ECI Technology Holdings Limited

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

2020
First Quarterly 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.

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Ms. Wong Tsz Man

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

Mr. Lau Chi Yuen

COMPLIANCE OFFICER

Dr. Ng Tai Wing

AUTHORISED REPRESENTATIVES

Dr. Ng Tai Wing
Mr. Law Wing Chong

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

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GEM STOCK CODE

8013

COMPANY'S WEBSITE

www.ecinfohk.com

FINANCIAL HIGHLIGHTS

Revenue of ECI Technology Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the three months ended 30 November 2019 (the "Period") amounted to approximately HK$25,490,000 (2018: approximately HK$21,512,000) while gross profit of the Group for the Period amounted to approximately HK$6,967,000 (2018: approximately HK$6,392,000).

The net profit after tax of the Group for the Period amounted to approximately HK$267,000 (2018: approximately HK$210,000). The increase for the Period is mainly due to the increase in maintenance services income during the Period.

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

FINANCIAL RESULTS

The Board of the Company is pleased to announce the unaudited condensed consolidated financial results of the Group for the three months ended 30 November 2019 together with the comparative unaudited figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE THREE MONTHS ENDED 30 NOVEMBER 2019

		Three months ended 30 November	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTES	HK$'000	HK$'000
Revenue	4	25,490	21,512
Cost of sales		(18,523)	(15,120)
Gross profit		6,967	6,392
Other income		94	21
Administrative expenses		(6,505)	(6,070)
Share of losses of an associate		(44)	–
Fair value (loss) gain on financial asset at fair value through profit or loss		(68)	18
Profit from operations		444	361
Finance costs		(61)	(68)
Profit before taxation		383	293
Income tax expenses	5	(116)	(83)
Profit and total comprehensive income for the period attributable to owners of the Company	6	267	210
Earnings per share attributable to owners of the Company Basic and diluted (HK cent)	8	0.02	0.01

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED 30 NOVEMBER 2019

	Share capital HK$'000	Share premium HK$'000	Other reserve HK$'000 (Note)	Retained earnings HK$'000	Total HK$'000
At 31 August 2018 (Audited)	16,000	24,187	2,301	9,450	51,938
Profit and total comprehensive income for the period	–	–	–	210	210
At 30 November 2018 (Unaudited)	16,000	24,187	2,301	9,660	52,148
At 31 August 2019 (Audited)	16,000	24,187	2,301	9,659	52,147
Effect of changes in accounting policies (note 3)	–	–	–	(21)	(21)
At 1 September 2019 (as restated)	16,000	24,187	2,301	9,638	52,126
Profit and total comprehensive income for the period	–	–	–	267	267
At 30 November 2019 (Unaudited)	16,000	24,187	2,301	9,905	52,393

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 on 10 March 2017.

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

The Company is an investment holding company. Its major operating subsidiaries are engaged in the provision of installation and maintenance services and security guarding services. The ultimate holding company of the Company is ECI Asia Investment Limited ("ECI Asia"), a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Dr. Ng Tai Wing ("Dr. Ng").

These unaudited condensed consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and its subsidiares (collectively referred to as the "Group").

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the Period comprises the financial information of the Group and its interests in an associate.

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with Hong Kong Accounting Standards ("HKASs"), issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the GEM Listing Rules. It should be read in conjunction with the annual financial statements of the Group for the year ended 31 August 2019 ("2019 Annual Report").

The unaudited condensed consolidated financial statements for the Period have been prepared in accordance with the same accounting policies adopted in the 2019 Annual Report, except for the adoption of all relevant new and/or revised Hong Kong Financial Reporting Standards ("HKFRSs") and HKASs, amendments and interpretations, which are effective for the current accounting period. Details of any changes in significant accounting policies are set out in Note 3.

The preparation of the unaudited condensed consolidated financial statements for the Period in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements for the Period contain condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial performance of the Group since the 2019 Annual Report. The unaudited condensed consolidated financial statements and notes for the Period do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

2. BASIS OF PREPARATION (continued)

The unaudited condensed consolidated financial statements for the Period have not been reviewed or audited by the Company's auditor, but have been reviewed by the audit committee of the Company.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current period of the Group. Except for HKFRS 16, the other new and revised HKFRSs have no significant impact on the results or the financial position of the Group for the current and previous accounting periods. The Group has not applied any new standards or interpretation that is not yet effective for the Period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) Int 4, *Determining whether an arrangement contains a lease*, HK(SIC) Int 15, *Operating leases – incentives*, and HK(SIC) Int 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements brought forward from HKAS 17 are substantially unchanged.

The Group has initially applied HKFRS 16 from 1 September 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 September 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 September 2019. For contracts entered into before 1 September 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than short-term leases and leases of low value assets which are exempted.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

When the Group enters into a lease in respect of a low value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset subsequently stated at cost less accumulated depreciation and impairment losses.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(a) Changes in the accounting policies (continued)

(ii) Lessee accounting (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liability and right-of-use asset recognised in future years.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) *Transitional impact*

At the date of transition to HKFRS 16 (i.e. 1 September 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 September 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4.25%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 August 2020; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied the same discount rates to leases for similar classes of underlying assets in similar economic environment.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) *Transitional impact (continued)*

The following table reconciles operating lease commitments as at 31 August 2019 to the opening balance for lease liabilities recognised as at 1 September 2019:

	HK$'000
Operating lease commitments at 31 August 2019	1,776
Add: lease payments excluded from operating lease commitments under early termination option	73
Add: reclassification of obligations under finance leases as lease liabilities	2,287
Less: commitments relating to short-term leases and other leases with remaining lease term ending on or before 31 August 2020 recognised exempt from capitalisation	(542)
	3,594
Less: total future interest expenses	(54)
Total lease liabilities recognised at 1 September 2019	3,540

The right-of-use assets in relation to leases previously classified as operating leases have been recognised as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at 1 September 2019).

The Group presents right-of-use assets and lease liabilities as separate line items in the consolidated statement of financial position.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) *Transitional impact (continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	At 31 August 2019 HK$'000	Impacts on adoption of HKFRS 16 HK$'000 (Note)	At 1 September 2019 HK$'000
Property, plant and equipment	9,505	(2,447)	7,058
Right-of-use assets	–	3,679	3,679
Obligations under finance leases	2,287	(2,287)	–
Lease liabilities	–	3,540	3,540
Retained earnings	9,659	(21)	9,638

Note: Upon initial application of HKFRS 16, the Group has capitalised operating leases contracts and applied HKAS 36, Impairment of assets to determine whether any cash generating units ("CGUs") are impaired after the right-of-use assets have been added to such CGUs.

The analysis of the net book value (carried at depreciated cost) of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 November 2019 HK$'000	At 1 September 2019 HK$'000
Property, plant and equipment	**2,228**	2,447
Lease prepayments	**1,083**	1,232
Total	**3,311**	3,679

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the revenue arising on provision of installation, maintenance and security guarding services for the Period. 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 Period is as follows:

	Three months ended 30 November	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Installation services	**10,636**	10,500
Maintenance services	**13,510**	11,008
Security guarding services	**1,344**	4
	25,490	21,512

The executive directors of the Company, being the chief operating decision makers ("CODM"), review the Group's internal reporting in order to assess performance and allocate resources. The Group focuses on provision of installation services and maintenance services and security guarding services. Information reported to the CODM, for the purpose of resources allocation and performance assessment, focuses on the services delivered or provided.

4. REVENUE AND SEGMENT INFORMATION (continued)

The segment information provided to the CODM for reportable segments for the three months ended 30 November 2019 and 2018 is as follows:

	Installation services and maintenance services HK$'000	Security guarding services HK$'000	Total HK$'000
For the three months ended 30 November 2019			
Segment revenue	24,146	1,344	25,490
Segment results	1,938	(384)	1,554
For the three months ended 30 November 2018			
Segment revenue	21,508	4	21,512
Segment results	2,018	(175)	1,843

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.

5. INCOME TAX EXPENSES

Details of the movement of the taxation on profit of the Group are shown below:

	Three months ended 30 November	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax:		
Hong Kong Profits Tax	**118**	86
Deferred tax	**(2)**	(3)
	116	83

Notes:

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

(b) From the year of assessment 2018/2019, a two-tiered profits tax rates for Hong Kong Profits Tax was introduced for one subsidiary of the Group, which a tax rate of 8.25% could be elected for its first assessable profits of HK$2,000,000 and the assessable profits of above HK$2,000,000 would be taxed at a flat rate of 16.5%. For the three months ended 30 November 2019 and 30 November 2018, Hong Kong Profits Tax of such qualified entity was calculated in accordance with the two-tiered profits tax rates regime accordingly. The Group's other entities in Hong Kong were not qualified for the two-tiered profits tax rates regime and a flat rate of 16.5% was applied (2018: 16.5%).

(c) The provision for PRC Enterprise Income Tax was calculated at the standard rate of 25% on the estimated assessable income for the three months ended 30 November 2019 and 30 November 2018 as determined in accordance with the relevant income tax rules and regulation of the PRC. As the PRC subsidiary of the Company was inactive, there was no assessable profits and thus no provision for PRC Enterprise Income Tax was made in the Period (2018: Nil).

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended 30 November	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Directors' emoluments		
– salaries, allowances and other benefits	696	696
Other staff costs (excluding directors' emoluments)		
– salaries, allowances and other benefits	12,782	9,989
– contributions to retirement benefit scheme	612	467
Total staff costs	14,090	11,152
Auditor's remuneration	195	180
Depreciation		
– property, plant and equipment	202	443
– right-of-use assets	368	–
Amortisation of intangible asset (include in administrative expenses)	20	20
Minimum lease payments under operation lease charges in respect of rented office premise, carparks and warehouse	283	386

Note: Staff costs of approximately HK$9,743,000 (2018: HK$8,192,000) was included in cost of sales.

7. INTERIM DIVIDENDS

The Board does not recommend the payment of an interim dividend for the three months ended 30 November 2019 (2018: Nil).

8. EARNINGS PER SHARE

	Three months ended 30 November	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit and total comprehensive income for the period attributable to the owners of the Company	**267**	210

	Number of shares	
	'000	'000
Number of shares		
Weighted average number of ordinary shares	**1,600,000**	1,600,000

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the three months ended 30 November 2019 and 2018.

9. CAPITAL COMMITMENT

As at 30 November 2019, the Group had capital commitments of HK$228,000 (31 August 2019: HK$342,000) in relation to the acquisition of new software.

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.

During the Period, we have undertaken various installation and maintenance projects for various customers from both private sectors and government departments such as Hong Kong Police Force, Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. During the Period, some of the major projects were completed, such as the supply and installation of control system for hourly visitors and owners' carpark at Parc Palais, the supply and installation of wind management display at Hong Kong-Zhuhai-Macao Bridge and the upgrading of CCTV system and camera at Kai Tak Garden Shopping Arcade.

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

In addition to government contracts, the Group has also successfully bided for a number of security projects in the private sector, for areas covering Aberdeen Center, The Papillons and Sky View Cliff at Conduit Road during this Period.

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 example, 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 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.

OUTLOOK AND PROSPECTS (continued)

Apart from the existing ELV solutions, the Group has expanded its scope of business and commenced the security guarding services. The 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 providing new blood for the industry.

We believe that the next major trend that shapes the century will depend on the internet and embedded technology. In other words, IOT is now becoming part of every aspect of our lives. As such, the Group acquired equity interest in Starfire Technology Group Limited 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. Several projects are in progress and are expected to be completed on schedule, such as upgrading intelligent lamp-posts with Highway Department and IOT upgrading in Everbright Centre.

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

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately 18.49% from approximately HK$21,512,000 for the three months ended 30 November 2018 to approximately HK$25,490,000 for the three months ended 30 November 2019. The increase in revenue is mainly due to increase in maintenance services income during the Period.

Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised direct labour, direct material and equipment. The cost of sales increased by approximately 22.51% from approximately HK$15,120,000 for the three months ended 30 November 2018 to approximately HK$18,523,000 for the three months ended 30 November 2019. Such increase is in line with the increase in revenue.

The Group's gross profit increased by approximately 9.00% from approximately HK$6,392,000 for the three months ended 30 November 2018 to approximately HK$6,967,000 for the three months ended 30 November 2019.

Administrative Expenses

The Group's administrative expenses increased by approximately 7.17% from approximately HK$6,070,000 for the three months ended 30 November 2018 to approximately HK$6,505,000 for the three months ended 30 November 2019, which is mainly due to the expansion of the administrative department with more staff for security guarding operations.

FINANCIAL REVIEW (continued)

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$44,000.

Profit attributable to owners of the Company

The Group recorded a profit attributable to owners of the Company of approximately HK$267,000 for the three months ended 30 November 2019 (2018: HK$210,000). The increase in the profit attributable to owners of the Company is mainly due to the increase in maintenance services income during the Period.

Dividend

The Board does not recommend a payment of an interim dividend for the three months ended 30 November 2019 (2018: Nil).

Financial Assets at Fair Value Through Profit or Loss

As at 30 November 2019, the Group's financial assets at fair value through profit or loss consisted of securities listed on the Stock Exchange and its performance was as follows:

Company Name/(Stock Code)	Number of shares held at 30 November 2019	Percentage of shareholding at 30 November 2019	Carrying amount at 31 August 2019 HK$'000	Fair value loss for the period ended 30 November 2019 HK$'000	Fair value at 30 November 2019 HK$'000	Percentage of total financial assets at fair value through profit or loss at 30 November 2019	Percentage of total assets of the Group as at 30 November 2019
AEC Group (8320)	2,250,000	0.19%	214	(68)	146	100%	0.21%

FINANCIAL REVIEW (continued)

Financial Assets at Fair Value Through Profit or Loss (continued)

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.

Commitments

Details of capital commitments are set out in note 9 to the unaudited condensed consolidated financial statement.

Contingent Liabilities

The Group had no significant contingent liabilities as at 30 November 2019.

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.

FINANCIAL REVIEW (continued)

Use of Proceeds from the Listing

The Company's shares were successfully listed on GEM of the Stock Exchange on 10 March 2017 (the "Listing Date") by way of share offer. After deduction of all related listing expenses and commissions, the net proceeds from listing amounted to approximately HK$31.5 million. As announced by the Company on 20 September 2019, certain unutilised proceeds from the Listing will be re-allocated for other purposes. Up to 30 November 2019, the Group has utilised proceeds from the Listing of approximately HK$19.5 million. A summary of utilised and unutilised proceeds are set out in the table below:

Intended use of proceeds	Revised allocation of unutilised net proceeds as at 31 August 2019 HK$' million (note i)	Approximate amount utilised as at 30 November 2019 HK$' million	Approximate amount unutilised as at 30 November 2019 HK$' million	Notes
Obtaining additional licences and qualifications	3.5	–	3.5	ii
Expansion of existing security guarding operating segment	5.0	1.5	3.5	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	1.5	5.0	iv
Total	15.0	3.0	12.0	

FINANCIAL REVIEW (continued)

Use of Proceeds from the Listing (continued)

Notes:

(i) As announced in the announcement on business update dated on 20 September 2019, the Directors have resolved to change the use of unutilised net proceeds from the 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 proceeds is intended to be utilised in three years.

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

OTHER INFORMATION

SHARE OPTION SCHEME

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

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

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

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

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

Unless terminated by the Company by shareholders 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 or potential contribution to the Group. The Share Option Scheme will reward the Eligible Participants who have contributed or will contribute to the Group and to motivate the Eligible Participants to optimise their performance efficiency for the 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 by the Company under the Share Option Scheme during the three months ended 30 November 2019. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 30 November 2019 and up to the date of this report.

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

So far as the Directors are aware, as at 30 November 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.48 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, are as follows:–

Long positions in the Shares

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

Notes:

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

(2) The approximate percentage of shareholding is calculated based on 1,600,000,000 Shares in issue as at 30 November 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 of the 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.

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

Save as disclosed above, as at 30 November 2019 and as at the date of this report, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 30 November 2019, so far as the Directors are aware, 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 Shareholders	Capacity/Nature of interest	Number of Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 2)*
ECI Asia Investment Limited *(Note 3)*	Beneficial owner	880,000,000 (L)	55%
Mr. Yang Shuo	Beneficial owner	320,000,000 (L)	20%

Notes:

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

(2) The approximate percentage of shareholding is calculated based on 1,600,000,000 shares in issue as at 30 November 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.

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

Save as disclosed above, as at 30 November 2019 and as at the date of this report, no person, other than the Directors whose interests are set out in the section "Directors' and Chief Executive's interests and Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or short position in the Shares or underlying Shares that was required to be recorded pursuant to Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and as disclosed under the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" above, at no time for the three months ended 30 November 2019 and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of shares in, or debentures of, the Company or any other body corporate.

INTEREST IN COMPETING BUSINESSES

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

INTEREST IN COMPETING BUSINESSES (continued)

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

For the three months ended 30 November 2019 and up to the date of this report, save and except for the interest the Directors have in the Company and its subsidiaries, none of the Directors, the controlling shareholders or their respective close associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group and any other conflicts of interest with the Group.

CORPORATE GOVERNANCE CODE

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

The Company has adopted the code provisions stated in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules ("Corporate Governance Code"). Except for the deviation from provision A.2.1 of the Corporate Governance Code, the Company's corporate governance practices have complied with the Corporate Governance Code during the three months ended 30 November 2019 and up to the date of this report.

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

COMPLIANCE WITH THE CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific 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 the Directors adopted by the Company for the three months ended 30 November 2019 and up to the date of this report.

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

Neither did the Company redeem nor did the Company or any of its subsidiaries purchase or sell any of the Company's listed securities during the three months ended 30 November 2019 and up to the date of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by Kingsway Capital Limited ("Kingsway"), the compliance adviser of the Company from the Listing Date up to 2 December 2019 (when Kingsway resigned as the compliance adviser), save for the compliance adviser agreement entered into between the Company and Kingsway dated 12 October 2016, neither Kingsway nor any of its close associates (as defined in the GEM Listing Rules), its 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 30 November 2019 and up to the date of this report.

AUDIT COMMITTEE

The Company has established the audit committee ("Audit Committee") on 17 February 2017 in compliance with Rule 5.28 of the GEM Listing Rules. Written terms of reference in compliance with paragraph C.3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review the 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 discussed the financial reporting matters with senior management of the Company relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the three months ended 30 November 2019.

AUDIT COMMITTEE (continued)

The findings in relation to the unaudited condensed consolidated financial statements of the Group for the three months ended 30 November 2019 have been taken into consideration by the Audit Committee in its review of the quarterly results for the three months ended 30 November 2019, which have been approved by the Board on 14 January 2020 prior to its issuance.

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

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