# ECI Technology Holdings Limited

*(incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 8013)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 AUGUST 2021

## 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 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 audited consolidated results of the Company for the year ended 31 August 2021. This announcement, containing the full text of the 2021 Annual Report of the Company, complies with the relevant requirements of the GEM Listing Rules in relation to information to accompany preliminary announcement of annual results. Printed version of the Company's 2021 Annual 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

## EXECUTIVE DIRECTORS

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

## 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

## REGISTERED PIE AUDITOR

SHINEWING (HK) CPA Limited
43rd Floor
Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## LEGAL ADVISERS

*As to Hong Kong law*
Raymond Siu & Lawyers
Units 1302-3 & 1802
Ruttonjee House
11 Duddell Street
Central
Hong Kong

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited
11/F, The Center
99 Queen's Road Central
Central
Hong Kong

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Factory D on 3/F of Block II of Camelpaint Buildings
Block I and Block II
No. 62 Hoi Yuen Road
Kowloon
Hong Kong

## REGISTERED OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
2103B, 21/F
148 Electric Road
North Point
Hong Kong

## GEM STOCK CODE

8013

## COMPANY'S WEBSITE

www.ecinfohk.com

# Financial Highlights

Revenue of ECI Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 August 2021 amounted to approximately HK$138,207,000 (2020: approximately HK$114,442,000) while gross profit of the Group for the year ended 31 August 2021 amounted to approximately HK$30,947,000 (2020: approximately HK$27,323,000).

Profit of the Group for the year ended 31 August 2021 amounted to approximately HK$8,716,000 (2020: approximately HK$3,655,000).

The board (the "Board") of directors of the Company (the "Directors") does not recommend the payment of a final dividend for the year ended 31 August 2021 (2020: Nil).

# Chairman's Statement

Dear Valued Shareholders,

On behalf of the board of Directors (the "Board"), I am pleased to present the annual report of ECI Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 August 2021.

For the financial year under review, the Group reported revenue of approximately HK$138,207,000, representing an increase of approximately 20.77% as compared with approximately HK$114,442,000 for the previous year. The Group's consolidated profit for the year amounted to approximately HK$8,716,000 as compared with a consolidated profit of approximately HK$3,655,000 for the previous year.

The Group is one of the industrial leaders of telecommunications and broadcasting services in Hong Kong. We benefited from the government policies of Migration of Six Digital Channels to New Transmitting Frequencies on television broadcast. Thus, our work orders on television broadcast updating and installation work increase. Further, one major project of maintenance modification and installation works of television systems for the Transport Department is awarded and commenced in August 2021.

In response to recent government policy on environmental-friendly vehicle, one of the Group's major objectives is to expand its operation in electric vehicle solution business. We were awarded project of modification of electric vehicle charging system at various facilities by the Drainage Services Department. We are currently working with our business partner to provide electric vehicle solution business by integrating different brands of electric chargers.

Our Group's objective is to maintain up-to-date technical know-how with those industries we have business. In this year, we expanded our extra-low voltage ("ELV") operation in the internet-of-thing system using the LoRA network. With our strong background in the ELV industry, two projects of supply and installation of low system based on LoRA standard were awarded to the Group by the Government of the Hong Kong Special Administrative Region.

The overall business environment remains challenging in 2021 due to the outbreak of Novel Coronavirus ("COVID-19") and our security installation and maintenance services have recovered this year. We also benefit from the government subsidies and government policy in job creation of cleaners and technicians in various locations such as the West Kowloon Station and the Hong-Kong-Zhuhai-Macao Bridge.

I am fully confident that the Group's solid foundation and steady performance will help the Group to cope with the challenges ahead and the Group's future development strategy is to optimise our competitive advantages to provide one-chain security services and security solutions to both the public sectors and the private sectors. With our talented and experienced management team, the Group will continue to assess potential business opportunities in a cautious manner and enhance the shareholders' value in the years to come.

On behalf of the Board, I would like to take this opportunity to express my gratitude to my fellow Directors and all staff for their efforts and contribution. Besides, I would also like to offer my sincere appreciation to all customers, business partners and our shareholders for their continuing support.

**Dr. Ng Tai Wing**
*Chairman and Chief Executive Officer*

Hong Kong, 24 November 2021

# Management Discussion and Analysis

## BUSINESS REVIEW

Our ELV solutions primarily focus on a central monitoring system that has been deployed in Hong Kong since 2013 in residential and commercial buildings for which enhancing control and security. ELV solutions cover all the new modern technologies that are increasingly becoming a must-have system in every building such as CCTV, fire alarm systems, public address systems, audio/video solutions, access control systems, 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.

In 2021, we have undertaken various installation and maintenance projects for various customers from both private and government departments such as the Drainage Services Department, Hong Kong Police Force, the Leisure and Cultural Services Department, the Electrical and Mechanical Services Department, etc. During the year ended 31 August 2021, some of the major projects were completed, such as the supply and installation of carpark system for Wong Tai Sin Public Transport Terminus, the replacement of security system for Hong Kong Police Force at different venues around Hong Kong and the installation of wifi system at New World Tower.

With respect to maintenance works, the Group always responds fast to applicable government policies to identify and seize opportunities to expand its market share. The Group benefits from the government's policy of Migration of Six Digital Channels to New Transmitting Frequencies on television broadcast. A four-year major project on maintenance modification and installation works of television systems for the Transport Department was awarded to the Group and commenced in August 2021.

With respect to our security guarding operation, the Group strives to enhance its business reputation and expand its operation. During the year under review, we were the successful bidder for security guarding services for the global event "the Hong Kong Velodrome for Cycling Event – 2021 UCI Track Cycling Nation Cup". The Group gained reputation and improved experience after the completion of cycling projects and we are more equipped to bid for similar event projects in the future. We have also managed to maintain our client base for security projects in the private sector, including but not limit to Skyview Cliff and Yuen Long DHL warehouse.

## OUTLOOK AND PROSPECTS

The Group's ELV solutions cover commercial buildings, shopping malls, hospitals and government facilities from the private and public sectors. In order to provide the most suitable solutions to our valued 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 include more diversified payment methods for convenience of users. Apart from developing new technology ourselves, the Group will seek opportunities with third-party strategic partners to set up different parking systems and strive to build the most advanced technology in Hong Kong.

Due to the outbreak of COVID-19 which resulted in a global economic slowdown, it is undeniable that the current global political and economic situation is complex. The growth in demand for installation and replacement security system has remained stagnant. It is widely expected that the situation will continue in 2022. Thus, we put more focuses on bidding ELV maintenance services contracts and aim to strengthen the relationship with our customers by offering high quality and timely services. Furthermore, by expanding our maintenance services business segment, we can increase our market share and enhance our reputation in the industry.

For our security guarding operations, growth is resuming. Security projects, namely Sunshine City and Grand Promenade, are in progress and it is widely expected that there will be more security projects in 2022. Apart from the provision of building security guard services, we will also look for event security guard projects to improve our service branding.

For our electric vehicle solution, we have recently been awarded project of modification of electric vehicle charging system at various facilities for the Drainage Services Department. To facilitate this project, we invested in one of our business partners, namely Skytec Technology Company Limited ("Skytec") in September 2021 and worked with Skytec to provide electric solution business by integrating different brands of electric chargers.

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 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 20.77% from approximately HK$114,442,000 for the year ended 31 August 2020 to approximately HK$138,207,000 for the year ended 31 August 2021. The increase in revenue was mainly due to an increase in contract fees from extra-low voltage (ELV) operation, such as installation services from migration of digital channel on television broadcasting in 2021 and maintenance services from government policy in job creation of cleaners and technicians in various locations such as West Kowloon Station and the Hong-Kong-Zhuhai-Macao Bridge.

### 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 23.12% from approximately HK$87,119,000 for the year ended 31 August 2020 to approximately HK$107,260,000 for the year ended 31 August 2021.

The Group's gross profit increased by approximately 13.26% from approximately HK$27,323,000 for the year ended 31 August 2020 to approximately HK$30,947,000 for the year ended 31 August 2021. Such increase was due to increase in revenue.

### Administrative Expenses

There is no material changes in the Group's administrative expenses. It increased slightly by approximately HK$38,000 from approximately HK$27,698,000 for the year ended 31 August 2020 to approximately HK$27,736,000 for the year ended 31 August 2021.

### Profit for the Year

The Group recorded profit for the year of approximately HK$8,716,000 for the year ended 31 August 2021 (2020: approximately HK$3,655,000). Such increase was in line with an increase in revenue and no material assets impairment was recognised for the year ended 31 August 2021.

# Management Discussion and Analysis

## Financial Assets at Fair Value Through Profit or Loss

As at 31 August 2021, the Group's financial assets at fair value through profit or loss consisted of securities listed in Hong Kong and the investee's performance was as follows:

| Company Name (Stock Code) | Number of share held at 31 August 2021 | Percentage of shareholding at 31 August 2021 | Fair value at 31 August 2020 | Fair value changes on financial asset at fair value through profit or loss for the year ended 31 August 2021 | Fair value at 31 August 2021 | Percentage of total financial assets at fair value through profit or loss at 31 August 2021 | Percentage of total assets of the Group as at 31 August 2021 |
|---|---|---|---|---|---|---|---|
| | | | HK$'000 | HK$'000 | HK$'000 | | |
| Allied Sustainability and Environmental Consultants Group Limited (8320) | 1,125,000 | 0.16% | 81 | 25 | 106 | 100.00% | 0.13% |

Allied Sustainability and Environmental Consultants Group Limited ("AEC", together with its subsidiaries, the "AEC Group") is an investment holding company with its subsidiaries 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. ESG Reporting and Consultancy segment involves conducting assessment of the ESG systems, preparing reports in compliance with the GEM Listing Rules and the Rules Governing the Listing of Securities on the Stock Exchange, and related services. AEC operates 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 2021, through ongoing business diversification, AEC Group endeavours to expand its project portfolio across the Southeast Asia riding on the Belt and Road Initiative.

## FINANCIAL POSITION

### Liquidity, Financial Resources and Capital Structure

The Group requires cash primarily for working capital needs. As at 31 August 2021, the Group had approximately HK$29,059,000 in bank balances and cash (2020: approximately HK$23,502,000), representing an increase of approximately HK$5,557,000 as compared to that as at 31 August 2020.

As at 31 August 2021, the Group had interest-bearing bank borrowings of approximately HK$4,387,000 (2020: approximately HK$5,375,000), representing a decrease of approximately HK$988,000.

### Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 August 2021 (2020: Nil).

## Employees and Remuneration Policies

As at 31 August 2021, the Group had a total of 378 employees (2020: 343). The Group's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employees. 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 would be re-allocated for other purposes. Details of the change in the use of proceeds were set out in the announcement of the Company dated 20 September 2019. Up to 31 August 2021, the Group has unutilised proceeds from the listing of approximately HK$3.5 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** | **Approximate amount utilised as at 31 August 2021** | **Approximate amount unutilised as at 31 August 2020 and 31 August 2021** | |
|---|---|---|---|---|
| | HK$' million<br>*(note i)* | HK$' million | HK$' million | *Notes* |
| Obtaining additional licences and qualifications | 3.5 | – | 3.5 | *ii* |
| Expansion of existing security guarding operating segment | 5.0 | 5.0 | – | |
| 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 | 6.5 | – | |
| **Total** | **15.0** | **11.5** | 3.5 | *iii* |

*Notes:*

(i) As announced in the announcement dated 20 September 2019, the Directors have resolved to change the use of unutilised net proceeds from the share offer.

(ii) The Group is planning to use the unutilised proceeds to satisfy the minimum working capital and employed capital requirement for the establishment of "Electrical and Mechanical Installation for Sewage Treatment and Screening Plant". Since the plan is being delayed, the unutilised proceeds is intended to be fully utilised within three years.

(iii) The unutilised proceeds as at 31 August 2021 is placed in interest-bearing deposits with licensed banks in Hong Kong.

# Management Discussion and Analysis

## GEARING RATIO

The gearing ratio, being the Group's total debts (including bank borrowings and lease liabilities) divided by its total equity, was 0.15 times as at 31 August 2021 (2020: 0.16 times).

## FOREIGN EXCHANGE EXPOSURE

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

## TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 August 2021. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

During the year under review, the Group did not hold any significant investments or equity interest in any other companies.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

During the year under review, the Group did not have major acquisition or disposal of subsidiaries, associates or joint ventures.

## PLEDGE OF ASSETS

As at 31 August 2021, the Group had pledged the leasehold land and buildings of approximately HK$5,220,000 (2020: approximately HK$5,413,000) to secure the bank borrowings of the Group.

## COMMITMENTS

Details of operating lease commitment and capital commitment are set out in notes 31 and 32 to the consolidated financial statements respectively.

## CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 August 2021.

## PRINCIPAL RISKS AND RISK CONTROL MECHANISM

Risk management is carried out by the Company's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges against financial risks in close co-operation with the Group's other operating units. The Board provides guidance for overall risk management and specific areas, such as strategic risk, operational risk, financial risk and compliance risk.

## Principal Risks

For the year ended 31 August 2021, the principal risks of each risk areas were identified as follows:

| Risk Areas | Principal Risks |
|---|---|
| Strategic Risks | Change of competition landscape; risk of market saturation |
| Operational Risks | Poor performance of subcontractors; insufficient experienced managerial personnel |
| Financial Risks | Liquidity risk, credit risk, interest rate risk, inflation risk |
| Compliance Risks | Risk related to occupational safety and health; risk of non-compliance with applicable laws and regulations related to employment; risk of failure to comply with contract terms; change of GEM Listing Rules and relevant company regulations and ordinances |

## Our Risk Control Mechanism

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by BT Corporate Governance Limited (formerly known as Corporate Governance Professionals Limited and Baker Tilly Hong Kong Risk Assurance Limited) ("BTCG"). The Group maintains a risk register to keep track of all identified major risks of the Group. The risk register provides the Board, the audit committee of the Company (the "Audit Committee"), and the management with a profile of its major risks and records management's action taken to mitigate the relevant risks. Each risk is evaluated at least annually based on its likelihood of occurrence and potential impact upon the Group. The risk register is updated by the management as the risk owners with addition of new risks and/or removal of existing risks, if applicable, at least annually, after the annual risk evaluation has been performed. This review process can ensure that the Group proactively manages the risks faced by it in the sense that all risk owners have access to the risk register and are aware of and alert to those risks in their area of responsibilities so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by our management on an ongoing process. The effectiveness of our risk management framework will be evaluated at least annually, and periodic management meeting is held to update the progress of risk monitoring efforts. Our management is committed to ensure that risk management forms an integral part of the daily business operation processes in order to align risk management with corporate goals in an effective manner.

The Company will continue to engage external independent professionals to review the Group's system of internal controls and risk management annually and further enhance the Group's internal control and risk management systems as appropriate.

There is currently no internal audit function within the Group. The Directors have reviewed the need for an internal audit function and are of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit function for the Group. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function being carried out within the Group.

# Biographical Information of Directors and Senior Management

## EXECUTIVE DIRECTORS

### Dr. Ng Tai Wing (吳泰榮)

Dr. Ng Tai Wing, aged 45, joined the Group in August 2003 and was appointed as an executive Director, chief executive officer and the chairman of the Company on 3 October 2016. He is also the chairman of the nomination committee (the "Nomination Committee") and the compliance officer of the Company. He is responsible for the overall business development, marketing, strategic direction and management of the Group. He is a director of various subsidiaries of the Group.

Before joining the Group, he worked as a programmer in Web Pro Limited, a company engaged in website design, from June 2000 to January 2001 where he was responsible for programming of the company's website. Dr. Ng then joined PacificNet Ltd, a company engaged in providing e-commerce services, as a business development manager from January 2001 to September 2001. Dr. Ng was accredited as honorary doctor of engineering from Lincoln University and Fellowship of Asian College of Knowledge Management in June 2016. Dr. Ng was appointed as a director of Hong Kong Chiu Chow Chamber of Commerce Limited and Social Enterprise Research Institute in September 2016.

Dr. Ng obtained a Bachelor of Engineering degree in Computer Engineering in November 1998 and a Master of Science degree in Computer Science in November 2000 from the Hong Kong University of Science and Technology. He further obtained a Master of Arts degree in Global Business Management from the City University of Hong Kong in November 2008. Dr. Ng has over 15 years of experience in the information technology industry.

Dr. Ng has not held any directorship in any public listed company in the past three years. Dr. Ng is the spouse of Ms. Wong Tsz Man, the non-executive Director.

### Mr. Law Wing Chong (羅永忠)

Mr. Law Wing Chong, aged 56, joined the Group in January 2015 and was appointed as an executive Director on 3 October 2016. Mr. Law is responsible for the overall operations of the Group. He is a director of a subsidiary of the Group.

Mr. Law obtained a Diploma in Business Management from Lingnan University in July 2008, a Professional Diploma in Occupational Safety and Health from Hong Kong Baptist University in September 2010 and a Master of Engineering Management degree from University of Technology Sydney in March 2010. He is a member of the Institution of Engineering and Technology and a graduate member of the Institution of Occupational Safety and Health since June 2010 and December 2010, respectively. He is also a member of the Society of Registered Safety Officers since February 2012.

Mr. Law worked in Hong Kong Electric Group from 1985 to 1998 as a technician. He then worked in Kum Shing (K.F.) Construction Company Limited, an electrical, mechanical, civil and building engineering service provider, as a safety supervisor and site representative from 1998 to 2007. From 2007 to 2008, he worked in Mak Hang Kei (HK) Construction Limited ("Mak Hang Kei"), a construction contractor, as a project engineer and safety supervisor. From November 2008 to September 2012, Mr. Law worked in Serco Group (HK) Limited, a company providing consultation and outsourcing services, as a project engineer. He re-joined Mak Hang Kei, as a safety officer from September 2012 to April 2014, where he was responsible for safety requirement compliance and performing safety audit. He also worked in Alstom Hong Kong Limited, a systems equipment and service provider in the railway sector, as a safety officer from May 2014 to December 2014 where he was responsible for implementing and monitoring safety management system.

Mr. Law has not held any directorship in any public listed company in the past three years.

# Biographical Information of Directors and Senior Management

## NON-EXECUTIVE DIRECTOR

### Ms. Wong Tsz Man (王芷雯)

Ms. Wong Tsz Man, aged 45, joined the Group in October 2016 and was appointed as a non-executive Director of the Board on 3 October 2016. Ms. Wong is responsible for advising the Board on corporate development of our Group.

Ms. Wong obtained a Bachelor of Business Administration degree in Finance from the Hong Kong University of Science and Technology in November 1998. In December 2015, she obtained the Project Management Professional certificate from the Project Management Institute.

Ms. Wong is currently the assistant vice president of the Operation and Technology Group of China CITIC Bank International Limited where she is responsible for managing solution delivery projects. She has been working in this company since July 2001.

Ms. Wong has not held any directorship in any public listed company in the past three years. Ms. Wong is the spouse of Dr. Ng Tai Wing, an executive Director.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

### Mr. Hui Chun Ho Eric (許俊浩)

Mr. Hui Chun Ho Eric, aged 47, was appointed as an independent non-executive Director of the Board on 17 February 2017. He is mainly responsible for providing independent advice to the Board. He is also the chairman of the Audit Committee of the Company and a member of the remuneration committee (the "Remuneration Committee") and the Nomination Committee of the Company.

Mr. Hui is currently the financial controller and company secretary of Hong Kong Finance Group Limited, a company listed on the main board of the Stock Exchange (stock code: 1273) and an independent non-executive director, chairman of the audit committee and a member of the nomination committee of Modern Land (China) Co. Limited, a company listed on the main board of the Stock Exchange (stock code: 1107).

Before joining the above companies, Mr. Hui worked for an international accounting firm and held several senior positions in other listed companies in Hong Kong. Mr. Hui is a fellow member of both Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants, and an associate member of The Taxation Institute of Hong Kong. In 1998, Mr. Hui obtained his bachelor's degree in Accounting from The Hong Kong Polytechnic University and was awarded a master's degree in Business Administration with distinction by The University of Manchester, United Kingdom in 2013. Mr. Hui has extensive professional experience in auditing, financial accounting and reporting, company secretarial matters and corporate finance.

Save as disclosed above, Mr. Hui has not held any directorship in any public listed company in the past three years.

# Biographical Information of Directors and Senior Management

## Mr. Sung Wai Tak Herman (宋衛德)

Mr. Sung Wai Tak Herman, aged 63, was appointed as an independent non-executive Director on 17 February 2017. He is mainly responsible for providing independent advice to the Board. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee.

Mr. Sung obtained a Bachelor of Arts degree from The Chinese University of Hong Kong in December 1983. He further obtained a Bachelor of Laws degree from the University of London in August 1991 and a Master of Laws degree from the University of Sydney in April 1994. Mr. Sung has been qualified as a solicitor of New South Wales, Australia since September 1994 and a solicitor of Hong Kong since December 1996. He has been appointed as a Chinese Attesting Officer by the Ministry of Justice of China since June 2009.

Mr. Sung is currently a consultant of Messrs. Tang, Wong & Chow since October 2009. He was a partner of Messrs. Erwin Young, Chu and Law until October 2009.

Mr. Sung was an independent non-executive director of Evershine Group Holdings Limited (formerly known as TLT Lottotainment Group Limited), a company listed on GEM of the Stock Exchange (stock code: 8022) from January 2001 to April 2012. He was an independent non-executive director of Capital Finance Holdings Limited (formerly known as Ming Kee Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8239) from March 2008 to February 2012.

Save as disclosed above, Mr. Sung has not held any directorship in any public listed company in the past three years.

## Mr. Fung Tak Chung (馮德聰)

Mr. Fung Tak Chung, aged 55, was appointed as an independent non-executive Director of our Board on 17 February 2017. He is mainly responsible for providing independent advice to the Board. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Fung obtained a Bachelor of Arts degree in Economics from Hong Kong Shue Yan University (formerly known as Hong Kong Shue Yan College) ("Hong Kong Shue Yan University") in October 2010, and a Diploma in Economics from Hong Kong Shue Yan University in January 1992.

Mr. Fung has years of experience in the industry of information technology. In February 2006, Mr. Fung founded Datayard Systems Limited, an information technology service provider that develops web applications and Linux servers and provides web hosting service. He has been a director of Datayard Systems Limited since February 2006 and is responsible for its product development. Since 2011, he has been the chief executive officer of Photon Link Limited, a company providing information technology solutions services. Back from November 1992, he was a customer service specialist of Hutchison AT&T Network Services Limited until December 1993. He was a sales administration supervisor of Telecom Service Department of JOS Telecom of JOS Technology Group from December 1993. In March 1995, he started working for T.M.I Telemedia International Hong Kong Limited as help desk and field engineering supervisor, and ceased working there as the area marketing and sales support executive in October 1996.

From April 1997 to May 1998, he worked as a marketing support executive in Hong Kong Supernet Ltd. He worked as the technical service manager in E-Med Limited from May 1999. He then worked as a product manager in Standard Chartered Bank from August 2000 to July 2001. From May 2002 to December 2008, Mr. Fung was a director and information technology and management consultant of Right Medic Development Limited, a company that provided project consultancy services, where he was mainly responsible for property agency work.

From 2012 to 2014, he was appointed by the Office of the Government Chief Information Officer of the Government of the Hong Kong Special Administrative Region as a member of Working Group on Cloud Security and Privacy. He has been the vice president of Internet Professional Association since 2014 and an honorary information technology consultant of the Hong Kong Independent Non-Executive Director Association since 2015, and was appointed as Committee Member in 2017. In October 2017, he was appointed as a member of Academic Advisory Board in Hong Kong Shue Yan University, Department of Economics and Finance, contributing his knowledge on FinTech and helping the university to setup related courses. Since 2018, he is one of the Founding Members and currently the Vice-President of Hong Kong Blockchain Development Association, and he has also been appointed as Information & Communications Technology Technical Advisor of the Government's Employees Retraining Board. Mr. Fung has been appointed as a council member of the GBA International Information Technology Industry Association since 8 April 2021.

Save as disclosed above, Mr. Fung has not held any directorship in any public listed company in the past three years.

### Dr. Chow Kin San (周建新)

Dr. Chow Kin San, aged 57, was appointed as an independent non-executive Director of the Board on 11 July 2017. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee.

Dr. Chow obtained his Master of Business Administration degree from University of South Australia in 2000, Master of Science in Electronic Commerce and Internet Computing from the University of Hong Kong in 2002 and Doctor of Philosophy from the Ren Min University of China in 2015.

He is the co-founder and currently the chairman of Focus Capital Group Ltd and Focus Capital Investment Inc., a group engaging in the investment in start-up technology companies, since 2015 and 2002 respectively.

Dr. Chow joined Yorkshine Holdings Limited (formerly known as Novo Group Limited) ("Yorkshine Holdings"), a company previously dual-listed on the Singapore Exchange Securities Trading limited (Stock Code: MR8) and the main board of the Stock Exchange (Stock Code: 1048), as a non-executive director on 10 March 2008. He was then appointed as an executive director of Yorkshine Holdings from 1 June 2010 to 6 August 2015, and was also the chairman of investment committee since 1 September 2010.

He has over 30 years of experience in IT, finance, management and investment in trading and manufacturing environment in Asia, Australia, Singapore and the United States of America.

Under the listing enforcement notice/announcement of the Stock Exchange dated 27 February 2020, Dr. Chow, together with other former directors of Yorkshine Holdings failed to comply with the statutory compliance requirements to use their best endeavours to ensure that Yorkshine Holdings had adequate and effective internal controls which included the proper implementation of the relevant internal controls procedures. Dr. Chow was also censured for his breach of Rule 3.08(f) of the Listing Rules. Accordingly, the Listing Committee of the Stock Exchange publicly criticised Dr. Chow and other former directors of Yorkshine Holdings for their respective breaches mentioned above and announced by the Stock Exchange on 3 March 2020.

Save as disclosed above, Dr. Chow has not held any directorship in any public listed company in the past three years.

# Biographical Information of Directors and Senior Management

## SENIOR MANAGEMENT

### Mr. Chiu Hein Leong (趙顯亮)

Mr. Chiu Hein Leong, aged 35, has been the accounting and finance manager of the Group since June 2018. Mr. Chiu is responsible for overseeing financial management as well as financial reporting obligations of the Group.

Prior joining to the Group, Mr. Chiu had worked in accounting firm, Deloitte Touche Tohmatsu, for approximately four years from September 2011 to February 2016, where the last position he served was the senior auditor of the audit department. Mr. Chiu then joined Bar Pacific Group for two years from June 2016 to March 2018, a company listed on the GEM of the Stock Exchange (stock code: 8432), as an assistant finance manager and was mainly responsible for the preparation of initial public offering, overseeing financial management and financial reporting obligations of the group.

Mr. Chiu has been admitted as member of HKICPA since November 2016. Mr. Chiu obtained a degree of Bachelor of Business with major in statistics from the University of Warwick in June 2008 and a degree of Bachelor of Art with major in accounting from Durham University in June 2011.

### Mr. Sidney Chau Foo-cheong (周富祥)

Mr. Sidney Chau Foo-cheong, aged 71, has been the senior consultant of the Group since August 2017. He is mainly responsible for providing advice on operations, man-power management and business development in the areas of security and property management.

Mr. Chau served in the Hong Kong Police from 1970 to 2004 and he specialized in operational duties, criminal investigation and internal security service. In 1982, he was seconded to the General Secretariat, Interpol Paris where he served for 3 years. During his police service, Mr. Chau received three "Governor of Hong Kong's commendations". He retired in 2004 and in recognition of his excellent police service, he was awarded the "Police Distinguished Medal" by the HKSAR Government.

From 2004 to 2013, Mr. Chau was the Executive Director of Aviation Security Company Limited at the Hong Kong International Airport. During his tenure of office, he received several awards at International Aviation Security Conferences including "Outstanding Leader in Aviation Security 2000", "Most Outstanding AVSEC Organization Award 2001" and "Outstanding Contributions to Aviation Security in the Region 2002".

With his extensive experience in police operations and aviation security, Mr. Chau has been invited by the management of many airports to advise on their security arrangements. They include airports in Beijing, Shanghai, Xinjiang, Hainan, Dubai and Abu Dhabi.

Mr. Chau obtained a Master Degree in Security from Edith Cowan University in Australia and Public Administration from the University of Hong Kong. He has received training from the FBI National Academy in the US, Harvard University, Bramshill Police College in the UK, Tsing Hua University in China and Aviation Academy in Dubai, United Arab Emirates. He can speak several languages including French, Japanese, Korean and is pursuing a university diploma in Arabic.

Mr. Chau was an ICAO certified International Instructor and has been a guest lecturer for universities in Hong Kong, Australia, Singapore and the Civil Aviation Management Institute of China. He is currently a lecturer for Edith Cowen University at Emirates Aviation College in United Arab Emirates.

He is the editor and writer of the book "Aviation Security – Challenges & Solutions" published in 2012, which is extensively used as a reference by universities and various organizations in the aviation security industry.

In addition to being EC Security Company's senior consultant, Mr. Chau is also the director of Starfire Technology Group Ltd. a consultant to Emirates Airlines Corporate Security in Dubai as well as an international advisor for China Security & Protection Group in Beijing.

# Biographical Information of Directors and Senior Management

### Mr. Lai Chi Hung (黎志鴻)

Mr. Lai Chi Hung, aged 57, joined EC InfoTech Limited as the General Manager in Security Department in Oct 2018. Mr. Lai is responsible for the security operation, business development and regulatory compliance of both EC InfoTech Limited and its subsidiary company, EC Security Limited. Between 1984 to 2006, Mr. Lai had worked in several banks including Bank of Communications, DBS Bank Limited, Industrial & Commercial Bank of China Limited up to the rank of Senior Manager, Consumer Banking. In 2006, Mr. Lai started to work as an independent financial adviser until 2018.

Mr. Lai is keen in performing public services. From 1990 to 2018, Mr. Lai served in the Hong Kong Auxiliary Police Force. During his 28 years of services, he worked in Wan Chai District, Tai Po District and Central District and has developed strong operational ability and leadership. He specialized in Anti-crime Operation, Internal Security Duties, Crowd Management and Public Order Events. In 2014, Mr. Lai was promoted to the rank of Superintendent of Police (Auxiliary). During his tenure of office, he has gained extensive experience in commanding major police operations such as crowd management of Hong Kong's Fireworks Display and other large-scale public events. In January 2015, Mr. Lai was appointed by the HKSAR Government as the Honorary Aide-de-camp to Chief Executive. In that capacity, he was responsible for receiving official VIPs and Heads of State visiting Hong Kong.

Mr. Lai obtained a Diploma in Business Studies in 1984 from Hang Seng School of Commerce. Between 2014 and 2016, he was awarded two "Commanding Officer's Commendation" by the Commandant Hong Kong Auxiliary Police Force. In 2015, in recognition of his excellent and dedicated police service, he was awarded the "Hong Kong Auxiliary Police Force Long Service Medal (1st Clasp)".

### Mr. Wong Chi Ho (王志豪)

Mr. Wong Chi Ho, aged 47, is the operation manager of our Group. Mr. Wong joined our Group in December 2015 and is primarily responsible for the operational matters of our Group. Mr. Wong is brother of Ms. Wong Tsz Man and brother-in-law of Dr. Ng Tai Wing.

Mr. Wong graduated from The Chinese Church of Christian Evangelism St. Lucas' College in June 1991. Mr. Wong worked in HMV Hong Kong Limited, a music and movie CD's retailer, from July 1995 to January 2014 where his last position was store manager. Mr. Wong was responsible for formulating marketing strategies, managing budgets and forecasts, employee training, liaison with suppliers and overseeing store-related business. He has over 17 years of experience in sales and marketing.

## COMPANY SECRETARY

### Mr. Lau Chi Yuen (劉智遠)

Mr. Lau Chi Yuen, aged 46, was appointed as the company secretary of our Company (the "Company Secretary") on 17 February 2017. Mr. Lau does not act as an employee of the Group, but as an external service provider. Mr. Lau had served as company secretary in companies listed in Hong Kong. Mr. Lau has extensive experience in company secretarial services, corporate finance, merger and acquisition, investor relationship and corporate governance aspects. Mr. Lau obtained a Master of Professional Accounting degree from the Southern Cross University in September 2004. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a member of Hong Kong Institute of Certified Public Accountants.

# Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 August 2021.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activity of its major operating subsidiary is the provision of ELV solutions primarily on central control monitoring system in Hong Kong. Details of the principal activities of the principal subsidiaries of the Company are set out in note 37 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year ended 31 August 2021.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 August 2021 is set out in the section headed "Management Discussion and Analysis" on pages 6 to 11 of this annual report.

A discussion and analysis of the activities of the Company as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties faced by the Group and an indication of likely future developments in the Group's businesses, and the compliance with relevant laws and regulations, as well as the Group's environmental policies and performance which have a significant impact on the Company, can be found in the "Management Discussion and Analysis" on pages 6 to 11 and the "Corporate Governance Report" on pages 26 to 35 of this annual report. Such discussion forms part of this Report of the Directors.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 August 2021 are set out in the consolidated statement of profit or loss and other comprehensive income of this annual report. The Directors do not recommend the payment of a final dividend in respect of the year ended 31 August 2021 (2020: Nil).

## CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 August 2021 amounted to HK$495,780 (2020: HK$475,774).

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the financial summary section on page 138 of this annual report. This summary does not form part of the audited consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment of the Group during the year ended 31 August 2021 are set out in note 17 to the consolidated financial statements. The Group had no investment properties during the year ended 31 August 2021.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 August 2021 are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## RESERVES

Details of movements in the reserves of the Group during the year ended 31 August 2021 are set out in the consolidated statement of changes in equity on page 78 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 August 2021, the Company had reserves of approximately HK$9,588,000 available for distribution to shareholders. Under the Companies Law of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Articles and provided that immediately following the distribution or dividend payment, the Company is able to pay its debts as they fall due in the ordinary course of business. In accordance with the Articles, dividends shall be distributed out of the retained earnings or other reserve, including the share premium, of the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 64.39% of the total sales for the year and sales to the largest customer included therein amounted to 36.41%. Purchases from the Group's five largest suppliers accounted for 32.62% of the total purchases for the year and purchase from the largest supplier included therein amounted to 10.73%. None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 August 2021 are set out in note 27 to the consolidated financial statements.

## EMOLUMENT POLICY

The Remuneration Committee of the Company is responsible for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, details of the scheme are set out in the section headed "Share Option Scheme" below.

## MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or existed during the year ended 31 August 2021.

## RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 August 2021 are set out in note 34 to the consolidated financial statements and none of them constituted a connected transaction as defined under the GEM Listing Rules.

## DIRECTORS

The Directors of the Company during the year and up to the date of this report were:–

### Executive Directors:

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

### 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

In accordance with Articles 108(a) and 112 of the Articles, Mr. Law Wing Chong, Mr. Hui Chun Ho Eric and Mr. Sung Wai Tak Herman will retire and offer themselves for re-election at the forthcoming annual general meeting.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman, Mr. Fung Tak Chung and Dr. Chow Kin San and as at the date of this annual report, they are considered to be independent.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 17 of this annual report.

## CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section headed "RELATED PARTY TRANSACTIONS" above, neither the Company nor any of its subsidiaries had entered into any contract of significance with the Company's controlling shareholders or their subsidiaries, or any contract of significance for the provision of services to the Company or any of its subsidiaries by the Company's controlling shareholders or their subsidiaries, during the year ended 31 August 2021.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group as well as the recommendation of the Remuneration Committee. Further details of the Remuneration Committee are set out in the corporate governance report on page 30 of this annual report.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

Save as disclosed in this annual report, none of the Directors or an entity connected with the Director had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 August 2021.

## 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:

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

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

(iii) any suppliers, customers, consultants, agents, advisers and related entities to our 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 from 10 March 2017, i.e. the date on which the Share Option Scheme becomes unconditional.

The purpose of the Share Option Scheme is to enable our Company to grant options to selected participants as incentives or rewards for their contribution to our Group. The Share Option Scheme will reward the Eligible Participants who have contributed or will contribute to the Company and the Group and motivate the Eligible Participants to optimize their performance efficiency for the benefit of the Group and the shareholders. 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.

The total number of Shares which may be issued upon exercise of all options under the Share Option Scheme must not in aggregate exceed 10% of the total number of Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, which amounts to 160,000,000 Shares. Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of all outstanding options granted to each Eligible Participant (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue, which is 16,000,000 Shares.

No options had been granted or agreed to be granted under the Share Option Scheme during the year and up to the date of this annual report. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 31 August 2021 and up to the date of this annual report.

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

So far as the Directors are aware, as at 31 August 2021, 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 (Cap. 571, Laws of Hong Kong) ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short position 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 Rule 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 of the Company

| 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% |

*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 31 August 2021.

(3) These shares are held by ECI Asia Investment Limited ("ECI Asia", an associated corporation of the Company), all the issued shares of HK$0.01 each are owned by Dr. Ng. Pursuant to the SFO, Dr. Ng is deemed to have an interest in all shares in which ECI Asia has, or is deemed to have.

(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 in.

Save as disclosed above, as at 31 August 2021, none of the Directors or chief executive 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' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 August 2021, the following persons 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 Shareholder | 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 ("Mr. Yang") *(Note 4)* | 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 31 August 2021.

(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.

(4) Mr. Yang has ceased to be a Director with effect from 28 August 2020.

Save as disclosed above, as at 31 August 2021, the Directors were not aware of any person, other than the Directors or chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register pursuant to Section 336 of the SFO.

## RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and save as disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at any time during the year and up to the date of this annual report, neither the Company nor any of its subsidiaries, or any of its fellow subsidiaries, was 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.

# Report of the Directors

## INTEREST IN COMPETING BUSINESSES

The controlling shareholders (as defined under the GEM Listing Rules) of the Company have executed 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 our 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 our 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 the Group in Hong Kong or such other places as the Group may conduct or carry on business from time to time.

The controlling shareholders of the Company have confirmed to the Company that for the year ended 31 August 2021 and up to the date of this annual report, they and their respective close associates (as defined under GEM Listing Rules) have complied with the undertakings contained in the Deed of Non-competition.

Save as disclosed above, during the year, none of the Directors or the management shareholders (as defined in the GEM Listing Rules) of the Company were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITY

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment in all material respects.

The Group understands that a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

The details of environmental, social and governance policies and performance of the Group are disclosed in the "Environmental, Social and Governance Report", which are set out on pages 36 to 68 of this annual report.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and the management of the Company are aware, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of, or non-compliance with, the applicable laws and regulations by the Group.

## RELATIONSHIP WITH STAKEHOLDERS

The Group is committed to operate in a sustainable manner while balancing the interests of its various stakeholders including customers, suppliers and employees. Through regular stakeholder engagement via different channels, the stakeholders are encouraged to give their opinions regarding the environmental, social and governance policies of the Group. The Group maintains strong relationships with its employees and offers them with safe working environments. The Group has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

## PERMITTED INDEMNITY OF DIRECTORS

Pursuant to the Articles, every Director or other senior officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, and no Director or other officer shall be liable for any loss, damages or misfortune which may happen to or be incurred by the Company in the execution of the duties of his/her office or in relation thereto. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the year.

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

During the year ended 31 August 2021 and up to the date of this annual report, neither did the Company nor any of its subsidiaries redeem, purchase or sell any of the Company's listed securities.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 August 2021.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public during the year under review and up to the date of this annual report.

## AUDITOR

SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming AGM of the re-appointment of SHINEWING (HK) CPA Limited as the auditor of the Company.

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

Hong Kong, 24 November 2021

# Corporate Governance Report

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

Our Company has adopted the code provisions stated in the Corporate Governance Code of Appendix 15 of the GEM Listing Rules (the "Code"). Except for the deviations from the following Code provisions, our Company's corporate governance practices have complied with the Code throughout the year ended 31 August 2021 and up to the date of this report:–

### Code Provision A.2.1

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Dr. Ng Tai Wing is the chairman and chief executive officer of the Company. In view 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 strong and consistent leadership to the Group. Accordingly, the Directors consider that the deviation from provision A.2.1 of the Code is appropriate in such circumstances.

## COMPANY SECRETARY

Mr. Lau Chi Yuen has been appointed as the company secretary of the Company (the "Company Secretary"). Mr. Lau is not an employee of the Group, but is an external service provider. He communicates with the Company through the heads of Human Resources and Administration Department and Finance Department of the Company. His biographical details are set out on page 17 of this annual report. Mr. Lau has confirmed that for the year ended 31 August 2021, he has taken no less than 15 hours of relevant professional training covering corporate governance and accounting matters and therefore satisfies the requirements under Rule 5.15 of the GEM Listing Rules.

## COMPLIANCE WITH 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 enquires by the Company, all Directors confirmed that they had complied with the standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company during the year ended 31 August 2021 and up to the date of this annual report.

## THE BOARD OF DIRECTORS

The Board of Directors, which currently comprises seven Directors, is responsible for corporate strategy, annual, interim and quarterly results, succession planning, internal control and risk management, major acquisitions, disposals and capital transactions, and other significant operational and financial matters of the Company. Major corporate matters that are specifically delegated by the Board to the management include the preparation of annual, interim and quarterly financial statements for the Board's approval before public reporting, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant statutory requirements and rules and regulations.

Directors' liability insurance was maintained by the Company with coverage for any legal liabilities of the Directors which may arise in the course of performing their duties.

### Board Composition

The composition of the Board for the year under review is set out as follows:

*Executive Directors:*

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

*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

Details of backgrounds and qualifications of the Directors are set out in the "Biographical Information of Directors and Senior Management" section in this annual report. Save as disclosed in the said section, none of the Directors have any other financial, business, family and other material/relevant relationship with each other.

As at 31 August 2021, all Directors have given sufficient time and attention to the affairs of the Group. Each of the executive Directors and non-executive Directors (including the independent non-executive Directors) has sufficient experience, knowledge and execution ability to hold the position so as to carry out his/her duties effectively and efficiently.

## Training, Induction and Continuing Development of Directors

Each Director receives comprehensive, formal and tailored induction training on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding on the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

The Company is committed to arranging and funding suitable trainings to all Directors for their continuous professional development. Each Director had complied with Code Provision A.6.5 of the Code and is briefed and updated from time to time to ensure that he/she is fully aware of his/her responsibilities under the GEM Listing Rules and applicable legal and regulatory requirements and the governance policies of the Group. All Directors also understand the importance of continuous professional development and are committed to participating in any suitable trainings to develop and refresh their knowledge and skills.

During the year ended 31 August 2021, the Directors complied with Code Provision A.6.5 on participation in continuous professional training as follows:

| | **Types of trainings** |
|---|---|
| **Executive Directors** | |
| Dr. Ng Tai Wing | A and B |
| Mr. Law Wing Chong | A and B |
| **Non-executive Director** | |
| Ms. Wong Tsz Man | A and B |
| **Independent Non-executive Directors** | |
| Mr. Hui Chun Ho Eric | A and B |
| Mr. Sung Wai Tak Herman | A and B |
| Mr. Fung Tak Chung | A and B |
| Dr. Chow Kin San | A and B |

A: Directors received regular briefings and updates from the Company Secretary/the Company's management on the Group's business, operations and corporate governance matters.

B: Directors read technical bulletins, periodicals and other publications on topics relevant to the Group and/or on their responsibilities and obligations under the GEM Listing Rules and relevant regulatory requirements.

### Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has been appointed with a specific term and is subject to retirement and re-election at the forthcoming general meeting of the Company after his/her appointment and will also be subject to the retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles") and the Code.

Each of the executive Directors and the non-executive Director has entered into a service contract with the Company for an initial term of three (3) years, which may be renewed as determined by the Board or the Shareholders of the Company. The appointment of the executive Directors may be terminated by either party by giving at least three (3) months' written notice to the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three (3) years, which may be renewed as determined by the Board or the Shareholders of the Company. The appointment of each of the independent non-executive Directors may be terminated by either party by giving at least one (1) month's written notice to the other.

## BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference, which are posted on the Stock Exchange's and the Company's websites.

### Audit Committee

The Company has established the Audit Committee on 17 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 Code has been adopted. 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.

Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or re-appointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control procedures of the Company.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the senior management on the auditing, internal control and financial reporting matters.

During the year ended 31 August 2021, the Audit Committee held four meetings (i) to discuss the financial reporting and the compliance procedures with the external auditors; (ii) to consider the reappointment of auditors of the Company; and (iii) to review the audited annual results for the year ended 31 August 2020 and unaudited quarterly and interim results. The Audit Committee also confirmed that this annual report complies with the applicable standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosures have been made. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of external auditors.

# Corporate Governance Report

## Remuneration Committee

The Company established the Remuneration Committee on 17 February 2017 with written terms of reference in compliance with the Code. The Remuneration Committee comprises 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. Sung Wai Tak Herman has been appointed as the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include determining, with delegated responsibility, the specific remuneration packages of the Chairman, the executive Directors and senior management, reviewing and making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration and to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. During the year, one meeting was held to consider the issues described above.

The Remuneration Committee has reviewed the remuneration packages and emoluments of Directors and senior management and considered that they are fair and reasonable during the year ended 31 August 2021.

## Senior Management Remuneration

The remuneration of the members of senior management of the Company for the year ended 31 August 2021 is as follows:

| **Remuneration band** | **Number of individuals** |
|---|---|
| Below HK$1,000,000 | 4 |

Details of the directors' remuneration and five highest paid individuals for the year ended 31 August 2021 that are required to be disclosed pursuant to the Code are disclosed in notes 13 and 14 to the consolidated financial statements in this report.

## Nomination Committee

The Company established the Nomination Committee on 17 February 2017 with written terms of reference in compliance with the Code. The Nomination Committee comprises one executive Director, Dr. Ng Tai Wing, and 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. Dr. Ng Tai Wing has been appointed as the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the structure, size, composition and diversity of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors. Moreover, it also reviews the Nomination Policy (as defined below) and the Board Diversity Policy (as defined below).

## NOMINATION POLICY

The nomination policy (the "Nomination Policy") adopted by the Company on 31 December 2018 aims to ensure that the composition of the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and further development. The Nomination Policy sets out the reporting procedures and criteria for selecting and making recommendations to the Board on the selection of individuals nominated for directorships.

The Nomination Committee shall report to the Board. At the immediately subsequent meeting of the Board following a meeting of the Nomination Committee, the chairman of the Nomination Committee shall report the findings and recommendations of the Nomination Committee to the Board. Such recommendations will be supported by the resume in respect of the individuals concerned.

The criteria to be taken into account when considering the suitability of a candidate include but not limited to gender, age, qualification, skill, experience, etc. The Board Diversity Policy (details of which has been set out below) would also be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate.

## BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The policy aims to set out the approach to achieve diversity on the Board. The summary of this policy, together with the measurable objectives set for monitoring this policy, and the progress for achieving those objectives are disclosed as below.

### Summary

To enhance Board effectiveness and corporate governance for achieving our business objectives, the Company is of the view that ensuring diversity at the Board is an essential element in supporting its sustainable development. In designing the Board's composition, factors affecting Board diversity including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time have been considered.

### Measurable objectives

Selection of candidates of the Board will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service and any other factors that the Board may consider relevant and applicable from time to time. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board, having due regard to the benefits of diversity on the Board. The Board's composition will be disclosed in the corporate governance report of the Company annually in accordance with the GEM Listing Rules.

### Implementation and Monitoring

The Nomination Committee is responsible for reviewing and monitoring the achievement of the measurable objectives set out in this policy. It will review the Board's composition at least once annually taking into account the benefits of all relevant diversity aspects and adhere to the policy when making recommendation on appointments of any Board members.

# Corporate Governance Report

## Attendance Record of Directors and Committee Members

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 August 2021 are set out in the table below:

| | Attendance/Number of Meetings Eligible to Attend | | | | |
|---|---|---|---|---|---|
| | Board | Audit Committee | Remuneration Committee | Nomination Committee | Annual General Meeting |
| **Executive Directors** | | | | | |
| Dr. Ng Tai Wing | 4/4 | N/A | N/A | 1/1 | 1/1 |
| Mr. Law Wing Chong | 4/4 | N/A | N/A | N/A | 1/1 |
| **Non-executive Director** | | | | | |
| Ms. Wong Tsz Man | 4/4 | N/A | N/A | N/A | 1/1 |
| **Independent Non-executive Directors** | | | | | |
| Mr. Hui Chun Ho Eric | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Sung Wai Tak Herman | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |
| Mr. Fung Tak Chung | 4/4 | 3/4 | 1/1 | 1/1 | 0/1 |
| Dr. Chow Kin San | 4/4 | 4/4 | 1/1 | 1/1 | 1/1 |

## Corporate Governance Functions

The Board is responsible for performing the functions specified in Code Provision D.3.1 of the Code, which include reviewing the Company's corporate governance policies and practices, the continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements (including the GEM Listing Rules) and the Company's compliance with the Code and disclosure in this Corporate Governance Report.

All Directors have access to the advice and services of the Company Secretary on corporate governance and board practices and matters.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledge and understand their responsibility for preparing the consolidated financial statements and to ensure that the consolidated financial statements are prepared in a manner which reflects the true and fair view of the state of affairs, results and cashflows of the Group and are in compliance with the relevant accounting standards and principles, applicable laws and disclosure provisions required of the GEM Listing Rules. The Directors are of the view that the consolidated financial statements for each financial year should have been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to any events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

Statement of the Group's external auditor's responsibilities in respect of the consolidated financial statements is set out in the Independent Auditor's Report of this annual report.

## AUDITOR'S REMUNERATION

SHINEWING (HK) CPA Limited is appointed as the external auditor of the Group. For the year ended 31 August 2021, the emoluments paid or payable for the audit and non-audit services provided by SHINEWING (HK) CPA Limited and its affiliated firm was as follows:

| | **Amount** |
|---|---|
| | HK$'000 |
| Audit services | 740 |
| Non-audit services* | 268 |
| Total | 1,008 |

* *Included in non-audit services were in relation to services performed by SHINEWING (HK) CPA Limited's affiliated firm.*

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is its duty to monitor the risk management and internal control systems of the Group on an ongoing basis and review their effectiveness. Such systems are designed to manage, rather than eliminate, the risk of failure to achieve its business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

During the year ended 31 August 2021, the Board, through the Audit Committee, conducted an annual review of both design and implementation effectiveness of the risk management and internal control systems of the Group, covering all material controls, including financial, operational and compliance controls, with a view to ensuring that resources, staff qualifications and experience, training programmes and budget of the Group's accounting, internal audit and financial reporting functions are adequate. In this respect, the Audit Committee communicates any material issues to the Board.

The Group adopts a "three lines of defence" corporate governance structure with operational management and controls performed by operations management, coupled with risk management monitoring carried out by the finance and compliance team and independent internal audit outsourced to and conducted by BT Corporate Governance Limited (formerly known as Corporate Governance Professionals Limited and Baker Tilly Hong Kong Risk Assurance Limited) ("BTCG"). During the year ended 31 August 2021, the Group appointed BTCG to:

- assist in identifying and assessing the risks of the Group through a series of workshops and interviews; and
- independently perform internal control review and assess effectiveness of the Group's risk management and internal control systems.

The results of the independent review and assessment were reported to the Audit Committee and the Board. Moreover, improvements in internal control and risk management measures as recommended by BTCG to enhance the risk management and internal control systems of the Group and mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations of BTCG as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems to be effective and adequate.

The Group has established internal control procedures for the handling and dissemination of inside information in order to comply with Chapter 17 of the GEM Listing Rules as well as Part XIVA of the SFO. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

# Corporate Governance Report

### Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2020. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, the management is responsible for designing and implementing an internal control system to manage all kinds of risks faced by the Group.

Through the risk identification and assessment processes, risks are identified, assessed, prioritized and treatments are allocated. Our risk management framework follows the guideline on risk management "COSO Enterprise Risk Management – Integrated Framework", which allows the Board and management to manage the risks of the Group effectively. The Board receives regular reports through the Audit Committee that oversees risk management and internal audit functions.

## COMPLIANCE OFFICER

Dr. Ng Tai Wing, Chairman and Chief Executive Officer, is the compliance officer of the Group. His biographical information is set out in the section "Biographical Information of Directors and Senior Management" of this annual report.

## DIVIDEND POLICY

The dividend policy of the Company was adopted on 31 December 2018 which lists out the factors in the determination of dividend payment of the Company (the "Dividend Policy").

Under the Dividend Policy, the declaration and payment of dividends shall be in compliance with the applicable laws and the relevant provisions of the Articles.

In deciding whether to propose a dividend and in determining an appropriate basis for dividend distribution, the Company will consider a number of factors, including but not limited to:

- the Group's actual and expected financial results;
- the general economic conditions and other factors that may have impact on the financial performance of the Group;
- the Group's business strategies, including the Group's earnings, Company's liquidity, capital expenditure and the future long-term development of the business;
- reasonable return for investors and the shareholders; and
- any other factors that the Board deems appropriate.

The Company will review and monitor the Dividend Policy on a regular basis. There is no guarantee that any particular amount of dividends will be distributed for any specific periods.

## SHAREHOLDERS' RIGHTS

### Procedures for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposals at Shareholders' Meeting

Pursuant to Article 64 of the Company's Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right to vote at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Enquiries to the Board and Contact Details

Shareholders may send their enquiries and concerns to the Board by addressing them to the following:

| | |
|---|---|
| Recipient: | The Board of Directors |
| Address: | Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong |
| Email: | cs@ecinfohk.com |
| Fax: | 3101 0616 |

## COMMUNICATION WITH SHAREHOLDERS

To foster effective communications with its shareholders, the Company has adopted a Shareholders communication policy which is available on the Company's website and the Stock Exchange's website. The Company also provides extensive information in its annual reports, interim reports, quarterly reports, various announcements and press releases. The Group disseminates information relating to its business electronically through its website at http://www.ecinfohk.com.

The Company regards the annual general meeting as an important event as it provides an important opportunity for direct communications between the Board and the Shareholders. All Directors and senior management will endeavour to attend. All Shareholders will be given at least 20 clear business days' notice of the annual general meeting and are encouraged to attend the annual general meeting and other general meetings.

## CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 August 2021. An up-to-date version of the Articles is available on the Company's website and the Stock Exchange's website.

# Environmental, Social and Governance Report

## INTRODUCTION, ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICIES

This Environmental, Social and Governance Report (the "ESG Report") summarises the environmental, social and governance ("ESG") initiatives, programmes and performance of ECI Technology Holdings Limited (the "Company", together with its subsidiaries, the "Group" or "We") as well as demonstrates its commitment to sustainability.

The Group is principally engaged in the provision of extra-low voltage ("ELV") solutions in Hong Kong. The ELV solutions 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. The Group's experts provide consultation, design, integration, implementation and maintenance services to its clients from both private and public sectors incorporating a wide range of audio visual and security systems.

The Group believes that environmental protection, low carbon footprint, resources conservation and sustainable development are the key trends in any society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating ESG aspects into its risk management system and has taken corresponding measures in its daily operation and governance perspective.

## OUR MISSION AND VISION

The Group aims, not only at providing quality services to meet the multi-dimensional needs of customers, but also at assuring employees' health and safety and mitigating environmental impact. To reach these goals, the Group is committed to:

- Ensuring statutory and regulatory compliance as well as compliance with all applicable requirements;
- Delivering professional, effective and timely services and products to satisfy the needs and expectation of customers;
- Providing healthy and safe working conditions for all employees, contractors and other associated stakeholders with the business activities;
- Conserving resources and protecting the environment through effective prevention and monitoring of pollution;
- Striving to achieve zero hazards, incidents and non-compliance;
- Continually improving the integrated management system ("IMS") based on ISO 9001:2015 Quality Management System ("QMS"), ISO 14001:2015 Environmental Management System ("EMS") and OHSAS 18001:2007 Occupational Health and Safety Management System ("OHSMS") to enhance quality, safety and environmental management; and
- Strengthening staff capacity and providing adequate resources to continually improve the productivity and effectiveness of the management system.

## SCOPE OF REPORTING

Unless stated otherwise, the ESG Report mainly covers the Group's major operating activities under direct operational control, including its provision of ELV solutions primarily on central control monitoring system in Hong Kong. All the Group's business activities are conducted in Hong Kong. The reporting scope was assessed through review of the Group's revenue streams. The ESG key performance indicators ("KPIs") are gathered and are shown in the ESG Report supplemented by explanatory notes to establish benchmarks. Such KPIs are consistent with those disclosed in the previous ESG reports of the Company. The Board will continue to assess the major ESG aspects of different businesses to determine whether the scope of reporting should be expanded.

## REPORTING FRAMEWORK

The ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide ("ESG Reporting Guide") as set out in Appendix 20 to the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In preparation of this Report, due diligence has been taken to adhere to the reporting principles stipulated in the ESG Reporting Guide:

- "Materiality" – The materiality assessment detailed on page 41 has ensured the Report addresses the most material ESG topics pertaining to our businesses.

- "Quantitative" – The Report strives to disclose quantitative metrics and related targets whenever possible, to demonstrate our impact.

- "Balance" – The Report presents an unbiased representation of our ESG management approach and performance. It avoids misleading omissions and presentation.

- "Consistency" – Whenever deemed material, the Report details the standards, tools, assumptions and/or source of conversion factors used, as well as explanations of any inconsistencies to previous reports.

For the Group's corporate governance practices, please refer to pages 26 to 35 for the section "Corporate Governance Report" contained in this annual report.

## REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures taken during the financial year ended 31 August 2021.

## CHAIRMAN'S STATEMENT

On behalf of the Group, I am pleased to present the fifth ESG report of the Group for the year ended 31 August 2021. This ESG report demonstrates the Group's continuing achievements on sustainable development and its growing commitment to advancing its sustainability performance in areas such as product quality, customer satisfaction, employee care and environment conservation.

The Group's primary vision is to provide quality and premium services to its customers. ECI has established a comprehensive Quality Management System from an internal management perspective. Its efforts on quality control have been accredited with ISO 9001:2015 QMS.

# Environmental, Social and Governance Report

Also, we recognise that our people are our most valuable assets and we ensure that we take care of them at best we can. To protect our employees from safety hazards and prevent occupational diseases, the Group has developed an Occupational Health and Safety Management Framework and Procedure which is in compliance with the requirements of OHSAS 18001:2007, the internationally recognised occupational health and safety management standard.

To fulfill our environmental responsibility, we put our green and sustainable development philosophy into action by implementing an efficient Environmental Management System which is certified with ISO 14001:2015 to ensure energy efficiency, proper waste management, and compliance with relevant laws and regulations in our operations.

The Group takes great pride in its ability to provide excellent ELV services, and to care for the community. It has also been well recognised with reputable awards including "Most Innovative Enterprise Award 2020" by Perspective Asia Limited, "Listed Company Awards of Excellence 2020" by Hong Kong Economic Journal, as well as the "Caring Company 2020/2021" award by The Hong Kong Council of Social Service.

Most importantly, I would like to express my appreciation towards our management team and staff members for their unceasing support throughout the journey to seek sustainability. Forging close engagement and partnership with stakeholders, we seek to integrate sustainability values from within the Group.

**Dr. Ng Tai Wing**
*Chairman and Chief Executive Officer*

## BOARD STATEMENT ON ESG GOVERNANCE

In order to have a systematic management of the Group's ESG issues, the Group has established an ESG working taskforce (the "Taskforce"). The Taskforce comprised of full-time staff from relevant departments and is responsible for collecting ESG-related information for compiling the ESG Report. The Taskforce periodically reports to the board of directors (the "Board"), assists in identifying the Group's ESG risks and issues and assessing the effectiveness of the internal control mechanisms. The Board evaluates the materiality of the identified ESG risks and oversees progress made against ESG-related targets and initiatives. For example, ECI targets to continuously electrify its vehicle fleet as one of the means to reduce our air emissions. The Board sets the overall direction for the Group's ESG strategies, integrating ESG considerations as part of the business decision-making process.

## AWARDS & MEMBERSHIP

| Name of awards/membership | Organiser |
|---|---|
| Caring Company 2020/2021 | The Hong Kong Council of Social Service |
| Most Innovative Enterprise Award 2020 | Perspective Asia Limited |
| Listed Company Awards of Excellence 2020 | Hong Kong Economic Journal |
| Corporate Member | Asian Professional Security Association-Hong Kong Chapter |
| Associate Member | The Chinese Manufacturers' Association of Hong Kong |

Dr. Ng Tai Wing, Chairman and Chief Executive Officer of the Company, is a member of Chiu Chow Chamber of Commerce and The Hong Kong Institute of Directors.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

The Group values its stakeholders and their feedback on its businesses and ESG management. In order to understand and address their key concerns, the Group has maintained close communication with its key stakeholders, including but not limited to investors and shareholders, suppliers and contractors, employees, customers as well as media, non-government organisations ("NGOs") and the public.

The Group takes stakeholders' expectations into consideration in formulating its businesses and ESG strategies by utilising diversified engagement methods and communication channels as shown below:

| Stakeholders | Expectations and Concerns | Key Communication Channels |
|---|---|---|
| Investors and shareholders | • Return on investment<br>• Corporate governance<br>• Business compliance | • Annual general meetings and other general meetings<br>• Financial reports<br>• Announcements and circulars<br>• Company website |
| Suppliers and contractors | • Supplier appointment<br>• Sustainable supply chain<br>• Fair and open procurement<br>• Stable business relationship | • Supplier management meetings and events<br>• Supplier assessments<br>• Procurement manager |
| Employees | • Employees' compensation and benefits<br>• Career development<br>• Healthy and safe working environment | • Trainings, seminars and briefing sessions<br>• Regular performance reviews |
| Customers | • High quality products and services<br>• Protection of the rights of customers | • Customer support hotline and email |
| Media, NGOs and the public | • Involvement in communities<br>• Business compliance<br>• Environmental awareness | • Community activities and partner programs<br>• ESG reports |

The Group aims to collaborate with its stakeholders to improve its ESG performance and create greater value for the community on a continuous basis.

## MATERIALITY ASSESSMENT

The Group has considered feedback from the relevant stakeholders on relevant ESG issues and assessing its importance in relation to its businesses and stakeholders. They are shown in the table below, together with the aspects of the ESG Reporting Guide to which they relate:

| ESG Index | Material ESG Issues | Materiality |
|---|---|---|
| **A. Environmental** | | |
| A1. Emissions | Greenhouse Gas ("GHG") Emissions | Medium |
| | Waste Management | Medium |
| A2. Use of Resources | Energy Consumption | Medium |
| | Water Consumption | Low |
| | Use of Packaging Materials | Low |
| A3. The Environment and Natural Resources | Environmental Impact by Projects | Medium |
| | Indoor Air Quality | Medium |
| A4. Climate Change | Climate Change | Low |
| **B. Social** | | |
| B1. Employment | Recruitment, Promotion and Dismissal | Medium |
| | Remuneration and Benefits | Medium |
| | Diversity and Equal Opportunity | Medium |
| | Working Hours, Rest Periods, Work-life Balance | Medium |
| B2. Health and Safety | Project Safety Risks | High |
| B3. Development and Training | Staff Development and Training | Medium |
| B4. Labour Standards | Prevention of Child Labour and Forced Labour | High |
| B5. Supply Chain Management | Fair and Open Procurement | Medium |
| | Environmental and Social Risks along the Supply Chain | Medium |
| | Selection of Green Practice Suppliers | Medium |
| B6. Product Responsibility | Privacy Protection | High |
| | Advertising and Labelling | Low |
| | Product/Service Quality and Safety, and Recall Procedures | High |
| | Intellectual Property Rights Protection | High |
| B7. Anti-corruption | Whistleblowing Mechanism and Anti-corruption training | Medium |
| B8. Community Investment | Community Participation and Resources Contribution | Medium |

The Group has established appropriate and effective management policies and internal control systems for ESG issues, and confirmed that the contents disclosed herein are in compliance with the requirements of the ESG Reporting Guide.

# Environmental, Social and Governance Report

## CONTACT US

The Group welcomes stakeholders to provide their feedbacks and suggestions. You may provide comments on the ESG Report or performance in respect of sustainable development via the address below:


| | |
|---|---|
| Address: | Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong |
| Email: | cs@ecinfohk.com |
| Fax: | (852) 3101 0616 |


## A. ENVIRONMENTAL

### A1. Emissions

The Group strives to protect the environment through the implementation of control mechanism and monitoring measures in its business activities and workplace. The Group is committed to promoting a green environment by introducing environmentally friendly business practices, educating its employees to enhance their awareness on environmental protection and complying with the relevant environmental laws and regulations.

The Group has formulated relevant policies relating to environmental management and established an EMS in accordance with ISO 14001:2015 EMS to govern the environmental management and minimise the impact caused by its operations. The Group also has a dedicated function to coordinate and implement environmental protection measures and objectives, and to address environmental issues. The Group carries out a series of environmental management measures at project sites, covering planning, procurement and various project procedures. The Group has also adopted measures concerning noise, indoor air quality, waste, energy and GHG emissions to ensure that all business activities are strictly in compliance with the laws and regulations.

With the aims to reduce the emissions of GHG and reducing the disposal of non-hazardous wastes, the Group will constantly improve its EMS to minimise negative impacts on the environment.

During the year ended 31 August 2021, the Group was not aware of any material non-compliance with relevant laws and regulations in Hong Kong relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. Such relevant laws and regulations include but not limited to the Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong) and the Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong).

#### *Air Emissions*

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen oxides (“NOx”), sulphur oxides (“SOx”) and particulate matter (“PM”), the major source of which is vehicle exhaust gas. A number of vehicles are used during the business operations of the Group. In order to reduce the air pollutant emissions within the Group, we have set a target to replace our conventional vehicles with electric vehicles (EVs). As of end of the year, there were 4 EVs (3 private car and one light goods vehicle) and 3 hybrid vehicles in our fleet, which will help improve roadside air quality and reduce GHG emissions.

During the year ended 31 August 2021, the exhaust gas emissions generated include 355.11 kg of NOx, 1.48 kg of SOx and 31.63 kg of PM.

### *GHG Emissions*

The consumption of electricity at the office and petrol and diesel consumption for vehicles are the major sources of GHG emissions of the Group. To reduce the carbon footprint at the office, the Group is endeavouring to increase investment in energy-efficient equipment and monitor the energy usage on a monthly basis. Moreover, with the aims to reduce the emissions of GHG on the road, the Group is planning to use more electric vehicles in the future. During the year ended 31 August 2021, the amount of the Group's total GHG emissions has increased by approximately 53% from approximately 196.67 $tCO_2e$ in the year ended 31 August 2020 to approximately 300.95 $tCO_2e$ in the year ended 31 August 2021. The result is attributed to our increased vehicle fuel consumption, which is due to the increase in business activities this year.

### *GHG emission data*

| Indicators | Unit | 2021 | 2020 |
|---|---|---|---|
| Direct GHG emissions (Scope 1) | | | |
| Petrol and diesel consumption | $tCO_2e$ | 263.2 | 147.31 |
| Indirect GHG emissions (Scope 2) | | | |
| Purchased electricity | $tCO_2e$ | 37.75 | 49.36 |
| Total GHG emissions | $tCO_2e$ | 300.95 | 196.67 |
| Intensity | $tCO_2e$/million HK$ revenue | 2.18 | 1.72 |

*Note:*

1. GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, inter alia, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2014 ("AR5") and the "2020 Sustainability Report" published by the CLP Power Hong Kong Limited.

2. The total revenue of the Group during the year ended 31 August 2021 and the year ended 31 August 2020 were approximately HK$138,207,000 and approximately HK$114,442,000 respectively. These figures would also be used for calculating other intensity data in the ESG Report.

The Group has adopted the following measures to mitigate the direct GHG emissions from petrol and diesel consumption in its operations:

- Selecting the shortest route to and from the site of the Group and the target sites;
- Switching off engine whenever the vehicle is idle;
- Using unleaded fuel and low sulphur content fuel in accordance with the applicable legal requirements;
- Providing maintenance service to the vehicles on a regular basis to ensure engine performance for efficient use of fuel; and
- Optimising operational procedure to increase the loading rate and reduce the idling rate of vehicles.

The Group's energy indirect GHG emissions mainly come from purchased electricity. Aiming to minimise carbon footprint, the Group has implemented measures as stated in the section headed "Energy Consumption" in aspect A2 to reduce energy consumption.

### *Sewage Discharge*

The Group does not consume a significant volume of water in its business activities and therefore did not generate material discharges into water during the year ended 31 August 2021. Since the wastewater of the Group is discharged into the municipal sewage pipeline network for processing and the majority of the water supply and discharge facilities are provided and managed by property management company, the amount of water consumption of the Group represents the wastewater discharge volume. The data of water consumption will be described in the section headed "Water Consumption" in aspect A2.

### *Waste Management*

Our operations are office-based and the amount of waste generated is not material, thus we have not set any waste reduction targets this year. Nevertheless, the Group adheres to the waste management principles and strives to properly manage and dispose of wastes produced during its business activities. Besides, the Group keep educating its employees and provides relevant support in order to enhance their skills and knowledge. The waste management practice of the Group strictly complies with the Waste Disposal Ordinance which regulates the waste production, collection and disposal including treatment and recycling.

#### *Hazardous waste handling method*

Due to the Group's business nature, it did not generate significant amount of hazardous waste during the year ended 31 August 2021. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle the same in order to comply with the relevant environmental laws and regulations.

#### *Non-hazardous waste handling method*

The non-hazardous waste generated by the Group's operations mainly consist of paper.

During the year ended 31 August 2021, our paper consumption decreased by approximately 30% from approximately 2.65 tonnes in the year ended 31 August 2020 to approximately 1.86 tonnes in the year ended 31 August 2021.

The detailed summary of the non-hazardous waste generated by the Group is shown as below:

| **Types of non-hazardous waste** | **Unit** | **2021** | **2020** |
|---|---|---|---|
| Office paper | Tonnes | 1.86 | 2.65 |
| Intensity | Tonnes/million HK$ revenue | 0.01 | 0.02 |

The Group regularly monitors the consumption volume of paper and has implemented a number of measures to encourage paper reduction in the office, including:

- Recommending the use of double-sided printing and photocopying wherever possible;
- Using electronic media for document circulation and communication to minimise the use of paper;
- Using suitable font size and shrinkage mode to minimise the number of pages, if possible;
- Prohibiting printing of unnecessary cover page;
- Discouraging the printing of emails;
- Placing collection box for one-sided paper next to each photocopier and printer for re-use; and
- Placing "Green Message" reminders on office equipment.

Moreover, the procurement and disposal of office waste, especially stationeries, serve another focus of its operational sustainability efforts. The office wastes have a significant hidden environmental and social impact throughout their product life, from their production, usage to eventual disposal. The Group has implemented the following measures:

- Using environmentally friendly stationeries (e.g. refillable, durable stationery);
- Reusing cord binder, envelopes and other materials as far as is practicable;
- Collecting computers and computer accessories such as toner cartridge, keyboard, mouse, and filter by Human Resources and Administration Department ("HRA") for re-use or recycling if possible;
- Reusing or recycling plastic materials and scrap metals; and
- Collecting and disposing of solid wastes properly.

On the other hand, staff capacity building programme in respect of glass bottles recycling has been implemented with monitoring and performance tracking.

## A2. Use of Resources

The Group continues to take its initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in its business operations.

During the Group's operation, fuel and electricity are consumed, and the Group has established relevant policies and procedures in governing the efficient use of resources, with reference to the objective of achieving higher energy efficiency. The Group has formulated the Guidelines for Green Practice in office to control the environmental impacts of office activities.

In the year ended 31 August 2021, the Group sets targets for resources conservation in its daily operations, including:

- Maintaining (or lowering) consumption level of energy compared to last year; and
- Maintaining (or lowering) consumption level of water compared to last year

The Group was not able to achieve their energy consumption target during the year ended 31 August 2021, as there was an increase in business activities, resulting in higher vehicle fuel consumption. The Group was also not able to attain its water conservation target by reducing the amount of water consumed, due to strengthened sanitation measures in its operations in response to the outbreak of the COVID-19 pandemic, which increases its water consumption. The Group commits to contributing to environmental protection and maintaining the intensity level of the above-mentioned consumption in the next reporting period.

### *Energy Consumption*

To reduce energy consumption and raise awareness of energy conservation, we will encourage the offices and sites under the Group to implement energy efficiency measures. Electricity, petrol and diesel consumptions account for a substantial part of the energy consumption for the Group. The total energy consumption amount has increased by 143% from 2,312,402.18 MJ for the year ended 31 August 2020 to 5,615,460.94 MJ for the year ended 31 August 2021. The substantial increase in energy consumption is mainly attributable to increased vehicle fuel consumption in business activities for this reporting period.

The detailed summary of the energy consumption of the Group is shown as below:

| **Types of energy** | **Unit** | **2021** | **2020** |
|---|---|---|---|
| Diesel | MJ | 1,042,391.76 | 388,911.85 |
| Petrol | MJ | 2,272,363.62 | 1,568,116.33 |
| Electricity | MJ | 28,341.94 | 355,374.00 |
| Total energy consumption | MJ | 5,615,460.94 | 2,312,402.18 |
| Intensity | MJ/million HK$ revenue | 40,630.80 | 33,257.52 |

*Note:* The reason for the change of unit from kWh (used in the 2020 ESG Report) to MJ (used in this ESG Report) is that the Group has changed the data collection platform this year.

As mentioned in aspect A1, the Group has formulated policies and procedures relating to environmental management, including energy management and the efficient use of resources. On top of the diesel and petrol saving measures, the Group has also implemented the following measures to improve the energy efficiency performance, including but not limited to:

- Setting all printers, photocopiers, computers and other office equipment at energy saving mode if possible;
- Setting office temperature range from 20°C to 25.5°C with the ideal optimal temperature being 25.5°C;
- Encouraging employees to turn off idling equipment, computers and lightings when not in use or after working hours;
- Monitoring the energy usage on a monthly basis, along with investigating significant variance detected; and
- Procuring energy efficient appliances only upon replacement of old appliances or for to new business needs;
- Posting label of “Think before you print” on all copiers/printers to remind and educate all our staffs to consider before they print; and
- Posting energy saving tips on the notice board to remind and educate our staff about energy saving, especially lighting and electricity.

The Group believes it has set a role model for corporate social responsibility through adopting various energy conservation measures. More importantly, the Group strives for cost reduction in terms of less electricity consumption in workplace in the long run.

### *Water Consumption*

Although the water consumption of the Group is limited to basic cleaning and sanitation in the office, the Group still promotes behavioural changes in the office and is formulating water consumption targets in the forthcoming year. Pantry and toilets are posted with environmental messages to remind employees of water conservation. Moreover, the Group requires employees to turn off the tap when not in use and report leaking faucet or pipe to the relevant authority in a timely manner. Through these water conservation measures, the employees' awareness on water conservation has been enhanced.

During the year ended 31 August 2021, the Group's water consumption amount has increased by approximately 132% from approximately 105 $m^3$ in the year ended 31 August 2020 to approximately 244 $m^3$ in the year ended 31 August 2021. Due to the outbreak of the COVID-19 pandemic, the Group has strengthened sanitation measures of its operations, which increased the water consumption.

The detailed summary of the water consumption of the Group is shown as below:

| **Indicator** | **Unit** | **2021** | **2020** |
|---|---|---|---|
| Total water consumption | $m^3$ | 244.00 | 105.00 |
| Intensity | $m^3$/million HK$ revenue | 1.76 | 0.92 |

Due to the Group's business nature and as its operations are mainly based in Hong Kong, the Group had no issues in sourcing water that is fit for purpose.

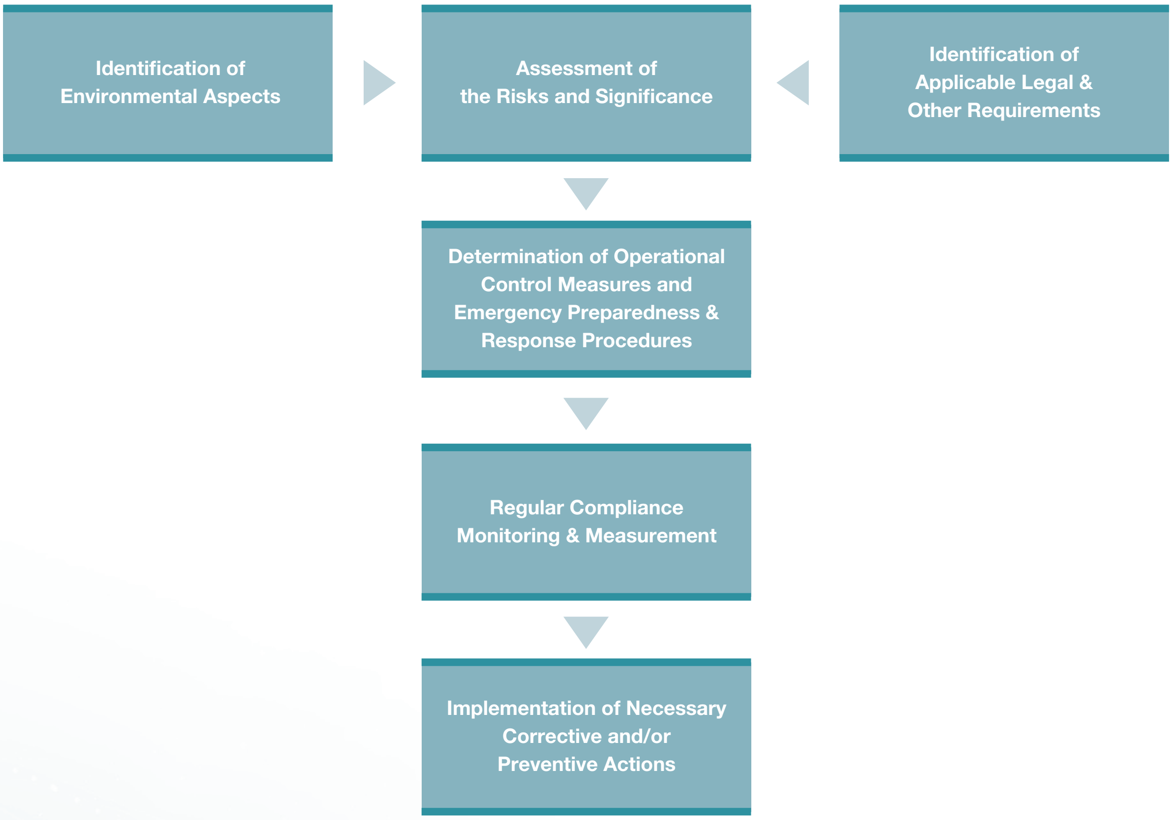
## A3. The Environment and Natural Resources

The Group pursues the best practices in environmental protection and focuses on the impact of its businesses on the environment and natural resources. Due to the Group's business nature, its impact on natural resources is limited. In addition to complying with the relevant environmental laws and regulations as well as properly preserving the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operations, with an aim of achieving environmental sustainability.

The Group recognises the responsibility in minimising the negative environmental impacts of its operations in achieving sustainable development to generate long term values to its stakeholders and community. It carries out continuous monitoring on whether the business operations cause any potential impact on the environment, and minimises such impact to the environment through promoting green office. Where applicable, the Group adopts green purchasing strategies to protect natural resources.

### *Environmental Impact by Project*

In order to control and mitigate the environmental impacts by projects in its operations, the Group has formulated a series of procedures to assess the environmental risks of the projects in accordance with the standard of ISO 14001:2015 EMS. Regular internal audit on the effectiveness and level of compliance of EMS are carried out annually. Moreover, management review is conducted in the form of management review meeting at least on an annual basis to ensure continuing suitability, adequacy and effectiveness of EMS. Relevant measures to mitigate the corresponding environmental risks of the projects have been carried out in accordance with the relevant assessment procedures. The Group's core process of its EMS is as follows:




Moreover, the Group usually integrates key environmental consideration into each stage of its projects to identify and mitigate potential environmental issues, including but not limited to wastes, sewage, energy, air emissions and noise. An environmental monitoring plan has been set up and implemented to track its performance. Internal and external audits are carried out on an annual basis to review the Group's environmental performance, and areas for improvement.

### *Noise Management*

Noise may also be generated during the operation of the Group. Therefore, the Group has adopted the following measures to mitigate the noise generated in office:

- Avoiding noisy operations during restricted hours 19:00-07:00 and public holidays;
- Selecting and using quiet or noise-free equipment if available; and
- Avoiding simultaneous operation of noisy equipment for noise sensitive receivers.

Moreover, the Group has adopted the following measures to mitigate the noise generated in the site operation:

- Avoiding noisy operations during restricted hours 23:00-07:00 and public holidays;
- Selecting and using quiet or noise-free equipment if available;
- Avoiding simultaneous operation of noisy equipment for noise sensitive receivers;
- Enclosing noisy operation; and
- Ensuring good equipment maintenance.

### *Indoor Air Quality*

Good indoor air quality is important as employees spend most of their working time in office. Indoor air quality in the Group's workplace is regularly monitored and measured. The Group has adopted the following measures to ensure the indoor air quality in the office:

- Placing large-leafed green plants in appropriate office areas where possible;
- Encouraging staff to keep small green plants; and
- Conducting regular cleaning of air conditioning system.

These measures helped in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

### A4. Climate Change

Climate change is a prevalent issue to all sectors and geographical regions. However, as a services-based technology provider, climate change is not a material aspect for ECI in the short and medium term. Climate risks can be categorised into physical and transition risks.

#### *Physical climate risks*

Physical climate risks come in the form of extreme weather conditions in greater frequency and intensity, as well as rise in sea level. We have identified our outdoor security installations being more prone to extreme weather (e.g. more frequent and intense typhoons) and changes in climate patterns (e.g. higher humidity). We shall be exploring ways to further reduce the vulnerability of our installations to harsher weather conditions. However, we also see a potential market opportunity in offering products on climate-related early warning systems. ICT infrastructure can help monitor and deliver early alerts to communities that are at risk.

#### *Transition climate risks*

Transition climate risks are the evolution of the regulatory, technological and market landscape due to climate change action. With regard to ECI's operations, we have identified there may be stringent regulatory enforcements regarding the end-of-life treatment of the installation equipment. Promoting the maximum recovery of raw materials is one approach to reducing the carbon footprint of electronic and electrical wastes (i.e. e-waste). In terms of opportunities, there is a growing market for IOT products to monitor and improve energy consumption, that can in turn reduce the carbon emissions of organisations.

## B. SOCIAL

### B1. Employment

Human resources are the foundation to the development of the Group. The Group believes that employees are the core of the Group's most valuable assets in providing a good service experience for its customers. This is particularly important to the design team and on-site workers, who have direct impact on the quality of the projects. Therefore, the Group dedicates to offering a pleasant working environment that encourages communication, innovation, continuous learning and fosters employee engagement. Hence, the Group has established relevant policies to fulfil its vision on people-oriented management and to realise the full potential of employees. The human resources management procedures are formally documented in the Employee Handbook, covering resources planning, performance evaluation, training, recruitment, resignation, transfer, compensation and welfare, etc.

During the year ended 31 August 2021, the Group was not aware of any material non-compliance with employment-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Employment Ordinance (Cap. 57, Laws of Hong Kong) and the Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong).

| | No. of Employees | Percentage |
|---|---|---|
| **By Gender** | | |
| Male | 276 | 73.02% |
| Female | 102 | 26.98% |
| **By Age Group** | | |
| Under 30 Years Old | 76 | 20.11% |
| 30 – 39 Years Old | 73 | 19.31% |
| 40 – 49 Years Old | 83 | 21.96% |
| 50 – 59 Years Old | 96 | 25.40% |
| >60 Years Old | 50 | 13.23% |
| **By Employee Category** | | |
| Senior Management | 11 | 2.91% |
| Middle Management | 13 | 3.44% |
| General Staff | 354 | 93.65% |
| **By Employee Type** | | |
| Full-time | 251 | 66.40% |
| Part-time | 127 | 33.60% |
| **By Region** | | |
| Hong Kong | 378 | 100% |
| Others | 0 | 0% |

| | Turnover rate *(Note)* |
|---|---|
| **Overall** | 61.58% |
| **By Gender** | |
| Male | 63.77% |
| Female | 54.44% |
| **By Age Group** | |
| Under 30 Years Old | 62.86% |
| 30 – 39 Years Old | 50.34% |
| 40 – 49 Years Old | 44.58% |
| 50 – 59 Years Old | 44.32% |
| >60 Years Old | 151.81% |
| **By Region** | |
| Hong Kong | 61.58% |
| Others | 0% |

*Note:* The turnover rate is calculated by: (number of employees who left the Group during the year/average number of employees at the beginning and end of the year) * 100%

### *Recruitment, Promotion and Dismissal*

Employees' qualification, professional skills and experiences exert a significant influence on the quality of services. In line with the need of business development and the principles of fairness and justice, the Group selects the best and suitable qualified candidates through open recruitment or internal promotion. The Group applies robust and transparent recruitment processes based on merit selection against the job criteria, and recruit individuals based on their suitability for the position and potential to fulfil the Group's current and future needs.

The promotion of the Group's employees is subject to regular review. The Group gives priority to internal promotion and encourages employees to compete for internal job vacancies. The Group has set targets for each employee's work, assessed their performance on an annual basis and set clear guidelines and regulations to improve the efficiency of the employees and departments. Team supervisors discuss the performance with employees in an effective two-way communication for advancement. This system provides reference standards for salary adjustment, bonus distribution and promotion.

Any termination of employment contract should be based on reasonable, lawful grounds and internal policies, such as the Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have unsatisfactory working performance or repeatedly made mistakes, the Group would give verbal warning before issuing a warning letter. For those who shows no improvement, the Group would consider dismissing the employees according to the relevant laws in Hong Kong.

### *Remuneration and Benefits*

The Group's employees are remunerated at a competitive level and rewarded according to their performance and experience. The promotion and remuneration of the Group's employees are subject to review at regular intervals. The remuneration package includes holidays, annual leave, sick leave, marriage leave, maternity leave, examination leave, paternity leave, medical scheme, mandatory provident fund, birthday bonus and discretionary bonus.

Moreover, the Group holds Christmas party for celebration and distributes moon cake coupons at Mid-Autumn Festival every year. The Group also offers birthday red packet and education and training subsidy to employees.

### *Diversity and Equal Opportunity*

In order to maintain the high quality of its professional team, it is vital to offer equal opportunities to its employees to attract and retain talent. The Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. Regardless of race, sex, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, the Group provides its employees with equal opportunities in terms of recruitment, training and development, compensation, welfare and benefits, as well as promotion to enhance their personal and career development.

The Group establishes and implements policies that promote a harmonious and respectful workplace. With the aim of ensuring fair and equal protection for all employees, the Group has zero tolerance on sexual harassment or abuse in the workplace.

### *Work-life Balance*

The Group values the importance of maintaining a healthy lifestyle and work-life balance of its employees. The Group actively engages its employees through different work-life balancing social activities.

Besides, the Group regulates working hours and provides overtime work compensation for the employees in field operation.

## B2. Health and Safety

The Group considers occupational health and safety management as an important element of the business due to high-risk activities and critical exposure of employees during specific works such as installation at heights or in confined spaces. Employees' safety is regarded as top priority during the delivery of the Group's services. The Group is committed to providing a healthy and safe working environment for all employees, contractors and others who are associated with its business activities, and strived to achieve zero incidents and non-compliance. During the year ended 31 August 2021, there were 12 lost days due to work-related injury in the Group. For the financial years ended 31 August 2019, 2020 and 2021, there were no cases of work-related fatalities.

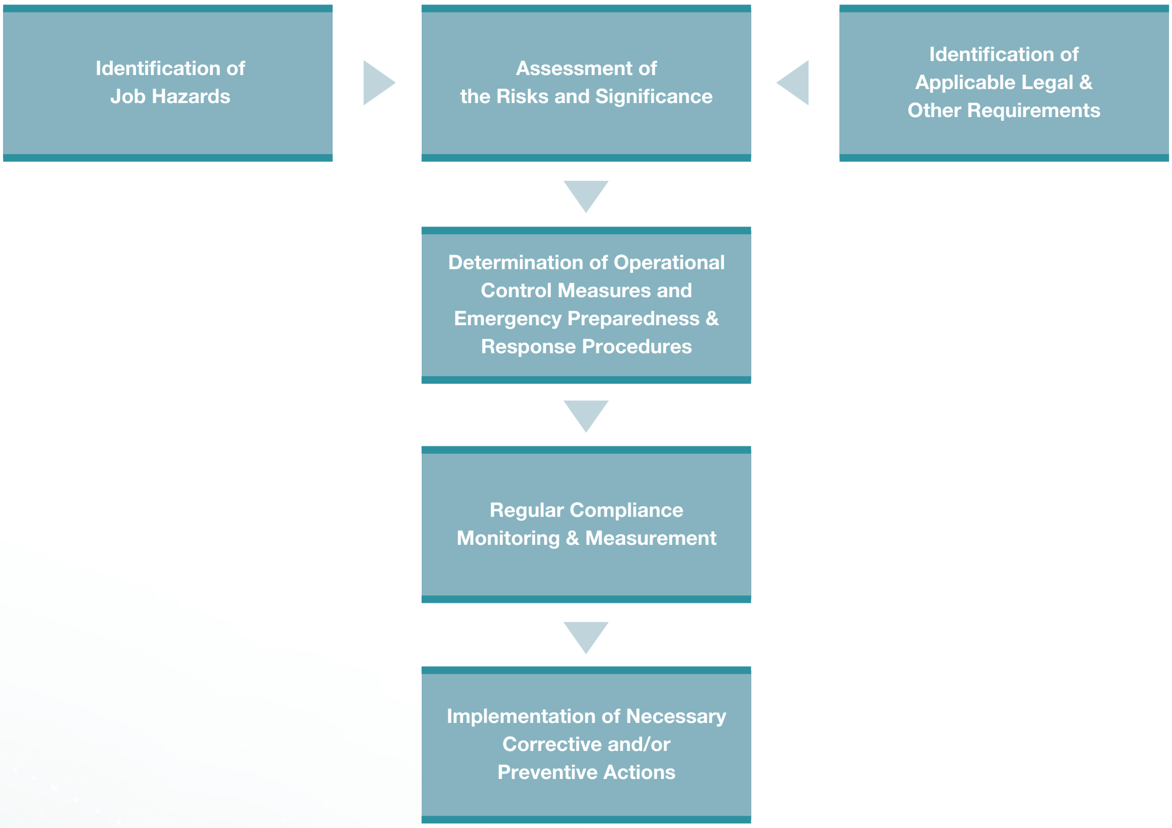
To maintain a safe working environment, the Group has established safety policies and relevant procedures on the prevention and remediation of safety accidents in the projects. Its OHSMS has been implemented in compliance with the requirements of OHSAS 18001:2007 OHSMS international standards. For details, please refer to the paragraph headed "Safety Risks by Project".

The HRA and Safety Department take responsibilities for our staff's occupational health and safety and relevant promotions and monitoring.

During the year ended 31 August 2021, the Group was not aware of any material non-compliance with the health and safety-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include, but are not limited to, the Occupational Safety and Health Ordinance (Cap. 501, Laws of Hong Kong) and the Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong).

### *Safety Risks by Project*

In order to control and mitigate the safety risks by project in its operations, the Group has formulated a series of procedures to assess the safety risks of the projects in accordance with the international standard of OHSAS 18001:2007 OHSMS. Regular internal audit on the effectiveness and level of compliance of OHSMS is carried out on an annual basis. Moreover, management review is conducted in the form of management review meetings at least on an annual basis to ensure continuing suitability, adequacy and effectiveness of OHSMS. Relevant measures to mitigate the corresponding safety risks of the projects have been carried out in accordance with the relevant assessment procedures. The Group's core process of its OHSMS is as follows:



### *Safety Measures*

The Group's projects may involve high-risk activities such as installation works which expose its employees to electrical hazards, at heights or in confined space. As such, safety is the Group's first priority during the delivery of its services. In accordance with the Occupational Safety and Health Ordinance, the Group has adopted and implemented occupational health and safety procedures and measures for its business operations as well as taken further measures to ensure employees' awareness of the safety protocols. The Group has adopted the following safety measures:

- Ensuring employees possess the relevant safety permits or be certified registration for carrying out high-risk activities;
- Conducting regular site inspection to fulfil relevant safety requirements;
- Establishing guidelines for occupational health and safety, and emergency safety handbook for circulation to all employees; and
- Carrying out workplace safety training sessions for all employees regularly.

### *Other Health and Safety Measures*

Under the outbreak of the COVID-19 pandemic, the Group is highly conscious of the implications of COVID-19's health and safety impacts on its employees. Apart from strengthening the sanitation of its operations to ensure a healthy and safe working environment, precautionary measures such as body temperature screening before entering the workplace, and ensuring sufficient disinfection supplies such as face masks and hand sanitisers in its operations are implemented.

## B3. Development and Training

### *Staff Development and Training*

The Group regards its staff as the most important asset and resource as they help to sustain its core values and culture. The Group provides its staff with training courses to enhance their workplace performance and to have a smoother promotion path as needed. The HRA is responsible for coordinating various training courses. It arranges a set of professional courses on management for fostering the potential managerial talents.

The Group provides occasional on-the-job training and on-the-spot guidance to enhance employees' expertise and productivity. Moreover, the Group values the long-term development of its employees and strives to provide them with different learning opportunities, including external training and specific training development programs. The Group also encourages the culture of sharing knowledge and experience.

The Group supports employees to participate in personal and professional training to fulfil the needs of emerging technologies and new equipment. For the training courses which are work-related and will enhance the Group's development in the future, employees can receive education grants after the courses are approved by the Group's directors. Moreover, the Group sponsors its employees to obtain designated licenses and certificates from accredited colleges and institutions.

| | Percentage of employees trained | Average training hours (per employee) |
|---|---|---|
| Male | 88.41% | 0.82 |
| Female | 11.59% | 0.28 |
| | | |
| Senior Management | 10.14% | 0.64 |
| Middle Management | 2.9% | 0.62 |
| General Staff | 86.96% | 0.68 |

*Note:*

1. Percentage of employees trained is calculated by: (number of male/female employees who received training divided by number of employees who received training) * 100%

2. Average training hours is calculated by: (number of training hours received by male/female employees divided by number of male/female employees)

3. Both the above formulas are based on "How to prepare an ESG Report – Appendix 3: Reporting Guidance on Social KPIs" issued by the Stock Exchange.

## B4. Labour Standards

### *Prevention of Child Labour and Forced Labour*

Child labour and forced labour as defined by laws and regulations are strictly prohibited during the recruitment process. The Group strictly complies with laws and conducts recruitment based on the Employment Ordinance in Hong Kong. Personal data is collected during the recruitment process to assist in the selection of suitable candidates and to verify candidates' personal data. The human resources department also ensures identification documents are carefully checked. If violation is involved, it will be dealt with in accordance with the Group's Employee Handbook which stipulates that the employment will be terminated. The practices adopted by the Group are reviewed regularly by the Board to keep abreast with the latest legal requirements in relation to preventing child and forced labour.

Furthermore, employees of the Group only work overtime on a voluntary basis. The Group also prohibits any punishments, management manner and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against its employees for any reasons.

During the year ended 31 August 2021, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations in Hong Kong that would have a significant impact on the Group. The relevant laws and regulations include but are not limited to the Employment of Children Regulations (Cap. 57B, Laws of Hong Kong) and the Employment Ordinance.

## B5. Supply Chain Management

The Group procures hardware, such as security cameras, display devices, cables and wires, and electronic and electrical components, as well as systems such as smartcard and access control systems from local and overseas suppliers. The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. In addition, the Group is aware of the environmental and social practices of its suppliers, and tries to engage them with responsible acts to society in view of green supply chain management. All suppliers are evaluated carefully and are subjected to regular monitoring and assessment.

### *Supply Chain Management Structure*

In order to ensure that the Group's suppliers and sub-contractors have met customers' and the Group's requirements regarding quality as well as environmental and safety standards, the Group has formulated procedures in selecting suppliers and sub-contractors and has established a Supplier ESG Assessment form to indicate the supplier's business integration of ESG practices, such that our suppliers are assessed not only for general criteria, such as cost, time and continuity of supply. ESG aspects include the compliance with relevant environmental and social laws and regulations, the adoption of internationally recognized ESG management system(s) such as ISO 14001 Environmental Management System, ISO 9001 Quality Management System and ISO 45001 Occupational Health and Safety management systems, and the practices on human rights, employment and business ethics etc. A total number of 245 suppliers are subject to the above assessment during the reporting period. The qualified suppliers after comprehensive evaluation by ECI are registered in the approved suppliers and contractors list. The approved suppliers and subcontractors are monitored and their product quality and service level are evaluated annually. Suppliers or sub-contractors may be suspended or removed from the approved list if they fail to fulfil the Group's standards. Our procurement process allows us to reduce our exposure to supplier risks with regards to reliability and reputation.

ECI embeds environmental and social considerations in the procurement process, which implies the following:

- Complying with all relevant and applicable legal and other requirements;
- Controlling the use of materials and resources (e.g. electricity, fuel, paper), minimising the generation of all kinds of wastes; ensuring that sewage is discharged in accordance with legal requirements, and reducing, reusing and recycling materials wherever possible;
- Requiring contractors to ensure that all waste materials are properly handled, stored and disposed in an efficient and sensitive manner to avoid any contamination; and
- Encouraging the contractors to reuse and recycle packaging materials wherever possible.
- Oversee the entire project cycle to ensure their regulatory compliance to minimize potential social risks
- Reviewing the suppliers' environmental, social and governance polices
- Assessing suppliers' performance in the aspects of human rights, labor practices, health and safety etc.

We prefer local suppliers whenever possible to reduce carbon emissions from transportation and to support the local economy. During the reporting year, we worked with over 245 suppliers, 94.7% of which locally based. All suppliers were assessed according to standard procedures.

| | **Local Suppliers** | **Overseas Suppliers** |
|---|---|---|
| Total Number | 232 | 13 |
| Percentage | 94.7% | 5.3% |

### *Fair and Open Procurement*

The Group has also formulated policies and procedures to ensure that the suppliers could compete in a transparent and fair way. The Group does not differentiate or discriminate treatment on the suppliers. The procedures would strictly monitor and prevent all kinds of business briberies and conflict of interest. Employees or personnel having any relationship with the suppliers should not be involved in the related business activities.

## B6. Product Responsibility

Achieving and maintaining high quality standard for projects are utmost important for sustainable growth of the Group. Its customers are mainly property developers and property management companies from the private sectors and government authorities from the public sector. The Group believes completing works that meet or exceed its customer's requirements is crucial not only for building safety, but also for job reference and future business opportunities. In order to ensure that the Group delivers high quality services and sustainable projects to its customers, the process of the projects is controlled and monitored carefully.

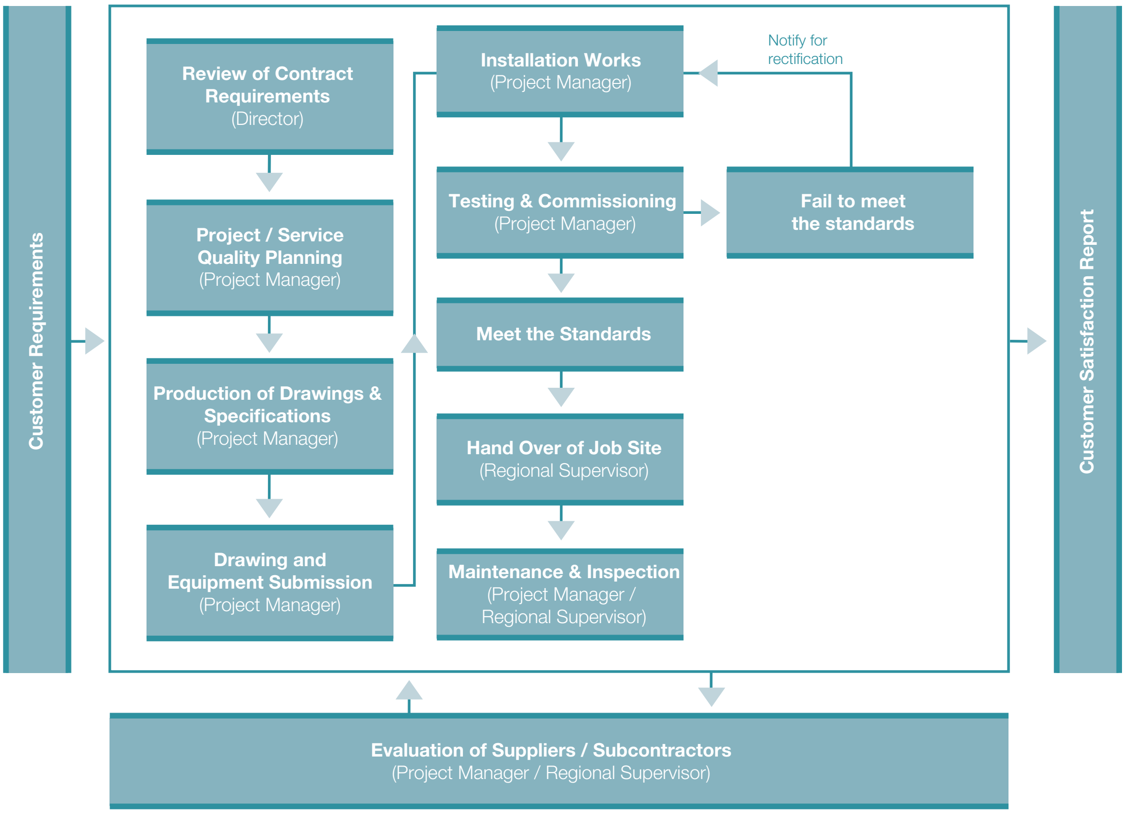
During the year ended 31 August 2021, the Group was not aware of any incidents of non-compliance with laws and regulations in Hong Kong that have a significant impact on the Group, concerning product health and safety, advertising, labelling and privacy matters relating to products and services provided. The relevant laws and regulations include, but are not limited to, the Supply of Services (Implied Terms) Ordinance (Cap. 457, Laws of Hong Kong) and the Personal Data (Privacy) Ordinance (Cap. 486, Laws of Hong Kong) and Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong).

### *Quality Management*

The Group has no industrial production and its products are not sold or shipped and thus not subject to recalls for safety and health reasons.

The Group has established a formal IMS in accordance with the requirements of ISO 9001:2015 QMS, OHSAS 18001:2007 OHSMS and ISO 14001:2015 EMS to develop a sustainable performance-oriented culture to pursue continuous improvement on quality rather than adopting a short-term and project-based approach. Process control procedures has also been established to ensure that the works meet the contractual specification and the environmental, health and safety requirements.

The Group's QMS has been accredited by the ISO 9001:2015 QMS. The Group's key processes of service realisation and responsible person are as follows:




Regular internal audit on the effectiveness and level of compliance of IMS are carried out annually. Moreover, management review is conducted in the form of management review meeting at least on an annual basis to ensure continuing suitability, adequacy and effectiveness of IMS.

To ensure that the quality of its work is in conformity with the customers' specifications, before delivering the end products to its customers, its sales team, installation team together with the customer will carry out user acceptance test which generally comprises a series of performance check to ensure that the final products the Group provides to its customers are up to the standards as agreed with its customers. Any products or services that fail to meet the standards will be notified to its installation team for rectification. Its project manager also controls and monitors each step in its operating procedures to ensure the adherence to stringent quality standards.

The Group foresees the importance of the continuous following-up of the operational efficiency in security management, hence periodic maintenance, inspection on the project sites and monitoring upon the subcontractors' performance are required to reduce the occurrence of failure.

During the year ended 31 August 2021, the Group's customer involvement has been well recognised with credible awards including:

- "Most Innovative Enterprise Award 2020 by Perspective Asia Limited; and
- "Listed Company Awards of Excellence 2020" by Hong Kong Economic Journal

The Group did not encounter any material product and service-related complaints during the year.

### *Privacy Protection*

As a responsible service provider, all confidential data related to the Group's business, financial performance, suppliers and customers are securely protected and only accessed and used by authorised persons for internal purpose. Employment contracts signed with employees contain the provision on duty of confidentiality that any solicitation, collection, access, use, leakage or misappropriation of confidential information in breach of any privacy rules implemented by the Group is strictly prohibited. As such, in carrying out its operations, the Group adheres to the Personal Data (Privacy) Ordinance and expressly reiterates confidentiality obligations provided therein.

The Group is determined to strengthen the protection of customers' privacy. Its employees are trained to maintain the confidentiality of its customers' information. If the Group discovers any violation of the privacy protocols by any employee or authorised persons, the employee involved may be subject to disciplinary action, up to and including termination of employment. The Group also has a data backup system through which its back-up data is stored in different locations to reduce the risk of data loss. The Group has also implemented firewall, anti-virus and anti-spam solutions for its IT systems to prevent leakage of confidential information, which are upgraded constantly.

### *Intellectual Property Rights Protection*

ECI attaches importance on protecting intellectual property rights and has developed policies in accordance with all applicable legal requirements to prohibit intellectual property infringement. ECI maintains an inventory of all proprietary technology and privileged information in the day-to-day activities of our business. We have not encountered any material breaches of relevant laws and regulations relating to privacy and intellectual property rights in the year.

### *Advertising and Labelling*

In the Group's dealings with its clients, information provided were complete, true, accurate, clear, and comply with all relevant laws and regulations regarding the proper advertising, including but not limited to the Trade Descriptions Ordinance (Cap. 362, Laws of Hong Kong). In the event there is misleading information in the Group's advertising or marketing activities, we will make explanations and provide necessary compensation to our clients, and modify or withdraw the advertisements.

## B7. Anti-corruption

The Group strives to achieve high standards of ethics in its business operations and does not tolerate any corruptions, frauds and all other behaviour violating work ethics. Unethical or illegal events such as corruption, bribery, and collusion are strictly prohibited. The Group stipulates the disciplinary code and code of conduct in the Employee Handbook, and encourage employees to report any suspected misconduct.

During the year ended 31 August 2021, the Group was not aware of any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering. The relevant laws and regulations include, but are not limited to the Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong). During the year ended 31 August 2021, there is no legal cases regarding corrupt practices brought against the Group or its employees.

The Group will provide training to our directors and employees on anti-corruption practices in the ensuing financial year.

### *Whistleblowing Mechanism*

The Group adopts a whistleblowing policy and procedures for all levels and operations. Our senior management and staff are advised that in dealing with the customers and suppliers of the Group, they can raise concerns, in confidence, about possible misconduct and malpractice or other irregularities which they observe in any matter related to the Group. These policies and procedures can be found in the Employee Handbook. Reports made by employees will be handled fairly, consistently and expeditiously. All reports will be handled with appropriate confidentiality and investigated promptly and in detail by their supervisor, department head or HRA. The results of the investigation will be notified to the relevant employee in accordance with appropriate channels. Such policy also aims at protecting whistleblowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

## B8. Community Investment

### *Community Participation*

As part of the Group's strategic development, the Group is committed to supporting social participation and contribution, and to nurture the corporate culture and practices of corporate citizen in its daily operation. The Group aims to promote the stability of society, and support the underprivileged on rehabilitation to improve their quality of life. The Group also endeavours to foster employees' sense of social responsibility, encouraging employees to participate in social welfare activities during their work and leisure time to make greater contributions to the community. The Group would embrace the human capital into the social management strategies to sustain its corporate social responsibility as part of the strategic development of the Group. The Group has been integrating its goal of creating a caring society with the local communities by participating in different social services, focusing on youth education, providing care for the elderly and vulnerable groups, etc. During the year ended 31 August 2021, our total amount of donation was HK$495,780. In recognition of our efforts, we have been awarded the "Caring Company 2020/2021" by The Hong Kong Council of Social Service.

# Environmental, Social and Governance Report

## THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect A1: Emissions** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. | Emissions |
| KPI A1.1 | The types of emissions and respective emissions data. | Emissions – Air Emissions |
| KPI A1.2 | Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and intensity | Emissions – GHG Emissions |
| KPI A1.3 | Total hazardous waste produced (in tonnes) and intensity | Emissions – Waste Management |
| KPI A1.4 | Total non-hazardous waste produced (in tonnes) and intensity. | Emissions – Waste Management |
| KPI A1.5 | Description of emissions target(s) set and results achieved. | Emissions |
| KPI A1.6 | Description of how hazardous and nonhazardous wastes are handled, waste reduction target(s) set and steps taken to achieve them. | Emissions – Waste Management |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect A2: Use of Resources** | | |
| General Disclosure | Policies on the efficient use of resources, including energy, water and other raw materials. | Use of Resources |
| KPI A2.1 | Direct and/or indirect energy consumption by type in total and intensity. | Use of Resources – Energy Consumption |
| KPI A2.2 | Water consumption in total and intensity. | Use of Resources – Water Consumption |
| KPI A2.3 | Description of energy use efficiency targets and results achieved. | Use of Resources |
| KPI A2.4 | Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency targets and results achieved. | Use of Resources |
| KPI A2.5 | Total packaging material used for finished products (in tonnes) and with reference to per unit produced. | This KPI is not material, as the Group has no industrial production or any factory facilities Therefore, the Group does not consume a significant amount of packaging materials for product packaging. |
| **Aspect A3: The Environment and Natural Resources** | | |
| General Disclosure | Policies on minimising the issuer's significant impact on the environment and natural resources. | The Environment and Natural Resources |
| KPI A3.1 | Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them. | The Environment and Natural Resources |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect A4: Climate Change** | | |
| General Disclosure | Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer | Climate Change |
| KPI A4.1 | Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them | Climate Change |
| **Aspect B1: Employment** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. | Employment |
| KPI B1.1 | Total workforce by gender, employment type, age group and geographical region | Employment |
| KPI B1.2 | Employee turnover rate by gender, age group and geographical region. | Employment |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect B2: Health and Safety** | | |
| General Disclosure | Information on:<br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. | Health and Safety |
| KPI B2.1 | Number and rate of work-related fatalities occurred in the reporting year. | Health and Safety |
| KPI B2.2 | Lost days due to work injury | Health and Safety |
| KPI B2.3 | Description of occupational health and safety measures adopted, how they are implemented and monitored. | Health and Safety |
| **Aspect B3: Development and Training** | | |
| General Disclosure | Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. | Development and Training |
| KPI B3.1 | The percentage of employees trained by gender and employee category | Development and Training |
| KPI B3.2 | The average training hours completed per employee by gender and employee category | Development and Training |

# Environmental, Social and Governance Report

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect B4: Labour Standards** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. | Labour Standards |
| KPI B4.1 | Description of measures to review employment practices to avoid child and forced labour | Labour Standards |
| KPI B4.2 | Description of steps taken to eliminate such practices when discovered | Labour Standards |
| **Aspect B5: Supply Chain Management** | | |
| General Disclosure | Policies on managing environmental and social risks of the supply chain. | Supply Chain Management |
| KPI B5.1 | Number of suppliers by geographical region | Supply Chain Management |
| KPI B5.2 | Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.3 | Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. | Supply Chain Management |
| KPI B5.4 | Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored. | Supply Chain Management |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect B6: Product Responsibility** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress. | Product Responsibility |
| KPI B6.1 | Percentage of total products sold or shipped subject to recalls for safety and health reasons. | Product Responsibility |
| KPI B6.2 | Number of products and service related complaints received and how they are dealt with. | Product Responsibility |
| KPI B6.3 | Description of practices relating to observing and protecting intellectual property rights. | Product Responsibility |
| KPI B6.4 | Description of quality assurance process and recall procedures. | Product Responsibility |
| KPI B6.5 | Description of consumer data protection and privacy policies, how they are implemented and monitored. | Product Responsibility |

| Subject Areas, Aspects, General Disclosures and KPIs | Description | Section/Statement |
|---|---|---|
| **Aspect B7: Anti-corruption** | | |
| General Disclosure | Information on:<br><br>(a) the policies; and<br>(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering. | Anti-corruption |
| KPI B7.1 | Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases. | Anti-corruption |
| KPI B7.2 | Description of preventive measures and whistleblowing procedures, how they are implemented and monitored. | Anti-corruption |
| KPI B7.3 | Description of anti-corruption training provided to directors and staff | No anti-corruption training was provided in the year ended 31 August 2021 but the Group will conduct the relevant training in the forthcoming year. |
| **Aspect B8: Community Investment** | | |
| General Disclosure | Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. | Community Investment |
| KPI B8.1 | Focus areas of contribution | Community Participation |
| KPI B8.2 | Resources contributed (e.g. money or time) to the focus area | Community Participation |

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

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ECI TECHNOLOGY HOLDINGS LIMITED**

(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of ECI Technology Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 75 to 137, which comprise the consolidated statement of financial position as at 31 August 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# Independent Auditor's Report (Continued)

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Revenue recognition

Refer to note 7 to the consolidated financial statements and the accounting policies on pages 84 to 86.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| For the year ended 31 August 2021, revenue from provision of installation services was approximately HK$55,884,000. Revenue from provision of installation services is recognised over time by measuring the progress towards complete satisfaction of the relevant performance obligation. The progress is determined based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation by reference to the proportion of the actual costs incurred relative to the total expected contract costs, that best depict the Group's performance in transferring control of goods or services. The total expected contract costs are mainly based on the historical experience of similar projects.<br><br>We have identified the revenue recognition from provision of installation services as a key audit matter in view of the significance of its amount and the estimation of the progress and total contract costs of each individual project involved significant judgements and estimates, which may be subject to management bias. | Our procedures were designed to review the management judgements and estimates used in the determination of the progress and total contract costs of each individual project.<br><br>We have assessed the appropriateness of the revenue recognition policy adopted by the management under Hong Kong Financial Reporting Standard 15 *Revenue from Contracts with Customers*.<br><br>In assessing the management judgements and estimates in the determination of the total contract costs, we challenged the reasonableness of the total expected costs, and compared the actual costs incurred and the expected costs to be incurred to the latest updated budgeted contract costs. We also assessed the reliability of the management's assessment by investigating variance between the total actual costs and budgeted costs for the completed projects during the year.<br><br>We examined on a sampling basis, underlying documents in respect of the actual costs incurred during the year ended 31 August 2021. We also assessed progress towards complete satisfaction of a performance obligation by recalculating the total actual costs incurred over the total expected costs on a sampling basis. |

## KEY AUDIT MATTERS *(continued)*

### Recoverability of trade receivables and contract assets

Refer to notes 21 and 22 to the consolidated financial statements and the accounting policies on pages 95 to 97.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 August 2021, the carrying amount of trade receivables and contract assets is approximately HK$25,480,000 and HK$14,871,000 respectively.<br><br>The Group measures the loss allowance for trade receivables and contract assets using expected credit loss ("ECL") model. The ECL on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, 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.<br><br>Management judgement is involved in assessing the forward looking expected credit loss. Management estimated the level of expected losses, by assessing future cash flows for contract assets and trade receivables based on historical credit loss experience by customers and applying to the contract assets and trade receivables held at the end of the reporting period. The impact of economic factors both current and future is considered in assessing the likelihood of recovery from customer, where applicable.<br><br>The extent of judgement resulted in this matter being identified as a key audit matter. | Our audit procedures were designed to review the management estimation on expected credit loss of trade receivables and contract assets and challenge the reasonableness of the significant judgements and estimates.<br><br>We have also assessed the appropriateness of the ECL provisioning methodology and reviewed the inputs data used in assessment of ECL with reference to the latest available general economic data and the cash collection performance against the Group's historical trends and credit loss experience. |

# Independent Auditor's Report (Continued)

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Kwan Chi Fung.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Kwan Chi Fung**
Practising Certificate Number: P06614
Hong Kong
24 November 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 August 2021*

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **138,207** | 114,442 |
| Cost of sales | | **(107,260)** | (87,119) |
| Gross profit | | **30,947** | 27,323 |
| Other income and gain, net | 9 | **6,124** | 6,335 |
| Administrative expenses | | **(27,736)** | (27,698) |
| Impairment loss on interest in an associate | | **–** | (48) |
| Impairment loss on right-of-use assets | 18 | **–** | (954) |
| Impairment loss on property, plant and equipment | 17 | **–** | (259) |
| Impairment loss on deposit for acquisition of non-current assets | 12 | **–** | (450) |
| Impairment losses recognised on trade receivables and contract assets under expected credit losses model | | **(48)** | (291) |
| Fair value gain (loss) on financial asset at fair value through profit or loss | | **25** | (133) |
| Profit from operations | | **9,312** | 3,825 |
| Finance costs | 10 | **(266)** | (238) |
| Profit before taxation | | **9,046** | 3,587 |
| Income tax (expenses) credit | 11 | **(330)** | 68 |
| Profit and total comprehensive income for the year attributable to owners of the Company | 12 | **8,716** | 3,655 |
| Earnings per share attributable to owners of the Company | | | |
| Basic and diluted (HK cents) | 16 | **0.54** | 0.23 |

# Consolidated Statement of Financial Position

*At 31 August 2021*

| | Notes | 2021 HK$'000 | 2020 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 17 | **6,043** | 6,327 |
| Right-of-use assets | 18 | **5,420** | 2,401 |
| Intangible asset | 19 | **–** | 32 |
| Deposit for acquisition of non-current assets | | **207** | 104 |
| Interest in an associate | 20 | **–** | – |
| | | **11,670** | 8,864 |
| **Current assets** | | | |
| Trade receivables | 21 | **25,480** | 22,872 |
| Contract assets | 22 | **14,871** | 14,270 |
| Deposits, prepayments and other receivables | 24 | **1,530** | 1,523 |
| Tax recoverable | | **2** | 290 |
| Financial asset at fair value through profit or loss | 23 | **106** | 81 |
| Bank balances and cash | 25 | **29,059** | 23,502 |
| | | **71,048** | 62,538 |
| **Current liabilities** | | | |
| Trade payables | 26 | **4,993** | 3,431 |
| Accruals and other payables | | **2,594** | 2,332 |
| Tax payable | | **251** | – |
| Bank borrowings | 27 | **4,387** | 5,375 |
| Lease liabilities | 18 | **1,877** | 1,797 |
| Contract liabilities | 22 | **17** | 439 |
| | | **14,119** | 13,374 |
| **Net current assets** | | **56,929** | 49,164 |
| **Total assets less current liabilities** | | **68,599** | 58,028 |

# Consolidated Statement of Financial Position (Continued)

*At 31 August 2021*

| | Notes | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Deferred tax liabilities | *28* | **664** | 636 |
| Lease liabilities | *18* | **3,438** | 1,611 |
| | | **4,102** | 2,247 |
| | | **64,497** | 55,781 |
| **Capital and reserves** | | | |
| Share capital | *29* | **16,000** | 16,000 |
| Reserves | | **48,497** | 39,781 |
| | | **64,497** | 55,781 |

The consolidated financial statements on pages 75 to 137 were approved and authorised for issue by the board of directors on 24 November, 2021 and are signed on its behalf by:

**Ng Tai Wing**
*Director*

**Law Wing Chong**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 August 2021*

| | Share capital HK$'000 | Share premium HK$'000 | Other reserve HK$'000 *(note)* | Retained earnings HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 September 2019 | 16,000 | 24,187 | 2,301 | 9,638 | 52,126 |
| Profit and total comprehensive income for the year | – | – | – | 3,655 | 3,655 |
| At 31 August 2020 and as at 1 September 2020 | 16,000 | 24,187 | 2,301 | 13,293 | 55,781 |
| Profit and total comprehensive income for the year | – | – | – | 8,716 | 8,716 |
| At 31 August 2021 | **16,000** | **24,187** | **2,301** | **22,009** | **64,497** |

*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.

# Consolidated Statement of Cash Flows

*For the year ended 31 August 2021*

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Profit before taxation | **9,046** | 3,587 |
| Adjustments for: | | |
| Finance costs | **266** | 238 |
| Bank interest income | **–** | (121) |
| Depreciation of property, plant and equipment | **653** | 824 |
| Depreciation of right-of-use assets | **1,921** | 1,548 |
| Impairment loss on property, plant and equipment | **–** | 259 |
| Impairment loss on right-of-use assets | **–** | 954 |
| Impairment loss on deposits for acquisition of non-current assets | **–** | 450 |
| Impairment loss on interest in an associate | **–** | 48 |
| Amortisation of intangible asset | **32** | 79 |
| Impairment losses recognised on trade receivables and contract assets | **48** | 291 |
| Loss on disposal of property, plant and equipment | **61** | – |
| Gain on disposal of right-of-use assets | **(224)** | – |
| Fair value (gain) loss on financial asset at fair value through profit or loss | **(25)** | 133 |
| Written off of property, plant and equipment | **–** | 23 |
| Operating cash flows before movements in working capital | **11,778** | 8,313 |
| Increase in trade receivables | **(2,647)** | (3,960) |
| Increase in deposits, prepayments and other receivables | **(7)** | (233) |
| Increase in contract assets | **(610)** | (1,785) |
| Increase (decrease) in trade payables | **1,562** | (91) |
| Increase in accruals and other payables | **262** | 195 |
| Decrease in contract liabilities | **(422)** | (71) |
| Cash generated from operations | **9,916** | 2,368 |
| Income taxes refunded (paid) | **237** | (85) |
| **NET CASH FROM OPERATING ACTIVITIES** | **10,153** | 2,283 |
| **INVESTING ACTIVITIES** | | |
| Purchase of property, plant and equipment | **(512)** | (185) |
| Payments for right-of-use assets | **(510)** | – |
| Deposit paid for acquisition of non-current assets | **(103)** | (218) |
| Interest received | **–** | 121 |
| Proceeds on disposal of property, plant and equipment | **107** | – |
| Proceeds on disposal of right-of-use assets | **700** | – |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(318)** | (282) |

# Consolidated Statement of Cash Flows (Continued)

*For the year ended 31 August 2021*

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **FINANCING ACTIVITIES** | | |
| New bank borrowings raised | **14,000** | 9,000 |
| Interest paid | **(266)** | (238) |
| Repayment of lease liabilities | **(3,024)** | (1,546) |
| Repayment of bank borrowings | **(14,988)** | (11,081) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(4,278)** | (3,865) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **5,557** | (1,864) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | **23,502** | 25,366 |
| **CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH** | **29,059** | 23,502 |

## 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 (the "Stock Exchange") on 10 March 2017.

The address of its registered office is Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, P.O. 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 opinion of the 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. Details of the Company's subsidiaries are set out in note 37.

The 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").

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which are effective for the Group's financial year beginning on 1 September 2020.

| | |
|---|---|
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendment to HKFRS 16 | COVID-19-Related Rent Concessions |

The application of the Amendments to References to the Conceptual Framework in HKFRSs and the amendments to HKFRS in the current year has had no material effects on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(continued)*

### New and amendments to HKFRSs issued but not yet effective

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

| | |
|---|---|
| HKFRS 17 | Insurance Contracts and related Amendments[4] |
| Amendments to HKFRS 3 | Reference to Conceptual Framework[3] |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest rate Benchmark Reform – Phase 2[1] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendment to HKFRS 16 | COVID-19 Related Rent Concessions beyond 30 June 2021[2] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[4] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[4] |
| Amendments to HKAS 12 | Deferred tax related to assets and liabilities arising from a single transaction[4] |
| Amendments to HKAS 16 | Property, plant and equipment: Proceeds before Intended Use[3] |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract[3] |
| Amendment to HKFRSs | Annual improvement to HKFRSs 2018 – 2020 cycle[3] |

1 Effective for annual periods beginning on or after 1 January 2021.

2 Effective for annual periods beginning on or after 1 April 2021.

3 Effective for annual periods beginning on or after 1 January 2022.

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

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

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price). Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. If a subsidiary prepares its financial statements using accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to that subsidiary's financial statements in preparing the consolidated financial statements to ensure conformity with the Group's accounting policies.

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Interest in an associate

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.

The Group's interest in an associate is accounted for in the consolidated financial statements using the equity method which is initially recognised at cost. The Group's share of the profit or loss and changes in 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 the associate, which 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.

An interest in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, that forms part of the carrying amount of the investment in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

### Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- 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 entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

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;
- 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 service.

Revenue is measured based on the consideration specified in a contract with a customer.

The Group's sources of revenue include revenue arising on provision of installation services, maintenance services and security guarding services.

The Group enters into installation contracts in respect of its extra-low solution business, which in general include provision of consulting, design, integration and implementation services to customers. These services are accounted for as a single performance obligation as they are highly dependent on or highly integrated with other goods and services. The Group recognises the revenue over time using the input method by measuring the progress towards complete satisfaction of the relevant performance obligation. The progress is determined based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, by reference to the proportion of the actual costs incurred relative to the total expected contract costs, that best depict the Group's performance in transferring control of goods and services.

For certain installation projects, the Group agrees to one to two years defect liability period for 5% to 10% of the contract value. The amount is included in contract assets until the end of the defect liability period as the Group's entitlement to final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

In respect of the maintenance contracts, the Group applies the practical expedient under HKFRS 15 and recognises the revenue over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance, measures at an amount that the Group has the right to invoice based on the terms of the relevant contracts together with service report in which the Group bills a fixed monthly amount.

The Group provides security guarding services at various residential and commercial sites. Revenue from security guarding services is recognised over time when the customer simultaneously receives and consumes the benefits provided by the Group's performance and invoices are issued on a monthly basis.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

#### *Contract assets and contract liabilities*

A contract asset represents the Group's right to consideration in exchange for 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 services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented.

#### *Warranties*

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

Provisions for the expected cost of warranty obligations are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

For service-type warranties, the promised service is a performance obligation. In that case, the Group allocates a portion of the transactions price to the warranty.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leasing

*Definition of a lease*

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**

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date. 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) and the exercise price of purchase options if the lessee is reasonably certain to exercise the options.

The lease liability is presented as a separate line in the 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.

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 significant event or change in circumstances resulting in a change 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.
- 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Leasing *(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 and adjusted for any remeasurement of lease liabilities. 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 in the 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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

#### Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

**The Group as lessor**

The Group enters into lease agreements as a lessor with respect to some of its property, plant and equipment. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

### Retirement benefits cost

Payments to the Mandatory Provident Fund Scheme (the "MPF Scheme") are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Taxation

Income tax expenses represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary difference between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Taxation *(continued)*

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

### Property, plant and equipment

Property, plant and equipment held for use in the supply of services and for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

#### *Ownership interests in leasehold land and buildings*

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

### Intangible asset acquired separately

Intangible asset with finite useful lives that is acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible asset with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Impairment losses of property, plant and equipment, right-of-use assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible asset to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (the "CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of the CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior period. A reversal of an impairment loss is recognised as income immediately in profit or loss.

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term deposits as defined above.

### Investments in subsidiaries

Investments in subsidiaries are stated in the statement of financial position of the Company at cost less accumulated impairment loss.

### Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### *Financial assets*

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI"), and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

#### Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### *Financial assets (continued)*

#### Financial assets at amortised cost (debt instruments) *(continued)*

(i) *(continued)*

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

Interest income is recognised in profit or loss and is included in the "Other income" line item (note 9).

#### Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

The Group invests in equity investments at the end of the reporting period. Those equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

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 to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "fair value loss on financial assets at FVTPL" line item. Fair value is determined in the manner described in note 6(c).

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### *Financial assets (continued)*

#### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group recognises a loss allowance for ECL on financial assets (including trade receivables, loan to an associate, deposits and other receivables) as well as contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there is 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.

**Significant increase in credit risk**

In assessing whether the credit risk on a financial instrument 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. Forward-looking information considered various external sources of actual and forecast economic information that relate to the Group's operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

*Financial assets (continued)*

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

**Significant increase in credit risk** *(continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument 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 fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

**Definition of default**

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

**Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### *Financial assets (continued)*

#### Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(continued)*

**Write-off policy**

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

**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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, 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 original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

#### *Financial liabilities and equity instruments*

#### Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Financial instruments *(continued)*

#### *Financial liabilities and equity instruments (continued)*

#### Classification as debt or equity *(continued)*

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

**Financial liabilities**

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

**Derecognition of financial liabilities**

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### Fair value measurement

When measuring fair value except for leasing transactions and value in use of CGU for the purpose of impairment assessment, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

## 3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### Fair value measurement *(continued)*

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Revenue recognition*

The Group recognises revenue from provision of installation services over time by measuring the progress towards complete satisfaction of the relevant performance obligation. The progress is determined based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation by reference to the proportion of the actual costs incurred relative to the total expected contract costs, that best depict the Group's performance in transferring control of goods or services. Notwithstanding that the management reviews and revises the estimates of total cost incurred and expected to be incurred for each individual project as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will affect the revenue and profit recognised.

## 4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

### Key sources of estimation uncertainty *(continued)*

#### *Estimated impairment of trade receivables and contract assets*

The impairment provisions for trade receivables and contract assets are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income. At 31 August 2021, loss allowance of trade receivables and contract assets are approximately HK$569,000 and HK$17,000 respectively (2020: HK$530,000 and HK$8,000 respectively).

#### *Estimated impairment of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs.

Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

As at 31 August 2021, the carrying amounts of property, plant and equipment and right-of-use assets were HK$6,043,000 and HK$5,420,000 (2020: HK$6,327,000 and HK$2,401,000) respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in Notes 17 and 18, respectively.

#### *Depreciation, and useful lives of property, plant and equipment and right-of-use assets*

Property, plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation based on the historical experience of the actual useful lives of the relevant assets of similar nature and function. The directors of the Company assess the useful lives of the property, plant and equipment and right-of-use assets annually and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimates will be changed in the future period. As at 31 August 2021, the carrying amount of property, plant and equipment and right-of-use assets were approximately HK$6,043,000 and HK$5,420,000 respectively (2020: HK$6,327,000 and HK$2,401,000 respectively).

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the return to stakeholder through the optimisation of the debt and equity balance. The Group's overall strategy remained unchanged from the prior year.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 27, net of cash and cash equivalents disclosed in note 25 and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of the review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through new share issues as well as issue of debts.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial assets** | | |
| At amortised costs | **55,056** | 46,943 |
| At FVTPL | **106** | 81 |
| | **55,162** | 47,024 |
| **Financial liabilities** | | |
| At amortised costs | **11,974** | 11,138 |

### (b) Financial risk management objective and policies

The Group's major financial instruments include loan to an associate, trade receivables, financial asset at FVTPL, deposits and other receivables, bank balances and cash, trade payables, accruals and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included market risk (interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *(i) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 25) and bank borrowings (see note 27). It is the Group's policy to keep its bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") and Prime Rate arising from the Group's Hong Kong dollar denominated borrowings.

The Group currently does not have an interest rate hedging policy. However, the directors of the Company monitor interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objective and policies *(continued)*

#### *(i) Interest rate risk (continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for the Group's variable-rate bank borrowings at the end of the reporting period. Bank balances are excluded from sensitivity analysis as a reasonably possible change in interest rates is not expected to have a material impact to the Group's profit for the year. The analysis is prepared assuming the variable-rate bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. The basis point used represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2020: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2021 would decrease/increase by approximately HK$37,000 (2020: decrease/increase by approximately HK$45,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

#### *(ii) Other price risk*

The Group is exposed to equity price risk through its investment in listed equity security. The Group manages this exposure by closely monitoring of fluctuation in share prices.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period. If the prices of the respective equity instruments had been 10% (2020: 10%) higher/lower, post-tax profit for the year ended 31 August 2021 would increase/decrease by approximately HK$9,000 (2020: increase/decrease by approximately HK$8,000) as a result of the changes in fair value of financial assets at FVTPL.

#### *(iii) Credit risk*

As at 31 August 2021, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from bank balances, loan to an associate and trade receivables, contract assets and deposits and other receivables.

In order to minimise the credit risk, the directors of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of each individual trade receivables, contract assets, loan to an associate, deposits and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objective and policies *(continued)*

#### *(iii) Credit risk (continued)*

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

#### The Group's exposure to credit risk

In order to minimise credit risk, the Group has tasked a team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising ECL** |
|---|---|---|
| Performing | For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1) | 12-month ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2) | Lifetime ECL – not credit-impaired |
| Default | Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL – credit-impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written-off |

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objective and policies *(continued)*

#### *(iii) Credit risk (continued)*

The tables below detail the credit quality of the Group's financial assets and contract assets as well as the Group's maximum exposure to credit risk by credit risk rating grades:

| At 31/8/2021 | *Notes* | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount HK$'000 | Loss allowance HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| Loan to an associate | *20* | Doubtful | Lifetime ECL – not credit impaired | 421 | (309) | 112 |
| Trade receivables | *21* | *Note 1* | Lifetime ECL (simplified approach) | 26,049 | (569) | 25,480 |
| Contract assets | *22* | *Note 1* | Lifetime ECL (simplified approach) | 14,888 | (17) | 14,871 |
| Deposits and other receivables | *24* | Performing | 12-month ECL | 517 | – | 517 |
| | | | | 41,875 | (895) | 40,980 |

| At 31/8/2020 | *Notes* | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount HK$'000 | Loss allowance HK$'000 | Net carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| Loan to an associate | 20 | Doubtful | Lifetime ECL – not credit impaired | 421 | (309) | 112 |
| Trade receivables | 21 | *Note 1* | Lifetime ECL (simplified approach) | 23,402 | (530) | 22,872 |
| Contract assets | 22 | *Note 1* | Lifetime ECL (simplified approach) | 14,278 | (8) | 14,270 |
| Deposits and other receivables | 24 | Performing | 12-month ECL | 457 | – | 457 |
| | | | | 38,558 | (847) | 37,711 |

*Note 1:* The Group applied simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL.

As at 31 August 2021, the Group has concentration of credit risk as 30% (2020: 27%) and 60% (2020: 55%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

The Group's concentration of credit risk by geographical locations is all in Hong Kong, as all trade receivables as at 31 August 2021 and 2020 are due from customers located in Hong Kong.

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objective and policies *(continued)*

#### *(iv) Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, the Group relies on bank borrowings as a significant source of liquidity and the management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the bank choosing to exercise their rights within one year after the reporting date.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

#### Liquidity tables

| | Within 1 year or on demand HK$'000 | 1 to 2 years HK$'000 | 2 to 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **At 31 August 2021** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade payables | **4,993** | **–** | **–** | **4,993** | **4,993** |
| Accruals and other payables | **2,594** | **–** | **–** | **2,594** | **2,594** |
| Bank borrowings | **4,387** | **–** | **–** | **4,387** | **4,387** |
| | **11,974** | **–** | **–** | **11,974** | **11,974** |
| Lease liabilities | **2,045** | **1,284** | **2,356** | **5,685** | **5,315** |
| **At 31 August 2020** | | | | | |
| ***Non-derivative financial liabilities*** | | | | | |
| Trade payables | 3,431 | – | – | 3,431 | 3,431 |
| Accruals and other payables | 2,332 | – | – | 2,332 | 2,332 |
| Bank borrowings | 5,375 | – | – | 5,375 | 5,375 |
| | 11,138 | – | – | 11,138 | 11,138 |
| Lease liabilities | 1,902 | 1,242 | 422 | 3,566 | 3,408 |

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (b) Financial risk management objective and policies *(continued)*

#### *(iv) Liquidity risk (continued)*

#### Liquidity tables *(continued)*

The amounts included above for bank borrowings are term loans from banks with a repayment on demand clause. The maturity analysis of the term loans based on agreed scheduled repayments set out in the loan agreements is summarised as follows. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors of the Company considered that it is not probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that the terms loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

| | Maturity Analysis – Term loans subject to a repayment on demand clause based on scheduled repayments | | | | |
|---|---|---|---|---|---|
| | **Within 1 year or on demand** | **1 to 2 years** | **2 to 5 years** | **Total undiscounted cash flows** | **Carrying amount** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| As at 31 August 2021 | **4,357** | **147** | **–** | **4,504** | **4,387** |
| As at 31 August 2020 | 3,945 | 945 | 552 | 5,442 | 5,375 |

### (c) Fair values measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring and non-recurring measurement, grouped into Levels 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

| | Financial assets at FVTPL – Listed equity securities | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Financial assets at FVTPL** | | | | |
| As at 31 August 2021 | **106** | **–** | **–** | **106** |
| As at 31 August 2020 | 81 | – | – | 81 |

# Notes to the Consolidated Financial Statements (Continued)

*For the year ended 31 August 2021*

## 6. FINANCIAL INSTRUMENTS *(continued)*

### (c) Fair values measurements recognised in the consolidated statement of financial position *(continued)*

There were no transfers between levels of fair value hierarchy in the current year and prior year.

The valuation techniques and inputs used in the fair value measurements of each financial instruments on a recurring basis are set out below:

| Financial instruments | Fair value hierarchy | Fair value as at | | Valuation technique and key inputs | Significant unobservable inputs | Range | Relationship of key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | | **31 August 2021 HK$'000** | 31 August 2020 HK$'000 | | | | |
| Equity security listed in Hong Kong | Level 1 | **106** | 81 | Quoted bid prices in an active market | N/A | N/A | N/A |

The directors of the Company consider that the carrying amounts of current financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements are not materially different from their fair values due to their immediate or short-term maturities.

The directors of the Company also consider that the carrying amounts of non-current financial liabilities recorded at amortised cost in the consolidated financial statements are not materially different from their fair values due to insignificant impact of discounting.

## 7. REVENUE

Revenue represents the revenue arising on provision of installation, maintenance and security guarding services for the year. An analysis of the Group's revenue for the year is as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Revenue from contracts with customers within the scope of HKFRS 15** | | |
| Installation services | **55,884** | 50,080 |
| Maintenance services | **77,148** | 59,158 |
| Security guarding services | **5,175** | 5,204 |
| | **138,207** | 114,442 |

## 7. REVENUE *(continued)*

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Timing of revenue recognition** | | |
| Over time | **138,207** | 114,442 |

### Transaction price allocated to the remaining performance obligations

As permitted by relevant practical expedient under HKFRS 15, the Group has not disclosed the transaction price allocated to the unsatisfied performance obligations as they are either relating to installation contracts with original expected duration of less than one year, or maintenance and security guarding services contracts where the Group has the right to invoice based on the terms of the relevant contracts in which the Group bills a fixed monthly amount.

## 8. 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 chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- Installation and maintenance services
- Security guarding services

## 8. SEGMENT INFORMATION *(continued)*

### Segment revenues and results

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

**For the year ended 31 August 2021**

| | Installation and maintenance services HK$'000 | Security guarding services HK$'000 | Total HK$'000 |
|---|---|---|---|
| REVENUE | | | |
| External sales | **133,032** | **5,175** | **138,207** |
| Segment profit (loss) | **13,467** | **(508)** | **12,959** |
| Fair value gain on financial asset at FVTPL | | | **25** |
| Unallocated income | | | **54** |
| Unallocated corporate expenses | | | **(3,992)** |
| Profit before taxation | | | **9,046** |

**For the year ended 31 August 2020**

| | Installation and maintenance services HK$'000 | Security guarding services HK$'000 | Total HK$'000 |
|---|---|---|---|
| REVENUE | | | |
| External sales | 109,238 | 5,204 | 114,442 |
| Segment profit (loss) | 10,038 | (1,849) | 8,189 |
| Impairment loss on interest in an associate | | | (48) |
| Fair value loss on financial asset at FVTPL | | | (133) |
| Unallocated income | | | 54 |
| Unallocated corporate expenses | | | (4,475) |
| Profit before taxation | | | 3,587 |

## 8. SEGMENT INFORMATION *(continued)*

### Segment revenues and results *(continued)*

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 certain government grants, central administration costs, directors' emoluments, impairment loss on interest in an associate, 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.

### Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Installation and maintenance services | **80,172** | 69,782 |
| Security guarding services | **2,280** | 1,230 |
| Total segment assets | **82,452** | 71,012 |
| Unallocated corporate assets | **266** | 390 |
| Consolidated assets | **82,718** | 71,402 |
| **Segment liabilities** | | |
| Installation and maintenance services | **17,324** | 14,201 |
| Security guarding services | **573** | 1,072 |
| Total segment liabilities | **17,897** | 15,273 |
| Unallocated corporate liabilities | **324** | 348 |
| Consolidated liabilities | **18,221** | 15,621 |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than interest in an associate, financial asset at FVTPL, certain deposit, prepayment and certain bank balances and cash.

- all liabilities are allocated to operating segments other than certain accruals and other payables.

## 8. SEGMENT INFORMATION *(continued)*

### Other segment information

**For the year ended 31 August 2021**

| | Installation and maintenance services HK$'000 | Security guarding services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets* | **6,056** | **–** | **–** | **6,056** |
| Depreciation and amortisation | **2,543** | **63** | **–** | **2,606** |
| Impairment loss on trade receivables | **32** | **7** | **–** | **39** |
| Impairment loss on contract assets | **9** | **–** | **–** | **9** |
| Government grants | **(5,237)** | **(395)** | **(54)** | **(5,686)** |
| Finance costs | **247** | **19** | **–** | **266** |

**For the year ended 31 August 2020**

| | Installation and maintenance services HK$'000 | Security guarding services HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| Amounts included in the measure of segment profit or loss or segment assets: | | | | |
| Additions to non-current assets* | 777 | 1,040 | – | 1,817 |
| Depreciation and amortisation | 2,079 | 372 | – | 2,451 |
| Written off of property, plant and equipment | 23 | – | – | 23 |
| Impairment loss on trade receivables | 295 | – | – | 295 |
| Impairment loss on property, plant and equipment | – | 259 | – | 259 |
| Impairment loss on right-of-use assets | – | 954 | – | 954 |
| Impairment loss on deposit for acquisition of non-current assets | 450 | – | – | 450 |
| Reversal of impairment loss on contract assets | (4) | – | – | (4) |
| Government grants | (5,366) | (398) | (54) | (5,818) |
| Bank interest income | 120 | 1 | – | 121 |
| Finance costs | 233 | 5 | – | 238 |

* Non-current assets include property, plant and equipment, right-of-use assets, intangible asset and deposit for acquisition of non-current assets.

## 8. SEGMENT INFORMATION *(continued)*

### Geographical information

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

### Information about major customers

Revenue from customers of the corresponding year contributing over 10% of the total revenue of the Group are as follows:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Customer A* | **50,326** | 32,023 |
| Customer B* | **31,194** | 28,388 |

* Revenue from installation and maintenance segment.

## 9. OTHER INCOME AND GAIN, NET

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Bank interest income | **–** | 121 |
| Rental income | **212** | 216 |
| Government grants *(Note)* | **5,686** | 5,818 |
| Net gain on disposal of non current assets | **163** | – |
| Sundry income | **63** | 180 |
| | **6,124** | 6,335 |

*Note:* During the year ended 31 August 2021, the Group recognised government subsidies of approximately HK$5,686,000 in respect of COVID-19-related subsidies, including those related to Employment Support Scheme ("ESS") (2020: approximately HK$5,818,000). There are no unfulfilled conditions or other contingencies attached to these grants.

## 10. FINANCE COSTS

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Interests on: | | |
| Bank borrowings | **25** | 85 |
| Lease liabilities | **241** | 153 |
| | **266** | 238 |

## 11. INCOME TAX EXPENSES (CREDIT)

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| **Current tax:** | | |
| Hong Kong Profits Tax | **286** | 9 |
| **Under (over)-provision in prior year:** | | |
| Hong Kong Profits Tax | **16** | (27) |
| | **302** | (18) |
| **Deferred tax** *(note 28)***:** | | |
| Current year | **28** | (50) |
| | **330** | (68) |

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in these jurisdictions.

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits for the year.

The income tax expenses (credit) for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | **2021** **HK$'000** | 2020 HK$'000 |
|---|---|---|
| Profit before taxation | **9,046** | 3,587 |
| Tax calculated at the domestic income tax rate of 16.5% (2020: 16.5%) | **1,493** | 592 |
| Tax effect of income not taxable for tax purpose | **(1,041)** | (980) |
| Tax effect of expenses not deductible for tax purpose | **103** | 38 |
| Tax effect of deductible temporary differences not recognised | **–** | 228 |
| Tax effect of tax loss not recognised | **53** | 208 |
| Tax effect of utilisation of deductible temporary differences previously not recognised | **(78)** | – |
| Tax effect of utilisation of tax losses previously not recognised | **(30)** | (36) |
| Under/(Over) provision in prior year | **16** | (27) |
| Effect of two-tiered profits tax rates *(Note (i))* | **(165)** | (69) |
| Tax effect of tax exemption *(Note (ii))* | **(21)** | (22) |
| Income tax expenses (credit) for the year | **330** | (68) |

## 11. INCOME TAX EXPENSES (CREDIT) *(continued)*

*Notes:*

(i) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the years ended 31 August 2021 and 2020, Hong Kong profits tax of the qualified entity of the Company 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%.

(ii) Tax exemption represented a reduction of Hong Kong Profits Tax for the year of assessment of 2021/2022 by 100% (2020/2021: 100%), subject to a ceiling of HK$10,000 (2020: HK$10,000) per case.

Details of deferred taxation are set out in note 28.

## 12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Directors' emoluments *(note 13)* | | |
| – fees | **600** | 720 |
| – salaries, allowances and other benefits | **2,004** | 2,004 |
| – contributions to retirement benefit scheme *(note 30)* | **60** | 60 |
| | **2,664** | 2,784 |
| Other staff costs (excluding directors' emoluments) | | |
| – salaries and other benefits | **71,843** | 57,017 |
| – contributions to retirement benefit scheme *(note 30)* | **3,282** | 2,673 |
| | **75,125** | 59,690 |
| Total staff costs | **77,789** | 62,474 |
| Auditor's remuneration | **740** | 760 |
| Depreciation of property, plant and equipment | **653** | 824 |
| Depreciation of right-of-use assets | **1,921** | 1,548 |
| Amortisation of intangible asset (included in administrative expenses) | **32** | 79 |
| Written off of property, plant and equipment | **–** | 23 |
| Impairment losses recognised on trade receivables and contract assets under ECL model | **48** | 291 |
| Loss on disposal of property, plant and equipment | **61** | – |
| Gain on disposal of right-of-use assets | **(224)** | – |
| Impairment loss on deposit for acquisition of non-current assets *(Note)* | **–** | 450 |

## 12. PROFIT FOR THE YEAR *(continued)*

*Note:*

During the year ended 31 August 2020, the deposit for acquisition of non-current assets of approximately HK$450,000 (2021: Nil) had been impaired as the new software did not satisfy the Group's requirements and existing configuration. The Group and the supplier mutually agreed to terminate the contractual relationship.

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to seven directors (2020: eight) of the Company, including the chief executive of the Company, Dr. Ng Tai Wing ("Dr. Ng"), were as follows:

**For the year ended 31 August 2021**

| | Executive directors | | Non-executive director | Independent non-executive directors | | | | |
|---|---|---|---|---|---|---|---|---|
| | Dr. Ng HK$'000 | Mr. Law Wing Chong HK$'000 | Ms. Wong Tsz Man HK$'000 | Mr. Fung Tak Chung HK$'000 | Mr. Hui Chun Ho Eric HK$'000 | Dr. Chow Kin San HK$'000 | Mr. Sung Wai Tak Herman HK$'000 | Total HK$'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries undertakings: | | | | | | | | |
| Fees | – | – | 120 | 120 | 120 | 120 | 120 | 600 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries undertakings: | | | | | | | | |
| Salaries | 1,320 | 684 | – | – | – | – | – | 2,004 |
| Retirement benefits schemes contributions | 30 | 30 | – | – | – | – | – | 60 |
| Total emoluments | 1,350 | 714 | 120 | 120 | 120 | 120 | 120 | 2,664 |

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(continued)*

**For the year ended 31 August 2020**

| | Executive directors | | | Non-executive director | Independent non-executive directors | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Dr. Ng HK$'000 | Mr. Law Wing Chong HK$'000 | Mr. Yang Shuo[1] HK$'000 | Ms. Wong Tsz Man HK$'000 | Mr. Fung Tak Chung HK$'000 | Mr. Hui Chun Ho Eric HK$'000 | Dr. Chow Kin San HK$'000 | Mr. Sung Wai Tak Herman HK$'000 | Total HK$'000 |
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiaries undertakings: | | | | | | | | | |
| Fees | – | – | 120 | 120 | 120 | 120 | 120 | 120 | 720 |
| Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company and its subsidiaries undertakings: | | | | | | | | | |
| Salaries | 1,320 | 684 | – | – | – | – | – | – | 2,004 |
| Retirement benefits schemes contributions | 30 | 30 | – | – | – | – | – | – | 60 |
| Total emoluments | 1,350 | 714 | 120 | 120 | 120 | 120 | 120 | 120 | 2,784 |

[1] Ceased as executive director on 28 August 2020.

## 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2020: two) were the directors of the Company, whose emoluments are included in note 13 above. The emoluments of the remaining three individuals (2020: three) were as follows:

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **1,714** | 1,723 |
| Contributions to retirement benefits scheme | **54** | 60 |
| | **1,768** | 1,783 |

## 14. EMPLOYEES' EMOLUMENTS *(continued)*

Their emoluments were within the following band:

| | 2021<br>No. of<br>employees | 2020<br>No. of<br>employees |
|---|---|---|
| Nil to HK$1,000,000 | **3** | 3 |

No emoluments were paid or payable by the Group to any of the five highest paid individuals, including directors of the Company, as an inducement to join or upon joining the Group or as compensation for loss of office and no arrangement under which any of the five highest paid individuals waived or agreed to waive any of the remuneration during the years ended 31 August 2021 and 2020.

## 15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 August 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

## 16. EARNINGS PER SHARE

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

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| **Earnings** | | |
| Profit for the year for the purpose of basic and diluted earnings per share | **8,716** | 3,655 |

| | 2021<br>'000 | 2020<br>'000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **1,600,000** | 1,600,000 |

Diluted earnings per share were the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 August 2021 and 2020.

## 17. PROPERTY, PLANT AND EQUIPMENT

| | Ownership interest in land and buildings | Leasehold improvements | Motor vehicles | Computer equipment | Office equipment, furniture and fixtures | Total |
|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| COST | | | | | | |
| At 1 September 2019 | 7,142 | 641 | 1,754 | 448 | 1,066 | 11,051 |
| Transfer from right-of-use assets | – | – | 190 | – | – | 190 |
| Write-off | – | – | (29) | – | – | (29) |
| Additions | – | 30 | 108 | 22 | 25 | 185 |
| At 31 August 2020 and 1 September 2020 | 7,142 | 671 | 2,023 | 470 | 1,091 | 11,397 |
| Transfer from right-of-use assets | – | – | 244 | – | – | 244 |
| Additions | – | 365 | 147 | – | – | 512 |
| Disposals | – | – | (627) | – | – | (627) |
| At 31 August 2021 | 7,142 | 1,036 | 1,787 | 470 | 1,091 | 11,526 |
| ACCUMULATED DEPRECIATION AND IMPAIRMENT | | | | | | |
| At 1 September 2019 | 1,536 | 588 | 1,241 | 230 | 398 | 3,993 |
| Eliminated on write-off | – | – | (6) | – | – | (6) |
| Impairment loss recognised | – | – | – | – | 259 | 259 |
| Charged for the year | 193 | 57 | 285 | 85 | 204 | 824 |
| At 31 August 2020 and at 1 September 2020 | 1,729 | 645 | 1,520 | 315 | 861 | 5,070 |
| Eliminated on disposals | – | – | (459) | – | – | (459) |
| Transfer from right-of-use assets | – | – | 219 | – | – | 219 |
| Charged for the year | 193 | 66 | 237 | 65 | 92 | 653 |
| At 31 August 2021 | 1,922 | 711 | 1,517 | 380 | 953 | 5,483 |
| CARRYING VALUES | | | | | | |
| At 31 August 2021 | 5,220 | 325 | 270 | 90 | 138 | 6,043 |
| At 31 August 2020 | 5,413 | 26 | 503 | 155 | 230 | 6,327 |

## 17. PROPERTY, PLANT AND EQUIPMENT *(continued)*

The above item of property, plant and equipment are depreciated on a straight-line basis at the following useful life or rates per annum:

| | |
|---|---|
| Ownership interest in land and buildings | over the lease terms |
| Leasehold improvements | 33% or over the lease term, whichever is shorter |
| Motor vehicles | 25% |
| Computer equipment | 20% |
| Office equipment, furniture and fixtures | 20% |

The carrying values of leasehold land and buildings of approximately HK$5,220,000 (2020: HK$5,413,000) were pledged to secure bank borrowings to the Group (note 27).

During the year ended 31 August 2021, no impairment loss (2020: impairment loss of approximately HK$259,000) was recognised in the profit or loss which was allocated to the Security Guarding CGU. Details of the impairment assessment are set out in note 18.

## 18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

### (i) Right-of-use assets

| | **At 31 August 2021 HK$'000** | At 31 August 2020 HK$'000 |
|---|---|---|
| Buildings (Warehouse and office) | **202** | 633 |
| Motor vehicles | **5,218** | 1,768 |
| | **5,420** | 2,401 |

The Group has lease arrangements for buildings and motor vehicles. The lease terms are 1 to 5 years (2020: 1 to 5 years).

Extension options are included in the lease of buildings. Certain periods covered by extension options were included in these lease terms as the Group was reasonably certain to exercise the options. None of these leases include variable lease payments.

Additions to the right-of-use assets for the year ended 31 August 2021, amounted to approximately HK$164,000 and HK$5,277,000 (2020: HK$1,040,000 and HK$374,000) respectively, due to renewal leases of buildings and motor vehicles.

Disposals of the right-of-use assets on motor vehicles for the year ended 31 August 2021, cost and accumulated depreciation amounted to approximately HK$1,140,000 (2020: HK$261,000) and approximately HK$664,000 (2020: HK$261,000) respectively, gain on disposal of ROU assets of approximately HK$224,000 (2020: nil) is recognised in profit or loss.

In respect of lease arrangement for renting motor vehicles, the ownership of the motor vehicles will be transferred to the Group upon exercise of purchase option at the end of the lease term. The Group's obligation is secured by the lessor's title to the leased asset for such lease.

## 18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

### (i) Right-of-use assets *(continued)*

As at 31 August 2021, carrying amounts of Security Guarding CGU consisted of property, plant and equipment and right-of-use assets amounting to HK$122,000 (31 August 2020: HK$184,000) and HK$Nil (31 August 2020: HK$Nil) respectively. Management carried out an impairment assessment for the Security Guarding CGU, which was outperformed in the current year. As a result, no impairment losses of property, plant and equipment and right-of-use assets (2020: impairment loss of approximately HK$259,000 and HK$954,000 respectively) are recognised in profit or loss in current year. As at 31 August 2020, the carrying amount of the assets of Security Guarding CGU was written down to its recoverable amount as the asset's carrying amount is greater than its estimated recoverable amount. The estimates of the recoverable amounts were based on value-in-use calculations using discounted cash projection at pre-tax discount rate of 2.75% (2020: 2.75%) per annum based on the financial forecasts approved by management covering the remaining tenure of the lease.

### (ii) Lease liabilities

| | **At 31 August 2021 HK$'000** | At 31 August 2020 HK$'000 |
|---|---|---|
| Non-current | **3,438** | 1,611 |
| Current | **1,877** | 1,797 |
| | **5,315** | 3,408 |

| | **31 August 2021 HK$'000** | 31 August 2020 HK$'000 |
|---|---|---|
| Amounts payable under lease liabilities | | |
| Within one year | **1,877** | 1,797 |
| After one year but within two years | **1,174** | 1,201 |
| After two years but within five years | **2,264** | 410 |
| | **5,315** | 3,408 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | **(1,877)** | (1,797) |
| Amount due for settlement after 12 months | **3,438** | 1,611 |

As at 31 August 2021, the lease liabilities in respect of leased motor vehicles under hire purchase agreements amounted to approximately HK$4,662,000 was secured by the lessor's title to the leased assets (2020: approximately HK$1,793,000).

During the year ended 31 August 2021, the Group entered into a number of new lease agreements in respect of new lease agreements in respect of renting properties and motor vehicles and recognised lease liabilities of approximately HK$4,931,000 (2020: approximately HK$1,414,000).

## 18. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES *(continued)*

### (iii) Amount recognised in profit or loss

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Depreciation of right-of-use assets of: | | |
| – Building | **596** | 685 |
| – Motor vehicles | **1,325** | 863 |
| Interest expense on lease liabilities | **241** | 153 |
| Impairment of right-of-use assets | **–** | 954 |
| Expense relating to short-term leases | **458** | 1,012 |

### (iv) Others

During the year ended 31 August 2021, the total cash outflows for lease amounts to approximately HK$3,723,000 (2020: approximately HK$2,711,000).

*Restrictions or covenants on leases*

As at 31 August 2021, lease liabilities of approximately HK$5,315,000 are recognised with related right-of-use assets of approximately HK$5,420,000 (2020: lease liabilities of approximately HK$3,408,000 and related right-of-use assets of approximately HK$2,401,000). The lease agreements do not impose any covenants other than the security interest in the leased assets that are held by the lessor. Leased assets may not used as security for borrowing purpose.

## 19. INTANGIBLE ASSET

| | License<br>HK$'000 |
|---|---|
| **COST** | |
| At 1 September 2019, 31 August 2020 and 1 September 2020 | 236 |
| Write-off | (236) |
| At 31 August 2021 | – |
| **ACCUMULATED AMORTISATION** | |
| At 1 September 2019 | 125 |
| Provided for the year | 79 |
| At 31 August 2020 and 1 September 2020 | 204 |
| Provided for the year | 32 |
| Elimination of write-off | (236) |
| At 31 August 2021 | – |
| **NET CARRYING VALUE** | |
| At 31 August 2021 | – |
| At 31 August 2020 | 32 |

The amount represents security company license which is amortised on a straight-line basis over 3 years.

## 20. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

### Interest in an associate

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Cost of investment in an associate | **2** | 2 |
| Share of post-acquisition loss and other comprehensive expenses | **(2)** | (2) |
| | **–** | – |
| Loan to an associate *(Note)* | **421** | 421 |
| Less: Impairment loss on interest in an associate | **(309)** | (309) |
| Less: Share of post-acquisition losses that are in excess of the cost of the investments | **(112)** | (112) |
| | **–** | – |

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

Details of the associate as at 31 August 2021 and 2020 as follows:

| Name of entity | Form of entity | Country of incorporation and principal place of operation | Paid up issued/ registered ordinary share capital | Proportion of ownership interests or participating shares held by the Group | | Percentage of effective equity interest and voting right attributable to the Group as at | | Principal activities |
|---|---|---|---|---|---|---|---|---|
| | | | | **2021** | 2020 | **2021** | 2020 | |
| Starfire Technology Group Limited | Incorporated | Hong Kong | HK$10,000 | **20%** | 20% | **20%** | 20% | Provision of consulting service |

The financial information and carrying amount of the Group's interest in an associate that is not material and is accounted for using the equity method is set out below:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| The Group's share of loss | **–** | – |
| Carrying amount of the Group's interest in immaterial associate | **–** | – |

## 20. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE *(continued)*

The Group has stopped recognising its share of loss of the associate when applying the equity method. The unrecognised share of the associate, both for the year and cumulatively, are set out below:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Unrecognised share of loss of associate for the year | **66** | 78 |
| Accumulated unrecognised share of loss of associate | **144** | 78 |

## 21. TRADE RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade receivables | **26,049** | 23,402 |
| Less: allowance for impairment of trade receivables | **(569)** | (530) |
| | **25,480** | 22,872 |

At as 31 August 2021, the gross amount of trade receivables arising from contracts with customers amounted to HK$26,049,000 (2020: HK$23,402,000).

The Group does not have a standardised and universal credit period granted to its customers 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 for installation service, or based on the invoice date for maintenance services and security guarding services, at the end of the reporting period:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **14,248** | 10,292 |
| 31 to 60 days | **5,157** | 6,655 |
| 61 to 90 days | **3,001** | 2,580 |
| Over 90 days | **3,074** | 3,345 |
| | **25,480** | 22,872 |

## 21. TRADE RECEIVABLES *(continued)*

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECL. The ECL on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, 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.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The Group recognised lifetime ECL for trade receivables based on the ageing of customers as follows:

| **As at 31 August 2021** | **Weighted average expected loss rate %** | **Gross carrying amount HK$'000** | **Loss allowance HK$'000** |
|---|---|---|---|
| Within 0-30 days | **0.09%** | **14,261** | **13** |
| 31-60 days | **1.42%** | **5,231** | **74** |
| 61-90 days | **2.55%** | **3,080** | **79** |
| 91-360 days | **6.42%** | **2,953** | **189** |
| Over 360 days | **40.83%** | **524** | **214** |
| | | **26,049** | **569** |

| As at 31 August 2020 | Weighted average expected loss rate % | Gross carrying amount HK$'000 | Loss allowance HK$'000 |
|---|---|---|---|
| Within 0-30 days | 0.04% | 10,296 | 4 |
| 31-60 days | 0.58% | 6,694 | 39 |
| 61-90 days | 1.16% | 2,610 | 30 |
| 91-360 days | 2.01% | 2,938 | 59 |
| Over 360 days | 46.06% | 864 | 398 |
| | | 23,402 | 530 |

## 21. TRADE RECEIVABLES *(continued)*

The movement in the allowance for impairment of trade receivables is set out below:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| As at 1 September | **530** | 353 |
| Amount written off as uncollectible | **–** | (118) |
| Impairment losses recognised | **39** | 295 |
| As at 31 August | **569** | 530 |

## 22. CONTRACT ASSETS AND CONTRACT LIABILITIES

| **Contract assets** | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Installation and maintenance services contracts | **14,888** | 14,278 |
| Less: allowance for impairment of contract assets | **(17)** | (8) |
| Total contract assets | **14,871** | 14,270 |

The contract assets primarily relate to the Group's rights to consideration for work completed but not yet billed at the reporting date and retention receivables prior to expiration of defect liability period. The contract assets are transferred to trade receivables when the rights become unconditional.

The balance of contract assets is expected to be recovered within one year.

The Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The basis is set out in note 21. As at 31 August 2021, the weighted average expected loss rate applied to contract assets was approximately 0.11% (2020: approximately 0.05%).

The movement in the allowance for impairment of contract assets is set out below:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| As at 1 September | **8** | 12 |
| Impairment losses recognised (reversed) | **9** | (4) |
| As at 31 August | **17** | 8 |

## 22. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

| **Contract liabilities** | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Current portion: | | |
| Installation services contracts | **17** | 439 |

Contract liabilities include advances received to render installation services.

Typical payment terms which impact on the amount of contract liabilities are as follows:

The Group typically receives 10% to 20% of the contract value as deposits and advance payments for the projects when the contract is entered into, while the amount of deposits and advance payments may be varied depending on the business relationship with the customers. The deposits and advance payments result in contract liabilities being recognised until revenue recognised on the relevant contract exceeds the amount of deposits and advance payments.

Revenue recognised during the year ended 31 August 2021 that was included in the contract liabilities as at 31 August 2020 is approximately HK$439,000 (2020: approximately HK$510,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in a prior year.

## 23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Financial asset at FVTPL comprises: | | |
| – Equity security listed in Hong Kong | **106** | 81 |

The listed security is stated at fair value. The fair value of the listed security has been determined by reference to published price quotations in active market.

## 24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

| | **2021 HK$'000** | 2020 HK$'000 |
|---|---|---|
| Deposits | **476** | 399 |
| Prepayments | **1,013** | 1,066 |
| Other receivables | **41** | 58 |
| | **1,530** | 1,523 |

## 25. BANK BALANCES AND CASH

Bank balances carried interest at prevailing market rates which range from 0.0001% to 0.01% per annum for the year ended 31 August 2021 (2020: 0.0001% to 0.01%).

## 26. TRADE PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade payables | **4,993** | 3,431 |

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

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Within 30 days | **2,806** | 2,510 |
| 31 to 60 days | **882** | 180 |
| 61 to 90 days | **435** | – |
| Over 90 days | **870** | 741 |
| | **4,993** | 3,431 |

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.

## 27. BANK BORROWINGS

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Secured bank borrowings | **4,387** | 5,375 |
| **Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):** | | |
| Within 1 year which contains a repayment on demand clause | **4,241** | 3,903 |
| After 1 year but within 2 years which contains a repayment on demand clause | **146** | 923 |
| After 2 years but within 5 years which contains a repayment on demand clause | **–** | 549 |
| | **4,387** | 5,375 |

As at 31 August 2021, secured bank borrowings carried interest at floating rates ranging from 2.15% to 3.25% (2020: 2.15% to 3.25%) per annum.

As at 31 August 2021, bank borrowings of approximately HK$146,000 (2020: approximately HK$1,472,000) that are repayable after 1 year were classified as current liabilities as the respective loan agreements contain the repayable on demand clause.

The bank borrowings were denominated in HK$ as at 31 August 2021 and 2020.

The amounts of banking facilities and the utilisation are set out as follows:

| | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|
| Facility amount | **25,387** | 21,528 |
| Utilisation<br>– Secured bank borrowings | **4,387** | 5,375 |

As at 31 August 2021, the above banking facilities were secured by the Group's ownership interest in land and buildings (note 17) with a carrying value of approximately HK$5,220,000 (2020: approximately HK$5,413,000).

During the year ended 31 August 2021, the Company has provided guarantee to the bank in respect of the banking facilities of approximately HK$26,387,000 (2020: approximately HK$21,528,000) granted to its subsidiaries.

## 28. DEFERRED TAX LIABILITIES

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

| | **Accelerated tax depreciation** |
|---|---|
| | HK$'000 |
| At 1 September 2019 | 686 |
| Credited to profit or loss *(note 11)* | (50) |
| At 31 August 2020 and 1 September 2020 | 636 |
| Changed to profit or loss *(note 11)* | 28 |
| At 31 August 2021 | 664 |

At the end of the reporting period, the Group does not recognise deferred tax asset of approximately HK$105,000 (2020: approximately HK$82,000) in respect of un-utilised tax losses amounting to approximately HK$636,000 (2020: approximately HK$494,000) due to the unpredictability of future profit streams. The un-utilised tax losses can be carried forward indefinitely against future taxable income.

At the end of the reporting period, the Group has deductible temporary differences of approximately HK$1,278,000 (2020: approximately HK$1,751,000). No deferred tax asset has been recognised in relation to the differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

## 29. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the years ended 31 August 2021 and 2020 are as follows:

| | **Number of ordinary shares** | **Share capital** |
|---|---|---|
| | | HK$'000 |
| Ordinary shares of HK$0.01 each | | |
| **Authorised:** | | |
| At 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021 | 3,800,000,000 | 38,000 |
| **Issued and fully paid:** | | |
| At 1 September 2019, 31 August 2020, 1 September 2020 and 31 August 2021 | 1,600,000,000 | 16,000 |

All shares issued rank pari passu with the existing shares in all respects.

## 30. RETIREMENT BENEFIT PLANS

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, and subject to a cap of HK$1,500 per month in which the contribution is matched by employees.

The total expense recognised in the consolidated statement of profit or loss and other comprehensive income is approximately HK$3,342,000 (2020: approximately HK$2,733,000) for the year ended 31 August 2021, which represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

During the years ended 31 August 2021 and 2020, the Group has no forfeited contributions from the pension schemes (i.e. contributions processed by the employees who leave the scheme prior to vesting fully in such contribution) available to reduce its contributions to the pension schemes in future years.

## 31. OPERATING LEASE COMMITMENT

### The Group as lessor

Property rental income earned during the year was approximately HK$212,000 (2020: approximately HK$216,000). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

| | **2021**<br>**HK$'000** | 2020<br>HK$'000 |
|---|---|---|
| Within one year | **85** | 85 |

## 32. CAPITAL COMMITMENT

As at 31 August 2021, the Group had capital commitments of approximately HK$117,000 (2020: approximately HK$155,000) in relation to the acquisition of new software.

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

| | | | **Non-cash changes** | | |
|---|---|---|---|---|---|
| | **1 September 2020**<br>**HK$'000** | **Financing cash flows**<br>**HK$'000** | **Interest expenses accrued**<br>**HK$'000** | **New lease recognised**<br>**HK$'000** | **31 August 2021**<br>**HK$'000** |
| Lease liabilities | **3,408** | **(3,265)** | **241** | **4,931** | **5,315** |
| Bank borrowings | **5,375** | **(1,013)** | **25** | **–** | **4,387** |
| | **8,783** | **(4,278)** | **266** | **4,931** | **9,702** |

## 33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

*(continued)*

| | 1 September 2019 HK$'000 | Financing cash flows HK$'000 | Non-cash changes: Interest expenses accrued HK$'000 | Non-cash changes: New lease recognised HK$'000 | 31 August 2020 HK$'000 |
|---|---|---|---|---|---|
| Lease liabilities | 3,540 | (1,699) | 153 | 1,414 | 3,408 |
| Bank borrowings | 7,456 | (2,166) | 85 | – | 5,375 |
| | 10,996 | (3,865) | 238 | 1,414 | 8,783 |

## 34. RELATED PARTY TRANSACTIONS AND BALANCES

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

### (a) Balances with related parties

| Related Party | Nature of balance | 2021 HK'000 | 2020 HK'000 |
|---|---|---|---|
| Land Power International Property Management Limited | Rental deposit received | **17** | 17 |
| Guardman Property Management Limited | Rental deposit received | **17** | 17 |

### (b) Transactions with related parties

| Related Party | Nature of transactions | 2021 HK'000 | 2020 HK'000 |
|---|---|---|---|
| Land Power International Property Management Limited | Rental income | **102** | 102 |
| Guardman Property Management Limited | Rental income | **102** | 102 |
| | Project income | **–** | 25 |

These related parties are owned and controlled by the controlling shareholders of the Company. None of the above related party balances or transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

## 34. RELATED PARTY TRANSACTIONS AND BALANCES *(continued)*

### (c) Compensation to key management personnel

The remuneration of members of key management personnel represented executive directors and senior management of the Company during the years ended 31 August 2021 and 2020 were as follows:

| | **2021** | 2020 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term benefits | **3,718** | 4,159 |
| Contributions to retirement benefit Scheme | **114** | 119 |
| | **3,832** | 4,278 |

## 35. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 August 2021, the Group entered into a lease arrangement in respect of acquisition of motor vehicles included in right-of-use assets with a total capital value at the inception of the lease of approximately HK$5,277,000 (2020: HK$374,000) in which the related lease liabilities of HK$510,000 (2020: nil) are settled by cash at the inception.

During the year ended 31 August 2021, the Group entered into new arrangements in respect of office premises. Right-of-use assets and lease liabilities of HK$164,000 (2020: HK$1,040,000) were recognised at the commencement of the leases of premises.

## 36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | NOTES | 2021<br>HK$'000 | 2020<br>HK$'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Investments in subsidiaries | | ***–** | * – |
| **Current assets** | | | |
| Amounts due from subsidiaries | *(a)* | **25,751** | 25,228 |
| Amount due from ultimate holding company | *(a)* | ***–** | * – |
| Deposits, prepayments and other receivable | | **126** | 117 |
| Bank balances and cash | | **34** | 192 |
| | | **25,911** | 25,537 |
| **Current liabilities** | | | |
| Accruals and other payables | | **303** | 348 |
| Tax payable | | **20** | – |
| Amount due to a subsidiary | *(a)* | **–** | *– |
| | | **323** | 348 |
| **Net current assets** | | **25,588** | **25,189** |
| **Total assets less current liabilities** | | **25,588** | **25,189** |
| **Capital and reserves** | | | |
| Share capital | | **16,000** | 16,000 |
| Reserves | *(b)* | **9,588** | 9,189 |
| | | **25,588** | 25,189 |

* The balances are less than HK$1,000.

*Notes:*

(a) The amounts are unsecured, interest-bearing and repayable on demand.

## 36. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

*Notes: (continued)*

(b) Movement in reserves

| | Share premium HK$'000 | Other reserve HK$'000 *(note)* | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| At 1 September 2019 | 24,187 | 2,301 | (17,163) | 9,325 |
| Loss and total comprehensive expense for the year | – | – | (136) | (136) |
| At 31 August 2020 and 1 September 2020 | 24,187 | 2,301 | (17,299) | 9,189 |
| Profit and total comprehensive income for the year | – | – | 399 | 399 |
| At 31 August 2021 | 24,187 | 2,301 | (16,900) | 9,588 |

*Note:* Other reserve represents the difference between the nominal value of issued share capital of the Company and the net assets value of a subsidiary of the Company arising from the completion of reorganisation on 9 February 2017.

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31 August 2021 and 2020, particulars of the Company's subsidiaries are as follows:

| Name of subsidiaries | Place of incorporation/ establishment | Share capital/ registered capital | Effective equity interest of the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2021** | | 2020 | | |
| | | | **Direct** | **Indirect** | Direct | Indirect | |
| ECI International (BVI) Limited | BVI | US$1 | **100%** | **–** | 100% | – | Investment holding |
| EC InfoTech Limited | Hong Kong | HK$2,300,986 | **–** | **100%** | – | 100% | Provision of installation and maintenance services |
| Million Charm Ventures Limited | BVI | US$1 | **100%** | **–** | 100% | – | Investment holding |
| Able Fame Engineering Limited | Hong Kong | HK$1 | **–** | **100%** | – | 100% | Provision of installation and maintenance services |
| EC Security Limited | Hong Kong | HK$10,000 | **–** | **100%** | – | 100% | Provision of security guarding service |

## 37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(continued)*

| Name of subsidiaries | Place of incorporation/ establishment | Share capital/ registered capital | Effective equity interest of the Group | | | | Principal activities |
|---|---|---|---|---|---|---|---|
| | | | **2021** | | 2020 | | |
| | | | **Direct** | **Indirect** | Direct | Indirect | |
| Han Qi International Technology Co., Ltd. ("Han Qi International") | BVI | US$1 | **–** ***(Note 38)*** | **–** ***(Note 38)*** | – | – | Inactive |
| Han Qi (Hong Kong) Technology Co. Limited ("Han Qi Hong Kong") | Hong Kong | HK$1 | **–** ***(Note 38)*** | **–** ***(Note 38)*** | – | – | Inactive |
| 瀚奇電子商務(唐山)有限公司(「唐山瀚奇」) | PRC (limited liability company) | HK$10,000,000 | **–** ***(Note 38)*** | **–** ***(Note 38)*** | – | – | Inactive |

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

## 38. DISPOSAL OF SUBSIDIARIES

During the year ended 31 August 2020, the Group disposed a directly wholly-owned subsidiary, Han Qi International, and indirect wholly-owned subsidiaries, Han Qi Hong Kong and 唐山瀚奇, which are inactive with minimal assets and liabilities at the date of disposal, at a consideration of US$1. No material gain or loss on disposal on subsidiaries was resulted.

The disposed subsidiaries did not have significant contribution to the Group's revenue, results and cash flows for the year.

## 39. EVENT AFTER THE REPORTING PERIOD

On 20 September 2021, the Group completed its negotiations with Skytec Technology Company Limited for the acquisition of 10% of its shares and the acquisition cost of HK$440,000 was satisfied in cash.

# Financial Summary

| | Year ended 31 August | | | | |
|---|---|---|---|---|---|
| | **2021** | 2020 | 2019 | 2018 | 2017 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| Revenue | **138,207** | 114,442 | 95,522 | 89,786 | 76,828 |
| Cost of sales | **(107,260)** | (87,119) | (68,079) | (66,480) | (53,755) |
| Gross profit | **30,947** | 27,323 | 27,443 | 23,306 | 23,073 |
| Other income and gain, net | **6,124** | 6,335 | 284 | 206 | 266 |
| Administrative expenses | **(27,736)** | (27,698) | (26,130) | (22,108) | (26,718) |
| Impairment loss on interest in an associate | **–** | (48) | (261) | – | – |
| Impairment loss on deposit for acquisition of non-current assets | **–** | (450) | – | – | – |
| Impairment loss on right-of-use assets | **–** | (954) | – | – | – |
| Impairment loss on property, plant and equipment | **–** | (259) | – | – | – |
| Share of loss of an associate | **–** | – | (114) | – | – |
| Impairment losses recognised on trade receivables and contract assets under expected credit losses model | **(48)** | (291) | 303 | – | – |
| Fair value gain (loss) on financial asset at fair value through profit or loss | **25** | (133) | (119) | – | – |
| Unrealised loss on fair value change in held-for-trading investment | **–** | – | – | (117) | – |
| Realised gain on disposal of held-for-trading investment | **–** | – | – | 6 | – |
| Profit (loss) from operations | **9,312** | 3,825 | 1,406 | 1,293 | (3,379) |
| Finance costs | **(266)** | (238) | (253) | (285) | (421) |
| Profit (loss) before taxation | **9,046** | 3,587 | 1,153 | 1,008 | (3,800) |
| Income tax (expenses) credit | **(330)** | 68 | (276) | 116 | (1,137) |
| Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company | **8,716** | 3,655 | 877 | 1,124 | (4,937) |
| Non-current assets | **11,670** | 8,864 | 10,000 | 10,470 | 7,566 |
| Current assets | **71,048** | 62,538 | 58,746 | 56,767 | 58,780 |
| Current liabilities | **(14,119)** | (13,374) | (14,386) | (12,792) | (14,426) |
| Net current assets | **56,929** | 49,164 | 44,360 | 43,975 | 44,354 |
| Total assets less current liabilities | **68,599** | 58,028 | 54,360 | 54,445 | 51,920 |
| Non-current liabilities | **4,102** | 2,247 | 2,213 | 2,507 | 1,106 |
| Net assets | **64,497** | 55,781 | 52,147 | 51,938 | 50,814 |
| Capital and reserves | | | | | |
| Share capital | **16,000** | 16,000 | 16,000 | 16,000 | 16,000 |
| Reserves | **48,497** | 39,781 | 36,147 | 35,938 | 34,814 |
| Total equity | **64,497** | 55,781 | 52,147 | 51,938 | 50,814 |

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

Hong Kong, 24 November 2021

*As at the date of this announcement, the Board comprises seven Directors, including two executive Directors Dr. Ng Tai Wing (Chairman and Chief Executive Officer) and Mr. Law Wing Chong; 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.*