ECI Technology Holdings Limited

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

2019
ANNUAL REPORT

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This report, 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 report 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 report misleading.

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

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EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ms. Wong Tsz Man

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Lau Chi Yuen

COMPLIANCE OFFICER

Dr. Ng Tai Wing

AUTHORISED REPRESENTATIVES

Dr. Ng Tai Wing
Mr. Law Wing Chong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

8013

COMPANY'S WEBSITE

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Financial Highlights

Revenue of the ECI Technology Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 August 2019 amounted to approximately HK$95,522,000 (2018: approximately HK$89,786,000) while gross profit of the Group for the year ended 31 August 2019 amounted to approximately HK$27,443,000 (2018: approximately HK$23,306,000).

Profit for the year of the Group for the year ended 31 August 2019 amounted to approximately HK$877,000 (2018: HK$1,124,000). The decrease in profit for the year of the Group was mainly due to the expansion of the administrative department with more staff and the increase in rental expenses and depreciation for security guarding operation.

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 2019.

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 2019.

The Group undergo several expansions in 2019. We benefit from recent government infrastructure development in the Hong Kong-Zhuhai-Macao Bridge and the West Kowloon Station, two three-years maintenance contracts were awarded in the Hong Kong-Zhuhai-Macao Bridge and one three-years maintenance contract was awarded in respect of the West Kowloon Station, all of which commenced in July 2019. Other than expanding in the existing maintenances work, the Group commenced a new business operation of security guarding services. It is expected that security guarding operation will become one of the major segments in the coming future. As a result of the amended contracts and expansion, revenue increased to approximately HK$95.522 million, compared to HK$89.786 million for the year ended 31 August 2018.

One of our objectives is to maintain up-to-date technical know-how. Thus, the Group acquired the equity interest in Starfire Technology Group Limited to collaborate with Terminus (Beijing) Technology Company Limited which specialises in Internet of Things ("IOT"). With such acquisition, we can modernise our technical know-how in IOT and are able to provide IOT solution, installation and maintenances services to our customers in Hong Kong.

We take great pride in our ability to provide excellent extra-low voltage ("ELV") services, and care to the community. Our customer and social involvement have been well recognised and we have been awarded "The Listed Enterprise Excellence Awards 2018" by Capital Publishing, "The leading Asian IT Solution Provider 2019" by Mediazone Publishing, "Listed Company Awards of Excellence 2018" by Hong Kong Economic Journal, "ListCo Excellence Awards 2018" by AM730, PR Asia and Roadshow and "Caring Company" by the Hong Kong Council of Social Services in 2019-2020.

The business environment is expected to remain challenging in 2019 due to recent political riot in Hong Kong. Competition remain intense and operation constraints will impose additional operating cost, especially in the security guarding segment. I remain confident that the Group's solid foundation and steady performance will help the Group deal with challenges ahead and the Group's future development is to provide a one-chain security services and security solutions to both the public sectors and the private sectors to optimize our competitive advantages in the security sector. 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 wish to take this opportunity to express my gratitude to our shareholders, clients, business partners, and suppliers who trust and remain faithful to the Group. I would also like to express our sincere thanks to the management and staffs for their commitment and contribution throughout the years.

Dr. Ng Tai Wing
Chairman and Chief Executive Officer

Hong Kong, 27 November 2019

Management Discussion and Analysis

BUSINESS REVIEW

Our service on ELV solutions primarily on central control monitoring system has been deployed in residential and commercial buildings for the purposes of better control and security in Hong Kong since 2003. ELV solutions covers all the new modern technologies that are increasingly becoming must-have systems in every building such as CCTV, fire alarm systems, public address systems, audio/video solutions, access control, car park systems and clubhouse management systems. Our 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 2019, we have undertaken various installation and maintenance projects for various customers from both private sectors and government departments such as Hong Kong Police Force, Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. During the year ended 31 August 2019, some of the major projects were completed, such as the upgrading of supervisor control and data acquisition system in Tai Po Sewage Treatment Work, the upgrading of programmable logic controllers at Tai Po Sewage Treatment Work, the supply of access control and monitor system at Castle Peak Hospital and the supply and installation of anemometers and associated facilities at Tsing Ma Bridge.

In respect of maintenance works, the Group always responds fast to government policy to identify and seize opportunity to expand its market share. The Group benefits from recent government infrastructure development in the Hong Kong-Zhuhai-Macao Bridge. Three-year maintenance works on security system and SCADA system were awarded to the Group during the year.

For maintaining up-to-date technical know-how and providing better service quality, the Group continues to explore various potential business partners worldwide. During the year ended 31 August 2019, the Group has successfully signed the distribution agreement with one of the well-known parking systems in Hong Kong. With this alignment, the Group can further widen its customer base with the new system and technology bought in. Nevertheless, the Group will continue to explore further opportunity across the world in the coming future.

Apart from the expanded operations, the Group has been continuously diversifying its scope of business. During the year ended 31 August 2019, subsidiaries of the Group obtained the Security Company Licence Type I and has commenced the security guarding service by providing security guards at various sites such as Aberdeen Centre, Rambler Crest in Tsing Yi and Papillion in Tseung Kwan O. It is expected that the security guarding service will become one of the major operating segments in the coming future.

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 valuable customers, we integrate the latest technology with various intelligent device and keep up-to-date technology level through internal development and collaborate with overseas company to offer the best solutions to our customers. For examples, with the extensive use of smartphone, we are continuously optimizing our carpark system in recent years to include more diversified payment methods for the convenience of customers. Apart from developing new technology ourselves, the Group will seek for opportunities with third-party strategic partners to set up different parking systems and strive to build the most advance technology for Hong Kong.

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

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

Having been in the security system industry for years, we understand the needs of the market for a comprehensive monitoring system in addition to the existing stationary guard security to our customers. In view of this, the Group is planning to establish a training center to train security personnel and to provide one-stop solution. Besides, the Group will cooperate with a third party in the provision of occupational safety and licensing course for people in construction industry. As such, it could be a new channel for recruiting and training relevant professionals and provide new blood for industry.

We believe that the next major trend that shapes the century will depend on the internet and embedded technology. In other words, IOT is now becoming part of every aspect of our lives. As such, the Group acquired equity interest in Starfire Technology Group Limited to collaborate with Terminus (Beijing) Technology Company Limited. The objective of the acquisition is to provide IOT solution, installation and maintenance services to our valuable clients in Hong Kong for saving energy and resources as well as to enhance the security efficiency. Starfire Technology Group Ltd. has been making good progress in terms of business development, and it has several projects currently in discussion and we target to complete the transaction in 2019.

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 6.39% from approximately HK$89,786,000 for the year ended 31 August 2018 to approximately HK$95,522,000 for the year ended 31 August 2019. The increase in revenue is mainly due to the commencement of security guarding operation and the increase in installation project income due to increase in the number of projects completed during the year.

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 2.41% from approximately HK$66,480,000 for the year ended 31 August 2018 to approximately HK$68,079,000 for the year ended 31 August 2019.

The Group's gross profit increased by approximately 17.75% from approximately HK$23,306,000 for the year ended 31 August 2018 to approximately HK$27,443,000 for the year ended 31 August 2019.

Administrative Expenses

The Group's administrative expenses increased by approximately 18.19% from approximately HK$22,108,000 for the year ended 31 August 2018 to approximately HK$26,130,000 for the year ended 31 August 2019, which is mainly due to the expansion of the administrative department with more staff and the increase in rental expenses and depreciation for security guarding operation.

Share of Losses of an Associate

The increase was mainly attributable to the share of the losses of Starfire Technology Group Limited ("Starfire") amounting to approximately HK$114,000. As Starfire is in the startup stage, no stable revenue was generated during the year.

Profit for the Year

The Group recorded profit for the year of approximately HK$877,000 for the year ended 31 August 2019 (2018: HK$1,124,000). Such decrease is mainly due to the expansion of the administrative department with more staff and the increase in rental expenses and depreciation for security guarding operation.

Interest in an Associate

During the year ended 31 August 2019, the Group acquired 20% equity interest in Starfire Technology Group Limited by way of subscription of new shares.

Details of the associate are set out in note 19 to the condensed consolidated financial statements.

Financial Assets at Fair Value Through Profit or Loss

As at 31 August 2019, the Group's financial assets at fair value through profit or loss consisted of security listed in Hong Kong and their respective performance was as follow:

Company Name/(Stock Code)	Number of share held at 31 August 2019	Percentage of shareholding at 31 August 2019	Carrying amount at 31 August 2018 HK$'000	Unrealised loss on fair value change for the year ended 31 August 2019 HK$'000	Fair value at 31 August 2019 HK$'000	Percentage of total financial assets at fair value through profit or loss at 31 August 2019	Percentage of total assets of the Group as at 31 August 2019
AEC Group (8320)	2,250,000	0.19%	333	(119)	214	100.00%	0.31%

Allied Sustainability and Environmental Consultants Group Limited ("AEC") 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. AEC operates its business in Hong Kong, the People's Republic of China and Macau.

As disclosed in the interim report of AEC for the six months ended 30 September 2019, through ongoing business diversification, AEC and its subsidiaries may establish a wider presence in the environmental industry with an aim to become a one-stop comprehensive environmental solution provider.

FINANCIAL POSITION

Liquidity, Financial Resources and Capital Structure

The Group requires cash primarily for working capital needs. As at 31 August 2019, the Group had approximately HK$25,366,000 in bank balances and cash (2018: approximately HK$21,647,000), representing an increase of approximately HK$3,719,000 as compared to that as at 31 August 2018.

As at 31 August 2019, the Group had interest-bearing bank borrowings of approximately HK$7,456,000 (2018: HK$5,474,000), representing an increase of approximately HK$1,982,000.

Capital Expenditure

The Group purchased property, plant and equipment amounting to approximately HK$857,000 for the year ended 31 August 2019 which comprised acquisition of office equipment, furniture and fixtures, computer equipment and motor vehicles.

Final Dividend

The Board has resolved not to declare the payment of a final dividend for the year ended 31 August 2019 (31 August 2018: Nil).

Management Discussion and Analysis

Employees and Remuneration Policies

As at 31 August 2019, the Group had a total of 299 employees (2018: 188). 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 employee. The Group recognizes the importance of a good relationship with its employees. The remuneration payable to its employees includes salaries and allowances.

Use of Proceeds from the Listing

The Company's shares were successfully listed on GEM of the Stock Exchange on 10 March 2017 (the "Listing Date") by way of share offer. After deduction of all related listing expenses and commissions, the net proceeds from listing amounted to approximately HK$31.5 million. Up to 31 August 2019, the Group has utilised proceeds from the Listing of approximately HK$16.5 million. A summary of utilised and unutilised proceeds are set out in the table below:

Intended use of proceeds	**Intended use of proceeds as set out in the Prospectus**	**Actual approximate amount utilised up to 31 August 2019**	**Approximate amount unutilised as at 31 August 2019**	**Revised approximate amount of unutilised net proceeds**	
	HK$' million	HK$' million	HK$' million	HK$' million *(note i)*	Notes
Expanding our existing ELV solutions business by offering instalment payment option to our customers	12.0	1.6	10.4	–	
Obtaining additional licences and qualifications	4.4	0.9	3.5	3.5	ii
Reducing our gearing ratio by repaying a certain bank borrowing in an one-off manner	8.0	8.0	–	–	
Purchasing five more commercial vehicles and two street lamp cars	3.0	3.0	–	–	
Developing new mobile app for our customers to place their order for maintenance services	1.5	0.4	1.1	–	
Expansion of existing security guarding operating segment	–	–	–	5.0	iii
Salary payment and purchase of capital assets of the major maintenance projects at the Hong Kong-Zhuhai-Macao Bridge and the West Kowloon Station	–	–	–	6.5	iv
Using for working capital and other corporate development purposes	2.6	2.6	–	–	
Total	**31.5**	**16.5**	**15.0**	**15.0**	

Notes:

(i) As announced in the announcement on business update dated on 20 September 2019, the Directors have resolved to change the use of unutilised net proceeds from the initial public offering.

(ii) The Group is currently in the process of satisfying the minimum working capital and employed capital requirement of "Electrical and Mechanical Installation for Sewage Treatment and Screening Plant" and the unutilised proceed is planned to be utilised in three years.

(iii) The monthly salary payment of security guarding segment is approximately HK$500,000 and the unutilised net proceed will be utilised in next year.

(iv) The monthly salary payment of the three maintenance projects is approximately HK$400,000 per month and the unutilised net proceed will be utilised in two years.

GEARING RATIO

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

FOREIGN EXCHANGE EXPOSURE

Since the Group's business activities are mainly operated 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.

EVENT AFTER THE REPORTING PERIOD

There is no significant event subsequent to 31 August 2019.

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 2019. 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

The Group did not hold any significant investments in equity interest in any other companies.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES OR JOINT VENTURES

The Group did not have major acquisition or disposal of subsidiaries, associates or joint ventures.

PLEDGE OF ASSETS

As at 31 August 2019, the Group had pledged the leasehold land and buildings of approximately HK$5,606,000 (31 August 2018: HK$5,799,000) to secure the bank borrowings to the Group.

Management Discussion and Analysis

COMMITMENTS

Details of operating lease commitment and capital commitment are set out in notes 32 and 33 to the consolidated financial statement respectively.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 August 2019.

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 financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as market risk, interest rate risk, credit risk and liquidity risk.

Principal Risks

For the year ended 31 August 2019, the following principal risks of the Group were identified and classified into strategic risks, operational risks, financial risks and compliance risks.

Risk Areas	Principal Risks
Strategic Risks	Change of competitor 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 occupation safety and health; risk of non-compliance with ordinances related to employment; risk of failure to comply with contract terms; change of 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 (the "Audit Committee"), and 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 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 responsibility so that they can take follow-up action in an efficient manner.

Our risk management activities are performed by 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. Management is committed to ensure that risk management forms 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 in order to meet its needs. Nevertheless, the Directors will continue to review at least annually the need for an internal audit function.

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Ng Tai Wing (吳泰榮)

Dr. Ng Tai Wing, aged 43, 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 ecommerce 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.

Mr. Law Wing Chong (羅永忠)

Mr. Law Wing Chong, aged 54, joined our 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

Mr. Yang Shuo (楊碩)

Mr. Yang Shuo, aged 35, was appointed as an executive Director of the Company on 12 July 2018. He is a director of a subsidiary of the Group.

Mr. Yang obtained a bachelor's degree in Engineering (electronic and information engineering) of North China University of Science and Technology in 2007. Mr. Yang is currently the chairman of Heng Fa Rui De IOT (Tianjin) Company Limited (恒發瑞德物聯(天津)電子商務有限公司) ("Heng Fa"), which is principally engaged in the business of bioenergy and healthcare products. Prior to working at Heng Fa, he had worked in the metal smelting arm of a company listed on the Stock Exchange. Mr. Yang also has extensive experience in property investment in northern China.

Mr. Yang was the owner and the operator of Tangshan Fengrun District Fumeihan Clothing Store* (唐山市豐潤區富美涵服飾店), an individual business proprietorship registered in accordance with the laws of the People's Republic of China, which was voluntarily deregistered by him in or around early 2014. As confirmed by Mr. Yang, such proprietorship was solvent immediately prior to its deregistration.

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

NON-EXECUTIVE DIRECTOR

Ms. Wong Tsz Man (王芷雯)

Ms. Wong Tsz Man, aged 43, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Chun Ho Eric (許俊浩)

Mr. Hui Chun Ho Eric, aged 45, 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 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 received 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, Mr. Hui has not held any directorship in any public listed company in the past three years.

Mr. Sung Wai Tak Herman (宋衛德)

Mr. Sung Wai Tak Herman, aged 61, 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, 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 53, 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 2017, he joined the HK BlockChain Society as Vice President to further his interest on FinTech developments. And in October, 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 helping to university to setup related courses.

Save as disclosed, 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 55, was appointed as an independent non-executive Director of the Company as well as members of the Audit Committee, Remuneration Committee and Nomination Committee on 11 July 2017.

Dr. Chow received 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 was an executive director and the chairman of investment committee of Yorkshine Holdings Limited (formerly known as Novo Group Ltd.), a company listed on the Main Board of the Stock Exchange (Hong Kong Stock Code: 1048) and Singapore Exchange Securities Trading Limited (Singapore Stock Code: MR8) from 2010 to August 2015 and was re-designated as its non-executive director from 2008 to 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.

Save as disclosed, 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 33, 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 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 69, has been the senior consultant of the Group since August 2017. He is mainly responsible for providing advice on operations, man-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. 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 Beijing, Shanghai, Xinjiang, Hainan, Singapore, Dubai and Abu Dhabi airports.

Mr. Chau obtained a Master Degrees 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, UAE. He can speak several languages including French, Japanese, Korean and is pursuing a university diploma in Arabic and Italian.

Mr. Chau was an ICAO certified International Instructor and has been 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.

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. as well as consultant to Emirates Airlines Corporate Security in Dubai, and China Security & Protection Group in Beijing and Hong Kong.

Mr. Lai Chi Hung (黎志鴻)

Mr. Lai Chi Hung, aged 55, joined the Group as the General Manager in Security Department in October 2018. Mr. Lai is responsible for overseeing the physical security business and regulatory compliance of both EC InfoTech Limited and EC Security Limited. Prior to joining the Group, Mr. Lai worked in Bank of Communications, DBS Bank Limited, Industrial & Commercial Bank of China Limited during the period from 1984 to 2006, where the last position he held was the senior manager in Consumer Banking of Belgium Bank. In 2006, Mr. Lai worked as an Independent Financial Adviser until 2018 when he joined our Group.

Apart from his principal duty, Mr. Lai served in the Hong Kong Auxiliary Police Force from 1990 to 2018. During his 28 years of services, he has worked in Wan Chai District, Tai Po District and Central District. His duties included Anti-crime Operation, Internal Security (Key Point Protection), Crowd Management and Public Order Events. Mr. Lai has extensive experience in commanding major operations such as crowd management of Victoria Harbour Fireworks Display and other major large-scale events in Hong Kong. In Jan 2015, Mr. Lai was appointed by the HKSAR Government as the Honorary Aide-de-camp to Chief Executive, he was responsible to greet and see-off official VIPs and Heads of State who visit Hong Kong. The last position that he held in the Force was Superintendent of Police (Auxiliary).

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

Mr. Wong Chi Ho (王志豪)

Mr. Wong Chi Ho, aged 45, 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, aged 44, 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 member of the Association of Chartered Certified Accountants since July 2008.

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 2019.

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 are set out in note 39 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 2019.

BUSINESS REVIEW

The business review of the Group for the year ended 31 August 2019 is set out in the section headed "Management Discussion and Analysis" on pages 6 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 facing 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 13 and "Corporate Governance Report" on pages 29 to 37 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 2019 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.

CHARITABLE DONATIONS

Charitable donations made by the Group during the year ended 31 August 2019 amounted to HK$380,650 (31 August 2018: HK$6,000).

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 140 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 2019 are set out in note 17 to the consolidated financial statements. There were no investment properties of the Group during the year ended 31 August 2019.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 August 2019 are set out in note 30 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group during the year ended 31 August 2019 are set out in the consolidated statement of changes in equity on page 72 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 August 2019, the Company had reserves of approximately HK$9,325,000 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 54.36% of the total sales for the year and sales to the largest customer included therein amounted to 23.77%. Purchases from the Group's five largest suppliers accounted for 22.22% of the total purchases for the year and purchase from the largest supplier included therein amounted to 5.12%. None of the Directors or any of their 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 beneficial interest in the Group's five largest customers or suppliers.

BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 August 2019 are set out in note 27 to the consolidated financial statements of the Group.

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.

Report of the Directors

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 2019.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during the year ended 31 August 2019 are set out in note 35 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
Mr. Yang Shuo

Non-executive Director:

Ms. Wong Tsz Man

Independent non-executive Directors:

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

In accordance with Articles 108(a) and 112 of the Articles, Mr. Law Wing Chong, Mr. Hui Chun Ho Eric and Mr. Fung Tak Chung, 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 14 to 19 of the annual report.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the section "Directors' Report – 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 2019.

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 32 of the annual report.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACTS

None of the Directors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the year ended 31 August 2019.

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 on 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 to 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.

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 report. The Company did not have any outstanding share options, warrants and convertible instruments into shares as at 31 August 2019 and up to the date of this report.

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

So far as the Directors are aware, as at 31 August 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 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

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

Notes:

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

(2) The approximate percentage of shareholding is calculated based on 1,600,000,000 shares in issue as at 31 August 2019.

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

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

Save as disclosed above, as at 31 August 2019, 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' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 31 August 2019, 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	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 2019.

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

Save as disclosed above, as at 31 August 2019, no person, other than the Directors 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 Debenture 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 recorded pursuant to Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, at no time during the year and up to the date of this report, neither the Company or 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.

INTEREST IN COMPETING BUSINESSES

The controlling shareholders (as defined under GEM Listing Rules) of the Company have entered into the deed of non-competition dated 17 February 2017 (the "Deed of Non-competition") in favour of the Company, details of which were set out in the Prospectus. Pursuant to the Deed of Non-competition, the controlling shareholders have undertaken to the Company (for itself and as trustee for each of 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.

During the year and up to the date of this report, none of the Directors, the controlling shareholders of the Company or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

The controlling shareholders of the Company have confirmed to the Company that for the year ended 31 August 2019 and up to the date of this 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 will be disclosed in the "Environmental, Social and Governance Report", which are set out on pages 38 to 62 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management of the Company are aware, the Group has complied in 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 may sustain or incur in or about the execution of the duties of his 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 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 2019 and up to the date of this annual report, neither did the Company redeem nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities.

EQUITY LINKED AGREEMENTS

Save as disclosed in this report, there was no equity-linked agreement entered into by the Company during the year ended 31 August 2019.

INTERESTS OF COMPLIANCE ADVISER

As notified by Kingsway Capital Limited ("Kingsway"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and Kingsway dated 12 October 2016, neither Kingsway nor any of its close associates (as defined in the GEM Listing Rules), the directors or employees had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 August 2019 and up to the date of this annual report.

PUBLIC FLOAT

Based on 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.

Report of the Directors

AUDITOR

SHINEWING (HK) CPA Limited has been appointed as the auditor of the Company who retires 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, 27 November 2019

The Company and our Directors recognize the importance of incorporating elements 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:–

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 circumstance.

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 19 of this annual report. Mr. Lau has confirmed that for the year ended 31 August 2019, 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 2019 and up to the date of this annual report.

Corporate Governance Report

THE BOARD OF DIRECTORS

The Board of Directors, which currently comprises eight 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 accounts 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 of the Company was maintained by the Company with coverage for any legal liabilities which may arise in the course of performing their duties.

Board Composition

Currently, the composition of the Board is set out as follows:

Executive Directors:

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

Non-executive Director:

Ms. Wong Tsz Man

Independent non-executive Directors:

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

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.

All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director and non-executive Directors (including the independent non-executive Director) 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 on the first occasion of his/her appointment so as to ensure that he/she has appropriate understanding of 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 training 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 any suitable training to develop and refresh their knowledge and skills.

Appointment, Re-election and Removal of Directors

Each of the executive Directors, non-executive Director and independent non-executive Directors has entered into an appointment letter with the Company 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 non-executive Directors has entered into a service contract with the Company for an initial term of three (3) years, which shall 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 shall 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 website.

Audit Committee

The Company has established the Audit Committee on 10 March 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. 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 consists of four independent non-executive Directors, namely Mr. Hui Chun Ho Eric, Mr. Sung Wai Tak Herman, Mr. Fung Tak Chung and Dr. Chow Kin San. Mr. Hui Chun Ho Eric is the chairman of the Audit Committee.

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

The Audit Committee has reviewed the audited annual results for the financial year ended 31 August 2019, this annual report and the annual results for the year have been approved by the Board on 27 November 2019. 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.

Remuneration Committee

The Company established the Remuneration Committee on 10 March 2017 with written terms of reference in compliance with the Code. The primary functions 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 associates will participate in deciding his own remuneration.

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 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 2019.

Senior Management Remuneration

The remuneration of the members of senior management of the Company for the year ended 31 August 2019 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 2019 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 10 March 2017 with written terms of reference in compliance with the Code. The principal duties of the Nomination Committee include reviewing the Board structure, size, composition and diversity, 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 reviewed and recommended the Nomination Policy and the Board Diversity Policy to the Board.

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.

NOMINATION POLICY

The nomination policy (the "Nomination Policy") adopted by the Company on 31 December 2018 is 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 next 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 candidates.

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 of directors of the Company. 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 level taking into account relevant factors 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 any Board members appointments.

Attendance Record of Directors and Committee Members

The attendance record of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 August 2019 is 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	6/8	N/A	N/A	1/1	1/1
Mr. Law Wing Chong	8/8	N/A	N/A	N/A	1/1
Mr. Yang Shuo	0/8	N/A	N/A	N/A	0/1
Non-executive Director					
Ms. Wong Tsz Man	6/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Hui Chun Ho Eric	8/8	4/4	1/1	1/1	0/1
Mr. Sung Wai Tak Herman	8/8	4/4	1/1	1/1	1/1
Mr. Fung Tak Chung	8/8	4/4	1/1	1/1	1/1
Dr. Chow Kin San	8/8	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 cash flows 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 been prepared on this basis.

To the best knowledge of the Directors, there are no uncertainties relating to 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 2019, 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	780
Non-audit services*	268
Total	1,048

* *Included in non-audit services were approximately HK$40,000 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 business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

During the year ended 31 August 2019, 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.

During the year ended 31 August 2019, 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 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 Securities and Futures Ordinance. The internal control mechanism includes information flow and reporting processes, confidentiality arrangements, disclosure procedures, and staff training arrangements, etc.

Our Enterprise Risk Management Framework

The Group has established its enterprise risk management framework in 2019. While the Board has the overall responsibility to ensure that sound and effective internal controls are maintained, 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 oversights 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.

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 of Association, 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

DIVIDEND POLICY

The dividend policy of the Company was adopted on 31 December 2018 which list out the factors in 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 of association of the Company.

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 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 continually 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.

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 website. The Company also provides extensive information in its annual reports, interim reports, quarterly reports, various announcements and press release. 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 make an effort 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 Shareholders' meetings.

CONSTITUTIONAL DOCUMENTS

The Company has not made any changes to its Articles during the year ended 31 August 2019. 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 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 core businesses of the Group are principally engaged in the provision of extra-low voltage ("ELV") solutions in Hong Kong. The Group's solutions include central control monitoring systems such as security system, car park system and clubhouse management system, and telecommunications and broadcasting services systems, such as Communal Aerial Broadcast Distribution ("CABD") System and Satellite Master Antenna Television ("SMATV") System. It 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. It provides total security solutions, including access control, burglar alarm, time attendance, elevator control and door phone entry system.

We believe that environmental protection, low carbon footprint, resource conservation and sustainable development are the key trends in society. In order to follow the key trends and pursue a successful and sustainable business model, the Group recognises the importance of integrating environmental, social and governance ("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 with respect to the environment, but also at assuring employees' health and safety. To reach these goals, the Group is committed to:

- Ensuring statutory and regulatory compliance as well as applicable requirements;
- Delivering professional, effective, efficient 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;
- Preserving resources, and protecting the environment through effective prevention and monitoring of pollution and harm;
- Striving to achieve zero hazards, incidents, non-compliance and accidents;
- 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 system; and
- Building staff capacity and providing adequate resources to continually improve the productivity and effectiveness of the management system.

THE ESG GOVERNANCE STRUCTURE

The Group has established the ESG working taskforce (the "Taskforce"). The Taskforce composed of full-time staff from relevant departments and is responsible for collecting relevant information on our ESG aspects for compiling the ESG Report. The Taskforce periodically reports to the Board of Directors (the "Board"), assists in identifying and assessing the Group's ESG risks and the effectiveness of the internal control mechanisms. The Taskforce also examines and evaluates the Group's performances in different aspects, such as environmental protection, labour practices, and other ESG aspects. The Board sets the general direction for the Group's ESG strategies, ensuring the effectiveness of risks management and internal control mechanisms.

SCOPE OF REPORTING

Unless stated otherwise, the ESG Report mainly covers the Group's major operating revenue activities under direct management control, including its provision of installation, maintenance and other services such as security service. All business activities are limited in Hong Kong. The ESG key performance indicator ("KPI") data are gathered and are shown in the ESG Report as well as supplemented by explanatory notes to establish benchmarks. The Group will continue to assess the major ESG aspects of different businesses to determine whether they need to be included in the ESG reporting.

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 the Appendix 20 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange of Hong Kong Limited.

Information relating to the Group's corporate governance practices has been set out in the Corporate Governance Report on pages 29 to 37 of this Annual Report.

REPORTING PERIOD

The ESG Report specifies the ESG activities, challenges and measures being taken during the financial year ended 31 August 2019 ("Reporting Period", "2019").

CHAIRMAN'S STATEMENT

On Behalf of the Group, I am pleased to present the third ESG report of the Group for 2019. This ESG Report reviews the Group's performance on sustainability as well as demonstrates its commitment to sustainability during the Reporting Period. We have obtained the triple accreditation of ISO 9001:2015 QMS, OHSAS 18001:2007 OHSMS, and ISO 14001:2015 EMS, which demonstrates our commitment to sustainability.

As an ELV solution provider, providing quality and premium services to our customers is our primary task. We have established a comprehensive QMS from an internal management perspective, which includes standardised process control procedures and regular internal audit procedures. Our efforts on quality control have been accredited by ISO 9001:2015 QMS.

Also, we value our employees' health and safety as their effort is important in flourishing the Group's success. We have established framework and accredited with OHSAS 18001:2007 OHSMS to identify and reduce related safety risk in the projects performed by us and the sub-contractors to safeguard our employees and sub-contractors. We have adopted occupational health and safety protection measures to improve employees' awareness on occupational health and safety. For example, we have provided safety trainings for our employees.

Contributing to environmental protection, we have implemented the ISO 14001:2015 EMS for our operations in providing ELV solutions and for our office to ensure energy efficiency, proper waste management, and compliance with relevant laws and regulations. With our effort in promoting water conservation, the Group's water consumption amount during the Reporting Period has been reduced by approximately 16% while its intensity has been reduced by approximately 18% compared to 2018.

We take great pride in our ability to provide excellent ELV services, and care to the community. Accordingly, our customer and social involvement have been well recognised with creditable awards such as "The Listed Enterprise Excellence Awards 2018" by Capital Publishing, "The leading Asian IT Solution Provider 2019" by Mediazone Publishing, "Listed Company Awards of Excellence 2018" by Hong Kong Economic Journal, "ListCo Excellence Awards 2018" by AM730, PR Asia and Roadshow and was awarded "Caring Company" in 2019-2020.

In the future, we will continue to plough ahead to make greater contribution to the sustainable development within the industry.

Dr. Ng Tai Wing
Chairman and Chief Executive Officer

STAKEHOLDER ENGAGEMENT

We value our stakeholders and their feedback regarding our businesses and ESG aspects. In order to understand and address their key concerns, we have maintained close communication with our 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.

In formulating operational strategies and ESG measures, we take into account the stakeholders' expectations and strive to improve our performance through mutual cooperation with the stakeholders, resulting in creating greater value for the community by utilising diversified key communication channels, shown as below:

Stakeholders	Key Communication Channels
Investors and shareholders	• Annual General Meeting ("AGM") and other shareholder meetings • Financial reports • Announcements and circulars • Company website
Suppliers and contractors	• Supplier management meetings and events • Supplier audit • Procurement manager
Employees	• Trainings, seminars and briefing sessions • Regular performance reviews
Customers	• Customer support hotline and email
Media, NGOs and the public	• Community activities and partner programs • ESG reports

We aim to collaborate with our stakeholders to improve our ESG performance and create greater value for the wider community on a continuous basis.

MATERIALITY ASSESSMENT

The management and employees who are responsible for the key functions of the Group have participated in preparing the ESG Report, assisted the Group in reviewing its operations, identifying key ESG issues and assessing the importance of these issues to our businesses and stakeholders. We have compiled a questionnaire in reference to the identified material ESG aspects to collect the information from relevant departments and business units of the Group.

Environmental, Social and Governance Report

The summary of the Group's material ESG issues as set out in the ESG Report is shown as below:

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

CONTACT US

Comments and suggestions from our stakeholders are welcome. You may provide comments on the ESG Report or towards our performance in respect of sustainable development via the following:

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

A. ENVIRONMENTAL

A1. Emissions

General Disclosure and KPIs

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

We have 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 our operations. We also have a dedicated function to coordinate and implement environmental protection measures and objectives, and to address environmental issues. We carry 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 local laws and regulations.

With aims to lowering the emissions of GHG and reducing the emissions of non-hazardous wastes, we will constantly improve our EMS minimise negative impacts on the environment.

During the Reporting Period, the Group has not identified 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 waste. The relevant laws and regulations include, but are not limited to the "Air Pollution Control Ordinance" and the "Waste Disposal Ordinance".

Air Emissions

As a corporation providing installation, maintenance and security services, the Group considers the relevant air emissions generated by daily operations are not significant. However, we still strive to mitigate the exhaust gas generated from our business operation as much as possible.

GHG Emissions

The consumption of electricity at the office and petrol and diesel consumption for vehicles are the largest sources of GHG emissions of the Group. During the Reporting Period, the amount of the Group's total GHG emissions has increased by approximately 33% from approximately 199.00 tCO_2e in 2018 to approximately 264.98 tCO_2e in 2019. The main reason for the increase in GHG emissions is the expansion of the Group's operation.

The detailed summary of the GHG emissions is shown as below:

Indicators[1]	**Unit**	**2019**	**2018**
Direct GHG emissions (Scope 1) –			
Petrol and diesel consumption	tCO_2e	215.27	162.00
Indirect GHG emissions (Scope 2) –			
Purchased electricity	tCO_2e	49.71	37.00
Total GHG emissions	tCO_2e	264.98	199.00
Intensity[2]	tCO_2e/million HK$ revenue	2.77	2.22

Note:

1. GHG emissions data are presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Bank 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 Hong Kong Stock Exchange, the "Global Warming Potential Values" from the IPCC Fifth Assessment Report, 2015 ("AR5") and the 2018 Sustainability Report published by the CLP Power Hong Kong Limited.

2. The total revenue of the Group during 2019 and that during 2018 were HK$95,522,000 and HK$89,786,000 respectively. These numbers would also be used for calculating other intensity data in the ESG Report.

We have adopted the following measures to mitigate the direct GHG emissions from petrol and diesel consumption in our operations:

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

Our 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.

Through these GHG emissions mitigating measures, the employees' awareness on GHG emissions mitigation has been enhanced.

Sewage Discharge

We do not consume a significant volume of water in our business activities and therefore our business activities did not generate material discharges into water during the Reporting Period. 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

The Group adheres to the waste management principle and strives to properly manage and dispose wastes produced by our business activities. The Group maintains high standard in waste reduction, educates our employees the significance of sustainable development and provides relevant support in order to enhance their skills and knowledge in sustainable development. During installation and maintenance operations, our waste management practice 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 our business nature, we did not generate significant amount of hazardous wastes during the Reporting Period. In case there are any hazardous wastes produced, the Group must engage a qualified chemical waste collector to handle such wastes, in order to comply with the relevant environmental laws and regulations.

Non-hazardous waste handling method

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

During the Reporting Period, our paper consumption was increased by approximately 29% from approximately 474,855 sheets in 2018 to approximately 614,522 sheets in 2019. The reasons for the increase in using paper include the expansion of new business segment and the increase in our total revenue.

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

Types of non-hazardous waste	**Unit**	**2019**	**2018**
Office paper[3]	Sheets	614,522.00	474,855.00
Intensity	Sheets/million HK$ revenue	6,433.30	5,288.74

Note:

3. Paper consumption were approximately 2.68 tonnes and 2.07 tonnes in 2019 and 2018 respectively.

We regularly monitor the consumption volume of paper and have implemented a number of reduction measures. We have implemented various programs and activities to encourage employees to participate in paper consumption reduction management in the office, including:

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

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

- Using environmentally friendly stationeries (e.g. refillable, durable stationery with no chemicals);
- Reusing cord binder, envelopes and other materials until worn out;
- Reusing stationeries as far as possible;
- Purchasing reusable stationeries whenever it is possible, such as refillable rollerball pens and correction type paper;
- Avoiding single-use disposable items;
- 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 recycled plastic materials, and scrap metals; and
- Collecting and disposed 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. Besides, when there is hazardous waste such as batteries, the Group will collect and deliver to licensed recycling companies.

Through these waste management measures, the employees' awareness on waste management has been enhanced.

A2. Use of Resources

General Disclosure and KPIs

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

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

In 2018, the Group sets targets for resources conservation in its daily operations, including:

- Maintaining usage of consumption level of electricity as last year;
- Maintaining usage of consumption level of water as last year; and
- Maintaining usage of paper as last year.

However, due to the expansion of the Group's new segment of providing security service and the increase in our total revenue during the Reporting Period, the Group is unable to achieve the above resource conservation targets. We commit to contributing to environmental protection and maintaining the intensity level of the above-mentioned consumption in the next reporting period.

Energy Consumption

Electricity consumption, petrol consumption and diesel consumption account for a substantial part of the GHG emissions for the Group. During the Reporting Period, diesel consumption amount has increased by approximately 43% from approximately 10,908.00 litres in 2018 to approximately 15,617.42 litres in 2019 and petrol consumption amount has increased by approximately 33% from approximately 48,799.00 litres in 2018 to approximately 64,784.79 litres in 2019. Electricity usage has increased by approximately 35% from approximately 72,110.00 kWh in 2018 to approximately 97,476.00 kWh in 2019. The reasons for the increase in energy consumption include the expansion of the new business segment and the increase in our total revenue.

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

Types of energy	**Unit**	**2019**	**2018**
Diesel[4]	Litres	15,617.42	10,908.00
Intensity	Litres/million HK$ revenue	163.50	121.49
Petrol[5]	Litres	64,784.79	48,799.00
Intensity	Litres/million HK$ revenue	678.22	543.50
Electricity	kWh	97,476.00	72,110.00
Intensity	kWh/million HK$ revenue	1,020.46	803.13

Note:

4. Diesel consumption in 2019 and 2018 were equivalent to approximately 158,933.29 kWh and 111,007.09 kWh respectively.
5. Petrol consumption in 2019 and 2018 were equivalent to approximately 626,042.03 kWh and 471,564.78 kWh respectively.

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

- Setting all printers, photocopier and computers as energy conservation mode if possible;
- Setting room temperature range from 20° C to 25.5° C. The ideal optimal temperature is 25.5° C;
- Switching off unnecessary lighting;
- 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 noted;
- Adopting power-saving features for office equipment and computers;
- Switching off electrical appliances when not in use; and
- Procuring energy efficient appliances only upon replacement of old appliances or due to new business needs.

Through these energy conservation measures, the employees' awareness on energy conservation has been enhanced.

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

Water Consumption

Despite that the water consumption of the Group is limited to basic cleaning and sanitation in the office, we still promote behavioural changes at office and encourage water conservation. Pantry and toilets are posted with environmental messages to remind employees of water conservation, which results in enhancing our employees' awareness in water conservation. Moreover, we require employees to turn off the tap when not in use and report leaking faucet or pipe to the relevant authority. Through these water conservation measures, the employees' awareness on water conservation has been enhanced.

During the Reporting Period, the Group's water consumption amount has decreased by approximately 14% from approximately 88.00 m^3 in 2018 to approximately 76.00 m^3 in 2019. Its intensity has decreased by approximately 18% in 2019 when comparing with that in 2018. The result reflects the effectiveness of our water conservation measures.

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

Indicator	**Unit**	**2019**	**2018**
Total water consumption	m^3	76.00	88.00
Intensity	m^3/million HK$ revenue	0.80	0.98

Due to the Group's business nature and as our operations mainly based in Hong Kong, the issue in sourcing water that is fit for purpose is not relevant to the Group.

Packaging Materials

As the Group has no industrial production or any factory facilities, we do not consume significant amounts of package materials for product packaging.

A3. The Environment and Natural Resources

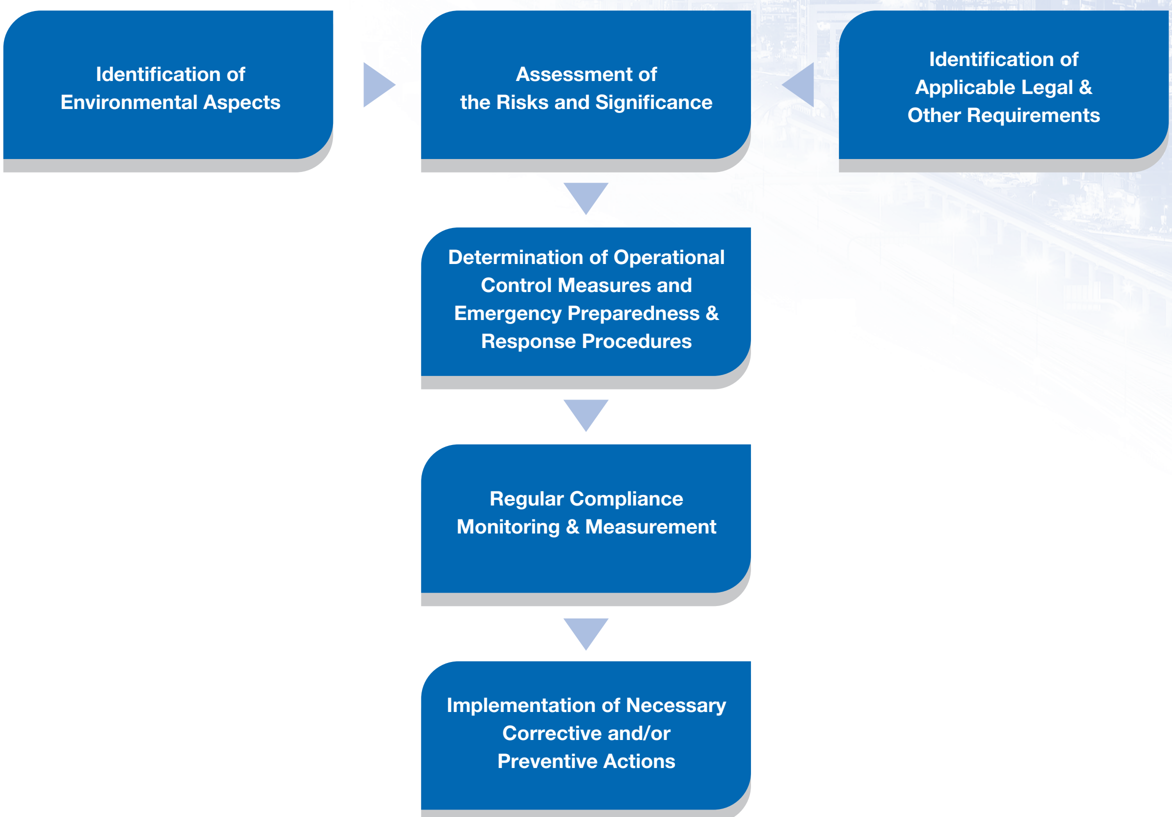
General Disclosure and KPIs

The Group pursues the best practices in environmental protection and focuses on the impact of its businesses on the environment and natural resources. In addition to complying with relevant environmental laws and regulations as well as properly preserve 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 our operations in achieving sustainable development to generate long term values to our stakeholders and community. It carries out continuous monitoring on whether the business operations incur any potential impact on the environment, and minimises such impact to the environment through promoting green office. Where applicable, we adopt green purchasing strategies and the most practical technologies to protect our natural resources.

Environmental Impact by Project

In order to control and mitigate the environmental impacts by project in our operations, we have 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 EMS continuing suitability, adequacy and effectiveness. Relevant measures to mitigate the corresponding environment risks of the projects have been carried out in accordance to the relevant assessment procedures. The Group's core process of its EMS is as follow:



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

Noise Management

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

- Avoiding to carry out noisy operations during restricted hours 19:00-07:00 and public holidays;
- Selecting and using quiet or silent 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 to carry out noisy operations during restricted hours 23:00-07:00 and public holidays;
- Selecting and using quiet or silent equipment if available;
- Avoiding simultaneous operation of noisy equipment for noise sensitive receivers;
- Enclosing noisy operation; and
- Adopting 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 our workplace is regularly monitored and measured. We have 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 resulted in maintaining indoor air quality and filtering out pollutants, contaminants and dust particles.

B. SOCIAL

B1. Employment

General Disclosure

Human resources are the foundation to support the development of the Group. We believe that every employee plays a vital role in executing a good service experience for our customers. This is particularly important to the design team and on-site workers, who have direct impact on the quality of the projects. Therefore, we dedicate in offering a pleasant working environment that encourages communication, innovation, continuous learning and fosters employee engagement. Hence, we have established relevant policies to fulfil our 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 Reporting Period, 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" and the "Minimum Wage Ordinance".

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 process. We apply 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. Supervisor discusses 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 Employee Handbook. The Group strictly prohibits any kind of unfair or illegitimate dismissals. For those who have unsatisfactory working performance or repeatedly make 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 relevant laws in Hong Kong.

Remuneration and Benefits

Our 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 regularly. 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 subsidy to employees.

Diversity and Equal Opportunity

In order to maintain the high quality of the professional team, it is vital to offer equal opportunities in terms of recruitment, training and development, compensation, welfare and benefits, as well as promotion to attract and retain talent. Therefore, the Group is an equal opportunity employer and does not discriminate on the basis of personal characteristics, gender or age. Regardless of race, colour, religion, age, gender, disability, family status and other categories protected by law, the Group gives employees equal opportunities to enhance their personal and career development. This includes hiring, training and development, compensation and benefits, promotion and transfer.

We establish and implement 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

We value the importance of maintaining a healthy lifestyle and work-life balance of our 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

General Disclosure

We consider occupational health and safety management as a significant 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 space. Employees' safety is regarded as top priority during the delivery of the Group's services. The Group is committed to provide healthy and safe working environment for all employees, contractors and others associated with our business activities, and strive to achieve zero tolerance toward hazards, incidents, non-compliance and accidents.

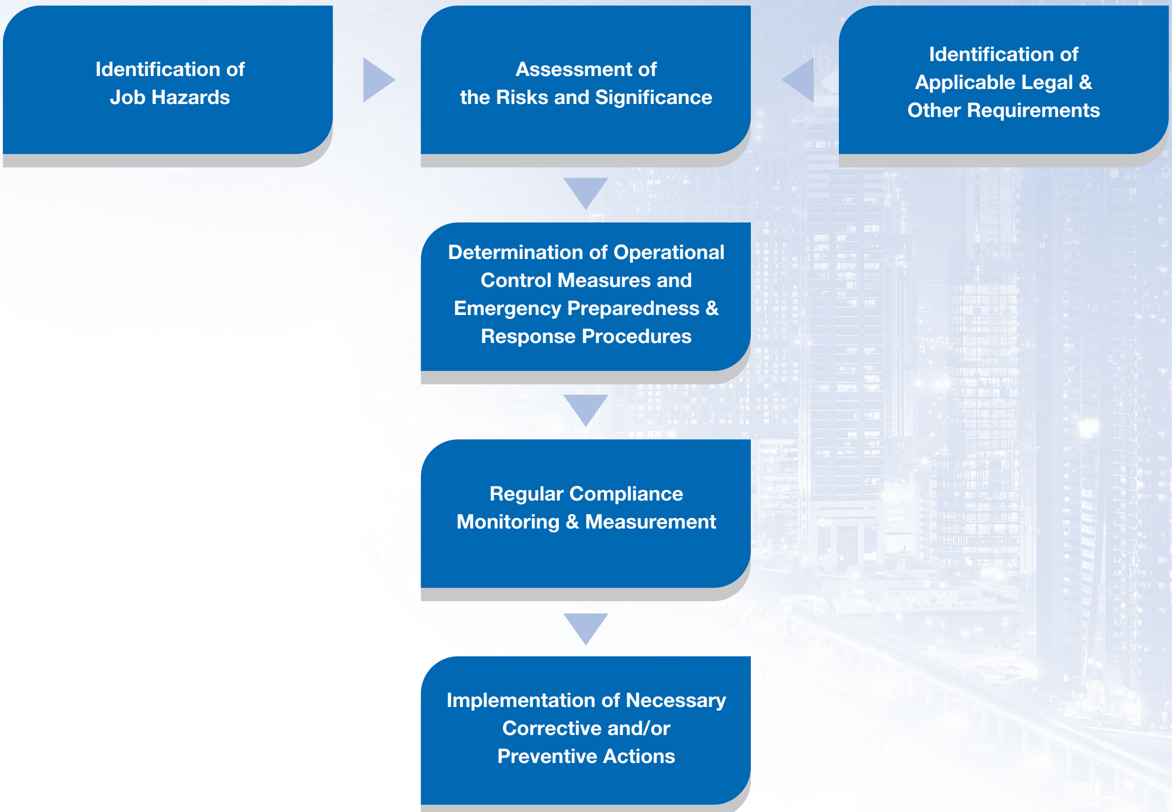
To maintain a safe working environment, the Group has established safety policies and relevant procedures on the prevention and remediation of safety accidents in the projects. Our OHSMS has been implemented in compliance with the requirements of OHSAS 18001:2007 OHSMS international standards.

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

During the Reporting Period, the Group was not aware of any material non-compliance with 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" and the "Employees' Compensation Ordinance".

Safety Risks by Project

In order to control and mitigate the safety risks by project in our operations, we have formulated a series of procedures to assess the safety risks of the projects in accordance with the 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 meeting at least on an annual basis to ensure OHSMS continuing suitability, adequacy and effectiveness. Relevant measures to mitigate the corresponding safety risks of the projects have been carried out in accordance to the relevant assessment procedures. The Group's core process of its OHSMS are as follows:



Safety Measures

Our projects may involve high-risk activities such as carrying out installation works which expose our employees to electrical hazards, at heights or in confined space. As such, safety is treated as our first priority during the delivery of our 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. We have adopted the following safety measures:

- Ensuring employees to possess relevant safety permits or being certified registration for carrying out high risks' 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.

B3. Development and Training

General Disclosure

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 for upgrading skills and development 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 if these courses are approved by the Group's directors. Moreover, the Group sponsors its employees to obtain designated licenses and certificates from the designated colleges and institutions.

B4. Labour Standards

General Disclosure

Prevention of Child Labour and Forced Labour

Child and forced labour are strictly prohibited during the recruitment process as defined by laws and regulations. The Group strictly complies with laws and conducts recruitment based on the "Employment Ordinance" in Hong Kong. Personal data is collected during the process to assist in the selection of suitable candidates and to verify candidates' personal data. The HRA also ensures identity documents are carefully checked. If violation is involved, it will be dealt with the circumstances as clearly stated in the Group's Employee Handbook.

Furthermore, employees of the Group work overtime on a voluntary basis to prevent any breach of labour standards. We also prohibit any punishments, management methods and behaviours involving verbal abuse, physical punishment, physical abuse, oppression, sexual harassment, etc. against its employees for any reason.

During the Reporting Period, 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" and the "Employment Ordinance".

B5. Supply Chain Management

General Disclosure

The Group understands the importance of supply chain management in mitigating the indirect environmental and social risks. We are aware of the environmental and social practices of our suppliers, and try to engage them with responsible acts to society in the 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 our suppliers and sub-contractors have met customers' and our requirements regarding quality as well as environmental and safety standards, we have formulated procedures in selecting suppliers and subcontractors. The Group maintains an internal list of approved suppliers and contractors. Suppliers' and contractors' environmental and social performances are considered as a selection criterion for establishing long-term relationship. Assessments on performance are carried out on a regular basis for our suppliers and sub-contractors. The materials purchased from suppliers and works performed by sub-contractors will be checked and monitored on a regular basis. Suppliers or sub-contractors may be suspended or removed from the approved list if they fail to fulfil our standards.

In view of the increasing environmental concerns in society, the Group is aware of the importance in managing environmental and social risks of its supply chain. We have embedded environmental and social consideration in the procurement process and we require our business partners to incorporate environmental aspects into all stages of operations so as to contribute to environmental performance and sustainability. This 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), minimizing the generation of all kinds of waste; ensuring that wastewater is discharged in accordance with legal requirements, and reusing, reducing and recycling materials wherever possible;
- Demanding 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 material wherever possible.

Fair and Open Procurement

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

B6. Product Responsibility

General Disclosure

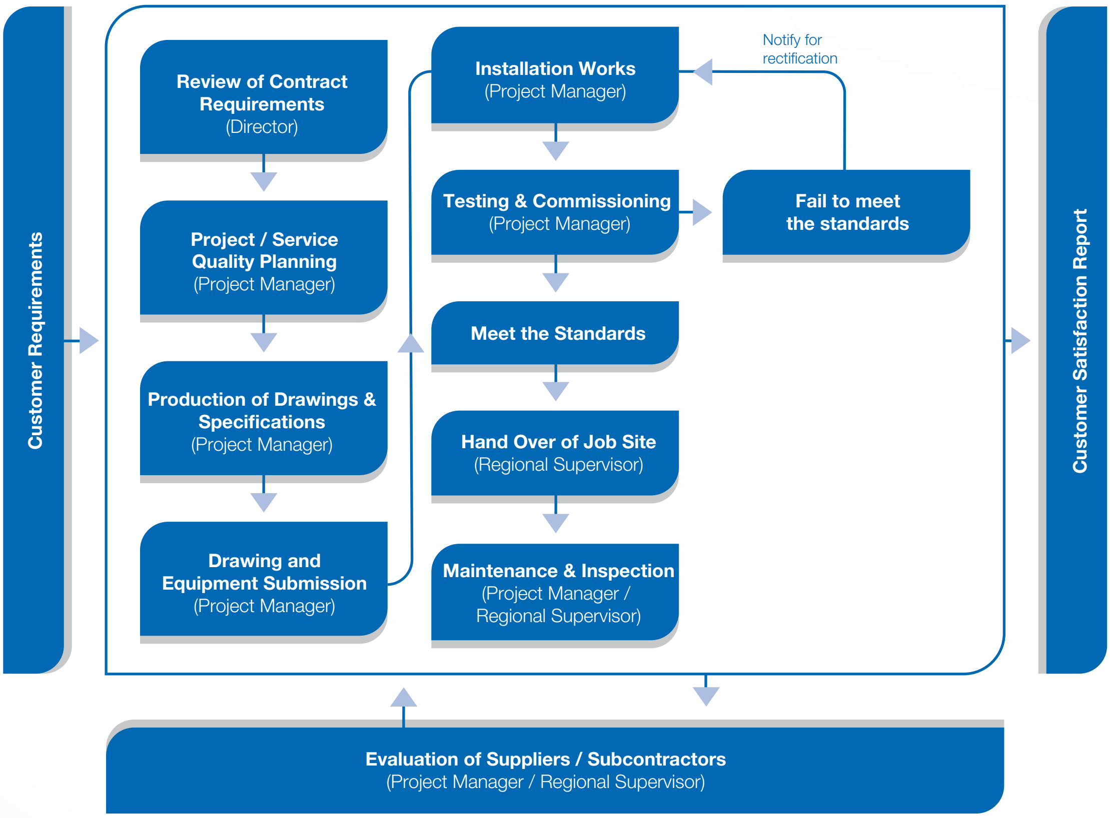
Achieving and maintaining high quality standard for projects are utmost important for sustainable growth of the Group. Our customers are mainly property developers and property management companies from the private sectors and government authorities from public sector. We believe completing works that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

During the Reporting Period, we were 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 and methods of redress. The relevant laws and regulations include, but are not limited to, the "Supply of Services (Implied Terms) Ordinance" and the "Personal Data (Privacy) Ordinance".

Quality Management

We have 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 applicable to Supply and Installation of SmartCard and CCTV System. The Group's key processes of service realization 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 IMS continuing suitability, adequacy and effectiveness.

To ensure that the quality of our work is in conformity with the customers' specifications, before delivering the end products to our customers, our 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 we provide to our customers are up to the standards as agreed with our customers. Any products that fail to meet the standards will be notified to our installation team for rectification. Our project manager also controls and monitors each step in our operating procedures to ensure the adherence to stringent quality standards.

We foresee the importance of the continuous follow-up of the operational efficiency in security management, hence periodically maintenance, inspection on the project sites and monitoring upon the sub-contractors' performance are required to reduce the occurrence of failure.

Privacy Protection

As a responsible service provider, all confidential data related to the Group's business, financial and customer information are securely protected and only used for internal purpose. Employment contract includes the provision of confidentiality that any leakage of confidential information to the third parties is strictly prohibited. As such, in carrying out our operations, the Group adheres to the "Personal Data (Privacy) Ordinance" and expressly reiterates confidentiality obligations.

We are determined to strengthen the protection of customers' privacy. Our employees are trained to maintain the confidentiality of our customers' information. We also have a data backup system through which our back-up data is stored in different locations to reduce the risk of data loss. We have also implemented firewall, anti-virus and anti-spam solutions for our IT systems to prevent leakage of confidential information, which are upgraded constantly.

Advertising and Labelling

As a professional service provider of ELV solutions, the Group has limited issue on advertising and labelling. In the Group's dealings with its clients, information provided should be 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".

B7. Anti-corruption

General Disclosure

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

During the Reporting Period, 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".

Whistle-blowing Mechanism

The Group adopts a whistle-blowing policy and procedures for all levels and operations. Staff can raise concerns, confidence, about possible improprieties such as misconduct and malpractice 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. All reports will be investigated promptly and in detail by their supervisor, department head or HRA. The results of the investigation will be notified to the relevant employees in accordance with appropriate channels. Such policy also aims at protecting whistle-blowers from unfair dismissal, victimisation and unwarranted disciplinary actions.

B8. Community Investment

General Disclosure

Community Participation

As part of the Group's strategic development, we are committed to supporting the public means of social participation and contribution, and to nurture the corporate culture and practices of corporate citizen in our daily operation. We aim to promote the stability of society, and support underprivileged on rehabilitation to improve the quality of life. We also focus to inspire our employees towards social welfare awareness. We would embrace the human capital into the social management strategies to sustain our corporate social responsibility as a part of the strategic development of the Group.

During the Reporting Period, our customer and social involvement have been well recognised with credible awards including:

- "The Listed Enterprise Excellence Awards 2018" by Capital Publishing;
- "The leading Asian IT Solution Provider 2019" by Mediazone Publishing;
- "Listed Company Awards of Excellence 2018" by Hong Kong Economic Journal;
- "ListCo Excellence Awards 2018" by AM730, PR Asia and Roadshow; and
- "Caring Company" in 2019-2020.

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

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (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 ("comply or explain")	The types of emissions and respective emissions data.	Emissions – Air Emissions, GHG Emissions
KPI A1.2 ("comply or explain")	GHG emissions in total (in tonnes) and intensity.	Emissions – GHG Emissions
KPI A1.3 ("comply or explain")	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management (not applicable – explained)
KPI A1.4 ("comply or explain")	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5 ("comply or explain")	Description of reduction initiatives and results achieved.	Emissions – GHG Emissions
KPI A1.6 ("comply or explain")	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emissions – Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
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 ("comply or explain")	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Consumption
KPI A2.2 ("comply or explain")	Water consumption in total and intensity.	Use of Resources – Water Consumption
KPI A2.3 ("comply or explain")	Description of energy use efficiency initiatives and results achieved.	Use of Resources – Energy Consumption
KPI A2.4 ("comply or explain")	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Use of Resources – Water Consumption
KPI A2.5 ("comply or explain")	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Materials (not applicable – explained)
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 ("comply or explain")	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
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (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, antidiscrimination, and other benefits and welfare.	Employment

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (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
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
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (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
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (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
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

SHINEWING (HK) CPA Limited
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33 Hysan Avenue
Causeway Bay, Hong Kong

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 69 to 139, which comprise the consolidated statement of financial position as at 31 August 2019, 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 2019, 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.

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 notes 3 and 7 to the consolidated financial statements and the accounting policies on pages 83 and 109.

The key audit matter	How the matter was addressed in our audit
For the year ended 31 August 2019, revenue from provision of installation services was approximately HK$47,699,000. 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. We have identified the revenue recognition as a key audit matter in view of the significance of its amount and the estimation of the progress and total contract cost 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 cost of each individual project. 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.* In assessing the management judgements and estimates in the determination of the total contract cost, 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 cost. We also assessed the reliability of the management's assessment by investigating variance between the total actual cost and budgeted cost for the completed projects during the year. We examined on a sampling basis, underlying documents in respect of the actual costs incurred during the year ended 31 August 2019. We also assessed progress towards complete satisfaction of a performance obligation by recalculating the total actual cost incurred over the total expected cost on a sampling basis.

KEY AUDIT MATTERS *(continued)*

Recoverability of trade receivables and contract assets

Refer to notes 20 and 22 to the consolidated financial statements and the accounting policies on pages 124 to 127.

The key audit matter	How the matter was addressed in our audit
As at 31 August 2019, the carrying amount of trade receivables and contract assets is approximately HK$19,207,000 and HK$12,481,000 respectively. 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 and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management judgement is involved in assessing the forward looking expected credit loss. Management estimated the level of expected losses, by assessing future cash flow 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. 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, including use of significant unobservable inputs adopted in the ECL estimation by the management. 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.

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.

Independent Auditor's Report (Continued)

OTHER INFORMATION *(continued)*

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
27 November 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 August 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	7	**95,522**	89,786
Cost of sales		**(68,079)**	(66,480)
Gross profit		**27,443**	23,306
Other income	9	**284**	206
Administrative expenses		**(26,130)**	(22,108)
Impairment loss on interest in an associate	19	**(261)**	–
Share of losses of an associate	19	**(114)**	–
Reversal of impairment on trade receivables and contract assets		**303**	–
Fair value loss on financial asset at fair value through profit or loss		**(119)**	–
Unrealised loss on fair value change in held-for-trading investment		**–**	(117)
Realised gain on disposal of held-for-trading investment		**–**	6
Profit from operations		**1,406**	1,293
Finance costs	10	**(253)**	(285)
Profit before taxation		**1,153**	1,008
Income tax (expenses) credit	11	**(276)**	116
Profit and total comprehensive income for the year attributable to owners of the Company		**877**	1,124
Earnings per share attributable to owners of the Company – Basic and diluted (HK cents)	16	**0.05**	0.07

Consolidated Statement of Financial Position

At 31 August 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	17	**9,505**	10,280
Intangible asset	18	**111**	190
Deposit for acquisition of non-current assets		**336**	–
Interest in an associate	19	**48**	–
		10,000	10,470
Current assets			
Trade receivables	20	**19,207**	18,530
Amounts due from customers for contract work	21	**–**	14,082
Contract assets	22	**12,481**	–
Financial asset at fair value through profit or loss/held-for-trading investment	23	**214**	333
Deposits, prepayments and other receivables	24	**1,290**	1,710
Tax recoverable		**188**	465
Bank balances and cash	25	**25,366**	21,647
		58,746	56,767
Current liabilities			
Trade payables	26	**3,522**	4,483
Amounts due to customers for contract work	21	**–**	606
Contract liabilities	22	**510**	–
Accruals and other payables		**2,137**	1,578
Bank borrowings	27	**7,456**	5,474
Obligations under finance leases	28	**760**	607
Tax payable		**1**	–
Bank overdraft	25	**–**	44
		14,386	12,792
Net current assets		**44,360**	43,975
Total assets less current liabilities		**54,360**	54,445

Consolidated Statement of Financial Position (Continued)

At 31 August 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Obligations under finance leases	*28*	**1,527**	1,813
Deferred tax liability	*29*	**686**	694
		2,213	2,507
		52,147	51,938
Capital and reserves			
Share capital	*30*	**16,000**	16,000
Reserves		**36,147**	35,938
		52,147	51,938

The consolidated financial statements on pages 69 to 139 were approved and authorised for issue by the board of directors on 27 November 2019 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 2019

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (note)	Retained earnings HK$'000	Total HK$'000
At 1 September 2017	16,000	24,187	2,301	8,326	50,814
Profit and total comprehensive income for the year	–	–	–	1,124	1,124
At 31 August 2018 (as originally stated)	16,000	24,187	2,301	9,450	51,938
Effect of changes in accounting policies (note 2)	–	–	–	(668)	(668)
At 1 September 2018 (as restated)	16,000	24,187	2,301	8,782	51,270
Profit and total comprehensive income for the year	–	–	–	877	877
At 31 August 2019	**16,000**	**24,187**	**2,301**	**9,659**	**52,147**

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 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,153**	1,008
Adjustments for:		
Depreciation of property, plant and equipment	**1,632**	1,295
Finance costs	**253**	285
Impairment loss on interest in an associate	**261**	–
Share of losses of an associate	**114**	–
Bank interest income	**(128)**	(89)
Reversal of impairment on trade receivables and contract assets	**(303)**	–
Amortisation of intangible asset	**79**	46
Fair value loss on financial asset at fair value through profit or loss	**119**	–
Unrealised loss on fair value change in held-for-trading investment	**–**	117
Realised gain on disposal of held-for-trading investment	**–**	(6)
Loss on disposal of property, plant and equipment	**–**	112
Operating cash flows before movements in working capital	**3,180**	2,768
Increase in trade receivables	**(1,030)**	(1,788)
Decrease (increase) in deposits, prepayments and other receivables	**420**	(495)
Decrease (increase) in contract assets/amounts due from customers for contract work	**1,589**	(4,254)
Increase in held-for-trading investment	**–**	(444)
(Decrease) increase in contract liabilities/amounts due to customers for contract work	**(96)**	273
(Decrease) increase in trade payables	**(961)**	1,516
Increase in accruals and other payables	**557**	234
Cash generated from (used in) operations	**3,659**	(2,190)
Hong Kong Profits Tax paid	**(6)**	(3,106)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**3,653**	(5,296)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(328)**	(1,411)
Acquisition of a subsidiary (note 36)	**–**	(237)
Loan to an associate	**(421)**	–
Deposit for acquisition of non-current assets	**(336)**	–
Proceeds from disposal of property, plant and equipment	**–**	254
Interest received	**128**	89
Repayment from ultimate holding company	**–**	4
NET CASH USED IN INVESTING ACTIVITIES	**(957)**	(1,301)

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 August 2019

	2019 HK$'000	2018 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	**20,000**	8,000
Repayment of bank borrowings	**(18,018)**	(9,964)
Repayment of obligations under finance leases	**(662)**	(544)
Interest paid	**(253)**	(285)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,067**	(2,793)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,763**	(9,390)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**21,603**	30,993
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**25,366**	21,603
Analysis of components of cash and cash equivalents:		
Bank balances and cash	**25,366**	21,647
Bank overdraft	**–**	(44)
	25,366	21,603

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 Estera Trust (Cayman) Limited, PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The address of its principal place of business is Factory D on 3/F of Block II of Camelpaint Buildings, Block I and Block II, No. 62 Hoi Yuen Road, Kowloon, Hong Kong.

In opinion of directors of the Company, its ultimate holding company and immediate holding company is ECI Asia Investment Limited, a company incorporated in British Virgin Islands (the "BVI"), 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. During the year ended 31 August 2019, the Group commenced new business in respect of provision of security guarding services. Details of the Company's subsidiaries are set out in note 38.

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 its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The impacts of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years 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)*

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 superseded HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 September 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable. Details are described below.

The Group's accounting policies for its revenue streams are disclosed in detail in note 3 below.

The impact of transition to HKFRS 15 was insignificant on the retained profits at 1 September 2018.

The amount of adjustment for each financial statement line item of the consolidated statement of financial position at 1 September 2018 affected by the application of HKFRS 15 is illustrated below. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 August 2018	**Impact on adoption of HKFRS 15 – Reclassification**	**Carrying amount as restated at 1 September 2018**
	HK$'000	HK$'000	HK$'000
Contract assets	–	14,082	14,082*
Amounts due from customers for contract work	14,082	(14,082)	–
Amounts due to customers for contract work	606	(606)	–
Contract liabilities	–	606	606*

* The amount is before the adjustment relating to loss allowance from the initial application of HKFRS 9.

Notes:

The Group concluded that revenue from installation services will continue to be recognised over time, using an input method to measure progress towards complete satisfaction of the service similar to the previous accounting policy. The Group's rights to consideration for work completed but not yet billed at the reporting date was previously recognised as amounts due from customers for contract work and was reclassified to contract assets at 1 September 2018 upon initial application of HKFRS 15. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus was previously recognised as amounts due to customers for contract work and was reclassified to contract liabilities at 1 September 2018 upon initial application of HKFRS 15.

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

HKFRS 15 Revenue from Contracts with Customers *(continued)*

Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 August 2019 as a result of the adoption of HKFRS 15 on 1 September 2018

The following table summarises the estimated impact of applying HKFRS 15 on the consolidated statement of financial position at 31 August 2019, by comparing the amounts reported under HKAS 11, HKAS 18 and related interpretations that were in effect before the change. Line items that were not affected by the adjustments have not been included. The adoption of HKFRS 15 did not have material impact on the Group's consolidated statement of profit or loss and other comprehensive income, and operating, investing and financing cash flows.

Impact on the consolidated statement of financial position at 31 August 2019:

	As reported	**Impact on adoption of HKFRS 15**	**Amounts excluding impacts of adopting HKFRS 15**
	HK$'000	HK$'000	HK$'000
Contract assets	12,481	(12,481)	–
Amounts due from customers for contract work	–	12,481	12,481
Amounts due to customers for contract work	–	510	510
Contract liabilities	510	(510)	–

If HKAS 11 and HKAS 18 have continued to apply to the year ended 31 August 2019 instead of HKFRS 15, except for a reclassification from "contract assets" to "amounts due from customers for contract work" and reclassification from "contract liabilities" to "amounts due to customers for contract work", there would be no material impact to the consolidated financial statements as at and for the year ended 31 August 2019.

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 September 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application, if any, are recognised in retained profits as at 1 September 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in note 3 below.

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

HKFRS 9 Financial Instruments *(continued)*

(i) Classification and measurement of financial instruments

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 September 2018 based on the facts and circumstances that existed at that date and concluded that except stated below, all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 continue to be measured at amortised cost as were previously measured under HKAS 39.

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

"Held-for-trading investment" amounting to approximately HK$333,000 as at 1 September 2018 is reclassified to "financial assets at fair value through profit or loss". Fair value changes thereon continue to be recognised in profit or loss. As at 31 August 2019, the amount is approximately HK$214,000.

(ii) Loss allowance for expected credit losses ("ECL")

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking expected credit loss model. As at 1 September 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

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

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15

The table below summarises (i) the reclassification of account balance under HKFRS 15 and (ii) the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets and reconciles the carrying amounts of financial assets under HKAS 39 to the carrying amounts under HKFRS 9 on 1 September 2018.

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

HKFRS 9 Financial Instruments *(continued)*

(ii) Loss allowance for expected credit losses ("ECL") (continued)

Summary of effects arising from initial application of HKFRS 9 and HKFRS 15 *(continued)*

	Carrying amount previously reported at 31 August 2018	Impact on adoption of HKFRS 15 – Reclassification	Impact on adoption of HKFRS 9 – Reclassification	Impact on adoption of HKFRS 9 – Remeasurement	Carrying amount as restated at 1 September 2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets					
Loan and receivables					
– Trade receivables	18,530	–	(18,530)	–	–
– Amounts due from customers for contract work	14,082	(14,082)	–	–	–
– Deposits and other receivables	639	–	(639)	–	–
– Bank balances and cash	21,647	–	(21,647)	–	–
At amortised cost					
– Trade receivables	–	–	18,530	(547)	17,983
– Contract assets	–	14,082	–	(121)	13,961
– Deposits and other receivables	–	–	639	–	639
– Bank balances and cash	–	–	21,647	–	21,647
Held-for-trading investment					
– Listed equity investments	333	–	(333)	–	–
Financial asset at FVTPL					
– Listed equity investments	–	–	333	–	333
Liability					
– Amounts due to customers for contract work	606	(606)	–	–	–
– Contract liabilities	–	606	–	–	606

All the financial liabilities of the Group that are subject to HKFRS 9 continue to be classified and measured on the same basis as they were under HKAS 39.

The table below summarises the impact of transition to HKFRS 9 and HKFRS 15 on retained earnings at 1 September 2018.

	Retained earnings
	HK$'000
Balance at 31 August 2018 as originally stated	9,450
Recognition of additional expected credit losses	(668)
Balance at 1 September 2018	8,782

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

New and revised HKFRSs issued but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after 1 January 2020.

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

4 Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

5 Effective date not yet been determined.

The directors of the Company anticipate that, except as described below, the application of other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

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

New and revised HKFRSs issued but not yet effective *(continued)*

HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective.

As at 31 August 2019, the Group has non-cancellable operating lease commitments of approximately HK$1,776,000 as disclosed in note 32. In addition, the Group is involved in finance lease arrangement as disclosed in note 28. The Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments at the date of initial application. The right-of-use asset will be measured at its carrying amount as if HKFRS 16 has been applied since the commencement date of the lease, but discounted using the incremental borrowing rate determined at the date of initial application. Including the reclassification of leased motor vehicles and finance lease obligation, the directors of the Company estimated that right-of-use assets and lease liabilities will be approximately HK$3,700,000 and HK$3,500,000 at 1 September 2019, respectively.

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 (the "GEM Listing Rules") 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 (i.e. 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. When the Group has less than a majority of the voting rights of an investee, power over the investee may be obtained through: (i) a contractual arrangement with other vote holders; (ii) rights arising from other contractual arrangements; (iii) the Group's voting rights and potential voting rights; or (iv) a combination of the above, based on all relevant facts and circumstances.

The Company reassess 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 and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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)*

Investment 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 investment 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 the other comprehensive income of the associate is recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in 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 investment 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 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

Policy applicable to the year ended 31 August 2019 (with application of HKFRS 15)

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)*

Policy applicable to the year ended 31 August 2019 (with application of HKFRS 15) (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 or 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, 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.

Starting from the current financial year, the Group commenced security guarding services by providing security guards at various residential and commercial sites. Revenue from security guarding services is recognised over time as those services are provided and invoices are issued on a monthly basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Policy applicable to the year ended 31 August 2019 (with application of HKFRS 15) (continued)

Contract assets and contract liabilities *(continued)*

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.

Variable consideration

For the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group will be entitled in exchange for transferring the promised services to a customer.

The Group estimates an amount of variable consideration by using either the expected value method or the most likely amount method, depending on which method the Group expects to better predict the amount of consideration to which it will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances during the reporting period.

Policy applicable to the year ended 31 August 2018

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business, net of discounts.

Revenue from installation services is described in the accounting policy headed "Construction contracts" below.

Revenue from maintenance services income is recognised over the maintenance period by using the straight-line method.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Construction contracts

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

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

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

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

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

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.

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 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 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.

Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance lease) held for use in the production or supply of goods or services for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

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.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of 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

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 tangible assets and intangible asset

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 CGU) is reduced to its recoverable amount. 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 a 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 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, net of outstanding bank overdraft .

Investments in subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

Financial assets and financial liabilities are initially measured at fair value. 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.

Under HKFRS 9 (applicable on or after 1 September 2018)

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

Financial assets *(continued)*

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

(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.

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, 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.

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

The Group invests in equity investment at the end of 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

Financial assets *(continued)*

Financial assets at FVTPL *(continued)*

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 fair value through profit or loss" 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).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost as well as contract assets. The amount of expected credit losses 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 expected credit losses 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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:

- 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

Financial assets *(continued)*

Impairment of financial assets *(continued)*

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)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

Financial assets *(continued)*

Impairment of financial assets *(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKFRS 9 (applicable on or after 1 September 2018) (continued)

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.

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.

Under HKAS 39 (applicable before 1 September 2018)

Financial assets

The Group's financial assets are classified into two categories, including financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKAS 39 (applicable before 1 September 2018) (continued)

Financial assets *(continued)*

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. 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) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets at FVTPL represents financial assets held-for-trading.

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit making; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is classified as unrealised gain (loss) on fair value change on held-for-trading investments in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKAS 39 (applicable before 1 September 2018) (continued)

Financial assets *(continued)*

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, deposits and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, deposits and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable, deposits and other receivables, is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments *(continued)*

Under HKAS 39 (applicable before 1 September 2018) (continued)

Financial liabilities and equity instruments

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.

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

Financial liabilities including trade payables, accruals and other payables and bank borrowings, are subsequently measured at amortised cost, using the effective interest method.

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 net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derecognition

A financial asset is derecognised 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 entity.

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 judgements, estimates and assumptions about the 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 a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

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.

Estimated impairment of trade receivables and contract assets

Starting from 1 September 2018, 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 2019, impairment loss of trade receivables and contract assets are approximately HK$353,000 and HK$12,000 respectively (1 September 2018: HK$547,000 and HK$121,000 respectively).

Recoverability of interest in an associate

The directors of the Company regularly review the recoverable amount of an associate. Determining whether impairment is required involves the estimation of the recoverable amount which is the higher of value in use and fair value less cost of disposal and compared with its carrying amount. The value in use calculation requires the Group to estimate the future cash flows expected to arise and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 August 2019, the carrying amount of the associate (net of accumulated impairment loss of approximately HK$261,000) is HK$48,000.

Depreciation and useful lives of property, plant and equipment

Property, plant and equipment 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 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 2019, the carrying amounts of property, plant and equipment were approximately HK$9,505,000 (2017: HK$10,280,000).

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 obligations under finance leases disclosed in note 28, bank borrowings disclosed in note 27 and bank overdraft disclosed in note 25, 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

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**45,213**	40,816
Financial assets at FVTPL/held-for-trading investment	**214**	333
	45,427	41,149
Financial liabilities		
At amortised cost	**15,402**	13,999

(b) Financial risk management objective and policies

The Group's major financial assets and liabilities include loan to an associate, trade receivables, financial asset at fair value through profit or loss/held-for-trading investment, deposits and other receivables, cash and cash equivalents, trade payables, accruals and other payables, bank borrowings and bank overdraft. 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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

(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), bank overdraft (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.

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 rate 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 (2018: 100 basis point) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 August 2019 would decrease/increase by approximately HK$62,000 (2018: decrease/increase by HK$46,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances and 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% (2018: 10%) higher/lower, post-tax profit for the year ended 31 August 2019 would increase/decrease by approximately HK$21,000 (2018: increase/decrease by approximately HK$33,000) as a result of the changes in fair value of financial assets at FVTPL/ held-for-trading investment.

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iii) Credit risk

As at 31 August 2019, 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.

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, loan to an associate, deposits and other receivables included in deposits, prepayments 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.

Starting from 1 September 2018, 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.

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 (referred 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 (referred 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 (referred 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 August 2019	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	Doubtful	Lifetime ECL – not credit impaired	421	(261)	160
Trade receivables	Note 1	Lifetime ECL (simplified approach)	19,560	(353)	19,207
Contract assets	Note 1	Lifetime ECL (simplified approach)	12,493	(12)	12,481
Deposits and other receivables	Performing	12-month ECL	480	–	480
			32,954	(626)	32,328

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 August 2019, the Group has concentration of credit risk as 14% (2018: 17%) and 40% (2018: 46%) 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 in Hong Kong, which accounted for 100% (2018: 100%) of the total trade receivables as at 31 August 2019.

(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 have 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.

6. FINANCIAL INSTRUMENTS *(continued)*

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

(iv) Liquidity risk (continued)

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 2019					
Non-derivative financial liabilities					
Trade payables	**3,522**	**–**	**–**	**3,522**	**3,522**
Accruals and other payables	**2,137**	**–**	**–**	**2,137**	**2,137**
Bank borrowings	**7,456**	**–**	**–**	**7,456**	**7,456**
Obligations under finance lease	**861**	**765**	**855**	**2,481**	**2,287**
	13,976	**765**	**855**	**15,596**	**15,402**
At 31 August 2018					
Non-derivative financial liabilities					
Trade payables	4,483	–	–	4,483	4,483
Accruals and other payables	1,578	–	–	1,578	1,578
Bank borrowings	5,474	–	–	5,474	5,474
Bank overdraft	44	–	–	44	44
Obligations under finance lease	720	714	1,245	2,679	2,420
	12,299	714	1,245	14,258	13,999

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 HK$'000	1 to 2 years HK$'000	2 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 August 2019	**5,174**	**948**	**1,503**	**7,625**	**7,456**
As at 31 August 2018	2,127	1,143	2,442	5,712	5,474

6. FINANCIAL INSTRUMENTS *(continued)*

(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.

	31 August 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Financial asset at FVTPL				
Financial assets mandatory measured at FVTPL	**214**	**–**	**–**	**214**

	31 August 2018			
	Level 1	Level 2	Level 3	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Financial asset at FVTPL				
Non-derivative financial assets held-for-trading	333	–	–	333

There were no transfers between levels of fair value hierarchy in the current 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 instrument	**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 2019 HK$'000	31 August 2018 HK$'000				
Equity security listed in Hong Kong	Level 1	**214**	333	Quoted bid prices in an active market	N/A	N/A	N/A

6. FINANCIAL INSTRUMENTS *(continued)*

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

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. The revenue is derived from customers in private sector (mainly property developers and property management companies) and public sector. An analysis of the Group's revenue for the year is as follows:

	2019 HK$'000	2018* HK$'000
Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 August 2019		
Installation services	**47,699**	44,226
Maintenance services	**46,397**	45,560
Security guarding services	**1,426**	–
	95,522	89,786

* The amounts for the year ended 31 August 2018 were recognised under HKAS 11.

	2019 HK$'000
Timing of revenue recognition	
Over time	**95,522**

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 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 resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Starting from the current financial year, the CODM reviews the financial performance of its installation and maintenance projects and provision of security guarding services separately for the purpose of resource allocation and performance assessment.

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

- Installation and maintenance services
- Security guarding services

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 2019

	Installation and maintenance services HK$'000	Security guarding services HK$'000	Total HK$'000
REVENUE			
External sales	94,096	1,426	95,522
Segment profit (loss)	8,975	(2,061)	6,914
Impairment loss on interest in an associate			(261)
Share of losses of an associate			(114)
Fair value loss on financial asset at FVTPL			(119)
Unallocated corporate expenses			(5,267)
Profit before taxation			1,153

8. SEGMENT INFORMATION *(continued)*

Segment revenues and results *(continued)*

For the year ended 31 August 2018

	Installation and maintenance services HK$'000	Security guarding services HK$'000	Total HK$'000
REVENUE			
External sales	89,786	–	89,786
Segment profit (loss)	6,837	(551)	6,286
Realised gain on disposal of held-for-trading investment			6
Unrealised loss on fair value change in held-for-trading investment			(117)
Unallocated corporate expenses			(5,167)
Profit before taxation			1,008

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

8. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	2019 HK$'000	2018 HK$'000
Segment assets		
Installation and maintenance services	**66,027**	65,456
Security guarding services	**2,207**	1,268
Total segment assets	**68,234**	66,724
Unallocated corporate assets	**512**	513
Consolidated assets	**68,746**	67,237
Segment liabilities		
Installation and maintenance services	**15,860**	14,518
Security guarding services	**163**	451
Total segment liabilities	**16,023**	14,969
Unallocated corporate liabilities	**576**	330
Consolidated liabilities	**16,599**	15,299

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/ held-for-trading investment, certain deposit, prepayment and certain bank balances and cash.

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

8. SEGMENT INFORMATION *(continued)*

Other segment information

For the year ended 31 August 2019

	Installation and maintenance services HK$'000	Security guarding services HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets*	**1,173**	**20**	**1,193**
Depreciation and amortisation	**1,422**	**289**	**1,711**
Reversal of impairment on trade receivables and contract assets	**303**	**–**	**303**
Bank interest income	**127**	**1**	**128**
Finance costs	**253**	**–**	**253**

For the year ended 31 August 2018

	Installation and maintenance services HK$'000	Security guarding services HK$'000	Total HK$'000
Amounts included in the measure of segment profit or loss or segment assets:			
Additions to non-current assets*	3,519	1,092	4,611
Depreciation and amortisation	1,278	63	1,341
Loss on disposal of property, plant and equipment	112	–	112
Bank interest income	89	–	89
Finance costs	285	–	285

* Non-current assets include property, plant and equipment, 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:

	2019 **HK$'000**	2018 HK$'000
Customer A *	**22,708**	21,454
Customer B *	**21,135**	22,433

* Revenue from installation and maintenance segment.

9. OTHER INCOME

	2019 **HK$'000**	2018 HK$'000
Bank interest income	**128**	89
Rental income	**131**	12
Sundry income	**25**	105
	284	206

10. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
Bank borrowings	128	223
Obligations under finance leases	125	62
	253	285

11. INCOME TAX EXPENSES (CREDIT)

	2019 HK$'000	2018 HK$'000
Current tax:		
Hong Kong	300	501
Over-provision in prior year:		
Hong Kong	(16)	(205)
	284	296
Deferred tax (note 29):		
Current year	(8)	28
Effect of change in tax rates	–	(440)
	276	(116)

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% (2018: 16.5%) on the estimated assessable profits for the year.

The income tax expenses 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:

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

	2019 **HK$'000**	2018 HK$'000
Profit before taxation	**1,153**	1,008
Tax calculated at the domestic income tax rate of 16.5% (2018: 16.5%)	**190**	166
Tax effect of income not taxable for tax purpose	**(70)**	(16)
Tax effect of expenses not deductible for tax purpose	**401**	568
Tax effect of tax loss not recognised	**–**	6
Tax effect of utilisation of tax losses previously not recognised	**(40)**	–
Over provision in prior year	**(16)**	(205)
Effect of two-tiered profits tax rates *(note (i))*	**(165)**	(165)
Effect of change in tax rates	**–**	(440)
Tax effect of tax exemption *(note (ii))*	**(24)**	(30)
Income tax expenses for the year	**276**	(116)

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 2019 and 2018, 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 2018/2019 by 75% (2017/2018: 75%), subject to a ceiling of HK$20,000 (2018: HK$30,000) per case.

Details of deferred taxation are set out in note 29.

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2019 HK$'000	2018 HK$'000
Directors' emoluments *(note 13)*		
– fees	**720**	616
– salaries, allowances and other benefits	**2,234**	1,905
– contributions to retirement benefit scheme *(note 31)*	**60**	56
Other staff costs (excluding directors' emoluments)		
– salaries and other benefits	**44,882**	39,472
– contributions to retirement benefit scheme *(note 31)*	**2,045**	1,857
Total staff costs	**49,941**	43,906
Auditor's remuneration	**780**	718
Depreciation of property, plant and equipment	**1,632**	1,295
Amortisation of intangible asset (included in administrative expenses)	**79**	46
Loss on disposal of property, plant and equipment	**–**	112
Operating lease charges in respect of rented office premise, carparks and warehouse	**1,651**	1,157

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to eight directors (2018: 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 2019

	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
Allowances and benefits in kind	230	–	–	–	–	–	–	–	230
Retirement benefits schemes contributions	30	30	–	–	–	–	–	–	60
Total emoluments	1,580	714	120	120	120	120	120	120	3,014

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

For the year ended 31 August 2018

	Executive directors			Non-executive director	Independent non-executive directors				
	Dr. Ng	Mr. Law Wing Chong	Mr. Yang Shuo[1]	Ms. Wong Tsz Man	Mr. Fung Tak Chung	Mr. Hui Chun Ho Eric	Dr. Chow Kin San	Mr. Sung Wai Tak Herman	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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	–	–	16	120	120	120	120	120	616
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	1,270	635	–	–	–	–	–	–	1,905
Retirement benefits schemes contributions	28	28	–	–	–	–	–	–	56
Total emoluments	1,298	663	16	120	120	120	120	120	2,577

[1] Appointed as executive director on 12 July 2018.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2018: two) were the directors of the Company, whose emoluments are included in note 13 above. The emoluments of the remaining three individuals (2018: three) were as follows:

	2019 HK$'000	2018 HK$'000
Salaries, allowances and other benefits	**1,492**	1,422
Contributions to retirement benefits scheme	**56**	54
	1,548	1,476

Their emoluments were within the following band:

	2019 No. of employees	2018 No. of 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 2019 and 2018.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 August 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

16. EARNINGS PER SHARE

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

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**877**	1,124

	2019 '000	2019 '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 share outstanding during the year ended 31 August 2019 (2018: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Computer equipment HK$'000	Office equipment, furniture and fixtures HK$'000	Total HK$'000
At 31 August 2017 and 1 September 2017	7,142	524	1,905	268	301	10,140
Additions	–	117	3,435	112	711	4,375
Disposal	–	–	(819)	–	–	(819)
At 31 August 2018 and 1 September 2018	7,142	641	4,521	380	1,012	13,696
Additions	–	–	735	68	54	857
At 31 August 2019	7,142	641	5,256	448	1,066	14,553
ACCUMULATED DEPRECIATION						
At 31 August 2017 and 1 September 2017	1,143	314	899	87	131	2,574
Charged for the year	200	185	783	61	66	1,295
Eliminated on disposal	–	–	(453)	–	–	(453)
At 31 August 2018 and 1 September 2018	1,343	499	1,229	148	197	3,416
Charged for the year	193	89	1,067	82	201	1,632
At 31 August 2019	1,536	588	2,296	230	398	5,048
CARRYING VALUES						
At 31 August 2019	5,606	53	2,960	218	668	9,505
At 31 August 2018	5,799	142	3,292	232	815	10,280

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:

Leasehold 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 motor vehicles held under finance leases were as follows:

	2019 **HK$'000**	2018 HK$'000
Motor vehicles	**2,447**	2,670

The carrying values of leasehold land and buildings of approximately HK$5,606,000 (2018:HK$5,799,000) were pledged to secure bank borrowings to the Group (note 27).

18. INTANGIBLE ASSET

	License HK$'000
COST	
At 1 September 2017	–
Acquisition of a subsidiary accounted for as asset acquisition *(note 36)*	236
At 31 August 2018, 1 September 2018 and 31 August 2019	236
ACCUMULATED AMORTISATION	
At 1 September 2017	–
Provided for the year	46
At 31 August 2018 and 1 September 2018	46
Provided for the year	79
At 31 August 2019	125
NET CARRYING AMOUNT	
At 31 August 2019	111
At 31 August 2018	190

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

19. INTEREST IN AN ASSOCIATE/LOAN TO AN ASSOCIATE

Interest in an associate

	2019 HK$'000	2018 HK$'000
Cost of investment in an associate	**2**	–
Share of post-acquisition loss and other comprehensive expenses	**(2)**	–
	–	–
Loan to an associate *(note)*	**421**	–
Less: impairment loss on interest in an associate	**(261)**	–
Less: share of post-acquisition losses that are in excess of the cost of the investments	**(112)**	–
	48	–

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

Details of the associate as at 31 August 2019 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
				2019	2018	**2019**	2018	
Starfire Technology Group Limited	Incorporated	Hong Kong	HK$10,000	**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:

	2019 HK$'000	2018 HK$'000
The Group's share of losses	**114**	–
Carrying amount of the Group's interest in immaterial associate	**48**	–

20. TRADE RECEIVABLES

	31 August 2019 HK$'000	1 September 2018 HK$'000	31 August 2018 HK$'000
Trade receivables	**19,560**	18,530	18,530
Less: allowance for impairment of trade receivables	**(353)**	(547)	–
	19,207	17,983	18,530

At as 31 August 2019, the gross amount of trade receivable arising from contracts with customers amounted to HK$19,560,000 (1 September 2018: HK$18,530,000).

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**7,307**	6,061
31 to 60 days	**5,891**	4,468
61 to 90 days	**2,111**	3,644
Over 90 days	**3,898**	4,357
	19,207	18,530

As at 31 August 2018, included in the Group's trade receivable balance were debtors with aggregate carrying amount of HK$12,469,000 which were past due as at the end of the reporting period for which the Group had not provided for impairment loss because there had not been a significant change in credit quality and they were still considered as recoverable. The Group does not hold any collateral over its trade receivables.

The aged analysis of trade receivables which are past due but not impaired is set out below:

	2018 HK$'000
Within 30 days	4,468
31 to 60 days	3,644
61 to 90 days	769
Over 90 days	3,588
	12,469

20. TRADE RECEIVABLES *(continued)*

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

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:

	Weighted Average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Within 0-30 days	0.1%	7,314	7
31-60 days	0.2%	5,903	12
61-90 days	0.4%	2,119	8
91-360 days	1.2%	3,258	39
361-720 days	1.9%	505	10
Over 720 days	60.0%	461	277
At the end of the year		19,560	353

20. TRADE RECEIVABLES *(continued)*

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

	2019
	HK$'000
Effect of adoption of HKFRS 9 on 1 September 2018	**547**
Impairment losses reversed	**(194)**
As at 31 August 2019	**353**

21. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

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

22. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets	**31 August 2019**	1 September 2019
	HK$'000	HK$'000
Contract assets:		
Installation and maintenance services contracts	**12,481**	13,961

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

The contract assets primarily related to the Group's rights to consideration for work completed but not yet billed at the reporting date and retention receivable 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.

Upon the application of HKFRS 9 on 1 September 2018, the Group measures the loss allowance for contract assets at an amount equal to lifetime ECL. The basis is set out in note 20. As at 31 August 2019, the weighted average expected loss rate applied to contract assets was approximately 0.1%.

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

	2019 **HK$'000**
Effect of adoption of HKFRS 9 on 1 September 2018	**121**
Impairment losses reversed	**(109)**
As at 31 August 2019	**12**

Contract liabilities	**31 August 2019** **HK$'000**	1 September 2018 HK$'000
Installation services contracts	**510**	606
Current portion	**510**	606

Contract liabilities include advances received to render installation services.

Revenue recognised during the year ended 31 August 2019 that was included in the contract liabilities as at 1 September 2018 is HK$267,000. 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/HELD-FOR-TRADING INVESTMENT

	2019 **HK$'000**	2018 HK$'000
Financial asset at FVTPL comprises:		
– Equity security listed in Hong Kong	**214**	–
Held-for-trading investment comprises:		
– Equity security listed in Hong Kong	**–**	333

23. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENT *(continued)*

At the date of initial application of HKFRS 9 on 1 September 2018, the Group reclassified the equity security listed in Hong Kong from held-for-trading investment to financial asset at FVTPL. 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 markets.

24. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Deposits	**421**	595
Prepayments	**810**	1,071
Other receivables	**59**	44
	1,290	1,710

25. BANK BALANCES AND CASH

	2019	2018
	HK$'000	HK$'000
Cash at bank and in hand *(note (i))*	**14,337**	11,536
Short-term bank deposit *(note (ii))*	**11,029**	10,111
Bank balances and cash	**25,366**	21,647
Bank overdraft *(note (iii))*	**–**	(44)
Cash and cash equivalents	**25,366**	21,603

Notes:

(i) Bank balances carried interest at prevailing market rates which range from 0.0001% to 0.01% per annum for the year ended 31 August 2019 (2018: 0.0001% to 0.01%).

(ii) Short-term bank deposit carried interest at 1.50% (2018: 0.55%) per annum with a maturity date of three months for the year ended 31 August 2019.

(iii) Bank overdraft carried interest at prime rate +9% per annum for the year ended 31 August 2018.

26. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**3,522**	4,483

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

	2019 HK$'000	2018 HK$'000
Within 30 days	**1,832**	3,648
31 to 60 days	**194**	111
61 to 90 days	**314**	54
Over 90 days	**1,182**	670
	3,522	4,483

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

	2019 HK$'000	2018 HK$'000
Secured	**7,456**	5,474
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within 1 year which contains a repayment on demand clause	**5,079**	2,020
After 1 year but within 2 years which contains a repayment on demand clause	**903**	1,080
After 2 year but within 5 years which contains a repayment on demand clause	**1,474**	2,374
	7,456	5,474

27. BANK BORROWINGS *(continued)*

At 31 August 2019, secured bank borrowings carried interest at floating rates ranging from 2.15% to 3.375% (2018: 2.15% to 4.25%) per annum.

As at 31 August 2019, bank borrowings of approximately HK$2,377,000 (2018: HK$3,454,000) 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$ for the years ended 31 August 2019 and 2018.

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

	2019 **HK$'000**	2018 HK$'000
Facility amount	**21,528**	20,299
Utilisation		
– Secured bank borrowings	**7,456**	5,474

As at 31 August 2019, the above banking facilities were secured by leasehold land and buildings (note 17) with a carrying value of approximately HK$5,606,000 (2018: HK$5,799,000).

28. OBLIGATIONS UNDER FINANCE LEASES

	2019 **HK$'000**	2018 HK$'000
Analysed for reporting purposes as:		
Current liabilities	**760**	607
Non-current liabilities	**1,527**	1,813
	2,287	2,420

28. OBLIGATIONS UNDER FINANCE LEASES *(continued)*

The Group had leased certain of its motor vehicles under finance leases. The lease term ranged from 3 to 5 years during the year ended 31 August 2019 (2018: 2 to 5 years). The obligations under finance leases carried interest at fixed rates from 2.25% to 3.50% per annum during the year ended 31 August 2019 (2018: 2.25% to 2.50%). The effective interest rate for the obligations under finance leases for the year ended 31 August 2019 ranged from 5.18% to 8.73% per annum (2018: 5.45% to 6.21% per annum).

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**861**	720	**760**	607
After one year but within two years	**765**	714	**704**	635
After two years but within five years	**855**	1,245	**823**	1,178
	2,481	2,679	**2,287**	2,420
Less: future finance charges	**(194)**	(259)	**–**	–
Present value of lease obligations under finance leases	**2,287**	2,420	**2,287**	2,420
Less: Amount due for settlement within one year shown under current liabilities			**(760)**	(607)
Amount due for settlement after one year			**1,527**	1,813

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

29. DEFERRED TAX LIABILITY

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

	Accelerated tax depreciation
	HK$'000
At 31 August 2017 and 1 September 2017	1,106
Charge to profit or loss *(note 11)*	28
Effect of change in tax rates	(440)
At 31 August 2018 and 1 September 2018	694
Credit to profit or loss *(note 11)*	(8)
At 31 August 2019	686

At the end of the reporting period, the Group did not recognise deferred income tax asset of approximately HK$87,000 (2018: HK$127,000) in respect of un-utilised tax losses amounting to approximately HK$528,000 (2018: HK$768,000) due to the unpredictability of future profit streams. The un-utilised tax losses can be carried forward indefinitely against future taxable income.

30. SHARE CAPITAL

Movements of the authorised and issued share capital of the Company for the years ended 31 August 2019 and 2018 are as follows:

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

All shares issued rank pari passu with the existing shares in all respects.

31. 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$2,105,000 (2018: HK$1,913,000) for year ended 31 August 2019, which represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the scheme.

32. OPERATING LEASE COMMITMENT

The Group as lessee

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

	2019 **HK$'000**	2018 HK$'000
Within one year	**1,139**	720
In the second to fifth years inclusive	**637**	500
	1,776	1,220

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

The Group as lessor

Property rental income earned during the year was HK$131,000 (2018: nil). At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments.

	2019 **HK$'000**	2018 HK$'000
Within one year	**85**	–

33. CAPITAL COMMITMENT

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

34. 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 2018 HK$'000	**Financing cash flows HK$'000**	**Interest expenses accrued HK$'000**	**Purchase of motor vehicles HK$'000**	**31 August 2019 HK$'000**
Obligations under finance leases	**2,420**	**(662)**	**–**	**529**	**2,287**
Bank borrowings	**5,474**	**1,982**	**–**	**–**	**7,456**
Interest payable (included in trade and other payable)	**–**	**(253)**	**253**	**–**	**–**
	7,894	**1,067**	**253**	**529**	**9,743**

				Non-cash changes	
	1 September 2017 HK$'000	**Financing cash flows** HK$'000	**Interest expenses accrued** HK$'000	**Purchase of motor vehicles** HK$'000	**31 August 2018** HK$'000
Obligations under finance leases	–	(544)	–	2,964	2,420
Bank borrowings	7,438	(1,964)	–	–	5,474
Interest payable (included in trade and other payable)	–	(285)	285	–	–
	7,438	(2,793)	285	2,964	7,894

35. RELATED PARTY TRANSACTIONS

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	2019 HK'000	2018 HK'000
Land Power International Property Management Limited	Rental deposit received	**17**	–
Guardman Property Management Limited	Rental deposit received	**17**	–

(b) Transactions with related parties

Related Party	Nature of balance	2019 HK'000	2018 HK'000
Land Power International Property Management Limited	Rental income	**60**	–
Guardman Property Management Limited	Rental income	**60**	–

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.

35. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation to key management personnel

The remuneration of members of key management personnel represented executive directors and senior management (2018: executive directors) of the Company during the years ended 31 August 2019 and 2018 were as follows:

	2019	2018
	HK$'000	HK$'000
Short-term benefits	**4,092**	1,921
Contributions to retirement benefit scheme	**111**	56
	4,203	1,977

36. ACQUISITION OF SUBSIDIARY ACCOUNTED FOR AS ASSET ACQUISITION

On 31 January 2018, the Group completed the acquisition of 100% equity interest in EC Security Limited ("EC Security") from an independent third party for a cash consideration of HK$250,000 (the "Acquisition"). The directors of the Company are of the opinion that the Acquisition is in substance an asset acquisition instead of a business combination, as the net assets of EC Security was mainly the security company licence and EC Security was inactive and did not constitute a business prior to the acquisition by the Group.

Net assets of EC Security acquired:

	HK$'000
Intangible asset *(note 18)*	236
Prepayments	2
Bank balances and cash	13
Tax payable	(1)
	250
Satisfied by:	
Cash	250

Net cash outflow on acquisition of EC Security:

	HK$'000
Cash consideration paid	250
Less: cash and cash equivalent balances acquired	(13)
Net cash outflow arising on acquisition	237

37. MAJOR NON-CASH TRANSACTION

During the year ended 31 August 2019, the Group entered into finance lease arrangements in respect of two (2018: five) motor vehicles with capital value at the inception of the lease of approximately HK$529,000 (2018:HK$2,964,000).

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	NOTES	**2019 HK$'000**	2018 HK$'000
Non-current asset			
Investments in subsidiaries		*** –**	* –
Current assets			
Amounts due from subsidiaries	*(a)*	**25,649**	27,101
Amount due from ultimate holding company		*** –**	* –
Deposits, prepayments and other receivable		**119**	182
Bank balances and cash		**131**	–
		25,899	27,283
Current liabilities			
Accruals and other payables		**574**	287
Amount due to a subsidiary	*(a)*	*** –**	* –
Bank overdraft		**–**	44
		574	331
Net current assets		**25,325**	26,952
Total assets less current liabilities		**25,325**	26,952
Capital and reserves			
Share capital	*30*	**16,000**	16,000
Reserves	*(b)*	**9,325**	10,952
		25,325	26,952

* The balances are less than HK$1,000.

Notes:

(a) The amounts are unsecured, interest-bearing and repayable on demand.

38. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

(b) Movement in reserves

	Share premium HK$'000	Other reserve HK$'000 *(note)*	Accumulated losses HK$'000	Total HK$'000
At 1 September 2017	24,187	2,301	(12,824)	13,664
Loss and total comprehensive expense for the year	–	–	(2,712)	(2,712)
At 31 August 2018	24,187	2,301	(15,536)	10,952
Loss and total comprehensive expense for the year	–	–	(1,627)	(1,627)
At 31 August 2019	24,187	2,301	(17,163)	9,325

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.

39. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at 31 August 2019 and 2018, particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ establishment	Share capital/ paid-up capital	Effective equity interest of the Group				Principal activities
			2019		2018		
			Direct	**Indirect**	Direct	Indirect	
ECI International (BVI) Limited	The BVI	US$1	**100%**	**–**	100%	–	Investment holding
EC InfoTech	Hong Kong	HK$2,300,986	**–**	**100%**	–	100%	Provision of installation and maintenance services
Million Charm Ventures Limited	The 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	Hong Kong	HK$10,000	**–**	**100%**	–	100%	Provision of security guarding services
HAN QI International Technology Co., Ltd.#	BVI	US$1	**100%**	**–**	N/A	N/A	Inactive
Han Qi (Hong Kong) Technology Co. Limited#	Hong Kong	HK$1	**–**	**100%**	N/A	N/A	Inactive
瀚奇電子商務(唐山)有限公司#	PRC (limited liability company)	HK$10,000,000	**–**	**100%**	N/A	N/A	Inactive

None of the subsidiaries had issued any debt securities during both years and at the end of both years.

\# Subsidiaries incorporated/established during the year end 31 August 2019.

Financial Summary

	Year ended 31 August				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**95,522**	89,786	76,828	80,338	56,066
Cost of sales	**(68,079)**	(66,480)	(53,755)	(53,265)	(39,741)
Gross profit	**27,443**	23,306	23,073	27,073	16,325
Other income	**284**	206	266	81	161
Administrative expenses	**(26,130)**	(22,108)	(26,718)	(13,848)	(6,897)
Impairment loss on interest in an associate	**(261)**	–	–	–	–
Share of losses of an associate	**(114)**	–	–	–	–
Reversal of impairment on trade receivables and contract assets	**303**	–	–	–	–
Fair value loss on financial asset at fair value through profit or loss	**(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	**1,406**	1,293	(3,379)	13,306	9,589
Finance costs	**(253)**	(285)	(421)	(426)	(502)
Profit (loss) before taxation	**1,153**	1,008	(3,800)	12,880	9,087
Income tax (expenses) credit	**(276)**	116	(1,137)	(2,637)	(1,522)
Profit (loss) and total comprehensive income (expense) for the year attributable to owners of the Company	**877**	1,124	(4,937)	10,243	7,565
Non-current assets	**10,000**	10,470	7,566	8,388	7,492
Current assets	**58,746**	56,767	58,780	34,306	32,928
Current liabilities	**(14,386)**	(12,792)	(14,426)	(25,533)	(21,326)
Net current assets	**44,360**	43,975	44,354	8,773	11,602
Total assets less current liabilities	**54,360**	54,445	51,920	17,161	19,094
Non-current liabilities	**2,213**	2,507	1,106	1,597	1,473
Net assets	**52,147**	51,938	50,814	15,564	17,621
Capital and reserves					
Share capital	**16,000**	16,000	16,000	2,301	2,301
Reserves	**36,147**	35,938	34,814	13,263	15,320
Total equity	**52,147**	51,938	50,814	15,564	17,621