ECI Technology Holdings Limited

INTERIM REPORT 2019

(incorporated in the Cayman Islands with limited liability)

Stock code: 8013

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 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.

This report, for which the directors (the "Directors" and each a "Director") of ECI Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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: (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company's website http://www.ecinfohk.com and will remain on the "Latest Company Report" page on the GEM website at http://www.hkgem.com for at least 7 days from the date of its posting.

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EXECUTIVE DIRECTORS

Dr. Ng Tai Wing
(Chairman and Chief Executive Officer)
Mr. Law Wing Chong
Mr. Yang Shuo

NON-EXECUTIVE DIRECTOR

Ms. Wong Tsz Man

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Chun Ho Eric
Mr. Sung Wai Tak Herman
Mr. Fung Tak Chung
Dr. Chow Kin San

COMPANY SECRETARY

Mr. Lau Chi Yuen

COMPLIANCE OFFICER

Dr. Ng Tai Wing

AUTHORISED REPRESENTATIVES

Dr. Ng Tai Wing
Mr. Law Wing Chong

AUDIT COMMITTEE

Mr. Hui Chun Ho Eric
(Committee Chairman)
Mr. Sung Wai Tak Herman
Mr. Fung Tak Chung
Dr. Chow Kin San

REMUNERATION COMMITTEE

Mr. Sung Wai Tak Herman
(Committee Chairman)
Mr. Hui Chun Ho Eric
Mr. Fung Tak Chung
Dr. Chow Kin San

NOMINATION COMMITTEE

Dr. Ng Tai Wing
(Committee Chairman)
Mr. Hui Chun Ho Eric
Mr. Sung Wai Tak Herman
Mr. Fung Tak Chung
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GEM STOCK CODE

8013

COMPANY'S WEBSITE

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FINANCIAL HIGHLIGHTS

Revenue of the ECI Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the six months ended 28 February 2019 (the "Period") amounted to approximately HK$49,530,000 (28 February 2018: approximately HK$44,556,000) while gross profit of the Group for the Period amounted to approximately HK$17,113,000 (28 February 2018: approximately HK$14,990,000).

The net profit after tax of the Group for the Period amounted to approximately HK$3,584,000 (28 February 2018: approximately HK$2,774,000). The increase in net profit after tax for the Period is mainly due to the increase in number of installation projects completed during the Period which is offsetted by the increase in rental expenses and depreciation of premises.

The board (the "Board") of directors (the "Directors") does not recommend the payment of an interim dividend for the Period.

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

信永中和 ShineWing

SHINEWING (HK) CPA Limited
43/F., The Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
ECI TECHNOLOGY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements of ECI Technology Holdings Limited (the "Company") and its subsidiaries set out on pages 7 to 50, which comprise the interim condensed consolidated statement of financial position as at 28 February 2019 and the related interim condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and other explanatory notes. The Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") require the preparation of a report on interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of these interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the interim condensed consolidated statement of profit or loss and other comprehensive income for each of the three-month periods ended 28 February 2019 and 28 February 2018 and the relevant explanatory notes included in these interim condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SHINEWING (HK) CPA Limited
Certified Public Accountants
Kwan Chi Fung
Practising Certificate Number: P06614
Hong Kong
12 April 2019

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

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

		Three months ended 28 February		Six months ended 28 February	
	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Revenue	4	28,018	22,835	49,530	44,556
Cost of sales		(17,297)	(14,847)	(32,417)	(29,566)
Gross profit		10,721	7,988	17,113	14,990
Other income and gain	5	157	68	178	90
Administrative expenses		(6,607)	(6,251)	(12,677)	(11,250)
Share of losses of an associate	22	(2)	–	(2)	–
Realised gain on disposal of held-for-trading investments		–	–	–	6
Unrealised (loss) gain on fair value change on financial assets at fair value through profit or loss/ held-for-trading investment		(2)	(6)	16	(49)
Profit from operations		4,267	1,799	4,628	3,787
Finance costs	6	(66)	(82)	(134)	(157)
Profit before taxation		4,201	1,717	4,494	3,630
Income tax expenses	7	(827)	(343)	(910)	(856)
Profit and total comprehensive income for the period attributable to owners of the Company	8	3,374	1,374	3,584	2,774
Earnings per share					
Basic and diluted (HK cent)	9	0.211	0.086	0.224	0.173

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 28 FEBRUARY 2019

	Notes	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	9,531	10,280
Intangible asset		151	190
Deposit for acquisition of non-current assets		336	–
Interest in an associate	22	–	–
		10,018	10,470
Current assets			
Trade receivables	12	31,136	18,530
Amount due from customers for contract work	13	–	14,082
Contract assets	13	9,704	–
Amount due from an associate	19	419	–
Financial assets at fair value through profit or loss	14	349	–
Held-for-trading investment	14	–	333
Deposits, prepayments and other receivables	15	2,518	1,710
Tax recoverable		–	465
Bank balances and cash		17,119	21,647
		61,245	56,767
Current liabilities			
Trade payables	16	3,185	4,483
Amounts due to customers for contract work	13	–	606
Contract liabilities	13	441	–
Accruals and other payables		1,058	1,578
Bank borrowings	17	8,473	5,474
Obligations under finance leases	18	623	607
Tax payable		445	–
Bank overdraft		–	44
		14,225	12,792
Net current assets		47,020	43,975
Total assets less current liabilities		57,038	54,445

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 28 FEBRUARY 2019

	Notes	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Non-current liabilities			
Obligations under finance leases	18	**1,496**	1,813
Deferred tax liability	20	**688**	694
		2,184	2,507
		54,854	51,938
Capital and reserves			
Share capital	21	**16,000**	16,000
Reserves		**38,854**	35,938
		54,854	51,938

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

	Attributable to owners of the Company				
	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Retained earnings HK$'000	Total HK$'000
At 1 September 2017 (audited)	16,000	24,187	2,301	8,326	50,814
Profit and total comprehensive income for the period	–	–	–	2,774	2,774
At 28 February 2018 (unaudited)	16,000	24,187	2,301	11,100	53,588
At 1 September 2018 (audited)	**16,000**	**24,187**	**2,301**	**9,450**	**51,938**
HKFRS 9 adjustment (Note 3)	**–**	**–**	**–**	**(668)**	**(668)**
At 1 September 2018 (restated)	**16,000**	**24,187**	**2,301**	**8,782**	**51,270**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**3,584**	**3,584**
At 28 February 2019 (unaudited)	**16,000**	**24,187**	**2,301**	**12,366**	**54,854**

Note: Other reserve represents the difference between the nominal value of the issued share capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

	Six months ended 28 February	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(6,590)	(11,556)
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(85)	(24)
Advance to an associate	(419)	–
Investment in an associate	(2)	–
Other investment activities	48	(92)
NET CASH USED IN INVESTING ACTIVITIES	(458)	(116)
FINANCING ACTIVITIES		
New bank borrowings raised	12,000	5,000
Repayment of bank borrowings	(9,001)	(1,973)
Repayment of obligations under finance leases	(301)	(118)
Interest paid	(134)	(157)
NET CASH FROM FINANCING ACTIVITIES	2,564	2,752
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,484)	(8,920)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	21,603	30,993
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	17,119	22,073

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019

	Six months ended 28 February	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Analysis of components of cash and cash equivalents at the beginning of the period:		
Bank balances and cash	**21,647**	30,993
Bank overdraft	**(44)**	–
	21,603	30,993
Analysis of components of cash and cash equivalents at the end of the period:		
Bank balances and cash	**17,119**	22,073

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ECI Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 3 October 2016 as an exempted company with limited liability and the shares of the Company are listed on GEM of The Stock Exchange of Hong Kong Limited on 10 March 2017.

The address of its registered office and principal place of business of the Company are disclosed in the corporate information section in the Company's interim report.

In opinion of directors of the Company, its ultimate holding company and immediate holding company is ECI Asia Investment Limited, a company incorporated in British Virgin Islands (the "BVI").

The Company is an investment holding company while the principal subsidiary, Ec InfoTech Limited, is mainly engaged in the provision of installation and maintenance services.

The interim condensed consolidated financial statements is presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

These interim condensed consolidated financial statements have not been audited.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements for the six months ended 28 February 2019 have been prepared in accordance with HKAS 34 *"Interim Financial Reporting"*. These interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 August 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs"), and any public announcement made by the Company during the interim reporting period.

3. PRINCIPAL ACCOUNTING POLICIES

The interim condensed consolidated financial statements have been prepared on the historical cost basis expect for certain financial instruments, which are measured at fair value, as appropriate.

Other than the new accounting policy relating to the Group's investment in an associate in the current interim period as well as the changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended 28 February 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 August 2018.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new standards and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's interim condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for

1) the classification and measurement of financial assets and financial liabilities,
2) expected credit losses ("ECL") for financial assets and
3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018 where applicable, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as they were prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unlisted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

– the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets *(Continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

– the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held-for-trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets *(Continued)*

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income and gain" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 3.1.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets and contract assets which are subject to impairment under HKFRS 9 (including trade receivables, deposits, and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over expected life of the relevant instruments. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on trade receivables and contract assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments *(Continued)*

3.1.1 Key changes in accounting policies resulting from application of HKFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

– an actual or expected significant deterioration in the operating results of the debtor;

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if:

i) it has a low risk of default,

ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and

iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 30 days to 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)*

3.1.1 *Key changes in accounting policies resulting from application of HKFRS 9 (Continued)*

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL (Continued)

As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in Note 3.1.2.

3.1.2 *Summary of effects arising from initial application of HKFRS 9*

The table below illustrates the classification and measurement of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 September 2018.

	Notes	Trade receivables HK$'000	Contract assets HK$'000	Held-for-trading investment HK$'000	Financial assets at fair value through profit or loss HK$'000	Retained earnings HK$'000
Closing balances at 31 August 2018 – HKAS 39		18,530	–	333	–	9,450
Effect arising from initial application of HKFRS 15 (Note 3.2.2)		–	14,082	–	–	–
Effect arising from initial application of HKFRS 9:						
Reclassification:						
From held-for-trading investment	(a)	–	–	(333)	333	–
Remeasurement:						
Impairment under ECL model	(b)	(547)	(121)	–	–	(668)
Opening balances at 1 September 2018		17,983	13,961	–	333	8,782

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

3.1.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

(a) Classification and measurement of financial instrument

The Group has made the following reclassification as at 1 September 2018, as a result of the adoption of HKFRS 9:

"Held-for-trading investment" amounting to approximately HK$333,000 as at 1 September 2018 is reclassified to "financial assets at fair value through profit or loss". Fair value changes thereon continue to be recognised in profit or loss. As at 28 February 2019, the amount is approximately HK$349,000.

(b) Loss allowance for ECL

In addition, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables and contract assets and applied general approach on other financial assets.

As at 1 September 2018, additional loss allowance on the Group's trade receivables and contract assets of HK$547,000 and HK$121,000, have been recognised, thereby reducing the opening retained earnings of HK$668,000.

Other than those disclosed above, all other financial assets and financial liabilities continue to be measured on the same basis as are previously measured under HKAS 39.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Revenue from installation services
- Revenue from maintenance services

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 September 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

- the Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Except as disclosed in Note 3.2.2, the adoption of HKFRS 15 does not have a significant impact on the Group's recognition of revenue. The revenue of the Group continues to be recognised over time, Specifically, the Group's revenue from installation service is recognised using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 15

The Group has made the following reclassification as at 1 September 2018 to align with the new terminology under HKFRS 15:

	Amounts due to customers for contract work HK$'000	Contract liabilities HK$'000	Amounts due from customers for contract work HK$'000	Contract assets HK$'000
Closing balances at 31 August 2018	(606)	-	14,082	-
Effect arising from initial application of HKFRS 15				
Reclassification	606	(606)	(14,082)	14,082
Opening balances at 1 September 2018	-	(606)	-	14,082*

* The amount is before the adjustment relating to loss allowance amounting to HK$121,000 from the initial application of HKFRS 9 (see Note 3.1.2).

Interest in an associate

During the current interim period, the Group acquired equity interest in an associate. Details are set out in Note 22.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 15

Interest in an associate *(Continued)*

The Group's investment in an associate are accounted for in the interim condensed consolidated financial statements using the equity method. Under the equity method, investment in an associate is initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in associate, which is determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group discontinues recognising its share of further losses. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

If an associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made to make the associate's accounting policies conform to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 Impact and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

3.2.2 Summary of effects arising from initial application of HKFRS 15

Interest in an associate *(Continued)*

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill and is included in the carrying amount of the investment.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for installation, maintenance and other services. The revenue is derived from both customers in private sector (mainly property developers and property management companies) and public sector.

During the three months and six months ended 28 February 2019, the Group's operating revenue was generated from contracts with customers within the scope of HKFRS 15. Revenue is recognised over time.

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

An analysis of the Group's respective revenue for the three months and six months ended 28 February 2019 and 2018 is as follows:

	Three months ended 28 February		Six months ended 28 February	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Maintenance services	**11,227**	13,495	**22,153**	23,916
Installation services	**16,765**	9,340	**27,347**	20,640
Others*	**26**	–	**30**	–
	28,018	22,835	**49,530**	44,556

* During the six months ended 28 February 2019, the Group commenced new business in respect of provision of security service.

Segment revenues, results, assets and liabilities

The directors of the Company, being the chief operating decision makers, review the Group's internal reporting in order to assess performance and allocate resource. The Group focuses on provision of installation, maintenance and other services. Information reported to the chief operating decision makers, for the purpose of resources allocation and performance assessment, focuses on the operating results of the Company as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no segment information is presented.

Geographical information

No geographical information is presented as all revenue from external customers and non-current assets of the Group are derived from or located in Hong Kong.

5. OTHER INCOME AND GAIN

	Three months ended 28 February		Six months ended 28 February	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Bank interest income	**30**	23	**48**	37
Reversal of impairment of trade receivables and contract assets	**88**	–	**88**	–
Sundry income	**39**	45	**42**	53
	157	68	**178**	90

6. FINANCE COSTS

	Three months ended 28 February		Six months ended 28 February	
	2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)	**2019 HK$'000 (Unaudited)**	2018 HK$'000 (Unaudited)
Interests on:				
Bank borrowings	**37**	74	**73**	136
Obligations under finance leases	**29**	8	**61**	21
	66	82	**134**	157

7. INCOME TAX EXPENSES

	Three months ended 28 February		Six months ended 28 February	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax:				
Hong Kong Profits Tax	**830**	343	**916**	877
Deferred tax (Note 20)	**(3)**	–	**(6)**	(21)
	827	343	**910**	856

Notes:

(a) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, ("BVI") the Group is not subject to any income tax in the Cayman Islands and the BVI.

(b) Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. For the period ended 28 February 2019, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5% (six months ended 28 February 2018: 16.5%).

8. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Three months ended 28 February		Six months ended 28 February	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Directors' remuneration				
– fees	**180**	150	**360**	300
– salaries, allowances and other benefits	**501**	471	**1,002**	862
– contributions to retirement benefit scheme	**15**	14	**30**	23
Other staff costs (excluding directors' emoluments)				
– salaries and other benefits	**11,499**	9,719	**21,488**	19,716
– contributions to retirement benefit scheme	**530**	460	**997**	927
Total staff costs	**12,725**	10,814	**23,877**	21,828
Auditor's remuneration	**180**	180	**360**	360
Depreciation of property, plant and equipment	**391**	271	**834**	500
Amortisation of intangible asset	**20**	7	**39**	7
Minimum lease payments paid under operating lease rentals in respect of rented office premises, carparks and warehouse	**410**	291	**796**	571

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Three months ended 28 February		Six months ended 28 February	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	**3,374**	1,374	**3,584**	2,774

	Three months ended 28 February		Six months ended 28 February	
	2019	2018	**2019**	2018
	'000	'000	**'000**	'000
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,600,000**	1,600,000	**1,600,000**	1,600,000

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 28 February 2019 and 2018.

10. DIVIDEND

No dividend has been paid, declared or proposed by the Company during the six months ended 28 February 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

11. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 28 February 2019, the Group acquired plant and equipment with total costs of approximately HK$85,000 (six months ended 28 February 2018: approximately HK$754,000 in which a total amount of HK$730,000 for motor vehicles was acquired under finance lease arrangements).

At 28 February 2019, the carrying values of motor vehicles included amounts of approximately HK$2,302,000 (31 August 2018: HK$2,670,000) in respect of assets held under finance leases.

At 28 February 2019, the carrying values of leasehold land and buildings of approximately HK$5,703,000 (31 August 2018: HK$5,799,000) were pledged to secure bank borrowings to the Group.

12. TRADE RECEIVABLES

	28 February 2019 HK$'000 (Unaudited)	1 September 2018 HK$'000 (Restated)	31 August 2018 HK$'000 (Audited)
Trade receivables	**31,664**	18,530	18,530
Less: Impairment loss allowance	**(528)**	(547)	–
	31,136	17,983	18,530

The Group does not hold any collateral over its trade receivables. No impairment of trade receivables had been recognised during the year ended 31 August 2018.

12. TRADE RECEIVABLES *(Continued)*

The Group does not have a standardised and universal credit period granted to its customers, and the credit period of individual customer is considered on a case-by-case basis and stipulated in the project contract, as appropriate. The following is an aged analysis of trade receivables, presented based on the date of certified report which approximates revenue recognition date, at the end of the reporting period:

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Within 30 days	16,085	6,061
31 – 60 days	5,179	4,468
61 – 90 days	2,306	3,644
Over 90 days	7,566	4,357
	31,136	18,530

Upon the application of HKFRS 9 on 1 September 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The estimated loss rates are estimated based on the expected life of the debtors and are adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the Hong Kong, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date.

12. TRADE RECEIVABLES *(Continued)*

As part of the Group's credit risk management, the Group uses debtor's ageing to assess the impairment of private sector customers because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. As such, during the current interim period, the Group provided HK$528,000 (1 September 2018: HK$547,000) impairment allowance based on the provision matrix. In addition, debtors with significant balances from public sector customers amounting to were assessed based on the provision matrix and no impairment allowance was made on these debtors for the current interim period as the default risk is considered to be low.

The movement of loss allowance of trade receivables during the six months ended 28 February 2019 is as follows:

	Trade receivables HK$'000
Balance as at 1 September 2018 (under HKAS 39)	–
Adjustment upon application of HKFRS 9 (Note 3.1)	547
Balance as at 1 September 2018 (restated)	547
Reversal of allowance (included in the administrative expenses)	(19)
Balance as at 28 February 2019	528

13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT ASSETS/ CONTRACT LIABILITIES

	31 August 2018 HK$'000 (Audited)
Contracts in progress at the end of the reporting period:	
Contract costs incurred plus recognised profits less recognised losses	15,550
Less: progress billings	(2,074)
	13,476
Analysed for reporting purposes as:	
Amounts due from customers for contract work	14,082
Amounts due to customers for contract work	(606)
	13,476

	28 February 2019 HK$'000	1 September 2018 HK$'000
Contract assets	**9,756**	14,082
Less: impairment loss allowance	**(52)**	(121)
	9,704	13,961
Contract liabilities	**(441)**	(606)

13. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK/CONTRACT ASSETS/ CONTRACT LIABILITIES *(Continued)*

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

The balance of contract assets and contract liabilities are expected to be recovered/settled within one year.

Upon the application of HKFRS 9 on 1 September 2018, the Group measures the loss allowance for contract assets at an amount equal to lifetime ECL.

The movement of loss allowance of contract assets during the six months ended 28 February 2019 is as follows:

	Contract assets
	HK$'000
Balance as at 1 September 2018 (Under HKAS 39)	–
Adjustment upon application of HKFRS 9 (Note 3.1)	121
Balance as at 1 September 2018 (restated)	121
Reversal of allowance	(69)
Balance as at 28 February 2019	52

14. HELD-FOR-TRADING INVESTMENT/ FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

a) *Held-for-trading investment:*

	31 August 2018 HK$'000 (Audited)
– Equity security listed in Hong Kong (Note)	333

b) *Financial assets at fair value through profit or loss*

	28 February 2019 HK$'000 (Unaudited)	1 September 2018 HK$'000 (Audited)
– Equity security listed in Hong Kong (Note)	**349**	333

Note: The fair values of listed securities are based on current bid prices and are classified as Level 1 in the fair value hierarchy.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Deposits	378	595
Prepayments	2,099	1,071
Other receivables	41	44
	2,518	1,710

16. TRADE PAYABLES

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Trade payables	3,185	4,483

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Within 30 days	2,383	3,648
31 – 60 days	230	111
61 – 90 days	82	54
Over 90 days	490	670
	3,185	4,483

16. TRADE PAYABLES *(Continued)*

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30 to 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

17. BANK BORROWINGS

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Secured	**8,473**	5,474
Carrying amount of bank borrowings repayable within one year*	**5,652**	2,020
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 (shown under current liabilities)	**2,821**	3,454
	8,473	5,474

* The amounts due are based on schedule repayment dates set out in the loan agreements.

At 28 February 2019, secured bank borrowings carried interest at floating rates ranging from 2.15% to 4.25% (31 August 2018: 2.15% to 4.25%) per annum.

The bank borrowings were denominated in Hong Kong dollar for the six months ended 28 February 2019 and year ended 31 August 2018.

18. OBLIGATIONS UNDER FINANCE LEASES

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Analysed for reporting purposes as:		
Current liabilities	623	607
Non-current liabilities	1,496	1,813
	2,119	2,420

The Group had leased certain of its motor vehicles under finance leases. The average lease term ranged from 2 to 5 years during the six months ended 28 February 2019 (31 August 2018: ranged from 2 to 5 years). The obligations under finance leases carried interest at fixed rates 2.25% to 2.50% per annum during the six months ended 28 February 2019 (31 August 2018: 2.25% to 2.5%).

18. OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

At the end of the reporting period, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)	**28 February 2019 HK$'000 (Unaudited)**	31 August 2018 HK$'000 (Audited)
Amounts payable under finance leases:				
Within one year	**720**	720	**623**	607
After one year but within two years	**674**	714	**613**	635
After two years but within five years	**923**	1,245	**883**	1,178
	2,317	2,679	**2,119**	2,420
Less: future finance charges	**(198)**	(259)	**–**	–
Present value of lease obligations	**2,119**	2,420	**2,119**	2,420
Less: amount due for settlement within one year shown under current liabilities			**(623)**	(607)
Amount due for settlement after one year			**1,496**	1,813

The obligations under finance leases of the Group were secured by the lessor's charge over the leased assets and denominated in Hong Kong dollar.

19. AMOUNT DUE FROM AN ASSOCIATE

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Amount due from – Starfire Technology Group Limited	419	–

The amounts are unsecured, interest-free and repayable on demand.

20. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the current period and prior year:

	Accelerated tax depreciation HK$'000
At 1 September 2017 (Audited)	1,106
Credited to profit or loss	28
Effect of change on tax rates	(440)
At 31 August 2018 and 1 September 2018 (Audited)	694
Credited to profit or loss (Note 7)	(6)
At 28 February 2019 (Unaudited)	688

21. SHARE CAPITAL

	Number of ordinary shares	Share capital HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 September 2017, 28 February 2018, 31 August 2018 and 28 February 2019	3,800,000,000	38,000
Issued and fully paid:		
At 1 September 2017, 28 February 2018, 31 August 2018 and 28 February 2019	1,600,000,000	16,000

22. INTEREST IN AN ASSOCIATE

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Cost of investment, unlisted	2	–
Share of losses of an associate	(2)	–
	–	–

Note: The investment cost represents the Group's 20% equity interest in Starfire Technology Group Limited, an entity established in Hong Kong principally engaged in the provision of consulting service.

23. OPERATING LEASE COMMITMENT

The Group as lessee

At the end of the reporting period, the Group had commitment for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	28 February 2019 HK$'000 (Unaudited)	31 August 2018 HK$'000 (Audited)
Within one year	720	720
In the second to fifth years inclusive	418	500
	1,138	1,220

Operating lease payments represent rentals payable by the Group for certain of its car parks, office premise and warehouse. Leases are negotiated for original term of one to three years (31 August 2018: one to three years) and rentals are fixed over the lease term of the respective leases.

24. CAPITAL COMMITMENT

As at 28 February 2019, the Group had capital commitments of HK$342,000 (31 August 2018: Nil) in relation to the acquisition of new software.

25. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The remuneration of members of key management personnel including directors of the Company during the six months ended 28 February 2019 and 2018 were as follows:

	Six months ended 28 February	
	2019	2018
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short-term benefits	**1,362**	1,162
Contributions to retirement benefits scheme	**30**	23
	1,392	1,185

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our service on ELV solutions primarily on central control monitoring systems has been deployed in residential and commercial buildings for the purposes of better control and security in Hong Kong since 2003. ELV covers all the new modern technologies that are increasingly becoming must-have systems in every building such as CCTV, fire alarm systems, public address systems, audio/video solutions, access control, car park systems and clubhouse management systems. Our team of consultants and experts provides design, integration and implementation services to our customers from both private and public sectors incorporating a wide range of audio-visual and security systems.

During the Period, the Group has continued the existing operation on installation and maintenance projects for various customers mainly from property developers and property management companies from the private sectors and government authorities such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. from public sector. During the six months, some of the projects were completed, such as upgrading of supervisor control and data acquisition system at Tai Po Sewage Treatment Work, supply of access control and monitor system at Castle Peak Hospital and replacement of programable logic controllers at Shek Wu Hui Sewage Treatment Work, etc.

In order to maintain up-to-date technology techniques and quality of services, the Group will continue to seek cooperation with potential business partner worldwide. During the Period, the Group has successfully negotiated with one of the European carpark system suppliers and become one of its authorised distributor in Hong Kong. Therefore, the Group can widen its customer base with the help of the new technology.

Apart from the expanded existing operations, the Group has been continuously diversifying its scope of business. During the Period, one of the operating subsidiaries of the Group has obtained the Security Company Licence Type I in the provision of security guarding services and we commenced the security guarding services by providing temporary staffs at Aberdeen Centre.

For the Period, the Group has recorded a revenue of approximately HK$49,530,000, representing an increase of approximately 11.16% from approximately HK$44,556,000 for the six months ended 28 February 2018. The Group recorded a net profit of approximately HK$3,584,000 for the Period compared to a net profit of approximately HK$2,774,000 for the six months ended 28 February 2018. Such increase is mainly due to the increase in the number of installation projects completed which is offset by increase in rental expenses and depreciation of premises.

OUTLOOK AND PROSPECTS

The Group's ELV solutions cover commercial buildings, shopping malls, hospitals and government facilities from the private and public sectors. The Group has been adhering to the philosophy of "Customer First" since its establishment. It has always insisted on providing customers with the most advanced intelligent ELV solutions, not only integrating the latest technology into the traditional industry, but also introducing various advanced intelligent devices from different partners and providing one-stop installation and maintenance services. For example, with the extensive use of smartphones, we are continuously optimizing our carpark systems in recent years to include more diversified payment methods for the convenience of customers.

It is widely expected that the stable and balanced economic growth in China will continue to outperform most other major economies. In line with the national "Belt and Road Initiative" policy and capturing relevant opportunities, the Group will continue to seek innovation and utilize the Internet of Things to provide customers with more comprehensive, advanced and promising solutions for customers in order to enhance competitiveness and share economic results. The major cross-border transport infrastructure projects designed to link Hong Kong with the rest of southern China, namely the Hong Kong-Zhuhai-Macau Bridge, was opened in October 2018. It will not only strengthen Hong Kong's social and economic ties with the Mainland but will also bolster its competitiveness as a connection between the Mainland and global markets. Hong Kong is best positioned to seize opportunities from overseas markets. The market for ELV system has grown rapidly in China. We do believe the "Belt and Road Initiative", the "Greater Bay Area Initiatives" and the development of a "Smart City" will enhance economic cooperation among regions and countries along the proposed routes. Hence, we have been working closely with our partners in China to prepare for the coming opportunities.

With competent security experts joining our Group in giving advice on the security guarding services, security guarding services will be one of our Group's major service provided in the coming years. Our Group will target to provide event security and integrated facility management services security. For event security, we will deal with the needs from the large-scale event to private functions such as property show room, sport competitions, exhibitions and auctions, etc. In view of the market condition of rising demands for security services, we also aim at providing reliable and flexible facility management services to our potential customers. Both residential and corporate clients will be our target customers and integrated facilities solutions will be designed in line with their specific facilities needs on various aspects.

Having been in the security system industry for years, we understand the needs of the market for a comprehensive monitoring system in addition to the existing traditional stationary guard security. In view of the labor shortage in Hong Kong, it is difficult for the security industry to recruit talents. In view of this, the Group will establish a training center to train security personnel and to provide a one-stop solution on security services. Besides, the Group will cooperate with a third party institute in the provision of occupational safety and licensing courses for people in construction industry. As such, it could be a new channel for recruiting and training relevant professionals and provide new blood for the industry.

Lastly, the Group will continue to invest in our development of in-house capabilities as well as cooperating with other business partners to provide a one-stop ELV solution and security guarding services into a fully integrated platform in a new way, thereby generating long-term and sustainable growth in shareholder value.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 11.16% from approximately HK$44,556,000 for the six months ended 28 February 2018 to approximately HK$49,530,000 for the Period. The increase in revenue is mainly due to the increase in the number of installation projects completed during the Period.

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised direct labour, direct material and equipment. The cost of sales increased by approximately 9.64% from approximately HK$29,566,000 for the six months ended 28 February 2018 to approximately HK$32,417,000 for the Period, which is in line with the increase in revenue.

The Group's gross profit increased by approximately 14.16% from approximately HK$14,990,000 for the six months ended 28 February 2018 to approximately HK$17,113,000 for the Period. Such increase is mainly due to increase in the number of installation projects completed during the Period.

Administrative Expenses

The Group's administrative expenses increased by approximately 12.68% from approximately HK$11,250,000 for the six months ended 28 February 2018 to approximately HK$12,677,000 for the Period, which is mainly due to the increase in rental expenses and depreciation of premises.

Share of losses of an associate

The increase was mainly attributable to the share of the results of Starfire Technology Group Limited ("Starfire") amounting to approximately HK$2,000. As Starfire is in the startup stages, no stable revenue was generated during the Period.

Profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK$3,584,000 for the Period (28 February 2018: approximately HK$2,774,000). The increase in the profit attributable to owners of the Company is mainly due to the increase in the number of installation projects completed during the Period which is offsetted by the increase in rental expenses and depreciation of premises.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 28 February 2019 (28 February 2018: Nil).

Interest in an associate

During the Period, the Group acquire equity interest in Starfire by way of subscription of new shares.

Details of balance are set out in note 22 to the interim condensed consolidated financial statements.

Amount due from an associate

Details of the balance of the amount due from on associate are set out in note 19 to the interim condensed consolidated financial statements.

Financial assets at fair value through profit or loss

As at 28 February 2019, the Group's financial assets at fair value through profit or loss consisted of securities listed in Hong Kong and the performance of the listed secuities was as follow:

Company Name/(Stock Code)	Number of shares held at 28 February 2019	Percentage of shareholdings at 28 February 2019	Carrying amount at 31 August 2018 HK$'000	Unrealised gain on fair value change for the period ended 28 February 2019 HK$'000	Fair value at 28 February 2019 HK$'000	Percentage of total financial assets at fair value through profit or loss at 28 February 2019	Percentage of total assets of the Group as at 28 February 2019
Allied Sustainability and Environmental Consultants Group Limited (8320)	2,250,000	0.19%	333	16	349	100.00%	0.49%

Allied Sustainability and Environmental Consultants Group Limited ("AEC") is an investment holding company mainly engaged in the provision of environmental consulting services. It mainly operates through four segments. Green Building Certification Consultancy segment is involved in consultancy on the application of green building certification for new buildings, existing buildings and interiors of buildings. Sustainability and Environmental Consultancy segment is involved in consultancy on sustainability and environmental impact assessment for compliance with statutory requirements in relation to environmental impact and pollution control. Acoustics, Noise and Vibration Control and Audio-Visual Design Consultancy segment is involved in designs for architectural acoustic, mechanical vibration, noise control and audio-visual systems. It operates its business in Hong Kong, the People's Republic of China and Macau.

As disclosed in the interim report of AEC for the six months ended 30 September 2018, through ongoing business diversification, AEC and its subsidiaries may establish a wider presence in the environmental industry with an aim to become a one-stop comprehensive environmental solution provider.

Bank Borrowings

Details of bank borrowing are set out in note 17 to the interim condensed consolidated financial statements.

Gearing Ratio

The gearing ratio, being its total debts (including bank borrowings and obligation under finance leases) divided by its total equity, was 0.19 times as at 28 February 2019 (31 August 2018: 0.15 times).

Commitments and Contingent Liabilities

Details of operating lease commitment and capital commitment are set out in notes 23 and 24 to the interim condensed consolidated financial statements respectively. The Group had no significant contingent liabilities as at 28 February 2019.

Foreign Exchange Exposure

Since the Group's business activities are operated in Hong Kong only and all relevant transactions are denominated in Hong Kong dollars, the Directors consider that the Group's exposure to foreign exchange risks is insignificant.

Event after the Reporting Period

There is no significant event subsequent to 28 February 2019.

Employees and Remuneration Policies

As at 28 February 2019, the Group had a total of 201 employees (28 February 2018: 181). The Group's remuneration policies are in line with prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

The Company's shares were successfully listed on GEM of the Stock Exchange on 10 March 2017 (the "Listing Date") by way of share offer. After deduction of all related listing expenses and commissions, the net proceeds from listing amounted to approximately HK$31,500,000. Up to 28 February 2019, the Group has utilized proceeds from the Listing of approximately HK$15,300,000 and a summary of use of proceeds are set out in the table below:

Intended use of proceeds	Proposed amount to be used	Actual approximate amount utilized up to 28 February 2019	Unutilized amount up to 28 February 2019
Expanding our existing ELV solutions business by offering instalment payment option to our customers	HK$12.0 million	HK$1.0 million	HK$11.0 million
Obtaining additional licences and qualifications	HK$4.4 million	HK$0.3 million	HK$4.1 million
Reducing our gearing ratio by repaying a bank borrowing in an one-off manner	HK$8.0 million	HK$8.0 million	–
Purchasing five additional commercial vehicles and two street lamp cars	HK$3.0 million	HK$3.0 million	–
Developing new mobile app for our customers to place their order for maintenance services	HK$1.5 million	HK$0.4 million	HK$1.1 million
For working capital and other corporate development purposes	HK$2.6 million	HK$2.6 million	–
Total	**HK$31.5 million**	**HK$15.3 million**	**HK$16.2 million**

OTHER INFORMATION

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") has been conditionally adopted by the sole Shareholder on 17 February 2017.

The Board may, at its discretion, offer to grant an option to any person belonging to any of the following classes of participants (the "Eligible Participants"), to take up options to subscribe for the shares of the company:

(i) any full-time or part-time employees, executives or officers of the Group;

(ii) any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of the Group; and

(iii) any suppliers, customers, consultants, agents, advisers and related entities to the Group.

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Share Option Scheme becomes unconditional.

The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution or potential contribution to the Group. The Share Option Scheme will reward the Eligible Participants who have contributed or will contribute to the Group and to motivate the Eligible Participants to optimise their performance efficiency for the benefits of the Group. Besides, it can help attract and retain or otherwise maintain on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

No option has been granted by the Company under the Share Option Scheme during the six months ended 28 February 2019. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 28 February 2019 and up to the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware, as at 28 February 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:–

Long positions in the Shares

Name of Director	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
Dr. Ng Tai Wing ("Dr. Ng")	Interest in controlled corporation *(Note 3)*	880,000,000 (L)	55%
Ms. Wong Tsz Man	Interest of spouse *(Note 4)*	880,000,000 (L)	55%
Mr. Yang Shuo	Beneficial owner	320,000,000 (L)	20%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) The approximate percentage of shareholding is calculated based on 1,600,000,000 shares in issue as at 28 February 2019.

(3) These shares are held by ECI Asia Investment Limited ("ECI Asia"), which is wholly-owned by Dr. Ng. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Dr. Ng is deemed to have an interest in all shares in which ECI Asia has, or deemed to have, an interest.

(4) Ms. Wong Tsz Man is the spouse of Dr. Ng. Under the SFO, Ms. Wong Tsz Man is deemed to be interested in all of the shares which Dr. Ng is interested.

Save as disclosed above, as at 28 February 2019 and as at of the date of this report, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 28 February 2019, so far as the Directors are aware, the following persons, other than a Director or chief executive of the Company as disclosed in "Directors, and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of Shareholders	Capacity/Nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
ECI Asia Investment Limited *(Note 3)*	Beneficial owner	880,000,000 (L)	55%
Mr. Yang Shuo	Beneficial owner	320,000,000 (L)	20%

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) The approximate percentage of shareholding is calculated based on 1,600,000,000 shares in issue as at 28 February 2019.

(3) These shares are registered in the name of ECI Asia which is a controlled corporation of Dr. Ng. Ms. Wong Tsz Man is the spouse of Dr. Ng. Under the SFO, Ms. Wong Tsz Man is deemed to be interested in all the shares held by ECI Asia.

Save as disclosed above, as at 28 February 2019 and as at of the date of this report, no person, other than the Directors whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the shares or underlying shares that was required to be recorded pursuant to Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time for the six months ended 28 February 2019 and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of Shares in, or debentures of, the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

The controlling Shareholders (as defined under GEM Listing Rules) have entered into the deed of non-competition dated 17 February 2017 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the controlling Shareholders have undertaken to the Company (for itself and as trustee for each of its subsidiaries from time to time) that with effect from the Listing Date, they would not and would procure that none of their close associates (except for any members of the Group) shall, except through their interests in the Company, whether as principal or agent and whether undertaken directly or indirectly, either on their own account or in conjunction with or on behalf of any person, corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise, among other things, carry on, participate, acquire or hold any right or interest or otherwise be interested, involved or engaged in or connected with, directly or indirectly, any business which is, directly or indirectly, in any respect in competition with or similar to or is likely to be in competition with the business of our Group in Hong Kong or such other places as our Group may conduct or carry on business from time to time.

The controlling Shareholders have confirmed to the Company that for the six months ended 28 February 2019 and up to the date of this report, they and their respective close associates (as defined under the GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

For the six months ended 28 February 2019 and up to the date of this report, save and except for the interest the Directors have in the Company and its subsidiaries, none of the Directors, the controlling Shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CORPORATE GOVERNANCE CODE

The Company and the Directors recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules ("Corporate Governance Code"). Except for the deviation from provision A.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code during the six months ended 28 February 2019 and up to the date of this report.

Provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Ng is the chairman and chief executive officer of the Company. In view of the fact that Dr. Ng is one of the founders of the Group and has been operating and managing the Group since 2003, the Board believes that the vesting of the roles of chairman and chief executive officer in Dr. Ng is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Directors consider that the deviation from provision A.2.1 of the Corporate Governance Code is appropriate in such circumstances.

COMPLIANCE WITH THE CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiries by the Company, all Directors confirmed that they had complied with the standard of dealings and the code of conduct regarding securities transactions by the Directors adopted by the Company for the six months ended 28 February 2019 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither did the Company redeem nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities during the six months ended 28 February 2019 and up to the date of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by Kingsway Capital Limited ("Kingsway"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and Kingsway dated 12 October 2016, neither Kingsway nor any of its close associates (as defined in the GEM Listing Rules), directors or employees had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 28 February 2019 and up to the date of this report.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") on 10 February 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control and risk management procedures of the Company.

The Audit Committee consists of four independent non-executive Directors, namely Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman, Mr. Fung Tak Chung and Dr. Chow Kin San. Mr. Hui Chun Ho Eric is the chairman of the Audit Committee.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the financial reporting matters with senior management of the Company relating to the preparation of the unaudited interim condensed consolidated financial information of the Group for the six months ended 28 February 2019. In addition, the independent auditor of the Company has reviewed the unaudited interim results for the six months ended 28 February 2019 in accordance with Hong Kong Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

The findings in relation to the unaudited interim condensed consolidated financial statements of the Group for the six months ended 28 February 2019 have been taken into consideration by the Audit Committee in its review of the interim results for the six months ended 28 February 2019, which have been approved by the Board on 12 April 2019 prior to its issuance.

By the order of the Board
ECI Technology Holdings Limited
Dr. Ng Tai Wing
Chairman and Chief Executive Officer

As at the date of this report, the Board comprises eight Directors, including three executive Directors, Dr. Ng Tai Wing (Chairman and Chief Executive Officer), Mr. Law Wing Chong and Mr. Yang Shuo, one non-executive Director, Ms. Wong Tsz Man, and four independent non-executive Directors, Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman, Mr. Fung Tak Chung and Dr. Chow Kin San.