

# ECI Technology Holdings Limited

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



**2019**  
Third Quarterly Report

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*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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# 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

## AUDITOR

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

## COMPLIANCE ADVISER

Kingsway Capital Limited  
7/F, Tower One, Lippo Centre  
89 Queensway  
Hong Kong

## LEGAL ADVISER

*As to Hong Kong law*

Raymond Siu & Lawyers  
Unit 1802, 18/F  
Ruttonjee House  
11 Duddell Street  
Central  
Hong Kong

## PRINCIPAL BANKER

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Trust (Cayman) Limited  
Clifton House  
75 Fort Street  
PO Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR

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

## GEM STOCK CODE

8013

## COMPANY'S WEBSITE

[www.ecinfohk.com](http://www.ecinfohk.com)

## FINANCIAL HIGHLIGHTS

Revenue of ECI Technology Holdings Limited (the “Company”) and its subsidiaries (the “Group”) for the nine months ended 31 May 2019 (the “Period”) amounted to approximately HK\$73,666,000 (31 May 2018: approximately HK\$69,232,000) while gross profit of the Group for the same period amounted to approximately HK\$23,636,000 (31 May 2018: approximately HK\$20,638,000).

The profit and total comprehensive income of the Group for the nine months ended 31 May 2019 amounted to approximately HK\$3,872,000 (31 May 2018: approximately HK\$3,010,000). The increase in profit and total comprehensive income for the Period is mainly due to the increase in number of installation projects completed during the Period.

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

## FINANCIAL RESULTS

The Board is pleased to announce the unaudited consolidated financial results of the Group for the three months and nine months ended 31 May 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 nine months ended 31 May 2019

	Notes	Three months ended 31 May		Nine months ended 31 May	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Revenue	4	24,136	24,676	73,666	69,232
Cost of sales		(17,613)	(19,028)	(50,030)	(48,594)
Gross profit		6,523	5,648	23,636	20,638
Other income and gain		289	82	467	172
Administrative expenses		(5,954)	(5,088)	(18,631)	(16,338)
Share of losses of an associate	5	-	-	(2)	-
Realised gain on disposal of held-for-trading investments		-	-	-	6
Unrealised loss on fair value change on financial assets at fair value through profit or loss/held-for-trading investments		(57)	(47)	(41)	(96)
Profit from operations		801	595	5,429	4,382
Finance costs		(52)	(57)	(186)	(214)
Profit before taxation		749	538	5,243	4,168
Income tax expenses		(173)	(302)	(1,083)	(1,158)
Profit for the period	6	576	236	4,160	3,010

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the nine months ended 31 May 2019

	Notes	Three months ended 31 May		Nine months ended 31 May	
		2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Other comprehensive expense					
<i>Item that may be reclassified to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		(288)	-	(288)	-
Other comprehensive expense, net of income tax		(288)	-	(288)	-
Profit and total comprehensive income for the period attributable to owners of the Company		288	236	3,872	3,010
Earnings per share attributable to owners of the Company Basic and diluted (HK cent)	7	0.018	0.015	0.242	0.188

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 May 2019

	Attributable to owners of the Company					Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note 1)	Translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 September 2017 (audited)	16,000	24,187	2,301	-	8,326	50,814
Profit and total comprehensive income for the period	-	-	-	-	3,010	3,010
At 31 May 2018 (unaudited)	16,000	24,187	2,301	-	11,336	53,824
At 1 September 2018 (audited)	16,000	24,187	2,301	-	9,450	51,938
HKFRS 9 adjustment (Note 2)	-	-	-	-	(668)	(668)
At 1 September 2018 (restated)	16,000	24,187	2,301	-	8,782	51,270
Profit for the period	-	-	-	-	4,160	4,160
Other comprehensive expense for the period	-	-	-	(288)	-	(288)
Profit and total comprehensive income for the period	-	-	-	(288)	4,160	3,872
At 31 May 2019 (unaudited)	16,000	24,187	2,301	(288)	12,942	55,142

### Notes:

- Other reserve represents the difference between the nominal value of the issued capital of subsidiaries acquired pursuant to a group reorganisation over the consideration paid for acquiring these subsidiaries.
- Details of effect of HKFRS 9 are set out in note 3 to the condensed consolidated financial statements.

# 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 GEM of the Stock Exchange on 10 March 2017.

The address of registered office and principal place of business in Hong Kong of the Company are disclosed in the corporate information section in the Company's third quarterly report.

The Company is principally engaged in investment holding. The principal activity of its major operating subsidiary is the provision of installation and maintenance services. The ultimate holding company and immediate 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 Group is Dr. Ng Tai Wing ("Dr. Ng").

These unaudited condensed consolidated financial statements for the nine months ended 31 May 2019 are presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the Period have been prepared in accordance with accounting principles generally accepted in Hong Kong which include Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosures required by the GEM Listing Rules.

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

The accounting policies and methods of computation used in preparing the unaudited condensed consolidated financial statements for the nine months ended 31 May 2019 are consistent with those used in the audited consolidated financial statements of the Group for the year ended 31 August 2018, except for the adoption of the new HKFRSs and amendments to HKFRSs that are relevant and effective for the annual period beginning on 1 September 2018 as further explained in Note 3. The unaudited condensed consolidated statements for the nine months ended 31 May 2019 do not include all the information and disclosures required in the consolidated financial statements for the year ended 31 August 2018 and should be read in conjunction the consolidated financial statements for the year ended 31 August 2018.

These 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

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

#### **Interest in an associate**

During the current period, the Group acquired equity interest in an associate. Details are set out in Note 5.

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

#### Interest in an associate *(Continued)*

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

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

#### Application of new and amendments to HKFRSs

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 1 and HKAS 28	Annual Improvements to HKFRSs 2014-2016 Cycle
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property

### **3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS** *(Continued)*

#### **Application of new and amendments to HKFRSs** *(Continued)*

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

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

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

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

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Classification and measurement of financial assets

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

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

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Classification and measurement of financial assets *(Continued)*

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

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

###### *Financial assets at FVTPL*

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Classification and measurement of financial assets *(Continued)*

###### *Financial assets at FVTPL *(Continued)**

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

###### Impairment under ECL model

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Impairment under ECL model *(Continued)*

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

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

###### *Significant increase in credit risk*

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Impairment under ECL model *(Continued)*

###### *Significant increase in credit risk *(Continued)**

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Impairment under ECL model *(Continued)*

###### *Significant increase in credit risk *(Continued)**

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

- i) it has a low risk of default,
- ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
- iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

###### Impairment under ECL model *(Continued)*

###### *Measurement and recognition of ECL*

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

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

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

	Trade receivables HK\$'000	Contract assets HK\$'000	Retained earnings HK\$'000
Closing balances at 31 August 2018 – HKAS 39	18,530	-	9,450
Effect arising from initial application of HKFRS 15	-	14,082	-
Effect arising from initial application of HKFRS 9:			
Remeasurement:			
Impairment under ECL model (Note)	(547)	(121)	(668)
Opening balances at 1 September 2018	17,983	13,961	8,782

Note: Loss allowance for ECL

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

Note: Loss allowance for ECL *(Continued)*

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

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

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

The Group recognises revenue from the following major sources:

- Revenue from installation services
- Revenue from maintenance services

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

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

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

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

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

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

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

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

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

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

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

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

#### 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for installation projects and maintenance services rendered for the nine months ended 31 May 2019 and 31 May 2018.

	Three months ended		Nine months ended	
	31 May		31 May	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Installation services	12,499	13,350	39,846	33,990
Maintenance services	11,382	11,326	33,535	35,242
Others*	255	–	285	–
	24,136	24,676	73,666	69,232

\* During the nine months ended 31 May 2019, the Group commenced new business in respect of provision of security service.

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

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. INTEREST IN AN ASSOCIATE

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

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

## 6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Three months ended 31 May		Nine months ended 31 May	
	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000	2018 (Unaudited) HK\$'000
Directors' remuneration				
– Salaries, allowances and other benefits	696	635	2,088	1,820
Other staff costs (excluding directors' emoluments)				
– Salaries, allowances and other benefits	11,319	10,014	32,807	29,730
– Contributions to retirement benefit scheme	521	473	1,518	1,400
<b>Total staff costs</b>	<b>12,536</b>	<b>11,122</b>	<b>36,413</b>	<b>32,950</b>
Auditor's remuneration	179	114	539	342
Depreciation of property, plant and equipment	389	326	1,223	826
Amortisation of intangible asset	20	19	59	26
Minimum lease payments under operation lease charges in respect of rented office premises, carparks and warehouse	419	270	1,215	841

Note: Staff cost of approximately HK\$27,145,000 (31 May 2018: approximately HK\$25,985,000) was included in cost of sales.

## 7. EARNINGS PER SHARE

	Three months ended		Nine months ended	
	31 May		31 May	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Earnings</b>				
Profit and total comprehensive income for the period attributable to owners of the Company for the purpose of basic and diluted earnings per share	288	236	3,872	3,010
<b>Number of shares</b>				
	'000	'000	'000	'000
Weighted average number of ordinary shares for the purpose of basic earning per share	1,600,000	1,600,000	1,600,000	1,600,000

Diluted earnings per share were the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding for the nine months ended 31 May 2019 and 31 May 2018.

## 8. INTERIM DIVIDEND

No dividend has been paid, declared or proposed by the Company during the nine months ended 31 May 2019 and 2018, nor has any dividend been proposed since the end of the reporting period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

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

Our customers are mainly property developers and property management companies from the private sectors and government authorities such as Drainage Services Department, Leisure and Cultural Services Department, Electrical and Mechanical Services Department, etc. from public sector. Some major projects such as upgrading of supervisor control and data acquisition system at Tai Po Sewage Treatment Work, supply of assess control and monitor system at Castle Peak Hospital and supply and installation of anemometers and associated facilities at Tsing Ma Bridge, etc., were completed during the Period.

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

The Group will respond to government policy and identify and capture opportunities to expand its market share of existing operation on installation projects and maintenance works. The Group benefits from recent government infrastructure development, namely the Hong Kong-Zhuhai-Macau Bridge. Three-year maintenance works, commencing from June 2019, was awarded to the Group with contract sum of approximately HK\$40.0 million.

## **BUSINESS REVIEW** *(continued)*

Apart from the expanded operations, the Group has been continuously diversifying its scope of business. During the Period, the Group has commenced the security guarding services by providing temporary staffs at the Rambler Crest and the Papillion, etc. It is expected that the security guarding services will become one of the major operating segments of the Group in the coming future.

For the Period, the Group has recorded a revenue of approximately HK\$73,666,000, representing an increase of approximately 6.40% from approximately HK\$69,232,000 for the nine months ended 31 May 2018. The profit and total comprehensive income of the Group of approximately HK\$3,872,000 for the Period compared to approximately HK\$3,010,000 for the nine months ended 31 May 2018. Such increase is mainly due to the increase in the number of installation projects completed during the Period.

## **OUTLOOK AND PROSPECTS**

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

## OUTLOOK AND PROSPECTS *(continued)*

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

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

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

## OUTLOOK AND PROSPECTS *(continued)*

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

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by approximately 6.40% from approximately HK\$69,232,000 for the nine months ended 31 May 2018 to approximately HK\$73,666,000 for the Period. The increase in revenue is mainly due to the increase in number of installation projects completed during the Period.

### Cost of Sales and Gross Profit

The majority of the Group's cost of sales comprised direct labour, direct material and equipment. The cost of sales increased by approximately 2.96% from approximately HK\$48,594,000 for the nine months ended 31 May 2018 to approximately HK\$50,030,000 for the Period, which is in line with the increase of revenue.

The Group's gross profit increased by approximately 14.53% from approximately HK\$20,638,000 for the nine months ended 31 May 2018 to approximately HK\$23,636,000 for the Period.

### Administrative Expenses

The Group's administrative expenses increased by approximately 14.03% from approximately HK\$16,338,000 for the nine months ended 31 May 2018 to approximately HK\$18,631,000 for the Period, which is mainly due to increase in rental expenses and depreciation of premises.

### Share of Losses of an Associate

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

## **Profit Attributable to Owners of the Company**

The Group recorded a profit attributable to owners of the Company of approximately HK\$3,872,000 for the nine months ended 31 May 2019 (31 May 2018: approximately HK\$3,010,000). Such increase was mainly due to increase in the number of installation projects completed during the Period.

## **Dividend**

The Board does not recommend a payment of an interim dividend for the nine months ended 31 May 2019 (31 May 2018: Nil).

## **Investment in the People's Republic of China**

During the Period, the Group incorporated a wholly-owned subsidiary in the People's Republic of China. The estimated investment cost was HK\$10.0 million which was not yet settled as at 31 May 2019. The subsidiary is currently inactive and its tentative principal business scope is operation of on-line trading platform.

## **Interest in an Associate**

During the Period, 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 5 to the condensed consolidated financial statements.

## **Contingent Liabilities**

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

## **Capital Commitments**

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

## **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 Assets at Fair Value Through Profit or Loss

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

Company Name/(Stock Code)	Number of shares held at 31 May 2019	Percentage of shareholdings at 31 May 2019	Carrying amount at 31 August 2018 HK\$'000	Unrealised loss on fair value change for the period ended 31 May 2019 HK\$'000	Fair value at 31 May 2019 HK\$'000	Percentage of total financial assets at fair value through profit or loss at 31 May 2019	Percentage of total assets of the Group as at 31 May 2019
Allied Sustainability and Environmental Consultants Group Limited (8320)	2,250,000	0.19%	333	(41)	292	100.00%	0.42%

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

As disclosed in the annual report of AEC for the year ended 31 March 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.

## 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 placing and public offer. After deduction of all related listing expenses and commissions, the net proceeds from the Listing amounted to approximately HK\$31,500,000. Up to 31 May 2019, the Group has utilized proceeds from the Listing of approximately HK\$15,900,000 and a summary of use of proceeds are set out in the table below:

Intended use of proceeds	Proposed amount to be utilized	Actual approximate amount utilized up to 31 May 2019	Unused amount as at 31 May 2019
Expanding our existing ELV solutions business by offering instalment payment option to our customers	HK\$12.0 million	HK\$1.6 million	HK\$10.4 million
Obtaining additional licences and qualifications	HK\$4.4 million	HK\$0.3 million	HK\$4.1 million
Reducing our gearing ratio by repaying a bank borrowing in an one-off manner	HK\$8.0 million	HK\$8.0 million	–
Purchasing five additional commercial vehicles and two street lamp cars	HK\$3.0 million	HK\$3.0 million	–
Developing new mobile app for our customers to place their order for maintenance services	HK\$1.5 million	HK\$0.4 million	HK\$1.1 million
For working capital and other corporate development purposes	HK\$2.6 million	HK\$2.6 million	–
<b>Total</b>	<b>HK\$31.5 million</b>	<b>HK\$15.9 million</b>	<b>HK\$15.6 million</b>

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

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

No option has been granted by the Company under the Share Option Scheme during the nine months ended 31 May 2019. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 31 May 2019 and up to the date of this report.

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

So far as the Directors are aware, as at 31 May 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 <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Dr. Ng Tai Wing ("Dr. Ng")	Interest in controlled corporation <i>(Note 3)</i>	880,000,000 (L)	55%
Ms. Wong Tsz Man	Interest of spouse <i>(Note 4)</i>	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 May 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.

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

(Continued)

### Long positions in the Shares (Continued)

Save as disclosed above, as at 31 May 2019 and as at of the date of this report, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise required pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

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

As at 31 May 2019, so far as the Directors are aware, the following persons, other than a Director or chief executive of the Company as disclosed in "Directors, and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures", have or are deemed or taken to have an interest and/or short position in the shares or the underlying shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Notes:

- (1) The letter "L" denotes the person's long position in the shares.
- (2) The approximate percentage of shareholding is calculated based on 1,600,000,000 shares in issue as at 31 May 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 31 May 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 nine months ended 31 May 2019 and up to the date of this report, was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the GEM Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or to acquire benefits by means of acquisitions of Shares in, or debentures of, the Company or any other body corporate.

## **INTEREST IN COMPETING BUSINESSES**

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

## **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 nine months ended 31 May 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 code provision A.2.1 of the Corporate Governance Code, the Company’s corporate governance practices have complied with the Corporate Governance Code during the period from the Listing Date and up to the date of this report.

Code provision A.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive officer 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 is one of the founders of the Group and has been operating and managing the Group since 2003, the Board believes that the vesting of the roles of chairman and chief executive officer in Dr. Ng is beneficial to the business operations and management of the Group and will provide a strong and consistent leadership to the Group. Accordingly, the Directors consider that the deviation from code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

## **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 nine months ended 31 May 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 nine months ended 31 May 2019 and up to the date of this report.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by Kingsway Capital Limited ("Kingsway"), the compliance adviser of the Company, save for the compliance adviser agreement entered into between the Company and Kingsway dated 12 October 2016, neither Kingsway nor any of its close associates (as defined in the GEM Listing Rules), 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 May 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 as set out in Appendix 15 to the GEM Listing Rules has been adopted. Among other things, the primary duties of the Audit Committee are to make recommendations to the Board on appointment or reappointment and removal of external auditor; review financial statements of the Company and judgments in respect of financial reporting; and oversee internal control 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 nine months ended 31 May 2019.

The findings in relation to the unaudited condensed consolidated financial statements of the Group for the nine months ended 31 May 2019 have been taken into consideration by the Audit Committee in its review of the quarterly results for the nine months ended 31 May 2019, which have been approved by the Board on 11 July 2019 prior to its issuance.

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

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