new projects of such customer.

As such, our income derived above is not recurring in nature. There is no guarantee that we will win the awards of project contracts in the future, and there is no assurance that our existing customers will invite us to tender when they have new projects. Our operations and financial results would be adversely affected if we are unable to win new projects or secure new projects from existing customers, which may lead to a decrease in the number of projects.

We determine our contract fee based on estimated time and costs, yet the actual time and costs incurred may be more than our estimates due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our total contract fee based on our cost estimates on top of certain mark-up fees. For details of the factors we consider when we make our cost estimates, please refer to the paragraph headed "Business – Sales and marketing – Pricing policy" in this prospectus. The actual time and costs incurred by us, however, may be affected by various factors, including: (i) variations to the requirements or design requested by our customers; (ii) delays by our suppliers in delivering the systems/equipment; (iii) delays or defects in the installation work provided by our subcontractors; (iv) departure of our key personnel; (v) disputes with our customers or suppliers; (vi) disputes among other parties involved in the projects; (vii) changes in market conditions; and (viii) other unforeseen problems and circumstances. Any of these factors may lead to delays in completion or cost overruns by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

If a significant mark-up is made upon our estimated costs, then our contract fee may be less competitive. There can be no assurance that our tenders will always be priced competitively. If we fail to price our tenders competitively, our customers may not engage our services for the potential project or order, resulting in a decrease in the number of projects or orders. In such event, our operations and financial results would be adversely affected.

On the contrary, if the fee set by us is too low, then our profitability may be materially and adversely affected when the actual time spent and costs exceed our estimation during the actual implementation of the project or order.

We may be exposed to payment delays and/or defaults by our customers which would adversely affect our cash flow or financial results

Our Group does not have a standardised and universal credit period granted to our customers. In addition, in some installation projects, the work we handled only formed part of the customer's entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed.

As at 31 August 2015 and 31 August 2016, invoices aged over 90 days amounted to approximately HK$2.9 million and HK$3.4 million, respectively, while our average trade receivables turnover were 66 and 71 days, respectively.

There can be no assurance that our customers will settle our invoices on time or in full. Any of such payment delays and/or defaults by our customers may adversely affect our operating cash flow, financial position and operating results.

CRITICAL ACCOUNTING POLICIES & ESTIMATES

The financial statements of our Group were prepared in accordance with all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, which require our Group to adopt accounting policies and make estimates and assumptions that the management believes to be appropriate in the circumstances for purpose of giving a true and fair view of the results and financial condition of our Group. However, different policies, estimates and assumptions in critical areas could lead to materially different results. Our Directors have continually assessed these estimates based on their experience and knowledge of current business, the expectations based on available information and other reasonable assumptions, which together form our basis for making judgments about matters that are not apparent from other sources. Since the use of estimates is an integral component of financial reporting progress, the actual result could differ from those estimates. Our Directors believe the following accounting policies involve the most significant judgments and estimates used in the preparation of the financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business and net of discounts. Maintenance service income is recognised over the maintenance period by using the straight line method. The Group's policy for recognition of revenue from installation services is described in the accounting policy headed "Construction contracts" below.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the combined statements of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the combined statements of financial position under trade and other receivables.

The Group measures the stage of completion of its installation projects for revenue recognition purposes by taking into account the costs of material and equipment and subcontracting costs and not the direct labour costs. The Directors consider that the reference to the costs of material and equipment and subcontracting costs incurred can measure the stage of completion of the installation of our Group because:

(a) costs of material and equipment and subcontracting costs are the major components of the cost of sales for installation projects. Such costs accounted for approximately 84.7% and 72.4% of the Group's total costs for installation projects in the financial years ended 31 December 2015 and 2016, respectively;

(b) on the other hand, although direct labour costs accounted for 43.5% to 50.5% of the Group's total costs of sales for the financial years ended 31 December 2015 and 2016, respectively, the direct labour costs for installation projects, only accounted for approximately 12.9% and 21.9% of the Group's total costs of sales for installation projects for the two financial years, respectively. As such, The Group did not record the time spent by each member of the installation team on each installation project for recording the direct labour costs on each project. The direct labour costs for installation projects are less than for maintenance projects because installation projects are not as labour intensive as maintenance projects, which require sufficient labour to perform routine checks and corrective maintenance services;

(c) the Group normally places orders with the suppliers on a project-by-project basis for consumption in the projects and does not keep inventory. The materials and equipment are consumed for the projects within a short period of time after delivery; and

(d) subcontracting cost represents the fees paid and payable to subcontractors engaged by the Group for systems installation or maintenance services. For subcontracting costs which are payable, the Group recognises such payables when receiving the subcontractors' invoices which are used to be issued by them shortly after the works are done by them in accordance with the relevant contracts.

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings held for use in the production or supply of goods or services for administrative purposes are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying value of the asset and is recognised in profit or loss in the period in which the item is derecognised.

Impairment of property, plant and equipment

The Group assesses annually whether property, plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted.

Impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

COMBINED RESULTS OF OPERATION

The table below sets out the combined statements of profit or loss and other comprehensive income of our Group for the Track Record Period extracted from the Accountants' Report set out in Appendix I to this prospectus:

	For the year ended 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Revenue	56,066	80,338
Cost of sales	(39,741)	(53,265)
Gross profit	16,325	27,073
Other income	161	81
Administrative expenses	(6,897)	(13,848)
Profit from operations	9,589	13,306
Finance costs	(502)	(426)
Profit before taxation	9,087	12,880
Income tax expenses	(1,522)	(2,637)
Profit and total comprehensive income for the year attributable to owners of the Company	7,565	10,243

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue

Our Group's revenue is derived from the installation of various systems and provision of maintenance service during the Track Record Period.

During the Track Record Period, our Group's revenue increased from HK$56.1 million for the year ended 31 August 2015 to HK$80.3 million for the year ended 31 August 2016, representing revenue growth of 43.3%. The increase in revenue contribution from installation and maintenance services amounted to approximately HK$18.9 million and HK$5.4 million respectively.

The following table sets forth a breakdown of our revenue by our two service types during the Track Record Period:

	Year ended 31 August			
	2015		2016	
Service type	*HK$'000*	*%*	*HK$'000*	*%*
Installation	30,262	54.0	49,146	61.2
Maintenance	25,804	46.0	31,192	38.8
Total	56,066	100.0	80,338	100.0

Installation

The projects we install for our customers mainly consist of various central control monitoring systems including security, car park, clubhouse management, telecommunications and broadcasting systems. For each of the two years ended 31 August 2016, the revenue derived from this service type amounted to HK$30.3 million and HK$ 49.1 million, and represented approximately 54.0% and 61.2 % of our total revenue respectively.

Maintenance

The maintenance services provided by our Group refer to routine checkup and assistance provided to our customers to keep their systems in good condition by identifying and resolving technical issues. For each of the two years ended 31 August 2016, the revenue derived from this service type amounted to HK$25.8 million and HK$31.2 million, and represented approximately 46.0% and 38.8% of our total revenue respectively.

All of our installations and maintenance works during Track Record Period were located in Hong Kong. Our customers can be divided into two types: (i) public sector and (ii) private sector. The following table sets forth a breakdown of our revenue by public and private sectors during the Track Record Period:

	Year ended 31 August			
	2015		**2016**	
	HK$'000	*%*	*HK$'000*	*%*
Public sector	14,512	25.9	32,264	40.2
Private sector	41,554	74.1	48,074	59.8
Total	56,066	100.0	80,338	100.0

The following table sets forth a breakdown of our number of projects by customer types during the Track Record Period:

	Year ended 31 August	
	2015	**2016**
Customer type		
Public sector	509	1,308
Private sector	2,129	2,332
	2,638	3,640

During the Track Record Period, our customers in the private sector are mainly property developers and property management companies in Hong Kong. Our customers in the public sector are mainly Government departments such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department.

The revenue derived from the public sector for the two years ended 31 August 2016 were HK$14.5 million and HK$32.3 million, representing approximately 25.9% and 40.2 % of our total revenue respectively. The increase in revenue was mainly due to increase in revenue derived from Electrical and Mechanical Services Department amounting to approximately HK$16.5 million, which increased from approximately HK$8.7 million for the year ended 31 August 2015 to approximately HK$25.2 million for the year ended 31 August 2016.

For the two years ended 31 August 2016, the revenue contributed by private sector were HK$41.6 million and HK$48.1 million, representing 74.1% and 59.8 % of our total revenue, respectively. The increase in revenue was mainly attributable to the increase in revenue derived from Project P21 of Customer A during the year ended 31 August 2016 as compared to the year ended 31 August 2015, which increase amounted to approximately HK$3.0 million, as a result of such revenue increasing from approximately HK$10.5 million for the year 31 August 2015 to approximately HK$13.5 million for the year ended 31 August 2016.

Cost of Sales

Set forth below are the details of our cost of sales during the Track Record Period:

	Year ended 31 August			
	2015		**2016**	
	HKD'000	*%*	*HKD'000*	*%*
Material and equipment	11,499	28.9	16,025	30.1
Direct labour	17,305	43.5	26,903	50.5
Subcontracting cost	9,030	22.8	6,784	12.7
Others	1,907	4.8	3,553	6.7
Total	39,741	100.0	53,265	100.0

Material and equipment

Cost of material and equipment represents the amounts paid and payable to suppliers of equipment, parts and systems used for installation and maintenance services provided for our customers. For each of the two years ended 31 August 2016, the cost of material and equipment amounted to HK$11.5 million and HK$16.0 million, representing 28.9% and 30.1% of the total cost of sales respectively.

Direct labour

Direct labour cost represents compensation and benefits provided to employees who are directly involved in the provision of our Group's services. The direct labour cost was HK$17.3 million and HK$26.9 million for each of the two years ended 31 August 2016, which accounted for approximately 43.5% and 50.5% of the total costs respectively. The increase in direct labour cost of approximately HK$9.6 million during the year ended 31 August 2016 as compared to the immediately preceding year was mainly due to the Group hiring more technicians to support the growth of the Group's business, which was in line with the increase in the number of installation and maintenance contracts entered into by us from 2,180 during the year ended 31 August 2015 to 3,149 during the year ended 31 August 2016. Our total number of staffs in installation and maintenance teams has also increased from 109 as at 31 August 2015 to 123 as at 31 August 2016.

Subcontracting cost

Subcontracting cost represents the fees paid and payable to subcontractors we engaged for system installation or maintenance services. The subcontracting costs were HK$9.0 million and HK$6.8 million for each of the two years ended 31 August 2016, representing 22.8% and 12.7 % respectively. The decrease of HK$2.2 million for the year ended 31 August 2016 as compared to the year ended 31 August 2015 was mainly due to the Group hiring more technicians to support the growth of the Group's business and hence reducing the needs for subcontracting services during the year ended 31 August 2016.

Sensitivity analysis

The following sensitivity analysis table illustrates the impacts of the hypothetical changes of the profit before tax in relation to the percentage changes to i) cost of material and equipment; ii) direct labour cost; and iii) subcontracting costs assuming all other factors remain unchanged, based on the historical fluctuations of the total cost of sales during the Track Record Period.

	Impact on profit before tax	
	For the year ended 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Cost of material and equipment increase/decrease by:		
+40%	(4,600)	(6,410)
+35%	(4,025)	(5,609)
+30%	(3,450)	(4,807)
–30%	3,450	4,807
–35%	4,025	5,609
–40%	4,600	6,410
Direct labour cost increase/decrease by:		
+40%	(6,922)	(10,761)
+35%	(6,057)	(9,416)
+30%	(5,192)	(8,071)
–30%	5,192	8,071
–35%	6,057	9,416
–40%	6,922	10,761
Subcontracting cost increase/decrease by:		
+40%	(3,612)	(2,714)
+35%	(3,160)	(2,375)
+30%	(2,709)	(2,035)
–30%	2,709	2,035
–35%	3,160	2,375
–40%	3,612	2,714

Gross profit and gross profit margin

Gross profit is calculated based on our revenue for the year minus cost of sales for the year. Gross profit margin is calculated based on the gross profit for the year divided by our revenue for the year and multiplied by 100%. Our gross profit for each of the two years ended 31 August 2016 amounted to HK$16.3 million and HK$27.1 million, representing gross profit margin of 29.1% and 33.7% respectively.

The following table sets forth a breakdown of the gross profit and gross profit margin during the Track Record Period by service types:

	Year ended 31 August			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
	Gross profit	*Gross profit margin*	*Gross profit*	*Gross profit margin*
Installation	12,150	40.1	24,072	49.0
Maintenance	4,175	16.2	3,001	9.6
Total	16,325	29.1	27,073	33.7

The gross profit margin of our installation service segment during the Track Record Period is higher as compared to that of the maintenance segment primarily because (i) we tend to offer our maintenance services with lower gross profit margin in order to attract more projects and further establish our reputation in the industry; and (ii) we are the subcontractor of several maintenance works and the gross profit margin of subcontracting works tends to be lower. Hence, the gross profit margin for the year ended 31 August 2016 increased by approximately 4.6%, mainly due to the increase in the revenue contribution from installation services from approximately HK$30.3 million for the year ended 31 August 2015 to approximately HK$49.1 million for the year ended 31 August 2016.

For installation services, our gross profits were approximately HK$12.2 million and HK$24.1 million for each of the two years ended 31 August 2016 respectively. In determining our gross profit margin for each installation, we will primarily consider the following factors including i) scope of our services; ii) complexity of the design and installation works; iii) duration of the project; iv) costs of equipment to be installed; v) the level of human resources to be involved; and vi) training and on-site presentation needed. Our gross profit margins were approximately 40.1% and 49.0% for each of the two years ended 31 August 2016 respectively. The gross profit margin for installation services for the year ended 31 August 2016 increased primarily because the Group hired more technicians to form a more robust team to support the growth of the Group's business after taking into account that our Group can provide training to improve the efficiency of our own work force and can have a greater flexibility to allocate our technicians to deal with more projects so as to enhance the cost effectiveness of our own work force. As a result, the subcontracting costs for installation projects decreased from approximately 58.0% of the total cost of sale for installation projects for the year ended 31 August 2015 to approximately 23.7% for the year ended 31 August 2016 while the direct labour costs increased from approximately 12.9% of the total cost of sale for installation projects for the year ended 31 August 2015 to approximately 21.9% for the year ended 31 August 2016.

In addition, although the increase of HK$9.6 million in our direct labour cost caused by our additional work force was much higher than the decrease of HK$2.2 million in our subcontracting cost, our additional work force did not only minimise our reliance on subcontractors but also supported our growth of business, which led to an increase in our revenue. When the direct labour cost and the subcontracting cost are considered together, the aggregate cost of these two items increased approximately 27.9% for the year ended 31 August 2016 while the revenue increased approximately 43.3% for such year. Accordingly, our overall gross profit margin increased from 29.1% to 33.7% during the Track Record Period.

For maintenance services, our gross profits were approximately HK$4.2 million and HK$3.0 million for each of the two years ended 31 August 2016 respectively. In determining our gross profit margin for maintenance works, we will generally consider the factors including i) scope of maintenance services; ii) duration of the maintenance services; iii) the level of human resources to be involved and iv) costs of materials to be replaced or fixed. The gross profit margins were 16.2% and 9.6% for each of the two years ended 31 August 2016 respectively. The gross profit margin for the year ended 31 August 2015 was higher as compared to the year ended 31 August 2016 primarily because of the project (project code P21) with Customer A, which had a lower profit margin and commenced in December 2014 during the year ended 31 August 2015. The lower gross profit margin was due to the combined effect of (i) the 28.3% increase in maintenance income from approximately HK$10.5 million for the year ended 31 August 2015 to approximately HK$13.5 million for the year ended 31 August 2016 and (ii) the increase in direct labour cost for the year ended 31 August 2016 as compared to the year ended 31 August 2015 due to the Group hiring additional technicians to support the project, which increased from approximately HK$8.0 million to HK$12.3 million, representing a 53.5% growth. Hence, the gross profit margin dropped from 16.2% for the year ended 31 August 2015 to 9.6% for the year ended 31 August 2016.

Other income

The following table sets forth the breakdown of our Group's other income during the Track Record Period:

	Year ended 31 August			
	2015		**2016**	
	HK\$'000	*%*	*HK\$'000*	*%*
Sundry income	36	22.4	42	51.9
Gain on sale of listed equity investments	25	15.5	–	–
Gain on disposal of property, plant and equipment	100	62.1	39	48.1
Total	161	100.0	81	100.0

Other income, which includes sundry income, gain on disposal of shares and gain on disposal of property, plant and equipment, amounted to HK$0.1 million and HK$39,000 for each of the two years ended 31 August 2016 respectively. The gain on disposal rose from the disposal of motor vehicles of our Group for during the Track Record Period.

Administrative expenses

The following table sets out the breakdown of our Group's administrative expenses by nature during the Track Record Period:

	Year ended 31 August			
	2015		2016	
	HK$'000	*%*	*HK$'000*	*%*
Staff costs, including Directors' emoluments	3,617	52.4	5,391	38.9
Depreciation	465	6.7	780	5.6
Legal and professional fees	247	3.6	3,013	21.8
Travelling and entertainment	735	10.7	848	6.1
Others	1,833	26.6	3,816	27.6
Total	6,897	100.0	13,848	100.0

The administrative expenses include staff cost, Directors' emoluments, depreciation, legal and professional fees, travel and entertainment expenses and other administrative expenses. The administrative expenses increased by HK$6.9 million from HK$6.9 million for the year ended 31 August 2015 to HK$13.8 million for the year ended 31 August 2016.

The largest components of the administrative expenses were staff costs and Directors' emoluments for each of the two years ended 31 August 2016. The expenses increased from HK$3.6 million for the year ended 31 August 2015 to HK$5.4 million for the year ended 31 August 2016, representing a 49.0% growth. Such amount of increase was mainly attributable to the hiring of additional administrative staff to support the growth of the Group's business and increased installation projects and maintenance works.

The depreciation expenses were mainly attributable to leasehold land and buildings and motor vehicles, which were depreciated on a straight-line basis. The depreciation expenses for each of the two years ended 31 August 2016 were amounted to HK$0.5 million and HK$0.8 million respectively. The increase in depreciation expenses was due to the Group's purchase of motor vehicles during the year ended 31 August 2016 to facilitate our technicians to perform installation and maintenance works in Hong Kong.

Legal and professional fees increased significantly from HK$0.2 million for the year ended 31 August 2015 to HK$3.0 million for the year ended 31 August 2016. Such amount of increase was primarily attributable to the expenses related to the Listing.

Travelling and entertainment expenses remained stable for each of the two years ended 31 August 2016, and amounted to approximately HK$0.7 million and HK$0.8 million respectively. The slight increase was mainly due to the growth of the Group's business.

The remaining administrative expenses mainly represented rental expenses, miscellaneous office expenses, training expenses and insurance costs. The increase of HK$2.0 million from HK$1.8 million for the year ended 31 August 2015 to HK$3.8 million for the year ended 31 August 2016 was mainly attributable to the growth of the Group's business.

Finance costs

The following table sets forth the breakdown of our Group's finance costs during the Track Record Period:

	Year ended 31 August			
	2015		**2016**	
	HK$'000	*%*	*HK$'000*	*%*
Interest on:				
Bank borrowings wholly repayable within five years	476	94.8	389	91.3
Obligations under finance leases	26	5.2	37	8.7
Total	502	100.0	426	100.0

Our finance costs mainly represented interest expenses for bank loans and interest expenses on obligations under finance lease of motor vehicles. Finance costs decreased by approximately 15.1% from approximately HK$0.5 million for the year ended 31 August 2015 to approximately HK$0.4 million for the year ended 31 August 2016.

Income tax expenses

Our Group's revenue during the Track Record Period was derived in Hong Kong, and our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period. The effective tax rates of our Group for each of the two years ended 31 August 2016 were 16.8% and 20.5% respectively.

LIQUIDITY AND CAPITAL RESOURCES

Overview

During Track Record Period, our primary uses of cash are for funding the operations of our projects, maintenance works, capital expenditure and other general working capital use. We have financed our operations mainly by cash flow generated from our operations and external financing. We regularly monitor our liquidity requirements to ensure that we maintain sufficient cash resources for our working capital and operations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any difficulties in settling our obligations in the normal course of business which would have had a material impact to our business, financial condition or results of operations.

After completion of the Share Offer, we expect our sources of funds will be a combination of operating cash flows, external financing and net proceeds from the Share Offer.

Cash flows

The following table summarises selected cash flows data from our combined statement of cash flows for the Track Record Period:

	For the year ended 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Cash and cash equivalents at the beginning of the year	13,232	8,693
Net cash from operating activities	2,418	1,445
Net cash used in investing activities	(3,550)	(8,280)
Net cash (used in)/from financing activities	(3,407)	3,895
Cash and cash equivalent at the end of the year	8,693	5,753

Operating activities

For the year ended 31 August 2015, our net cash generated from operating activities was approximately HK$2.4 million, primarily as a result of the combined effects of (i) approximately HK$9.9 million operating cash flows before movements in working capital; (ii) the increase in trade receivables of approximately HK$5.2 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$0.6 million; and (iv) the increase in amounts due from customers for contract works of approximately of HK$3.4 million. This was partially offset by (i) the increase in amounts due to customers for contract work of approximately HK$0.4 million; (ii) the increase in trade payables of approximately HK$1.9 million; and (iii) the income tax paid of approximately HK$0.5 million.

For the year ended 31 August 2016, our net cash generated from operating activities was approximately HK$1.4 million, mainly attributable to the combined effects of (i) approximately HK$14.0 million operating cash flows before movements in working capital; (ii) the increase in trade receivables amounted to HK$5.7 million; (iii) the increase in deposits, prepayments and other receivables of approximately HK$0.7 million; (iv) the increase in amounts due from customers for contract works of approximately of HK$2.8 million; (v) the reduction in amounts due to customers for contract work of HK$0.1 million; and (vi) the decrease in trade payables of approximately HK$2.4 million. This was partially offset by the income tax paid of approximately HK$0.9 million.

Investing activities

For the year ended 31 August 2015, our net cash used in investing activities was approximately HK$3.6 million. The net cash used was mainly attributable to cash outflow for (i) the advance to a director of approximately HK$3.4 million; and (ii) the acquisition of property, plant and equipment of approximately HK$0.3 million.

Our net cash used in investing activities was approximately HK$8.3 million for the year ended 31 August 2016. The net cash used was mainly due to cash outflow for (i) the acquisition of property, plant and equipment of HK$1.2 million; (ii) advance to a director of approximately HK$7.3 million, which was partially net off by the proceeds received from disposal of property, plant and equipment of HK$0.3 million.

Financing activities

For the year ended 31 August 2015, our net cash used in financing activities was approximately HK$3.4 million, which was mainly attributable to (i) the repayment of bank borrowings of approximately HK$2.7 million; (ii) the repayment of finance lease of approximately HK$0.2 million; and (iii) the interest payment of approximately HK$0.5 million.

For the year ended 31 August 2016, our net cash generated from financing activities was approximately HK$3.9 million, mainly due to new bank borrowings raised of HK$11 million and partially offset by (i) repayment of bank borrowings of approximately HK$6.3 million; (ii) repayment of finance lease of approximately HK$0.4 million; and (iii) the interest payment of approximately HK$0.4 million.

NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 August 2015 and 2016:

	As at 31 August		As at 31 December
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current assets			
Trade receivables	12,787	18,484	20,886
Amounts due from customers for contract work	4,230	7,041	6,731
Amounts due from related companies	3	34	37
Amount due from a director	6,569	1,612	1,511
Deposits, prepayments and other receivables	646	1,382	1,598
Bank balances and cash	8,693	5,753	2,420
	32,928	34,306	33,183
Current liabilities			
Trade payables	5,797	3,427	4,129
Amounts due to customers for contract work	397	310	–
Accruals and other payables	387	373	355
Bank borrowings	12,740	17,462	16,708
Obligations under finance leases	258	525	467
Tax payable	1,747	3,436	1,151
	21,326	25,533	22,810
Net current assets	11,602	8,773	10,373

Our current assets primarily consisted of trade receivables, amounts due from customers for contract work, amounts due from related companies, amount due from a director, deposits, prepayments and other receivables, bank balances and cash. Our current liabilities primarily consisted of trade payables, amounts due to customers for contract work, accruals and other payables, bank borrowings, obligations under finance leases and tax payable.

Our net current assets decreased from HK$11.6 million as at 31 August 2015 to HK$8.7 million as at 31 August 2016, representing a reduction of 24.4%. The decrease in our net current assets was primarily attributable to the combined effects of (i) increase in trade receivables of HK$5.7 million; (ii) increase in amounts due from customers for contract work of HK$2.8 million; (iii) increase in deposits, prepayments and other receivables of HK$0.7 million; and (iv) decrease in trade payables of HK$2.4 million. Such increase was partially offset by (i) the decrease in amount due from a director of HK$5.0 million; (ii) decrease in bank balances and cash of HK$2.9 million; (iii) increase in bank borrowings of HK$4.7 million; (iv) increase in tax payable of HK$1.7 million; and (v) increase in obligations under finance leases of HK$0.3 million.

Out net current assets increased to approximately HK$10.4 million as at 31 December 2016 mainly due to i) the increase in trade receivables of approximately HK$2.4 million as at 31 December 2016; ii) the decrease in bank balances and cash of approximately HK$2.4 million as at 31 December 2016; and iii) decrease in tax payable balance of approximately HK$2.3 million as compared to as at 31 August 2016.

DESCRIPTION OF SELECTED COMPONENTS OF COMBINED STATEMENTS OF FINANCIAL POSITION

Property, Plant and Equipment

The following table sets out the carrying values of our property, plant and equipment as at 31 August 2015 and 2016:

	Leasehold land and buildings	Leasehold improvements	Motor vehicles	Computer equipment	Office equipment, furniture and fixtures	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 August 2015	6,285	–	1,050	77	80	7,492
As at 31 August 2016	6,142	391	1,482	150	223	8,388

Our Group's fixed assets are leasehold land, buildings and improvements, motor vehicles, computer equipment, office equipment, furniture and fixtures. A majority of the fixed assets are leasehold land, buildings and improvements, which accounted for approximately 83.9% and 73.2% of the total fixed assets as at 31 August 2015 and 31 August 2016 respectively. The leasehold land and buildings represented the principal office located in Kwun Tong, Hong Kong and its leasehold improvements of the Group.

Trade receivables

The following table presents the breakdown of trade receivables as at the dates indicated:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Trade receivables	12,787	18,484

Our trade receivables primarily consist of amount receivables from customers for installation of various systems and provision of maintenance service during the Track Record Period. The balance of trade receivables increased from approximately HK$12.8 million as at 31 August 2015 to approximately HK$18.5 million as at 31 August 2016. The increase was mainly due to several sizable installation projects and maintenance works that were completed close to the end of the financial year ended 31 August 2016 and the receivables were not due for settlement as at 31 August 2016.

The following table sets forth the aging analysis of our trade receivables presented based on the invoice date, as at the dates indicated:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Within 30 days	6,307	9,532
31 to 60 days	2,323	3,428
61 to 90 days	1,280	2,113
Over 90 days	2,877	3,411

The following table sets out our trade receivables turnover days during the Track Record Period:

	Year ended 31 August	
	2015	**2016**
Trade receivables turnover days	66	71

Note: Trade receivables turnover days is calculated by average trade receivables balance over revenue during the year and then multiplied by 365. The average trade receivables balance is the balance at the beginning of the year plus the balance at the end of the year with the sum divided by two.

The Group does not have a standardised and universal credit period granted to our customers. Upon accepting a new customer except for government bodies, property developers and incorporated owners of building, credit and background check are required to be conducted by sales team with the approval from our accounting team. A credit period of 90 days is available to certain customers with good credit record and with whom we have established business relationships. During the Track Record Period, our range of average credit period granted to our customers were 30 days to 90 days for the two years ended 31 August 2016, which was in accordance to our Group's credit policy.

Our Group has established credit control policies and procedures. We issue our invoices to the customers in accordance with the relevant purchase orders or contracts. Unless otherwise stated in the relevant purchase orders or contracts, our accounting team informs customer services team of any unsettled invoices for 30 days or more and our customer services team contacts the relevant customers for settlement of the outstanding invoice. Trade receivables aging report will be sent to customer services team to follow up with the settlement process. For invoices which are outstanding for over 30 or more days, our customer services team will contact the person-in-charge on the installation or maintenance sites to follow up with the settlement process. Our Directors will review the recoverable amount of the balance of each trade receivable on a monthly basis to ensure adequate bad debts provision is made. Upon approval from Directors, provision for bad debts will be recorded. Our Directors believe that our credit control policies and procedures are effective in enhancing our Group's ability to manage credit risk as during the Track Record Period, we did not experience any material difficulty in collecting trade receivable from our customers and did not make any provision on bad debt.

In addition, in some installation projects, the work we handled only formed part of the customer's entire system, and the customer also engaged other contractors to handle the other parts of the system. In such case, only until every contractor finished their respective work, the customer would not be able to test the functioning of the entire system. As confirmed by our Directors, it is the industry practice that the customer would only pay the contractors when the testing of the entire system is satisfactorily performed and completed.

Our trade receivables turnover days were approximately 66 days and 71 days for each of the two years ended 31 August 2016 respectively. The increase in trade receivables turnover days for the year ended 31 August 2016 as compared to 31 August 2015 of approximately 5 days was mainly attributable to the extended payment cycles of some of our customers who have no history of default in payment to our Group. Our Group will consider the following factors: i) history of default in payment; ii) any previous/existing bad debts provision made and iii) the years of business relationship with our Group before extending the credit periods granted to certain customers, which is in accordance with our credit control policies and procedures.

As at Latest Practicable Date, approximately HK$15.3 million, or approximately 82.8% of our trade receivables as at 31 August 2016 had been settled. Of the trade receivables that had been outstanding for over 90 days as at 31 August 2016, approximately HK$2.5 million, or approximately 73.9% of them had been settled as at the Latest Practicable Date. The Directors consider that there has not been a significant change in credit quality of the trade receivables and there was no recent history of default and the balances are considered fully recoverable.

Amounts due from/to customers for contract work

For some of our installation projects, we send progress billings to customers in accordance with the payment schedule as stipulated in our contracts. However, there is often a timing difference between the recognition of revenue and the issuance of our progress billings. Amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less losses exceed progress billings, while amounts due to contract customers represent the surplus derived when the progress billings exceed contract costs incurred to date plus recognised profits less losses.

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Contracts in progress at the end of each reporting period		
Contract costs incurred plus recognised profits less recognised losses	19,683	10,834
Less: progress billings	(15,850)	(4,103)
	3,833	6,731
Analysed for reporting purposes as:		
Gross amounts due from customers for contract work	4,230	7,041
Gross amounts due to customers for contract work	(397)	(310)
	3,833	6,731

The amounts due from/to contract customers are affected by the extent and value of services we have provided close to the end of each reporting period for each project and the timing difference between our revenue recognition and our progress billing, and thus vary from period to period.

The amounts due from customers for contract work increased from approximately HK$4.2 million as at 31 August 2015 to approximately HK$7.0 million as at 31 August 2016, which was mainly attributable to sizeable project installations undertaken by ours in the year ended 31 August 2016 without corresponding progress billing made as the project milestone had not yet been reached by the end of the year ended 31 August 2016.

Among the amounts due from customer for contract work of approximately HK$7.0 million as at 31 August 2016, approximately HK$6.2 million were billed to our customers on or before the Latest Practicable Date, of which approximately HK$2.0 million were settled as at the Latest Practicable Date.

Amounts due from related companies and a director

The amount due from a related company was HK$3,000 as at 31 August 2015. The balance has increased to HK$34,000 as at 31 August 2016 and it was due from three related companies. These balances are non-trade in nature, unsecured, interest-free and repayable on demand. The balances will be subsequently settled in full before Listing.

The amount due from a director is non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 August 2015, the amount due from a director is approximately HK$6.6 million and reduced to approximately HK$1.6 million as at 31 August 2016. The balance will be subsequently settled in full before Listing.

Deposits, prepayments and other receivables

The following is a breakdown of deposits, prepayments and other receivables as at 31 August 2015 and 2016:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Deposits	130	276
Prepayments	39	850
Other receivables	477	256
	646	1,382

Our deposits, prepayments and other receivables mainly represent (i) rental deposits; (ii) utility deposits for office premises; (iii) deposits paid to suppliers for purchase orders; and (iv) prepayments of professional fees for the application of listing.

The balance of deposits, prepayments and other receivables increased from approximately HK$0.6 million as at 31 August 2015 to approximately HK$1.4 million as at 31 August 2016, mainly due to an increase in prepayment of professional fees in respect of the application for Listing amounting to approximately HK$0.7 million.

Bank balances and cash

Bank balances and cash amounted to approximately HK$8.7 million as at 31 August 2015 and decreased to approximately HK$5.8 million as at 31 August 2016. The decrease in bank balances and cash was primarily due to decrease in cash generated from operations.

Trade payables

The following table presents the trade payables as at the dates indicated:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Trade payables	5,797	3,427

Our trade payables mainly represented amounts payable to our suppliers for the purchases of equipment, parts and systems used for installation and maintenance services provided for our customers. The balance decreased from approximately HK$5.8 million as at 31 August 2015 to approximately HK$3.4 million as at 31 August 2016. The reduction in trade payables balance is due to more settlement of overdue balances to our suppliers during the year ended 31 August 2016 as compared to the year ended 31 August 2015. This is in line with the decrease in over 90 days balance from approximately HK$2.3 million as at 31 August 2015 to approximately HK$1.0 million as at 31 August 2016.

The following table sets forth the aging analysis of our trade payables presented based on the invoice date, as at the dates indicated:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Within 30 days	3,156	1,745
31 to 60 days	331	593
61 to 90 days	24	122
Over 90 days	2,286	967

The following table sets out our trade payables turnover days during the Track Record Period:

	Year ended 31 August	
	2015	**2016**
Trade payables turnover days	45	32

Note: Trade payables turnover days is calculated by average trade payables balance over total cost of sale during the year and then multiplied by 365. The average trade payables balance is the balance at the beginning of the year plus the balance at the end of the year with the sum divided by two.

Our trade payables turnover days were approximately 45 days and 32 days for the two years ended 31 August 2016 respectively. As compared to the year ended 31 August 2015, the lower turnover days for the year ended 31 August 2016 of approximately 13 days was mainly attributable to the increase in settlement of overdue balances to our suppliers during the year ended 31 August 2016, which is in line with the reduction in over 90 days balance from HK$2.3 million as at 31 August 2015 to HK$1.0 million as at 31 August 2016.

Increase in trade receivables during the Track Record Period and mismatch in turnover days for trade receivables and trade payables

Our trade receivables primarily consist of amount receivables from customers for installation of various systems and provision of maintenance service during the Track Record Period. The balance of trade receivables increased from HK$12.8 million as at 31 August 2015 to HK$18.5 million as at 31 August 2016. The increase was mainly due to several sizable installation projects and maintenance works which were completed close to the end of the financial year ended 31 August 2016 and such receivables were not due for settlement as at 31 August 2016.

For the two years ended 31 August 2016, our trade receivables turnover days were approximately 66 days and 71 days whereas our trade payables turnover days were approximately 45 days and 32 days, respectively. As such, our credit periods for payment to our suppliers were generally shorter than that we offered to our customers and thus, our cash inflow and outflow might be mismatched. In accordance with our Group's cash monitoring policy, weekly trade receivables aging report will be sent out to customer services team and monthly trade receivables aging report will be reviewed and approved by Directors. For invoices which are outstanding for over 30 or more days, the customer services team will contact with the person-in-charge on site directly to follow up with the settlement process. Upon approval from Directors, suspension of services, warning letters or legal action may be taken. This procedure will allow the management to monitor on the outstanding balances and minimise the liquidity risk arising from the mismatch between trade receivables turnover days and trade payables turnover days.

The Directors confirmed that as at Latest Practicable Date, approximately 80.5% of the outstanding trade receivable which was overdue as at 31 August 2016 was subsequently settled. Taking into consideration of the assessment performed by the internal control advisers, we consider our credit control policy is effective as 80.5% of the outstanding trade receivable balance which was overdue as at 31 August 2016 was subsequently settled since the implementation of our credit control policy in September 2016.

Our suppliers and subcontractors normally grant us a credit period between 30 to 60 days. As at the Latest Practicable Date, approximately HK$2.8 million, or approximately 80.8% of our trade payables balance as at 31 August 2016 had been settled. Of the trade payables that had been outstanding for over 90 days, approximately of HK$0.3 million, or approximately 34.0% of them had been settled as at Latest Practicable Date.

Accruals and other payables

The following table presents the breakdown of accruals and other payables as at the dates indicated:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Accruals and other payables	387	373

Our accruals and other payables mainly consisted of accruals for audit fees and advance receipts from customers. The accruals and other payables decreased by approximately of HK$14,000 from HK$387,000 as at 31 August 2015 to HK$373,000 as at 31 August 2016.

Accruals and other payables mainly represent the accruals for audit fees. As at 31 August 2015 and 2016, the balances amounted to approximately HK$160,000 and HK$160,000 respectively. Advance receipts represented the contract amounts received from customers or up-front deposit paid upon signing of contract for which the corresponding work/services had not been rendered. As at 31 August 2015 and 2016, the balances amounted to HK$151,800 and HK$151,800 respectively.

INDEBTEDNESS

The following table sets out the amounts of our indebtedness as at the dates indicated:

	As at 31 August		As at 31 December
	2015	2016	2016
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Current liabilities			
Bank borrowings	12,740	17,462	16,708
Obligations under finance leases	258	525	467
Non-current liabilities			
Obligations under finance leases	372	435	–

As at 31 August 2016 for the purpose of this indebtedness statement, our Group's indebtedness consisted of bank borrowings of approximately HK$17.5 million and obligations under finance leases of approximately HK$1.0 million. There are no material covenants relating to our Group's outstanding debts. As at 31 August 2015 and 2016, our Group total borrowings (comprising bank borrowings and obligation under finance leases) amounted to approximately HK$13.4 million and HK$18.4 million respectively. The increase in total indebtedness as at 31 August 2016 as compared with 31 August 2015 was mainly due to the increase in bank borrowings.

As at 31 December 2016, the Group had outstanding secured bank borrowings of approximately HK$16.7 million, which were secured by the Group's land and buildings with carrying value of approximately HK$6 million and personal guarantee provided by the Company's director of approximately HK$16.7 million and finance lease obligations of approximately HK$0.5 million. All the corresponding personal guarantees provided by Dr. Ng will be released and replace by corporate guarantees to be issued by the Company.

As at 31 December 2016, our Group had total available banking facilities of approximately HK$23 million, of which approximately HK$16.7 million was utilised and approximately HK$6.3 million was unrestricted and unutilised. We have not experienced any difficulty in obtaining bank borrowings to finance our operations during the Track Record Period. Our Directors confirmed we had not materially defaulted or delayed in payments of trade and non-trade payables and borrowings, and/or beaches of finance covenants during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed above, the Group did not have any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance or acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities as at 31 December 2016.

Bank borrowings

Bank borrowings of our Group contain a repayment on demand clause. Accordingly, all borrowings are classified as current liabilities in the combined statements of financial position. The following table sets out borrowings based on scheduled repayment dates:

	As at 31 August		As at 31 December
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Carrying amount of bank borrowings repayable within one year	2,346	10,454	9,915
Carrying amount of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause	10,394	7,008	6,793

Our Group had bank borrowings of approximately HK$12.7 million and HK$17.5 million as at 31 August 2015 and 2016 respectively, which were used for financing our Group's installation projects and maintenance services and overall growth of our business. As at 31 August 2016, the increase in bank borrowings of approximately HK$4.7 million as compared to 31 August 2015 was mainly due to increase in bank borrowings of HK$11 million and partially offset by repayment of loan of approximately HK$6.3 million during the year ended 31 August 2016.

All of our Group's bank borrowings are denominated in Hong Kong dollar and the effective interest rates were as follows:

	As at 31 August		As at 31 December
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
			(unaudited)
Variable-rate bank loans	2.01% to 5.37%	2.15% to 4.25%	2.15% to 4.50%

As at 31 August 2015 and 31 August 2016, our Group's banking facilities are secured by:

(i) Personal guarantees of a Director, namely Dr. Desmond Ng;

(ii) Leasehold land and buildings of our Group with the aggregate net carrying amount of approximately HK$6.3 million and HK$6.1 million as at 31 August 2015 and 31 August 2016 respectively; and

(iii) Loan guarantees of approximately HK$6.1 million as at 31 August 2015 and HK$4.2 million as at 31 August 2016, under SME Financing Guarantee Scheme issued by HKMC.

The corresponding bank with banking facilities granted to our Group as at the Latest Practicable Date has agreed in principle that the personal guarantees will be released and replaced by corporate guarantees to be issued by the Company. The Directors confirmed that the bank loans which are guaranteed under the SME Financing Guarantee Scheme operated by the HKMC would be settled before Listing. So upon such settlement, all the corresponding personal guarantees provided by Dr. Ng will be released.

Obligations under finance leases

Our Group leases certain of its motor vehicles and these leases are classified as finance leases. The lease obligations are secured by the leased assets.

The future lease payments under the finance leases are due as follows:

	As at 31 August		As at 31 December
	2015	**2016**	**2016**
	HK$'000	*HK$'000*	*HK$'000* (unaudited)
Present value of minimum lease payments:			
Amounts due for settlement within 12 months	258	525	467
Amounts due for settlement after 12 months	372	435	–

The amount of obligations under finance leases was approximately HK$0.6 million and HK$1.0 million as at 31 August 2015 and 31 August 2016 respectively. The aggregate net carrying amount of our Group's motor vehicles held under finance leases amounted to approximately HK$0.9 million and HK$1.0 million as at 31 August 2015 and 31 August 2016 respectively.

The interest rates for the finance leases ranged from 2.50% to 4.95% per annum during the Track Record Period. The lease periods are within five years and the finance leases are repayable in fixed monthly installments with principal plus interest. No arrangement has been entered into for contingent rental payments. The Group's finance lease liabilities are subject to personal guarantees provided by Mr. Desmond Ng. The Directors confirmed that such outstanding finance lease liabilities would be settled before Listing.

CONTINGENT LIABILITIES

At the end of each of the Track Record Period, our Group did not have any significant contingent liabilities.

SUMMARY OF KEY FINANCIAL RATIOS

		As at/For the year ended 31 August	
	Notes	**2015**	**2016**
Gross profit margin	*1*	29.1%	33.7%
Net profit margin	*2*	13.5%	12.7%
Current ratio (times)	*3*	1.5	1.3
Quick ratio (times)	*4*	1.5	1.3
Gearing ratio (times)	*5*	0.8	1.2
Net debt to equity (times)	*6*	0.3	0.8
Return on equity	*7*	42.9%	65.8%
Return on total assets	*8*	18.7%	24.0%
Interest coverage ratio (times)	*9*	19.1	31.2

Notes:

1. Gross profit margin equals gross profit for the year divided by revenue for the year.

2. Net profit margin equals net profit for the year divided by revenue for the year.

3. Current ratio is calculated by current assets over current liabilities as at the end of the respective year.

4. Quick ratio is calculated by current assets (excluding inventory) over current liabilities as at the end of the respective year.

5. Gearing ratio is calculated by total debt over total equity as at the end of the respective year. Total debt includes all interest-bearing loans and obligation under finance lease.

6. Net debt to equity is calculated by net debt over total equity as at the end of the respective year. Net debt includes all interest-bearing loans and obligation under finance leases, net of cash and cash equivalent.

7. Return on equity is calculated by profit for the year over total equity as at the end of the respective year.

8. Return on total assets is calculated by profit for the year over total assets at the end of the respective year.

9. Interest coverage ratio is calculated by profit for the year before interest and tax over interest expense for the year.

Gross profit margin

Our gross profit margin were approximately 29.1% and 33.7% for the year ended 31 August 2015 and 2016, respectively. For further information in relation to our gross profit margin, please refer to the paragraph headed "Description of selected components of combined statements of profit or loss and other comprehensive income – Gross profit and gross profit margin" in this section.

Net profit margin

Our net profit margin were approximately 13.5% and 12.7% for the year ended 31 August 2015 and 2016 respectively. We incurred more expenses in connection with the Listing, which had led to the decline in our net profit margin.

Current ratio

Our current ratio decreased from 1.5 times as at 31 August 2015 to 1.3 times as at 31 August 2016 due to the decrease in our current asset, which is primarily due to the decrease in amount due from a director and increase in bank borrowings as at 31 August 2016.

Quick ratio

Our quick ratio as at 31 August 2015 and 31 August 2016 were the same as the current ratio since our Group did not have any inventory.

Gearing ratio

The gearing ratios were 0.8 times and 1.2 times as at 31 August 2015 and 31 August 2016 respectively. The higher gearing ratio was mainly attributable to increase in bank borrowings from HK$12.7 million as at 31 August 2015 to HK$17.5 million as at 31 August 2016.

Net debt to equity

The net debt to equity ratio were approximately 0.3 times and 0.8 times as at 31 August 2015 and 31 August 2016 respectively. The higher net debt to equity ratio was mainly attributable to increase in bank borrowings from HK$12.7 million as at 31 August 2015 to HK$17.5 million as at 31 August 2016.

Return on equity

Our return on equity ratio increased to approximately 65.8% for the year ended 31 August 2016 from approximately 42.9% for the year ended 31 August 2015, which was mainly due to combined effects of (i) the increase in profit from HK$7.6 million for the year ended 31 August 2015 to HK$10.2 million for the year ended 31 August 2016; and (ii) the increase in declaration of dividends of approximately HK$10.3 million during the year ended 31 August 2016.

Return on total assets

Our return on total assets ratio increased to approximately 24.0% for the year ended 31 August 2016 from approximately 18.7% for the year ended 31 August 2015, which was mainly due to the increase in profit during the year ended 31 August 2016 by approximately HK$2.7 million as compared to the year ended 31 August 2015.

Interest coverage ratio

The interest coverage ratio was approximately 19.1 times for the year ended 31 August 2015, 12.1 times lower than interest coverage ratio for the year ended 31 August 2016. Such increase was mainly due to the decrease in our finance costs of approximately HK$0.1 million and increase in our profit from operations of approximately HK$3.7 million for the year ended 31 August 2016.

FINANCIAL RISK MANAGEMENT

We are exposed to market risk, interest rate risk, credit risk and liquidity risk. Further details on our financial risk management policies and practices are set out in Note 6 to the financial information in the Accountants' Report.

CAPITAL MANAGEMENT

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholders returns that might be possible with higher levels of borrowings and the advantages and security affordable by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

CAPITAL EXPENDITURES

Our Group's capital expenditures primarily consisted of additions to property, plant and equipment. The following table sets forth details of our capital expenditures during the Track Record Period:

	For the year ended 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Leasehold improvements	–	524
Motor vehicles	796	1,109
Computer equipment	61	105
Office equipment, furniture and fixtures	76	178

During the Track Record Period, our Group incurred capital expenditures of HK$0.9 million and HK$1.9 million for the two years ended 31 August 2015 and 2016, respectively. Majority of the capital expenditures was used to acquire motor vehicles to support the growth of the Group's business, and the increase in the number of installation projects and maintenance works.

We expect to meet future capital expenditure requirements through our available bank balances and cash, cash generated from our expanding operations and bank borrowings, as well as net proceeds from the Share Offer.

COMMITMENTS

Operating lease commitments

During the Track Record Period, our Group leases motor vehicles under finance lease. The total future minimum lease payments under these leases are due as follow:

	As at 31 August	
	2015	**2016**
	HK$'000	*HK$'000*
Present value of minimum lease payments:		
Amounts due for settlement within 12 months	564	515
Amounts due for settlement after 12 months	1,005	511

Our Group did not have significant capital commitments as at 31 August 2015 and 31 August 2016.

OFF-BALANCE-SHEET COMMITMENTS AND ARRANGEMENTS

As at the Latest Practicable Date, our Group had not entered into any material off-balance-sheet commitments and arrangements.

SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds and the estimated net proceeds from the Share Offer, our Directors are of the opinion, and the Sponsor concurs, that our Group has sufficient working capital and financial resources to meet its capital expenditure and working capital requirements for at least 12 months from the date of this prospectus.

We expect to finance our working capital requirements for the 12 months following the date of this prospectus with the following sources of funding:

– cash inflows generated from our operating activities;

– proceeds from bank loans, including short-term and long-term bank loans;

– the cash and cash equivalents available; and

– proceeds to be received by our Group from the Share Offer.

LISTING EXPENSES

The total amount of the expenses and commission in connection with the Listing is approximately HK$18.0 million, of which approximately HK$4.5 million will be borne by the Selling Shareholder and the remaining approximately HK$13.5 million will be borne by the Group.

Of the aggregate listing expenses borne by our Group of approximately HK$13.5 million, approximately HK$2.0 million is directly attributable to the issue of New Shares and will be accounted for as a deduction from equity upon Listing and approximately HK$11.5 million will be charged to our profit or loss account. We have incurred approximately HK$2.7 million of listing expenses during the Track Record Period. An additional amount of approximately HK$8.8 million will be charged to the profit or loss for the year ending 31 August 2017. Expenses in relation to the Listing are non-recurring in nature.

The Director wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ended 31 August 2017 will be materially and adversely affected by the estimated expenses in relation to the Listing.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 August 2016, please refer to Note C to the Accountants' Report.

DIVIDEND AND DIVIDEND POLICY

For each of the two years ended 31 August 2016, we declared and paid interim dividends of HK$2.0 million and HK$12.3 million respectively to our Shareholders. Such amounts were fully settled by netting off the amount due from a director.

Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by our Board in the future.

PROPERTY INTERESTS AND PROPERTY VALUATION

A valuation on the Group's property interests in the owned properties of the Factory D on 3/F of Block II of Camelpaint Buildings as at 31 January 2017 has been conducted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Valuation certificate issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited is included in the section headed "Appendix IV —Valuation report" in this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our property interests from our consolidated financial information as at 31 August 2016 with the valuation of property interests as at 31 January 2017:

	HK$'000
Net book value of land and buildings of the property interests as at 31 August 2016 (audited)	6,142
Movement from 31 August 2016 to 31 January 2017 (unaudited)	
Depreciation	(60)
Net book value of land and buildings of the property interests as at 31 January 2017 (unaudited)	6,082
Valuation surplus as at 31 January 2017	8,918
Valuation of land and buildings of the property interests as at 31 January 2017 as set out in the Property Valuation Report in Appendix IV [Note]	15,000

Note: The valuation of the property interests as at 31 January 2017 of HKD15,000,000 as set out in the Property Valuation Report in Appendix IV.

DISTRIBUTABLE RESERVES

Our Company was incorporated on Cayman Islands and is an investment holding company. There were no reserves available for distribution to the Shareholders as of the Latest Practicable Date.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible of our Group has been prepared, for the purpose of illustrating the effect of the Share Offer as if it had taken place on 31 August 2016. Please see the section headed "Appendix II – Unaudited pro forma financial information" for details.

RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in Note 32 of the Accountants' Report, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favorable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there were no circumstances which, had our Group been required to comply with Rules 17.15 to 17.21 of the GEM Listing Rules, would have given rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

FOREIGN EXCHANGE EXPOSURE

As all of our operations are in Hong Kong, all of our revenue from customers of our Group are derived from activities in Hong Kong. Our Directors consider that we will have sufficient Hong Kong dollars generated from our operations to pay dividends and to meet our liabilities as they become due.

MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business and revenue model remained unchanged. Our Directors have not noticed any material delay or interruption for our existing projects which would have material adverse impact on our financial and operation position. Our Directors have confirmed that they have performed sufficient due diligence to ensure that as at the Latest Practicable Date and up the date of this prospectus saved as disclosed above, there has been no material adverse change in the financial and trading position or prospects of our Group since 31 August 2016, being the date to which the latest audited financial statements of our Group were made up. Our Directors consider that all information necessary for the investing public to make an informed judgment as to the business activities and financial position of our Group has been included in this prospectus.