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ECI Technology Holdings Limited

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8013)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

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

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

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

This announcement, for which the directors (the “Directors” and each a “Director”) of ECI Technology Holdings Limited (the “Company”), collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the “Board”) is pleased to announce the unaudited consolidated results of the Company for the six months ended 29 February 2020. This announcement, containing the full text of the 2020 Interim Report of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of interim results. Printed version of the Company’s 2020 Interim Report will be delivered to the shareholders of the Company and available for viewing on the GEM website at www.hkgem.com and the Company’s website at www.ecinfohk.com in due course.

CONTENTS

Corporate Information	2-3
Financial Highlights	4
Report on Review of Interim Condensed Consolidated Financial Statements	5-6
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	7
Interim Condensed Consolidated Statement of Financial Position	8-9
Interim Condensed Consolidated Statement of Changes in Equity	10
Interim Condensed Consolidated Statement of Cash Flows	11-12
Notes to the Interim Condensed Consolidated Financial Statements	13-44
Management Discussion and Analysis	45-52
Other Information	53-60

CORPORATE INFORMATION

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
Dr. Chow Kin San

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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 29 February 2020 (the “Period”) amounted to approximately HK\$60,612,000 (2019: approximately HK\$49,530,000) while gross profit of the Group for the Period amounted to approximately HK\$16,175,000 (2019: approximately HK\$17,113,000).

The net profit after tax of the Group for the Period amounted to approximately HK\$2,128,000 (2019: approximately HK\$3,584,000). The decrease in net profit after tax for the Period is mainly due to the decrease in gross profit. During the Period, the Group increases engagement of subcontractors, in which projects completed by subcontractors generate a relatively lower profit margin than projects completed by our own employee.

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



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

TO THE BOARD OF DIRECTORS 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 44, which comprise the interim condensed consolidated statement of financial position as at 29 February 2020 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 29 February 2020 and 28 February 2019 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

14 April 2020

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

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Notes	Three months ended		Six months ended	
		29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Revenue	5	35,122	28,018	60,612	49,530
Cost of sales		(25,914)	(17,297)	(44,437)	(32,417)
Gross profit		9,208	10,721	16,175	17,113
Other income	7	141	69	235	90
Administrative expenses		(6,735)	(6,607)	(13,240)	(12,677)
Share of losses of an associate		(4)	(2)	(48)	(2)
(Impairment loss) reversal of impairment loss on trade receivables and contract assets		(196)	88	(196)	88
Fair value gain (loss) on financial asset at fair value through profit or loss		23	(2)	(45)	16
Profit from operations		2,437	4,267	2,881	4,628
Finance costs	8	(60)	(66)	(121)	(134)
Profit before taxation		2,377	4,201	2,760	4,494
Income tax expenses	9	(516)	(827)	(632)	(910)
Profit and total comprehensive income for the period attributable to owners of the Company	10	1,861	3,374	2,128	3,584
Earnings per share					
Basic and diluted (HK cent)	11	0.116	0.211	0.133	0.224

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 29 FEBRUARY 2020

	Notes	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	13	6,870	9,505
Intangible asset		72	111
Right-of-use assets	14	2,837	–
Deposit for acquisition of non-current assets		450	336
Interest in an associate	15	–	48
		10,229	10,000
Current assets			
Trade receivables	16	30,790	19,207
Contract assets	17	15,627	12,481
Financial assets at fair value through profit or loss	18	169	214
Deposits, prepayments and other receivables	19	1,679	1,290
Tax recoverable		–	188
Bank balances and cash		20,023	25,366
		68,288	58,746
Current liabilities			
Trade payables	20	3,810	3,522
Contract liabilities	17	274	510
Accruals and other payables		10,492	2,137
Bank borrowings	21	5,820	7,456
Lease liabilities	14	1,273	–
Obligations under finance leases	22	–	760
Tax payable		423	1
		22,092	14,386
Net current assets		46,196	44,360
Total assets less current liabilities		56,425	54,360

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

AT 29 FEBRUARY 2020

	Notes	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Non-current liabilities			
Obligations under finance leases	22	–	1,527
Lease liabilities	14	1,505	–
Deferred tax liability	23	666	686
		2,171	2,213
		54,254	52,147
Capital and reserves			
Share capital	24	16,000	16,000
Reserves		38,254	36,147
		54,254	52,147

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Retained earnings HK\$'000	
At 1 September 2018 (audited)	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
At 1 September 2019 (audited)	16,000	24,187	2,301	9,659	52,147
Effect of changes in accounting policies (Note 3)	–	–	–	(21)	(21)
At 1 September 2019 (restated)	16,000	24,187	2,301	9,638	52,126
Profit and total comprehensive income for the period	–	–	–	2,128	2,128
At 29 February 2020 (unaudited)	16,000	24,187	2,301	11,766	54,254

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 29 FEBRUARY 2020

	Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(2,673)	(6,590)
INVESTING ACTIVITIES		
Interest income received	71	48
Purchase of property, plant and equipment	(108)	(85)
Deposit paid for acquisition of non-current assets	(114)	–
Loan to an associate	–	(421)
NET CASH USED IN INVESTING ACTIVITIES	(151)	(458)
FINANCING ACTIVITIES		
New bank borrowings raised	3,000	12,000
Repayment of bank borrowings	(4,636)	(9,001)
Repayment of lease liabilities	(762)	–
Interest paid	(121)	(134)
Repayment of obligations under finance leases	–	(301)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(2,519)	2,564
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,343)	(4,484)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	25,366	21,603
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20,023	17,119

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

FOR THE SIX MONTHS ENDED 29 FEBRUARY 2020

	Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Analysis of components of cash and cash equivalents at the beginning of the period:		
Bank balances and cash	25,366	21,647
Bank overdraft	–	(44)
	25,366	21,603
Analysis of components of cash and cash equivalents at the end of the period:		
Bank balances and cash	20,023	17,119

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 the GEM of The Stock Exchange of Hong Kong Limited on 10 March 2017.

The address of its registered office is Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350, 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, Hong Kong.

In the 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”), which is controlled by Dr. Ng Tai Wing.

The Company is an investment holding company. Its major operating subsidiaries are engaged in the provision of installation and maintenance services and security guarding services.

The interim condensed consolidated financial statements are 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 29 February 2020 have been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange. 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA, 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 except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 August 2019 except as described below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 September 2019 for the preparation of the Group's interim condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the interim condensed consolidated financial statements. The new accounting policies are set out in note 4 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and position for the current and prior periods and/or on the disclosures set out in these interim condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts on adoption of HKFRS 16 Leases*

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 4. The Group has applied HKFRS 16 *Leases* using the modified retrospective approach, with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 September 2019, and has not restated comparatives for the 2019 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 *Leases*.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 September 2019.

The major impacts of the adoption of HKFRS 16 on the Group's interim condensed consolidated financial statements are described below.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts on adoption of HKFRS 16 Leases (Continued)*

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 September 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 September 2019 was 4.25%.

The Group recognises right-of-use assets and measures them at their carrying amounts as if HKFRS 16 has been applied at the commencement date of the lease.

The Group leases a number of motor vehicles. These leases were classified as finance lease under HKAS 17. For these finance leases, the carrying amount of the right-of-use assets and the lease liabilities at 1 September 2019 were determined at the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. Accordingly, the obligations under finance leases are now included within lease liabilities, and the carrying amount of the corresponding lease assets are identified as a right-of-use assets. There is no impact on the opening balance of equity.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor are not different from those under HKAS 17.

The following table summarises the impact of transition to HKFRS 16 at 1 September 2019. Line items that were not affected by the adjustments have not been included.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts on adoption of HKFRS 16 Leases (Continued)*

The Group as lessor (Continued)

		As at 31 August 2019	Impact on adoption of HKFRS 16	As at 1 September 2019
	Notes	HK\$'000 (Audited)	HK\$'000	HK\$'000 (Unaudited)
Right-of-use assets	(a),(b)	–	3,679	3,679
Property, plant and equipment	(b)	9,505	(2,447)	7,058
Obligations under finance leases	(b)	2,287	(2,287)	–
Lease liabilities	(a),(b)	–	3,540	3,540
Retained earnings	(a)	9,659	(21)	9,638

Notes:

- (a) As at 1 September 2019, right-of-use assets were measured at the carrying amount of approximately HK\$1,232,000 as if HKFRS 16 had been applied since the commencement date of the lease. The difference of approximately HK\$21,000 between the right-of-use assets and the lease liabilities of approximately HK\$1,253,000 was recognised as an adjustment to the opening balance of retained earnings.
- (b) The obligations under finance leases of approximately HK\$2,287,000 as at 31 August 2019 are now included within lease liabilities under HKFRS 16. The carrying amount of the related assets under finance leases amounting to approximately HK\$2,447,000 is reclassified to right-of-use assets.

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.1 *Impacts on adoption of HKFRS 16 Leases (Continued)*

Differences between operating lease commitment as at 31 August 2019, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 September 2019 are as follow:

	HK\$'000
Operating lease commitment disclosed as at 31 August 2019	1,776
Less: Short-term leases and other leases with remaining lease term ending on or before 31 August 2020	(542)
	1,234
Discounted using the incremental borrowing rate	(54)
Add: Lease payments for the additional periods where the Group considers it reasonably certain that the termination option will not be exercised	73
Add: Finance lease liabilities recognised under HKAS 17 as at 31 August 2019	2,287
<u>Lease liabilities recognised as at 1 September 2019</u>	<u>3,540</u>
Current portion	1,411
Non-current portion	2,129
	<u>3,540</u>

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

3.2 *Practical expedients applied*

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an arrangement contains a lease,
- reliance on previous assessments on whether leases are onerous by applying HKAS 36 as an alternative to performing an impairment review,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 September 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

4. CHANGE IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the interim condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

4. **CHANGE IN ACCOUNTING POLICIES** *(Continued)*

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

4. CHANGE IN ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the interim condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the “Property, plant and equipment” policy as stated in the Group’s annual consolidated financial statements for the year ended 31 August 2019.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, the carrying amount of the relevant right-of-use assets are transferred to property, plant and equipment.

The Group as lessor

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

5. REVENUE

Revenue represents the net amounts received and receivable for installation, maintenance and security guarding 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 29 February 2020, the Group's operating revenue was generated from contracts with customers within the scope of HKFRS 15. Revenue is recognised over time.

An analysis of the Group's respective revenue for the three months and six months ended 29 February 2020 and 28 February 2019 is as follows:

	Three months ended		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Maintenance services	13,035	11,227	26,545	22,153
Installation services	20,533	16,765	31,169	27,347
Security guarding services	1,554	26	2,898	30
	35,122	28,018	60,612	49,530

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resources allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

6. SEGMENT INFORMATION *(Continued)*

Starting from the second half in the year ended 31 August 2019, the CODM reviews the financial information of installation and maintenance services as well as security guarding services separately for performance assessment and resources allocation. The segment information for the six months ended 28 February 2019 has been re-presented to conform with the current segment reporting.

Accordingly, the Group's operating and reportable segments are as follows:

- Installation and maintenance services
- Security guarding services

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the six months ended 29 February 2020

	Installation and maintenance services HK\$'000 (Unaudited)	Security guarding services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE			
External sales	57,714	2,898	60,612
Segment profit (loss)	6,146	(957)	5,189
Share of loss of an associate			(48)
Fair value loss on financial asset at fair value through profit or loss ("FVTPL")			(45)
Unallocated corporate expenses			(2,336)
Profit before taxation			2,760

6. SEGMENT INFORMATION *(Continued)*

Segment revenue and results (Continued)

For the six months ended 28 February 2019

	Installation and maintenance services HK\$'000 (Unaudited)	Security guarding services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
REVENUE			
External sales	49,500	30	49,530
Segment profit (loss)	7,932	(822)	7,110
Share of loss of an associate			(2)
Fair value gain on financial asset at FVTPL			16
Unallocated corporate expenses			(2,630)
Profit before taxation			4,494

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of central administration costs, directors' emoluments, share of loss of an associate and fair value gain (loss) on financial asset at FVTPL. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

6. SEGMENT INFORMATION *(Continued)***Other segment information***For the six months ended 29 February 2020*

	Installation and maintenance services HK\$'000 (Unaudited)	Security guarding services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (Note)	222	–	222
Depreciation and amortisation	1,072	105	1,177
Impairment loss of trade receivables and contract assets	195	1	196
Bank interest income	70	1	71
Finance costs	121	–	121

For the six months ended 28 February 2019

	Installation and maintenance services HK\$'000 (Unaudited)	Security guarding services HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets (Note)	65	20	85
Depreciation and amortisation	729	144	873
Reversal of impairment loss of trade receivables and contract assets	88	–	88
Bank interest income	48	–	48
Finance costs	134	–	134

Note: Non-current assets include property, plant and equipment, intangible asset, right-of-use assets and deposit for acquisition of non-current assets for the six months ended 29 February 2020 (2019: property, plant and equipment and intangible asset).

6. SEGMENT INFORMATION *(Continued)*

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.

7. OTHER INCOME

	Three months ended		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Bank interest income	43	30	71	48
Rental income	54	20	108	23
Sundry income	44	19	56	19
	141	69	235	90

8. FINANCE COSTS

	Three months ended		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Interests on:				
Bank borrowings	23	37	43	73
Lease liabilities	37	–	78	–
Obligations under finance leases	–	29	–	61
	60	66	121	134

9. INCOME TAX EXPENSES

	Three months ended		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Current tax:				
Hong Kong Profits Tax	534	830	652	916
Deferred tax (Note 23)	(18)	(3)	(20)	(6)
	516	827	632	910

Notes:

- (a) Pursuant to the rules and regulations of the Cayman Islands and the 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 29 February 2020, 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 2019:16.5%).

10. PROFIT FOR THE PERIOD

Profit for the period is arrived at after charging:

	Three months ended		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Directors' remuneration				
– fees	180	180	360	360
– salaries, allowances and other benefits	501	501	1,002	1,002
– contributions to retirement benefit scheme	15	15	30	30
Other staff costs (excluding directors' emoluments)				
– salaries and other benefits	14,327	11,499	27,109	21,488
– contributions to retirement benefit scheme	658	530	1,270	997
Total staff costs	15,681	12,725	29,771	23,877
Auditor's remuneration	195	180	390	360
Depreciation of property, plant and equipment	215	391	417	834
Depreciation of right-of-use assets	351	–	721	–
Amortisation of intangible asset	19	19	39	39
Lease expenses for short-term leases	248	–	531	–
Minimum lease payments paid under operating leases rentals in respect of rented office premise, carpark and warehouse	–	410	–	796

11. 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		Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Earnings				
Profit for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	1,861	3,374	2,128	3,584

	Three months ended		Six months ended	
	29 February 2020 '000 (Unaudited)	28 February 2019 '000 (Unaudited)	29 February 2020 '000 (Unaudited)	28 February 2019 '000 (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 was the same as basic earnings per share as there were no potential dilutive ordinary shares in issue during the six months ended 29 February 2020 and 28 February 2019.

12. DIVIDEND

No dividend has been paid, declared or proposed by the Company during the six months ended 29 February 2020 and 28 February 2019, nor has any dividend been proposed since the end of the reporting period.

13. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 29 February 2020, the Group acquired plant and equipment with total costs of approximately HK\$108,000 (six months ended 28 February 2019: approximately HK\$85,000).

At 31 August 2019, the carrying values of motor vehicles included amounts of approximately HK\$2,447,000 in respect of assets held under finance leases.

At 29 February 2020, the carrying values of leasehold land and buildings of approximately HK\$5,509,000 (31 August 2019: HK\$5,606,000) were pledged to secure bank borrowings to the Group.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) *Right-of-use assets*

	At 29 February 2020 HK\$'000 (Unaudited)	At 1 September 2019 HK\$'000 (Unaudited)
Buildings	933	1,232
Motor vehicles	1,904	2,447
	2,837	3,679

The Group has lease arrangements for buildings and motor vehicles. The lease terms are generally ranged from 3 to 5 years with fixed lease payments.

In respect of lease arrangement for renting motor vehicle, the ownership of the motor vehicle will be transferred to the Group at the end of the lease term. The Group's obligation is secured by the lessor's title to the leased assets for such lease.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)**(ii) Lease liabilities*

	At 29 February 2020 HK\$'000 (Unaudited)	At 1 September 2019 HK\$'000 (Unaudited)
Non-current	1,505	2,129
Current	1,273	1,411
	2,778	3,540

	29 February 2020 HK\$'000 (Unaudited)
Amounts payable under lease liabilities	
Within one year	1,273
After one year but within two years	989
After two years but within five years	516
	2,778
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,273)
Amount due for settlement after 12 months	1,505

As at 29 February 2020, the lease liabilities in respect of leased motor vehicles under hire purchase agreements amounted to approximately HK\$1,819,000 was secured by the lessor's title to the leased assets.

14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(Continued)*

(iii) Amount recognised in profit or loss

	Six months ended 29 February 2020 HK\$'000 (Unaudited)
Depreciation of right-of-use assets	721
Interest expense on lease liabilities	78
Expense relating to short-term leases	531

(iv) Others

During the six months ended 29 February 2020, the total cash outflows for lease amounts to approximately HK\$1,371,000.

15. INTEREST IN AN ASSOCIATE/ LOAN TO AN ASSOCIATE

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Cost of investment in an associate	2	2
Share of post-acquisition losses and other comprehensive expenses	(2)	(2)
	—	—
Loan to an associate (note)	421	421
Less: Impairment loss on interest in an associate	(261)	(261)
Less: Share of post-acquisition losses that are in excess of the cost of the investment	(160)	(112)
	—	48

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.

The loan to an associate is unsecured, interest free and has no fixed repayment terms which, in substance, from part of the net investment in the associate.

16. TRADE RECEIVABLES

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Trade receivables	31,336	19,560
Less: allowance for impairment of trade receivables	(546)	(353)
	30,790	19,207

As at 29 February 2020, the gross amount of trade receivables arising from contracts with customer amounted to approximately HK\$31,336,000 (31 August 2019: HK\$19,560,000).

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:

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Within 30 days	18,758	7,307
31 – 60 days	5,637	5,891
61 – 90 days	907	2,111
Over 90 days	5,488	3,898
	30,790	19,207

16. TRADE RECEIVABLES *(Continued)*

The movements in the allowance for impairment of trade receivables are set out below:

	HK\$'000
Effect of adoption of HKFRS 9 on 1 September 2018	547
Reversal of allowance for impairment of trade receivables	(194)
As at 31 August 2019 and 1 September 2019 (Audited)	353
Allowance for impairment of trade receivables	193
As at 29 February 2020 (Unaudited)	546

17. CONTRACT ASSETS/CONTRACT LIABILITIES

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Contract assets	15,642	12,493
Less: allowance for impairment of contract assets	(15)	(12)
	15,627	12,481
Contract liabilities	274	510

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.

Contract liabilities include advances received to render installation services.

17. CONTRACT ASSETS/CONTRACT LIABILITIES *(Continued)*

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

The movements in the allowance for impairment of contract assets are set out below:

	HK\$'000
Effect of adoption of HKFRS 9 on 1 September 2018	121
Reversal of allowance for impairment of contract assets	(109)
As at 31 August 2019 and 1 September 2019 (Audited)	12
Allowance for impairment of contract assets	3
As at 29 February 2020 (Unaudited)	15

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
– Equity security listed in Hong Kong (Note)	169	214

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

19. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Deposits	406	421
Prepayments	1,214	810
Other receivables	59	59
	1,679	1,290

20. TRADE PAYABLES

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Trade payables	3,810	3,522

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

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Within 30 days	2,648	1,832
31 – 60 days	324	194
61 – 90 days	186	314
Over 90 days	652	1,182
	3,810	3,522

20. 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 – 60 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

21. BANK BORROWINGS

	29 February 2020 HK\$'000 (Unaudited)	31 August 2019 HK\$'000 (Audited)
Secured	5,820	7,456
Within 1 year which contains a repayment on demand clause*	3,895	5,079
After 1 year but within 2 years which contains a repayment on demand clause	913	903
After 2 years but within 5 years which contains a repayment on demand clause	1,012	1,474
	5,820	7,456

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

At 29 February 2020, secured bank borrowings carried interest at floating rates ranging from 2.15% to 2.75% (31 August 2019: 2.15% to 3.375%) per annum.

The bank borrowings were denominated in Hong Kong dollar for the six months ended 29 February 2020 and year ended 31 August 2019.

22. OBLIGATIONS UNDER FINANCE LEASES

31 August 2019

HK\$'000

(Audited)

Analysed for reporting purposes as:

Current liabilities	760
Non-current liabilities	1,527
	2,287

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 September 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases and disclosed in note 14. Comparative information as at 31 August 2019 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 3.

23. 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 2018 (Audited)	694
Credited to profit or loss	(8)
At 31 August 2019 and 1 September 2019 (Audited)	686
Credited to profit or loss (Note 9)	(20)
At 29 February 2020 (Unaudited)	666

24. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 September 2018, 28 February 2019, 31 August 2019 and 29 February 2020	3,800,000,000	38,000
Issued and fully paid:		
At 1 September 2018, 28 February 2019, 31 August 2019 and 29 February 2020	1,600,000,000	16,000

25. CAPITAL COMMITMENT

As at 29 February 2020, the Group had capital commitments of approximately HK\$228,000 (31 August 2019: HK\$342,000) in relation to the acquisition of new software.

26. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group entered into transactions with its related parties as follows:

Balances with related parties

Related Party	Nature of balance	29 February 2020	31 August 2019
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Land Power International Property Management Limited	Rental deposit received	17	17
Guardman Property Management Limited	Rental deposit received	17	17

26. RELATED PARTY TRANSACTIONS *(Continued)*

Transactions with related parties

Related Party	Nature of transaction	Six months ended	
		29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Land Power International Property Management Limited	Rental income	51	8
Guardman Property Management Limited	Rental income	51	9

These related parties are owned and controlled by the controlling shareholders of the Company.

Compensation to key management personnel

The remuneration of members of key management personnel including directors of the Company during the six months ended 29 February 2020 and 28 February 2019 were as follows:

	Six months ended	
	29 February 2020 HK\$'000 (Unaudited)	28 February 2019 HK\$'000 (Unaudited)
Short-term benefits	1,362	1,362
Contributions to retirement benefits scheme	30	30
	1,392	1,392

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Our service on extra-low voltage (“ELV”) solutions primarily on central control monitoring system has been deployed in residential and commercial buildings for the purposes of better control and security in Hong Kong since 2003. ELV solutions cover 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 experts provide consultation, design, integration, implementation and maintenance services to our clients from both private and public sectors incorporating a wide range of audio visual and security systems.

During the Period, we have undertaken various installation and maintenance projects for various customers from both private sectors and government departments such as Hong Kong Police Force, Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. During the Period, some of the major projects were completed, such as the installation work of fiber backbone networking at Hopewell Centre, the supply and installation of wind management display at Hong Kong-Zhuhai-Macao Bridge and the upgrading of supervisor control and data acquisition system for control process stages of Tai Po Sewage Treatment Works.

In respect of maintenance works, the Group has always been promptly responding to government policies to identify and capture opportunity in order to expand its market share. Several major government maintenance contracts were awarded to the Group during the Period, such as the contracts for the alteration, addition, improvement and maintenance of burglar alarm and security installations for the health sector and the triennial term contract for the maintenance, repair, alteration, additions and improvement for broadcast reception installation and satellite master antenna television system.

In addition to government contracts, the Group has also successfully bid for a number of security projects in the private sector, including Aberdeen Center, The Papillons, Sky View Cliff and Mayfair Garden during the Period.

OUTLOOK AND PROSPECTS

The Group's ELV solutions cover commercial buildings, shopping malls, hospitals and government facilities from both private and public sectors. In order to provide the most suitable solutions to our valuable customers, we integrate the latest technology with various intelligent device and keep up-to-date technology level through internal development and collaborate with overseas companies to offer the best solutions to our customers. For example, with the extensive use of smartphones, we are continuously optimizing our carpark system in recent years to introduce more diversified payment methods for the convenience of customers. Apart from developing new technology ourselves, the Group will seek opportunities with third-party strategic partners to develop different parking systems and strive to build a system with the most advanced technology for Hong Kong.

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 grasping relevant opportunities, the Group will continue to seek innovation and utilize the Internet of Things ("IoT") to provide customers with a more comprehensive, advanced and promising solution 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-Macao Bridge, was opened in October 2018. It will not only strengthen Hong Kong's social and economic ties with the Mainland but also bolster its competitiveness as a connection between the Mainland and global markets. Hong Kong is best positioned to seize opportunities. 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 "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.

OUTLOOK AND PROSPECTS (continued)

Apart from the existing ELV solutions, the Group has expanded its scope of business and commenced the security guarding services. This operating segment brings in business opportunity, generates cash flows and creates synergy to the Group in our security services. In the future, we aim to provide a one-stop security services including security device installation, security device maintenances and security guarding services to both private and public sectors.

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 stationary guard security to our customers. In view of this, the Group is planning to establish a training center to train security personnel and to provide one-stop solution for security services. Besides, the Group will cooperate with a third party in the provision of occupational safety and licensing courses for people in the construction industry. As such, it could be a new channel for recruiting and training relevant professionals and providing new blood for the industry.

We believe that the next major trend that shapes the century will depend on the internet and embedded technology. In other words, IOT is now becoming part of every aspect of our lives. As such, the Group acquired equity interest in Starfire Technology Group Limited (“Starfire Technology”) to collaborate with Terminus (Beijing) Technology Company Limited. The objective of the acquisition is to provide IOT solution, installation and maintenance services to our valuable clients in Hong Kong for saving energy and resources as well as to enhance the security efficiency. Starfire Technology has been making good progress in terms of business development. Several projects are in progress and are expected to be completed on schedule.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 22.37% from approximately HK\$49,530,000 for the six months ended 28 February 2019 to approximately HK\$60,612,000 for the Period. The increase in revenue is mainly due to the increase in revenue generated from maintenance services and the commencement of security guarding operation.

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 37.08% from approximately HK\$32,417,000 for the six months ended 28 February 2019 to approximately HK\$44,437,000 for the Period, which is in line with the increase in revenue.

The Group's gross profit decreased by approximately 5.48% from approximately HK\$17,113,000 for the six months ended 28 February 2019 to approximately HK\$16,175,000 for the Period. Such decrease is mainly due to the increase in engagement of subcontractors, in which projects completed by subcontractors generate a relatively lower profit margin than projects completed by our own employees.

Administrative Expenses

The Group's administrative expenses increased by approximately 4.44% from approximately HK\$12,677,000 for the six months ended 28 February 2019 to approximately HK\$13,240,000 for the Period, which is mainly due to the general increase in wages of administrative staff.

Share of losses of an associate

The increase was mainly attributable to the share of the results of Starfire Technology amounting to approximately HK\$48,000 (2019: approximately HK\$2,000).

Profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK\$2,128,000 for the Period (2019: approximately HK\$3,584,000). The decrease in the profit attributable to owners of the Company is mainly due to the decrease in gross profit. During the Period, the Group increased engagement of subcontractors, in which projects completed by subcontractors generate a relatively lower profit margin than projects completed by our own employees.

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 29 February 2020 (28 February 2019: Nil).

Interest in an associate

Details of balance are set out in note 15 to the interim condensed consolidated financial statements.

Financial assets at fair value through profit or loss

As at 29 February 2020, the Group's financial assets at fair value through profit or loss consisted of securities listed on the Stock Exchange and the performance of the listed securities was as follow:

Company Name/(Stock Code)	Number of shares held at 29 February 2020	Percentage of shareholdings at 29 February 2020	Carrying amount at 31 August 2019 HK\$'000	Fair value loss on financial assets at fair value through profit or loss for the period ended 29 February 2020 HK\$'000	Fair value at 29 February 2020 HK\$'000	Percentage of total financial assets at fair value through profit or loss at 29 February 2020	Percentage of total assets of the Group as at 29 February 2020
Allied Sustainability and Environmental Consultants Group Limited (8320)	2,250,000	0.19%	214	(45)	169	100.00%	0.22%

Allied Sustainability and Environmental Consultants Group Limited (“AEC”) is an investment holding company principally engaged in the provision of environmental consulting services. It mainly operates 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 carries out its business in Hong Kong, the Mainland China and Macau.

As disclosed in the interim report of AEC for the six months ended 30 September 2019, 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 21 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 0.11 as at 29 February 2020 (31 August 2019: 0.19).

Commitments and Contingent Liabilities

Details of capital commitment are set out in note 25 to the interim condensed consolidated financial statements. The Group had no significant contingent liabilities as at 29 February 2020.

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.

Events after the Reporting Period

The recent outbreak of COVID-19 of Hong Kong poses threats to the local economy. As the development of such pandemic remains to be highly unpredictable, the extent of its impact on the economy of Hong Kong is subject to many uncertainties. The industry in which the Group operates may be directly or indirectly affected. Nonetheless, the Group remains cautiously optimistic on the outlook and the prospects due to the nature of the services provided by the Group which involves the provision of stationary guard security and the installation and maintenance works.

In the opinion of the directors of the Company, the existing installation and maintenance projects undertaken with different government departments will be able to generate a relatively sustainable and stable stream of revenue and thus minimise the impact of the outbreak of COVID-19.

Save as disclosed above, there is no significant event subsequent to 29 February 2020.

Employees and Remuneration Policies

As at 29 February 2020, the Group had a total of 332 employees (28 February 2019: 201). The increase in the number of employees is mainly due to commencement of security guarding operation. 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\$31.5 million. As announced by the Company on 20 September 2019, certain unutilised proceeds from the Listing will be re-allocated for other purposes. Details of the change in use of proceeds are set out in the announcement date 20 September 2019. Up to 29 February 2020, the Group has utilised proceeds from the Listing of approximately HK\$22.7 million. A summary of utilised and unutilised proceeds are set out in the table below:

Intended use of proceeds	Revised allocation of unutilised net proceeds as at 20 September 2019 HK\$' million (note i)	Approximate amount utilised as at 29 February 2020 HK\$' million	Approximate amount unutilised as at 29 February 2020 HK\$' million	Notes
Obtaining additional licences and qualifications	3.5	–	3.5	ii
Expansion of existing security guarding operating segment	5.0	3.1	1.9	iii
Salary payment and purchase of capital assets of the major maintenance projects at the Hong Kong-Zhuhai-Macao Bridge and the West Kowloon Station	6.5	3.1	3.4	iv
Total	15.0	6.2	8.8	v

FINANCIAL REVIEW (continued)

Use of Proceeds from the Listing (continued)

Notes:

- (i) As announced in the announcement on business update dated on 20 September 2019, the Directors have resolved to change the use of unutilised net proceeds from the share offer.
- (ii) The Group is currently in the process of satisfying the minimum working capital and employed capital requirement of “Electrical and Mechanical Installation for Sewage Treatment and Screening Plant” and the unutilised proceeds is intended to be utilised in three years.
- (iii) The monthly aggregate salary payment of security guarding segment is approximately HK\$500,000 and the unutilised net proceeds will be fully utilised in the current financial year ending 31 August 2020.
- (iv) The monthly aggregate salary payment of the maintenance projects is approximately HK\$400,000 and the unutilised net proceeds will be fully utilised in the financial year ending 31 August 2021.
- (v) The unutilised net proceeds as at 29 February 2020 had been placed in interest-bearing deposits with licensed banks in Hong Kong.

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 27 February 2017 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 29 February 2020. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 29 February 2020 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 29 February 2020, 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 29 February 2020.
- (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 29 February 2020 and as at 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 29 February 2020, 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 29 February 2020.
- (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 29 February 2020 and as at 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 29 February 2020 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 29 February 2020 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 29 February 2020 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 29 February 2020 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 29 February 2020 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 29 February 2020 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 from the Listing Date up to 2 December 2019 (the date on which Kingsway resigned as the compliance adviser), 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 29 February 2020 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 29 February 2020. In addition, the independent auditor of the Company has reviewed the unaudited interim results for the six months ended 29 February 2020 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 29 February 2020 have been taken into consideration by the Audit Committee in its review of the interim results for the six months ended 29 February 2020, which have been approved by the Board on 14 April 2020 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.

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

Hong Kong, 14 April 2020

As at the date of this announcement, 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.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Listed Company Information” page for at least seven days from the date of its publication and on the website of the Company at www.ecinfohk.com.