Analogue Holdings Limited

安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1977)

2019 Annual Report

About Analogue Holdings Limited

Established in 1977 and headquartered in Hong Kong, Analogue Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is a leading electrical and mechanical ("E&M") engineering service provider in Hong Kong, with substantial operations in Macau and Mainland China. The Group provides multi-disciplinary and comprehensive E&M engineering and technology services in different segments, including Building Services, Environmental Engineering, Information, Communications and Building Technologies ("ICBT") and Lifts & Escalators to a wide spectrum of customers from the banking, property development, education, entertainment, hospitality, information technology, data centres, transportation and utilities sectors, as well as departments of the Hong Kong SAR Government. The Group also manufactures and sells Anlev lifts and escalators internationally. Nanjing Canatal Data Centre Environmental Tech Company Limited, an associate of the Group specialised in manufacturing of precision air conditioners, has been listed on the main board of the Shanghai Stock Exchange since November 2017.

Highlights of 2019 financial year

HK$4.5bn
Revenue

17.6%
Gross profit margin

HK$9.4bn
Outstanding contracts in hand

5.5%
Net profit margin

Contents

Milestones

1977

The Group was founded by Dr. Poon

1978

Secured our first sewage treatment plant project in Hong Kong

1985

Secured our first major computer centre installation project in Hong Kong

1999

Completed one of the world's largest wastewater treatment plants

2002

Opened our principal Mainland China office in Beijing

Set up 24 x 7 call centre, providing reliable after-sales service and technical support

2003

Obtained our first building services project in Macau

2004

Secured the first cross border control system (e-Channels) project in Hong Kong

Set up our manufacturing plant in Nanjing to manufacture lifts and escalators

2011

Secured the first major data centre project from a listed company in Hong Kong

2014

Secured the first organic waste treatment facilities project in Hong Kong

2017

Nanjing Canatal, our associate company, was listed on the Shanghai Stock Exchange

2018

Secured one of the Hong Kong Government's largest data centre projects

2019

The Company was listed on the Hong Kong Stock Exchange

Cloud-based Chiller Plant Energy Management Platform won the Silver Award for Smart Business (Big Data and Open Data Applications) at Hong Kong ICT Awards 2019

Financial Highlights

	2019 HK$'M	2018 HK$'M
Value of outstanding contracts	**9,408.5**	7,419.6
Revenue	**4,481.9**	5,966.0
Gross profit	**786.7**	888.4
Profit attributable to equity holders of the Company	**245.0**	315.3
Basic earnings per share	**HK$0.20**	HK$0.30

The Board has resolved to pay a second interim dividend of HK5.07 cents per share for the year ended 31 December 2019[(i)].

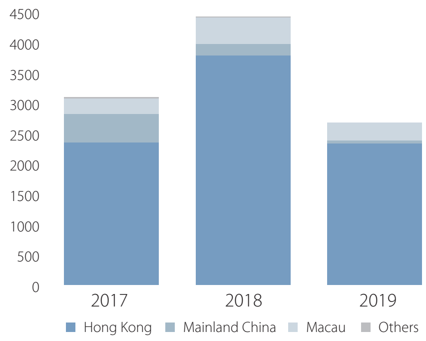
(i) The second interim dividend for the year ended 31 December 2019 of HK5.07 cents per share, in an aggregate amount of HK$70,980,000, has been paid in April 2020. Together with the first interim dividend of HK3.85 cents per share, amounted to HK$53,900,000 in aggregate, paid in October 2019, total distribution of dividends made by the Company for the year ended 31 December 2019 will be HK8.92 cents per share, amounted to HK$124,880,000 in aggregate, representing a dividend payout ratio, based on the net profit of HK$245.0 million, of 51.0%.

REVENUE BY GEOGRAPHICAL LOCATION - BY SEGMENT

Building Services

For the year end 31 December

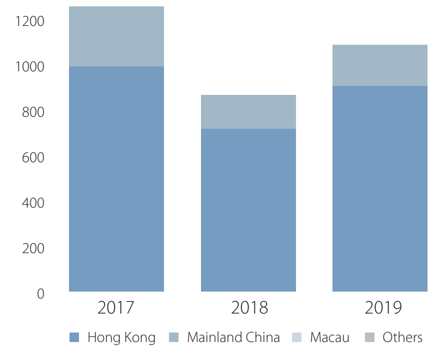
HK$'M



Environmental Engineering

For the year end 31 December

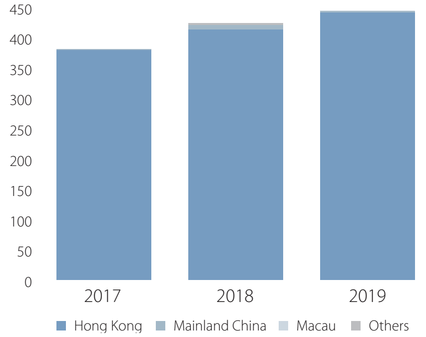
HK$'M



ICBT

For the year end 31 December

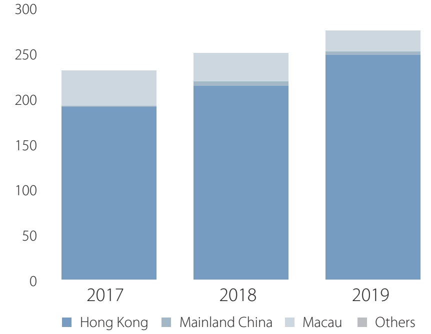
HK$'M



Lifts and Escalators

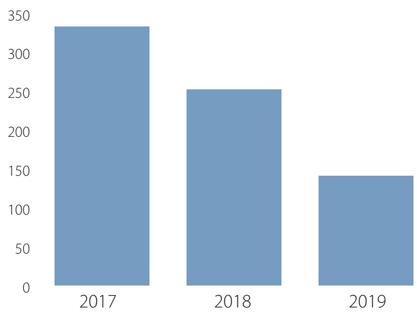
For the year end 31 December

HK$'M

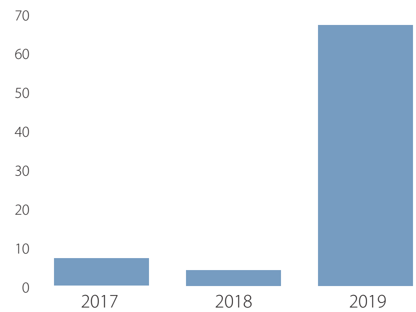


SEGMENT PROFIT

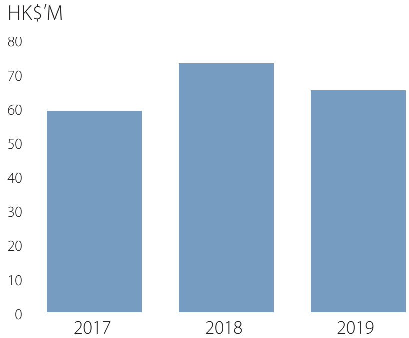
Building Services
For the year end 31 December
HK$'M



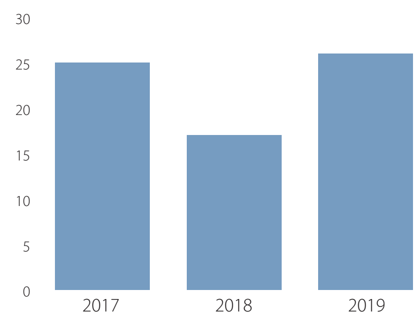
Environmental Engineering
For the year end 31 December
HK$'M



ICBT
For the year end 31 December
HK$'M

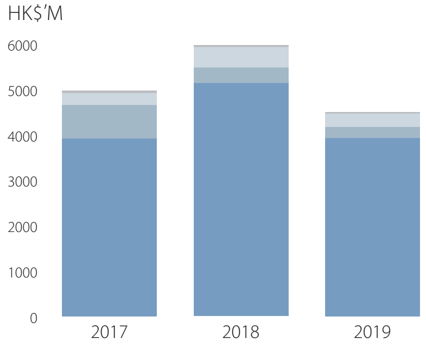


Lifts and Escalators
For the year end 31 December
HK$'M

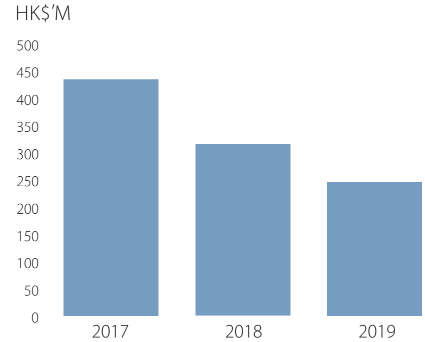


ANALOGUE HOLDINGS – CONSOLIDATED

Revenue by geographical location
For the year end 31 December
HK$'M



Profit for the year
For the year end 31 December
HK$'M



Chairman's Statement

"As we forge ahead, we continue to honour our guiding principles – "We Commit, We Perform, We Deliver" and our future will be based additionally on "New Technology", "New Market" and "New Business Model" strategy."

Over the past year, market conditions have generally been challenging due to many geopolitical, economic and social uncertainties. Nonetheless, with a solid foundation built from over 40 years, and an unwavering commitment to innovation and long-term growth, Analogue Holdings Limited have maintained our position as a leading electrical and mechanical ("E&M") engineering services provider in Hong Kong, with operations in Macau, Mainland China and overseas, engaging in Building Services, Environmental Engineering, Information, Communications and Building Technologies ("ICBT") and Lifts & Escalators.

A highlight of the year under review was our successful listing on the Main Board of The Stock Exchange of Hong Kong Limited in July 2019 and inclusion in the MSCI Hong Kong Micro Cap Index, marking another milestone that will consolidate our market leadership, as well as provide a platform to further our development and expansion. While the Group is encouraged by this achievement, we are fully mindful of our obligation to continue upholding and building trust between the Company and its subsidiaries (collectively, the "Group") and its staff, stakeholders and shareholders, and to further enhance our four business pillars.

Our business performance clearly reflects our dedication to sustainable development, with all four business segments achieving progress despite a business environment that worsened during the second half of the year under review. The Group recorded HK$4.5 billion in revenue, and generated a net profit of HK$245.0 million. Orders on hand reached a record-breaking high of HK$9.4 billion. Among the projects that we secured included installation of E&M systems and pumping facilities at the Intermodal Transfer Terminal Building and Skypier project at the airport; installation of E&M systems for Grade A office and retail development at the heart of Kai Tak Area; and the provision of E&M maintenance service for the Hong Kong Boundary Crossing Facilities at the Hong Kong-Zhuhai-Macao Bridge. We believe that all of the above projects will create favourable growth momentum ahead. The Group remains in a healthy net cash position, with total cash and bank balances of HK$901.6 million as at 31 December 2019, thus setting a solid foundation for further growth.

As we forge ahead, we continue to honour our guiding principles – "We Commit, We Perform, We Deliver" to provide professional, efficient and quality E&M engineering services and our future will be based additionally on "New Technology", "New Market" and "New Business Model" strategy. Correspondingly, we will explore opportunities for expanding our existing E&M engineering services, as well as invest in research and development ("R&D") on environmental, information communications and building technologies to consolidate the Group's leading position. Recently, we have launched virtual and augmented reality in construction, a new innovation that enables builders, engineers and designers to take their Building Information Modelling (BIM) data off the construction site and experience it in an immersive, full-scale 3D environment. We are also cooperating with universities in conducting joint research on specialised waste water treatment techniques, and further expanding our ICBT business to seize opportunities from developments such as the Hong Kong Government's "Smart City" initiatives, the digitalisation of building technologies and the development of Internet of Things (IoT). We have consequently leveraged our innovative technologies and R&D strengths to advance various environmental projects to make our city cleaner, more energy efficient and smarter. We will also explore potential merger and acquisition opportunities for the Lifts and Escalators operation, in order to enhance its market penetration and financial performance.

We take our staff to heart. To expedite their development, we have placed efforts and resources on training, which we believe is also an investment in our own ability to innovate and sustain a multi-disciplinary E&M engineering group. Such efforts have been recognised by various organisations during the past year, including the Hong Kong Quality Assurance Agency, which nominated Analogue Holdings Limited as one of the "Outstanding Organisations" in Hong Kong.

Going forward, as the Group is now a listed entity in Hong Kong, we will take steps in ensuring that all aspects of the operation are optimised, including corporate governance. This will enable us to pursue new opportunities, including those arising from both the government and non-government sectors. The government has just announced the 2020-21 Budget. With its HK$78.3 billion budget on infrastructure expenditure, especially the Smart City Blueprint for Hong Kong 2.0 and the HK$3 billion budget for the Phase 2 of the Science Park Expansion Programme, it will provide favourable opportunities for our business. At the same time, apart from Hong Kong, we will also explore opportunities along the Greater Bay Area and One Belt One Road to further grow the Group's business.

Appreciation

I would like to take this opportunity to extend my gratitude to the Group's shareholders, business partners and customers for their trust and continuous support. Also, I wish to express my gratitude to the entire Analogue family for their dedication and diligence over the past year. I trust that the Group will continue to achieve progress in such areas of efficiency, sustainability and accountability, leading ultimately to favourable returns for our shareholders.

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 11 May 2020

Management Discussion and Analysis

BUSINESS REVIEW

Overview

2019 was a very busy year for us during which the Group put in great efforts to replenish and build our order book, following a year of record high business turnover in 2018. High level of tendering activities continued from the first half of 2019 into the second half of 2019 and the result also turned out to be rewarding. During the reporting period, the Group submitted a total of approximately 1,332 tenders or quotations each with a value of over HK$1 million. In the reporting period, approximately 316 tenders and quotations each with an individual value of over HK$1 million were awarded, the total value of which amounted to approximately HK$5.5 billion. The total value of tenders and quotations awarded in year ended 31 December 2019 ("FY2019") was approximately HK$6.5 billion, an increase of 13.3% compared to HK$5.7 billion in the year ended 31 December 2018 ("FY2018").

During the reporting period, we paid particular attention to growing our maintenance business of providing repair, servicing, operation, and associated minor alteration and fitting out works to customers. We believe that the maintenance market is growing steadily and is less susceptible to fluctuations in economic cycle and construction cycle of large contracting projects and hence will facilitate providing a steadier stream of income. Maintenance business also helps to maintain a continuing and close working relationship with our customers after the completion of a new project. In FY2019, 15.1% of our revenue was contributed by maintenance contracts which amounted to HK$679 million, an increase of 23.2% over that of FY2018. Moreover, in the reporting period, approximately HK$988 million of maintenance contracts was awarded, representing 15.3% of the value of contracts awarded by work nature, alongside 81.4% and 3.3% of contracting work and sales of goods respectively.

As at 31 December 2019, the Group saw a record high value of outstanding contracts in hand of approximately HK$9.4 billion (including contracting work, maintenance work and sales of goods), representing an increase of approximately HK$2.0 billion over that at 31 December 2018, and approximately HK$0.5 billion over that at 30 June 2019.

HK$6.5bn

Total value of order intake, up **13.3%** YOY

HK$679m

Revenue by maintenance contracts, up **23.2%** YOY

HK$9.4bn

A record high value of outstanding contracts in hand

HK$988m

Total value of maintenance contracts awarded

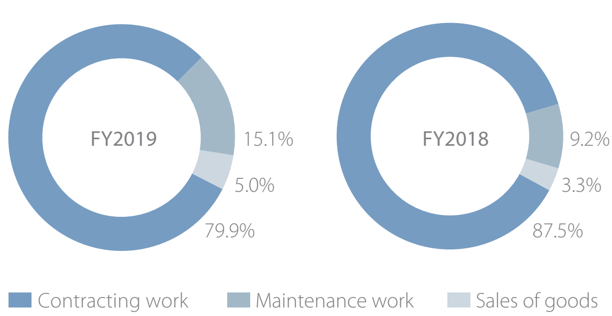
The Group recorded a total revenue of HK$4,482 million in FY2019, which was 24.9% lower compared to the FY2018, (the year 2018 being a year of record high business turnover). The decrease in revenue in FY2019 was mainly attributable to a few factors in building services contracting, including the substantial completion of a number of large contracting projects in 2018, as well as the delay in progress of some of the contracting projects in Hong Kong resulting in a decrease in project billing for the reporting period compared to the corresponding period in 2018 (such delay being caused by, among a number of factors, delay by other parties). Following the factors mentioned above, the Group recorded a consolidated net profit for the year of HK$245.0 million, which represents a decrease of 22.3% compared to FY2018.

Notwithstanding the drop in revenue and profit in amounts, the gross profit margin was improved to 17.6% in FY2019, compared to 14.9% in FY2018. The improvement in the Group's gross profit margin was due to improved gross profit margin of each of its four business segments, namely, Building Services from 12.6% (2018) to 12.9% (2019), Environmental Engineering from 11.0% (2018) to 17.7% (2019), ICBT from 26.4% (2018) to 27.6% (2019), and Lifts and Escalators from 38.2% (2018) to 40.9% (2019). The increased proportions of maintenance work and sales of goods awarded, which contributed a higher gross profit margin than contracting work to the overall revenue stream in FY2019, compared to their proportions in FY2018, also contributed to the improvement in the Group's gross profit margin. The revenue ratio of contracting work, maintenance work and sales of goods was 79.9%, 15.1% and 5.0% respectively in FY2019, compared to the revenue ratio of 87.5%, 9.2% and 3.3% respectively in FY2018. The net profit margin of the Group in FY2019 was also improved to 5.5%, compared to 5.3% in FY2018.

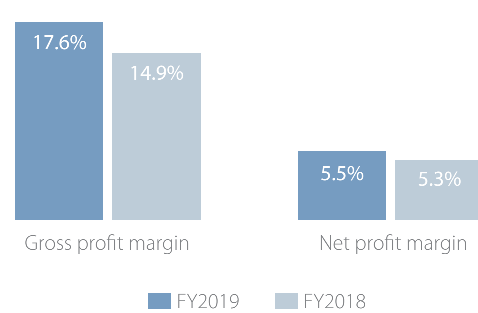
Building Services

Our building services segment continued to be the largest business segment of the Group in terms of revenue in the reporting period. Our capability encompasses the design, installation, testing and commissioning and maintenance of heating ventilation and air-conditioning (HVAC) systems, fire services (FS) systems, plumbing and drainage (P&D) systems, electrical (EL) and extra low voltage (ELV) systems as well as combined services electrical and mechanical (E&M) engineering contracts. We serve customers in Hong Kong, Macau and mainland China for a wide range of buildings and premises including residential, commercial, industrial, institutional, data centre, hospital and healthcare, as well as infrastructure facilities such as airport, public transportation, road and tunnel, etc.

Revenue Ratio



Profit Margin



Management Discussion and Analysis

In FY2019, our building services segment expended special effort to replenish the order book and we are pleased to report that the effort proved to pay off. For contracting operation, we were able to, while maintaining our existing rich client base, enlist some major new customers. We were also successful in leveraging our competitive edge in multi-disciplinary capability and secured a number of large package projects. The major contracting projects of awarded value over HK$100 million secured in FY2019 include:

- A package project including HVAC, EL, FS, P&D, Building Management System (BMS) & ELV for the mixed commercial development in Kai Tak area of a new developer client
- A package project including HVAC, EL, FS, P&D & BMS for a commercial office development in Kai Tak area of an existing developer client
- A HVAC installation project for a commercial office development in Cheung Sha Wan of an existing developer client
- A HVAC installation project for a hotel development in Cheung Sha Wan of an existing developer client
- A package project including HVAC, EL, FS, P&D & BMS for a residential project in Tai Po of an existing developer client adopting Modular Integrated Construction (MiC) technology
- A package project including HVAC, EL, P&D and seawater pumping system for a transfer terminal building in Chek Lap Kok
- A P&D installation project for a commercial office development at Chek Lap Kok of an existing developer client
- A building services package installation project at Hong Kong-Zhuhai-Macao Bridge
- An EL and P&D installation project for the renovation of a service apartment in Cotai, Macau
- An EL installation project for a commercial development in Shanghai of an existing developer client

Mindful of the long term importance of maintenance projects to the Group, our building services team has spared no effort in bidding maintenance tenders during the reporting period. We are pleased to report that the outcome was fruitful and we were awarded a number of major maintenance projects the value of each of which was over HK$10 million, including:

- A 5-year maintenance contract for the building services equipment in 5 stations of a mass transit railway company
- An electrical and mechanical maintenance services contract for a radio television organisation in Kowloon
- A building services maintenance contract for a data centre in Tseung Kwan O
- A quadrennial term contract for the maintenance of HVAC installations at Hong Kong-Zhuhai-Macao Bridge
- A quadrennial term contract for the maintenance of electrical installations at Hong Kong-Zhuhai-Macao Bridge
- A triennial term contract for the maintenance of mechanical installations at Hong Kong-Zhuhai-Macao Bridge

To maintain our leading position in the market, we have stepped up our impetus in investing in, developing and implementing innovative construction technologies. We have resolved a series of technical, logistical and cross-border administration and statutory approval issues related to the adoption of the latest construction technology of Modular Integrated Construction (MiC) for the InnoCell residential project in Pak Shek Kok of the Hong Kong Science & Technology Park, one of the first construction project of its kind in Hong Kong. The project which started in 2019 was making good progress and a number of building modules with building services provisions fully furnished in a MiC factory in mainland China were duly inspected and delivered to site for final assembly and connections, with an expected completion in 2020. In other government, private development, data centre, healthcare and infrastructure projects, we are developing our ATAL Building Services Prefabrication & Modularisation Construction Technology (ABSPM) to adopt off-site prefabrication and modularisation of building services components in a systematic approach and on a wider scale in order to enhance quality, safety and productivity, and to mitigate the acute problems of aging and shortage of site workers.

As at 31 December 2019, the value of outstanding contracts of the Group in our Building Services segment amounted to HK$5,804 million, representing an increase of HK$2,188 million over that at 31 December 2018.

Environmental Engineering

Our environmental engineering segment provides total solutions for the design, construction, maintenance and operation of environmental engineering systems and treatment plants for water, wastewater, sludge, solid wastes and gas projects. Our strong technological expertise and proven track records in project delivery set us apart from our competitors, and firmly place us in the market leading position in environmental engineering segment in Hong Kong.

Through our in-house research and development (R&D) team and in collaboration with reputable universities, research institutes and technological partners in Hong Kong, mainland China and overseas, we have developed and adopted a number of advanced technologies on water, wastewater and solid waste treatment processes, including:

- ATAL Multistage Flocculation System (AMSFS I & II) for suspended solid removal in wastewater treatment
- ATAL Multistage Flocculation Magnetic (AMSFM), a containerised high rate clarifier system for black stream water treatment
- ATAL Biological Aerated Filter (ABAF), a high discharge quality, small foot-print filter for sewage treatment
- ATAL High Power Ultrasound (AHPUS) reactor used in sludge digestion
- ATAL Nano-bubble (ANANO) technology for wastewater treatment plant
- ATAL Electrocoagulation (AEC) process for high concentrated wastewater
- ATAL Extra-deep-bed Denitrification Filter (AEDNF) for wastewater tertiary treatment

These in-house advanced treatment processes give us the competitive edge not only for bidding tenders in Hong Kong but also tapping into the vast market of mainland China, which has set very stringent environmental control standards and ambitious national environmental targets under the current five years plan. During the reporting period, 13 contracts in mainland China were awarded to upgrade the existing plants adopting our own technologies AMSFSII & ABAF in order to meet the new environmental standards. Up to 31 December 2019, we have already had project references in most of the 34 provincial-level administrative divisions in mainland China.

Management Discussion and Analysis

Leveraging our strong technological expertise and proven track records in Hong Kong and mainland China, we are also exploring opportunities to provide environmental engineering service overseas, particularly to relevant belt and road countries. In 2019, by working with a large China state-owned enterprise, we secured a contract for the supply of technologies and equipment, including 5 years' operation, for a wastewater treatment plant project of capacity 50,000m^3/day in Nepal.

Operation and Maintenance (O&M) contracts have become an increasingly important income stream for our environmental engineering segment. With the completion of the organic waste treatment facility in Siu Ho Wan in the end of FY2018, the plant was under our operation and maintenance in FY2019, adding the total number of O&M contracts in this business segment to 13, of which 11 are in Hong Kong, 1 in mainland China and 1 in Nepal. These O&M contracts typically have a duration of 10 to 15 years, together with other maintenance contracts with a typical duration of 3 to 5 years, they can provide steady and recurrent income to the business segment for a relatively long time span.

As at 31 December 2019, the value of outstanding contracts of the Group in this business segment amounted to HK$2,335 million, representing a decrease of HK$330 million from that of 2018.

ICBT

The mission of our Information Communications and Building Technologies (ICBT) segment is to offer solutions to help build green and intelligent buildings and facilitate Hong Kong to become a smart city through integrating a wide range of information and communication technologies with building energy and management technologies. Through in-house R&D as well as in collaboration with many leading hardware and software business partners, universities and research institutes, we provide customised software and one-stop engineering solutions to meet diverse needs of our customers.

Building Management System (BMS), Extra Low Voltage (ELV) & Security Systems and Automatic Vehicles and Passengers Clearance Systems (e-Channels) are the three largest of the existing business sub-segments in our ICBT segment. With the escalating global effort to cope with climate change and the mega trend of smart city, we see new, rising business opportunities in providing advanced technological solutions in building energy optimisation and management, Internet of things (IoT) infrastructure and analytics, and Intelligent Transport.

Our award-winning Cloud-based Chiller Plant Energy Management Platform was commercialised in 2019. This in-house developed software works on a monthly subscription business model and has attracted the interests of many reputable clients of commercial buildings, with a number of orders received and more under negotiation during the reporting period. We have further developed a Fault Detection & Diagnostic (FDD) software and an Energy Management Visualisation (EMV) software which help better monitor the working conditions of building services equipment and building energy consumption pattern. FDD and EMV are ready for official launch in 2020.

Retro-commissioning of building services systems in offices, commercial and government buildings is to bring them back to the most energy efficient and optimal operation condition after such systems' operations for a number of years. This was another new technological service we were keen to promote in 2019. With 85% of the approximately 42,000 buildings in Hong Kong being over 20 years old (65% being over 10 years old), we see good business opportunities in our retro-commissioning services as well as the supply of other green and energy efficient equipment and energy saving retrofit installations.

Equipping office, commercial and government buildings with IoT infrastructure was a new stream of income in our ICBT segment in FY2019. Apart from IoT infrastructure orders for individual buildings, we also received orders for providing integrated IoT infrastructure from some leading developers for their cluster of buildings in Central and in Quarry Bay, as well as from Government for cluster of government buildings. To further enhance our service, we are going to launch the ATAL IoT Platform as well as more powerful analytical functions in 2020.

In Intelligent Transport, we secured an Automated Guided Vehicular (AGV) Parking System contract for the Hong Kong Science and Technology Park last year, the first commercialised smart parking system of its kind in Hong Kong, and are in the process of bidding for the second one. We are also embarking on other Intelligent Transport business opportunities including Free Flow Tolling system and Traffic Control Surveillance System, as well as EV Charging System, both the wired and wireless types, to help transform Hong Kong to an Asia's smart city.

As at 31 December 2019, the value of outstanding contracts of the Group in this business segment amounted to HK$834 million, representing an increase of HK$117 million over that at 31 December 2018.

Lifts & Escalators

Our lifts and escalators segment encompasses the design, manufacturing (under the trade name "Anlev"), sale, installation and maintenance of a wide range of lifts, escalators and moving walkways for different uses and meeting different requirements, including heavy duty escalators for public transport and large cargo and vehicular lifts. Anlev Elex Elevator Limited ("AnlevElex"), our wholly owned subsidiary, has obtained the highest rating in safety and quality performance for both the Lift Contractors' Performance Rating and Escalator Contractors' Performance Rating systems of the Hong Kong Electrical and Mechanical Services Department for 7 years or 28 consecutive quarters from the commencement of the quarterly rating systems in January 2013 up to the last quarter of 2019.

To further enhance safety and cope with the problem of shortage of skilful workers in the industry, we are embracing innovation and technologies. In lift installation, we have increased the use of scaffold-less installation method for improved safety and efficiency. In maintenance service, with the Anlev Predictive Maintenance & Remote Monitoring System (APMRMS) that we have developed and applied to the lifts we installed or under our maintenance contracts, we are able to monitor and analysis the performance of the lifts meticulously, taking timely and effective maintenance actions before a breakdown occurs, leading to improved performance reliability and reduced manpower requirement. In FY2019, we received our first order of APMRMS from a client for 35 lifts. With the APMRMS in place, routine maintenance frequency can be reduced from weekly to biweekly as agreed with client.

Capitalising on our outstanding performance ratings in safety and quality, the steady growth in order intake, revenue and gross profit continued in the segment in FY2019. On top of our normal projects of new lift installation and maintenance, we received many enquiries for modernisation of aged lifts in the reporting period primarily due to the increasing safety concern for lifts in society. In FY2019, we secured contracts for modernisation of lifts of total value HK$83.8 million and completed contracts of value of HK$44.5 million. Moreover, as the HKSAR Chief Executive announced in the 2018 Policy Address to launch a HK$2.5 billion "Lift Modernisation Subsidy Scheme" ("LIMSS") and subsequently in 2019 announced an additional funding allocation of HK$2.0 billion over the seven years starting from 2019-20 to promote lift modernisation in the community through provision of financial incentive to building owners in need, our outstanding performance rating and project track record put us in a good position to capture these forthcoming business opportunities.

Hong Kong Housing Authority ("HKHA") is the single largest customer in the lift market in Hong Kong. Subsequent to our admission to the HKHA approved contractor list for lift installations in March 2018, we were awarded our first HKHA lift contract for Fu Shan Estate in FY2019. We are prepared to pursue more lift tenders from HKHA in the coming years.

Among projects in progress, one of the signature projects of AnlevElex is the replacement of the twenty-one escalators and moving walkways between Central and Mid Levels. The elevators and moving walkway system connects the commercial and transportation hubs in Central to the schools and residential buildings at the Mid Levels of Hong Kong Island as well as provides convenient transportations for local people and tourists to explore many international restaurants, cultural attractions and heritage spots alongside it. To replace long escalators and moving walkways in a built up environment calls for special engineering skills as well as demanding logistical

Management Discussion and Analysis

and phase completion planning. We overcome this social and technical challenge by working closing with the community groups and government agencies to minimise inconvenience to the local residents and tourists alike. Eight of the twenty-one units have been completed and put in operation as of end 2019, with the overall project completion expected to be in 2022. The Group takes pride in being the supplier and contractor of this iconic project for the community.

To the export market initially as an unknown name, Nanjing Anlev Elevator Limited ("Anlev"), our wholly owned subsidiary, has now built up its reputation as a manufacturer of safe, reliable and energy efficient lifts and escalators. Anlev equipment are sold to five continents through its distributor network and the business is growing.

We actively support our oversea distributors in bidding projects, such as metro/railway tenders in South Korea, Australia and Mexico. During the reporting period, we were awarded our first order in Mexico and Portugal respectively and signed new distributorship agreements in Eurasia and Eastern Europe regions. We will put in extra effort to boost our business growth overseas, targeting on areas with large market size and higher price level, such as the USA and East and South Pacific Rim countries. Moreover, we are looking for ways to work more closely with our oversea partners, and in addition to being a manufacturer and supplier, get ourselves involved in the maintenance business overseas as well as in mainland China.

To cope with the new manufacturing licence requirement in mainland China and to meet our anticipated production needs for the next few years, we are working on an expansion plan of our factory in Nanjing. Our present plan of the expansion encompasses increasing the production area by 4,650 square metres, increasing the height of the test tower to 90 metres and installing a number of automatic production lines to enhance our production capacity and to streamline our production process. A letter of intent together with the expansion proposal were submitted to the local Government in end of last year and the consultation and approval process is now in progress. The pace of expansion will be suitably adjusted according to market conditions.

As at 31 December 2019, the value of outstanding contracts of the Group in the Lifts and Escalators segment amounted to HK$436 million, representing an increase of HK$15 million over that at 31 December 2018.

Innovation, Resources Management and Other Operation Issues

Building Information Modelling (BIM) is a multi-dimensional digital tool enabling us to add significant values to projects throughout the project life cycle from design, planning, construction, operation and maintenance and assets management. It is also key to successful prefabrication, modular construction and Modular Integrated Construction (MiC). From 2017 to 2019, the number of BIM Suite software of the Group has increased from 14 to 88, with a corresponding increase in the number of competent BIM modellers and qualified BIM professionals, as well as the much wider population of engineering staff conversant in applying BIM in projects. Our Innovation Committee has been spearheading various centrally funded innovation projects to pursue digitisation of our construction and maintenance processes to pursue more effective communication, safer operation, more efficient use of resources and the generation of useful data for continuous improvement of various processes.

In February 2019, we successfully launched phase 1 of our new Enterprise Resources Planning (ERP) system. Phase 1 of the ERP system not only enhances the capacity and efficiency of our accounting and financial operation but also provides a powerful central platform for monitoring and managing the contracting, maintenance and sales of goods of our business units throughput the projects' life cycle from the initial business leads/customer enquiries stage, through tendering, order/contract confirmation and construction, to contract final completion, improving traceability and our ability to identify and manage any risks early. Phase 2 of the ERP system is expected to be completed in the second half of 2020 and will include management reports, business intelligence, business planning and monitoring as well as more management tools for informed business decision making in tendering, procurement, project management and business planning.

In December 2019, phase 1 of our new Human Resources Information System (HRIS) went live which includes staff data base and payroll, employee self-service, recruitment and other functions. Phase 2 is expected to be completed in 2020, which will include more advanced employee self-service, manager self-service and other analytical functions as well as staff performance goal setting, appraisal and performance-based salary review functions. The new HRIS will provide a useful platform for better planning and monitoring of staff training and development as well as effective human resources deployment and management.

On 5 December 2019, an announcement (the "Announcement") was made by the Company to inform the shareholders and investors that one of its wholly owned subsidiaries ATAL Building Services Engineering Ltd ("ABS") was being investigated by the Competition Commission ("HKCC") as well as the resumption of trading of the Company's shares. The Announcement and the voluntary trading halt of the Company's shares were made in accordance with the relevant Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance. Trading in the shares of the Company was resumed at 9 a.m. on 6 December 2019. All our Group companies' operations remain normal and our services and commitments to customers have not been affected materially. Please refer to the Announcement for further details.

As at the date of this annual report, the investigation on ABS by the HKCC is in progress. ABS has sought legal advice on the matter and will co-operate with any inquiry that the HKCC may have under the Competition Ordinance. The Company will make further announcement(s) on this matter as and when appropriate.

The Group has internal guidelines and trainings on legal compliance by employees as well as tender submission procedures, and does not condone or tolerate any misbehaviors. We have further enhanced the awareness and understanding of the Competition Law of the employees involved in tendering and procurement processes by providing them with refresher training classes with case studies conducted by the Company's legal advisers. The refresher training class was held on 20 December 2019 and attended by about 100 senior and managerial staff. An updated Competition Law Compliance Manual prepared by the Company's legal advisers was provided to our employees after the refresher training. More refresher training classes have been arranged to cover all staff including front line staff involved in tendering and procurement process. We have also implemented additional review and authorisation procedures in some other areas in order to maintain the very high governance standard of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

In FY2019, the Group recorded total revenue of HK$4,481.9 million, decreased by HK$1,484.1 million or 24.9% as compared with that in FY2018. The following table sets forth a breakdown of our total revenue by nature and business segment:

	For the year ended 31 December			
	2019 HK$'M	**% of total revenue**	2018 HK$'M	% of total revenue
Contracting work	**3,580.0**	**79.9%**	5,220.7	87.5%
Maintenance work	**679.1**	**15.1%**	551.4	9.2%
Sales of goods	**222.8**	**5.0%**	193.9	3.3%
Total	**4,481.9**	**100.0%**	5,966.0	100.0%

	For the year ended 31 December			
	2019 HK$'M	**% of total revenue**	2018 HK$'M	% of total revenue
Building Services	**2,680.9**	**59.8%**	4,431.3	74.3%
Environmental Engineering	**1,086.9**	**24.3%**	866.4	14.5%
ICBT	**496.6**	**11.1%**	530.9	8.9%
Lifts and Escalators	**274.7**	**6.1%**	249.7	4.2%
	4,539.1	**101.3%**	6,078.3	101.9%
Less: Inter-segment	**(57.2)**	**(1.3%)**	(112.3)	(1.9%)
Total	**4,481.9**	**100.0%**	5,966.0	100.0%

The decrease in revenue in FY2019 was mainly attributable to a few factors in building services contracting, including the substantial completion of a number of large contracting projects in 2018, as well as the delay in progress of some of the contracting projects in Hong Kong resulting in a decrease in project billing for the reporting period compared to the corresponding period in 2018 (such delay being caused by, among a number of factors, delay by other parties).

Gross profit

The Group's gross profit in FY2019 decreased by HK$101.7 million or 11.4% to HK$786.7 million as compared with that in FY2018. Nevertheless, the gross profit margin in FY2019 was 17.6%, representing an increase of 2.7% over the gross profit margin in FY2018 of 14.9%.

Other income

The Group recorded other income of HK$16.5 million (FY2018: HK$10.2 million) during the reporting period, mainly included bank interest income and rental income.

Administrative expenses

Administrative expenses of the Group slightly increased by approximately HK$10.5 million or 2.1% compared with that in 2018.

Listing expenses

Listing expenses comprise professional fees and other expenses in relation to the listing of the shares of the Company on the Stock Exchange (the "Listing"). Our listing expenses amounted to HK$7.0 million and HK$28.3 million, respectively, in FY2019 and FY2018.

Liquidity and Financial resources

As at 31 December 2019, the Group had total cash and bank balances (excluding pledged bank deposits) of HK$686.5 million (31 December 2018: HK$570.0 million), of which 87.5%, 10.5% and 2.0% (31 December 2018: 74.8%, 23.9%, 1.3%) were denominated in Hong Kong dollars or Macau Pataca, RMB and other currencies, respectively.

The Group maintained a healthy liquidity position throughout the reporting period. Additionally, as at 31 December 2019, the Group had banking facilities in respect of bond, bank overdraft and loans, and other trade finance of approximately HK$1,570.2 million (31 December 2018: HK$1,761.8 million), of which approximately HK$332.4 million had been utilised (31 December 2018: HK$412.8 million).

Use of proceeds from Listing

The aggregate net proceeds raised by the Company from the Listing through the issue of an aggregate of 350,000,000 new shares (the "Offer Shares") of HK$0.01 each in the Company at the offer price of HK$1.2 per Offer Share pursuant to the global offering (the "Global Offering") referred to in the prospectus issued by the Company on 28 June 2019 (the "Prospectus") were approximately HK$335.7 million.

During the period from 12 July 2019, the date of Listing (the "Listing Date"), to 31 December 2019, the net proceeds received from the Global Offering were used as follows:

	Net proceeds from Global Offering HK$'M	**Utilised amount up to 31 December 2019 HK$'M**	**Unutilised amount as at 31 December 2019 HK$'M**
Supporting the expansion and development of building services segment			
– building services for data centres	33.55	**2.7**	**30.85**
– building services for healthcare and infrastructure facilities	33.55	**3.1**	**30.45**
Enhancing engineering capabilities in environmental engineering segment			
– acquisition of, investment in, cooperating or forming joint ventures	59.3	**–**	**59.3**
– additional investment in development of advanced environmental process technologies	41.4	**0.4**	**41.0**
Enhancing engineering capabilities of ICBT segment			
– setting up dedicated research and development teams	19.3	**2.5**	**16.8**
– acquisition of, or investment in, companies which possess innovative technology	47.8	**–**	**47.8**

Management Discussion and Analysis

	Net proceeds from Global Offering HK$'M	Utilised amount up to 31 December 2019 HK$'M	Unutilised amount as at 31 December 2019 HK$'M
Expansion and development of lifts and escalators segment			
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	**54.1**
– setting up export sales office and sales and service centres in mainland China	13.0	–	**13.0**
General working capital	33.7	**11.2**	**22.5**
Total	335.7	**19.9**	**315.8**

Gearing ratio and Indebtedness

As at 31 December 2019, the gearing ratio (being gross borrowings divided by total equity) was not applicable to the Group as the Group did not have any bank borrowings (31 December 2018: Nil).

Charges on group assets

The Group had pledged assets of HK$307.9 million as at 31 December 2019. These represented bank deposits, financial assets at fair value through profit or loss, and properties and investment properties pledged to banks to secure general short-term banking facilities granted to certain of the Company's subsidiaries. The pledged deposits are classified as current assets and will be released upon the release of relevant banking facilities.

Capital commitment

As at 31 December 2019, the Group had capital commitment contracted but not provided for in the consolidated financial statements for office renovation, upgrading human resources management system and ERP system of approximately HK$5.1 million (31 December 2018: HK$18.2 million).

Contingent liabilities

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$308.1 million (2018: HK$368.8 million) given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

Key Financials

	2019 HK$'M	2018 HK$'M
Current assets	**3,000.8**	2,660.3
Current liabilities	**1,619.8**	1,831.0
Bank balances and cash	**686.5**	570.0
Net current assets	**1,381.0**	829.3
Total assets less current liabilities	**1,803.5**	1,221.9
Current ratio *(Note i)*	**1.9 times**	1.5 times
Gearing ratio *(Note ii)*	**N/A**	N/A
Return on equity *(Note iii)*	**16.5%**	20.6%

Notes:

(i) Current ratio : Total current assets / total current liabilities

(ii) Gearing ratio : Total interest-bearing bank borrowings / total equity as shown in the consolidated statement of financial position x 100%

(iii) Return on equity : Net profit for the year / average of opening and closing balances on total equity as shown in the consolidated statement of financial position x 100%

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Venture

During FY2019, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint venture.

The Group has on 31 March 2020 acquired 51% of the equity interests in Transel Elevator & Electric Inc., ("TEI") an elevator company in New York City, USA. (the "Acquisition") for an aggregate consideration of US$35.7 million (equivalent to approximately HK$278.46 million).

TEI has been operating in New York City since 1989 and its primary activities are modernisation, installation, repair and maintenance for elevators and escalators in residential and commercial properties in New York metropolitan area. The Company considers that the Acquisition will allow the Group to gain local presence, knowledge and more than 30 years' experience in the US lifts and escalators market and will be a successful first step for the Group to enter USA market and beyond.

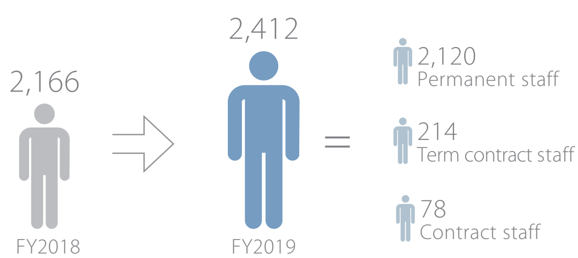
Lifts and escalators business sector is a profitable business sector with a sustainable recurring revenue and is dominated by some very significant players globally. The Company considers that there is still enough market size available for the Group's lifts and escalators business to grow. The Group's successful lifts and escalators business model is to be flexible and have an innovative approach to products and most importantly to satisfy customer demands, which sometimes goes beyond standard products from a catalogue.

The Company has published an announcement on 31 March 2020 relating to the Acquisition. For further details, please refer to Note 49 to the consolidated financial statements as set out in page 176 of this annual report.

Management Discussion and Analysis

Human Resources

Employees at 31 December



As at 31 December 2019, a total of 2,412 employees (including 78 contract staff and 214 term contract staff but excluding contract staff whose term is less than one year duration; and excluding part-time and temporary staff) were employed by the Group in Hong Kong, Macau and mainland China. This represents an increase of 246 employees over that at 31 December 2018.

The Group believes in staff development and commits to creating an environment in which our employees will take pride in their work. We aim to compete in the market for the best people available by providing competitive remuneration to attract and retain staff. Quality and committed staff are valuable assets contributing to satisfactory customer service and the success of the Group. The Group's remuneration policy is also performance-linked to motivate staff to achieve the Group's strategic business goals, and to share the fruits of success of the Group with its staff. We have a comprehensive system of goals setting and performance appraisal which provides a robust framework to serve the purpose. Remuneration of directors and senior management is recommended by the remuneration committee of the Board and approved by the Board, which is subject to periodic review.

The Group's vision is to be an innovative, leading and sustainable multi-disciplinary E&M engineering group. We quest for continuous improvement and development, encourage life-long learning, and foster an innovation culture within the Group. To support staff development, we make great effort and invest ample resources in staff training, in managerial, engineering and technician levels, through people development programme, structured and recognised training schemes for engineering graduates and technicians, technical seminars, safety training courses, BIM training, part-time degree sponsorship and staff sponsorship for self-selected external training programme. 4,691 person-times of specific training were recorded in FY2019.

We are an equal opportunity employer and treat our staff on a fair basis. We require our staff to act with integrity at work, and we uphold a high standard of business ethics when working with our customers and business partners. The full set of Code of Conduct of the Group which sets out the standard of ethics and conducts expected of the Group and its staff is readily accessible by all staff via the Group's intranet.

We constantly endeavour to enhance the well-being, welfare and benefit of our staff. To promote work-life balance, other than staff who are required to be on duty on weekends or pubic holidays to ensure safety and reliability of our installations or to maintain essential operations, we have implemented 5-day work week in FY2019, with staff's total working hours remaining unchanged. The ATAL Recreation and Welfare Affairs Club works in collaboration with our Human Resources Department to organise various kinds of sports and recreational activities, interest classes, family events and volunteer services throughout the year for our staff and their family members.

Corporate Recognition

During the reporting period, the Group received numerous awards from various organisations including Construction Industry Council, Development Bureau, Electrical and Mechanical Services Department, Labour Department, and the Office of the Government Chief Information Officer, recognising our outstanding performances and achievements on innovation, environment, occupational health and safety.

The Group will continue to strive for innovation and adhere to stringent quality, safety and environmental standards in order to deliver high quality services and products and upkeep workplace safety for all stakeholders.

OUTLOOK

FY2019 was an eventful year not short of challenges, nor FY2020 will be. Externally, while the trade conflict between China and the United States of America ("U.S.") prevailing over last year might have reached a first stage agreement at the turn of the year, it is unlikely to be fully resolvable in the near future. Locally, Hong Kong has not yet recovered from the social unrest which started in early June last year. According to the forecast estimate released by the Census and Statistics Department in February 2020, Hong Kong GDP ("GDP") grew at a negative annual rate of 2.9% in the fourth quarter of 2019, the second consecutive quarter of contraction. For the whole of 2019, GDP is expected to contract by 1.2% in real terms, the first annual decline since 2009. Within the construction industry, the filibustering in the HKSAR Legislative Council has delayed the award of new public works contracts, while on the other hand, the problems of aging and shortage of construction labour continue to impose big challenge on productivity to construction companies. As 2020 begins, the Coronavirus outbreak that started in January has not yet receded at the date of this annual report and the progress of some construction tenders and projects in Hong Kong, Macau and mainland China have been inevitably affected to some extent.

Due to the abovementioned volatile economic atmosphere globally and locally, we expect market competition to become increasingly fierce in the short term, exerting pressure on profit margins of tenders and projects in the industry.

Management Discussion and Analysis

On the other hand, we see plenty of growth opportunities for the Group ahead.

Hong Kong:

- In its Construction Expenditure Forecast report (28 March 2019 update), the Construction Industry Council forecasted that the construction expenditure in Hong Kong is on a rising trend, from HK$245 – 305 billion in FY 2019 – 2020 to HK$275 – 340 billion in FY 2027 – 2028 (in September 2018 prices).

- In 2016, the Government announced its HK$200 billion 10-year Hospital Development Plan to build a new acute hospital at Kai Tak Development Areas as well as to redevelop and expand various other public hospitals. In the FY 2018 – 2019 Government Budget, it further committed HK$300 billion to a second 10-year Hospital Development Plan starting in 2027.

- In the 2018 Policy Address, the Hong Kong Government committed to providing 450,000 residential flats in the next decade, with a 7:3 public – private housing ratio. Also in 2018, the Airport Authority Hong Kong (AA) responded enthusiastically to the Government's call for developing an "Aerotropolis" at Lantau with its Airport City Strategy plan, which included the Three-runway System, "SkyCity" the largest commercial development in Hong Kong, further development of AsiaWorld- Expo and a premium logistics centre.

- The Kai Tak Development in progress is a huge development project spanning a total planning area of over 320 hectares with a mix of community, housing, business, tourism and infrastructure uses, as well as home to the HK$30 billion Kai Tak Sports Park.

- The hi-tech development Lok Ma Chau Loop Innovation and Technology Park at the border between Hong Kong and Shenzhen was announced in 2017 and when completed will provide 1.2 million square meters of office space. In an era of explosive growth of digital information, requirements for data centre infrastructures are expected to grow continuously; the Hong Kong data centre colocation market size is forecast to grow at a 5-year CAGR of 12.7% up to 2024 according to industry survey report.

- On environmental infrastructures, the Government will be inviting tenders for North East New Territories Landfill Site, Co-digestion of Organic and Sewage Sludge Treatment, Organic Waste Treatment Facilities III and projects of the upgrading and extension of various refuse transfer stations.

Macau:

- Macau in the national strategic plan of the Guangdong-Hong Kong-Macao Greater Bay Area is to take forward its development as a global tourism and leisure centre, establish an economic and trade cooperation platform between China and Portuguese-speaking countries, and foster the appropriately diversified and sustainable development of the economy in Macau. The Macau SAR Government has continued to invest in infrastructure projects, such as the Macao Light Rapid Transit System (MLRT), the 4th Macao-Taipa Bridge, Islands District Medical Complex as well as to increase the supply of land and housing.

- Since the six existing gambling licences held by casino operators in Macau will expire between 2020 and 2022, in order to pass the stringent thresholds set by the Macau SAR Government, casino operators are encouraged by the authorities to move away from being too dependent on gambling revenue. In response, casino operators tend to upgrade or remodel their existing premises by introducing innovative technology, leisure, culture and recreation elements to demonstrate their contributions to Macau. This will create a stream of projects in renovation, alterations & additions works, remodelling and improvement works in the coming 2-3 years. In addition, new gaming and hotel development projects such as Galaxy Macau Phase 4, Studio City Phase 2 and Wynn Cotai Phase 2 are forthcoming.

Mainland China:

- The "Plan for the Construction of Urban Sewage Treatment and Recycling Facilities in the 13th Five-Year Plan Period" stipulates that the national sewage treatment capacity will increase from 217 million m^3/d to 268 million m^3/d within five years. The investment required for the new facilities to meet this requirement is estimated to be approximately RMB150 billion. Based on the statistics of the Ministry of Housing and Urban-Rural Development (MOHURD), there are 3,900 urban sewage treatment plants in mainland China, and more than 3,000 of which do not reach the new Grade 1A Discharge Standard. The cost for building a typical plant of an average treatment capacity of 40,000 m^3/d is about RMB30 million. The total market size of upgrading all these plants to meet Grade 1A standard alone is expected to be over RMB100 billion. Furthermore, the Government has mandated different sewage discharge standards for different cities and counties according to the conditions of different regions and different river basins. Cities and counties that are required to meet the most stringent standard of "Fourth Category of Surface Water" covers more than half of the area in mainland China. To upgrade these sewage treatment plants to meet the prescribed stringent standard requires switching to advanced treatment process, which is underpinned by a lot of technical expertise and investments.

- The number of elevators produced in mainland China in 2019 is approximately 1 million units according to government statistics, 60% – 70% of which are for local consumption. The total number of elevators registered in use is approximately 6.3 million units. With its continuing urbanisation trend coupled with rising safety standards and quality expectation, mainland China is not only the largest manufacturing base of lifts and escalators globally but also the largest market for the supply, installation and maintenance of lifts and escalators in the world that we have started to grow locally since early 2019.

- For the building services contracting business in mainland China, we will focus on high end development projects of major Hong Kong developers.

- The national strategic development plan of the Greater Bay Area will further drive the demand for quality E&M services in its 9 major mainland cities and Hong Kong and Macau.

We also wish to report that, soon after the Group's successful Listing on 12 July 2019, we have started actively pursuing mergers and acquisitions opportunities which will facilitate our business growth horizontally, vertically and/or geographically. We have conducted preliminary enquiries to companies in building services and lifts and escalators segments respectively. As disclosed in the section headed "Business – Our Business Strategies" of the Prospectus, the Company has been looking out for opportunities to expand our various business segments, and may therefore enter into value-enhancing transactions (such as acquisition and formation of joint venture) in the future using internal resources of the Group and/or external financing if necessary.

Against the backdrop of the multitude of external factors intertwining with the strategic actions we are undertaking as mentioned above, we foresee that there is still a healthy pipeline of tenders and business opportunities for us to capture in 2020 and beyond. Moreover, notwithstanding the satisfactory value of order intake of HK$6.5 billion and a record high outstanding contracts in hand of approximately HK$9.4 billion as at 31 December 2019 achieved by the Group, there are a number of valuable tenders and quotations submitted in the FY2019 which are still under active negotiation. Despite the recent modest slowdown of business activities which may dampen the rate of growth of revenue in short term, we remain cautiously optimistic about the business outlook in the FY2020 and further.

With our strong commitment and continuous investment in innovation, technology, process improvement, people development, and sustainable business growth, we are confident in harvesting material benefits of improved efficiency, productivity and competitiveness in our operation, and opening of new business opportunities to continue to strengthen our market leadership position and increasing shareholder value in this new decade.

Board of Directors and Senior Management

1. **Dr. Poon Lok To, Otto**
   Executive Director and Chairman

2. **Mr. Cheng Siu Ngai, Kevin***
   Executive Director and
   Chief Executive Officer

3. **Mr. Law Wei Tak**
   Executive Director

4. **Mr. Chan Hoi Ming**
   Executive Director

5. **Dr. Mak Kin Wah**
   Non-executive Director and
   Deputy Chairman

6. **Mr. Chan Fu Keung**
   Independent Non-executive Director

7. **Mr. Lam Kin Fung, Jeffrey**
   Independent Non-executive Director

8. **Mr. Wong King On, Samuel**
   Independent Non-executive Director

* *Mr. Cheng Siu Ngai, Kevin retired as an executive director and chief executive officer of the Company on 1 April 2020.*

Executive Directors

Dr. Poon Lok To, Otto (潘樂陶博士), aged 79, was appointed as a director of Analogue Holdings Limited (the "Company") (the "Director") on 27 September 1995 and re-designated as an executive Director on 13 April 2018. He has acted as chairman of the Company and its subsidiaries (the "Group") since July 2010, and is a director of most of the subsidiaries of the Company.

Dr. Poon is in charge of developing, monitoring and evaluating the business, and is primarily responsible for the leadership, overall strategic planning and major decision making for the Group.

Dr. Poon has over 45 years of experience in the engineering business. He founded the Group in 1977 and held the position of managing director from October 1977 to June 2010. Prior to joining the Group, Dr. Poon worked in United Kingdom from 1964 to 1969 as a Designer Engineer at English Electric Ltd. He returned to Hong Kong and had served as the chief engineer at Electra Instruments Limited and Integrated Electronics Limited of the Integrated Electronic Group from August 1969 to August 1973, as director at Eurotherm (Far East) Limited from 1973 to June 1975 and as the senior local staff at John Swire & Sons (H.K.) Limited in 1975.

Dr. Poon obtained an honorary degree of doctor of technology from the Coventry University in the United Kingdom in November 2011. He had passed Part III of the institution examination of the Institution of Electrical Engineers and Part I and II of the institution examination of the Institution of Mechanical Engineers ("IMechE") in 1965 and 1966 respectively.

Dr. Poon is a chartered engineer of the Engineering Council. Dr. Poon is a fellow of the Hong Kong Institution of Engineers ("HKIE"), the Hong Kong Academy of Engineering Sciences, the Institution of Engineering and Technology and the IMechE and a founding fellow member of the Hong Kong Institute of Qualified Environmental Professionals. Dr. Poon is also a member of the Chartered Institution of Water and Environmental Management and a senior member of the Chinese Mechanical Engineering Society ("CMES"). He ceased to be a member of Chartered Institution of Building Services Engineers on 1 January 2020.

Dr. Poon participated in public services both to the community and the engineering profession including, among others, Advisory Council on the Environment, Energy Advisory Committee, Council for Sustainable Development, Solicitors Disciplinary Tribunal Panel, Hong Kong Quality Assurance Agency, Hong Kong Green Building Council, Trustee Board of the IMechE and the CMES. He is the past president of the HKIE, Hong Kong Association of Energy Engineers, Hong Kong Chapter of the Association of Energy Engineers and the Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC") as well as the past chairman of Hong Kong Branch of the IMechE and Hong Kong Climate Change Forum. He is the past chairperson of the Lift and Escalator Safety Advisory Committee.

Currently, Dr. Poon is a member of the Election Committee – Engineering Subsector and the life president of HKFEMC. He also serves as the chairman of the School Advisory Committee of School of Energy and Environment of City University of Hong Kong, a member of the International Advisory Committee of Research Institute for Sustainable Urban Development of Hong Kong Polytechnic University, a member of the Advisory Committee of Department of Electrical & Electronic Engineering of the University of Hong Kong, a member of the Hong Kong-France Business Council of Hong Kong Trade Development Council, an advisor to the Bauhinia Foundation Research Centre, an honorary advisor to the Wu Zhi Qiao (Bridge to China) Charitable Foundation, a school manager of the Shun Tak Fraternal Association Cheng Yu Tung Secondary School a school manager of the Shun Tak Fraternal Association Lee Shau Kee College. Dr. Poon was appointed as Senior Vice President of Hong Kong Academy of Engineering Sciences on 9 December 2019.

Board of Directors and Senior Management

Since August 2003, Dr. Poon has been a director of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 25.81% by the Company.

Dr. Poon is the sole director of Arling Investment Limited which is the substantial shareholder of the Company. For further details of the relationship between Arling Investment Limited and Dr. Poon, please refer to the section headed "Interests and short positions of substantial shareholders in shares of the Company" in the directors' report of this annual report. In addition, Dr. Poon is the brother-in-law of Mr. Cheng Wai Keung, Peter, the chief financial officer of the Company.

Mr. Cheng Siu Ngai, Kevin (鄭小藝先生), aged 62, was appointed as a Director on 27 September 1995 and was re-designated as an executive Director on 13 April 2018. Mr. Cheng was also the chief executive officer of the Group. He sat on the boards of various companies within the Group and served as a member of nomination committee of the Board. He oversaw all business units and corporate units of the Group and was also responsible for devising business strategies, driving innovations and bolstering partnership with all stakeholders. Mr. Cheng retired from his position as an executive Director, chief executive officer of the Company, a member of the nomination committee and a director of certain subsidiaries of the Company, all with effect from 1 April 2020.

Mr. Cheng obtained a bachelor of science in engineering degree in November 1980 and a master of science in engineering degree in January 1995, both from The University of Hong Kong. He also obtained a master of accounting degree from the Curtin University of Technology in February 2000.

After obtaining his first bachelor degree, Mr. Cheng worked as an assistant unit engineer and subsequently an assistant engineer at the Hongkong Electric Company Limited from 1980 to 1982. He then joined the Group in July 1982 as a project engineer and was promoted as a contracts manager of ATAL Engineering Limited (then known as Analogue Technical Agencies Limited), a wholly-owned subsidiary of the Company, in March 1984. Mr. Cheng was subsequently appointed as a director of the Company and various major operating subsidiaries of the Company in respective years during 1987 to 2010, during which he oversaw the project management and project execution of the building services segment and led the expansion of the building services contracting operations of the Group in Mainland China and Macau, and had also been the director-in-charge of the Group's lifts and escalators operations and accounts department. Mr. Cheng was further appointed as the chief executive of ATAL Building Services Engineering Limited, ATAL Building Services (Macao) Limited and Analogue Building Services (Macao) Limited (which are wholly-owned subsidiaries of the Company) and the chief executive of the building services segment of the Group in respective years during 2012 to 2014, and had been primarily responsible for advising on the overall strategic planning of the building services segment of the Group, which at the relevant time included the intelligent & green building solutions operations. Over the past 35 years, Mr. Cheng was in charge of various business units and corporate functions in the Group and spearheaded the delivery of many major electrical and mechanical ("E&M") engineering projects in Hong Kong, Macau and Mainland China by the Group. With such experience and in-depth knowledge in the E&M engineering industry and development of the diverse business portfolios, he was further appointed as the chief executive officer of the Company in April 2017.

Mr. Cheng has been a member of the Institution of Mechanical Engineers since 1988, a fellow of the Chartered Institution of Building Services Engineers since 2005 and a fellow of the Hong Kong Institution of Engineers since 1997.

Mr. Law Wei Tak (羅威德先生), aged 64, was appointed as a Director on 27 September 1995 and re-designated as an executive Director on 13 April 2018. He also sits on the boards of various companies within the Group. Mr. Law is primarily responsible for advising on the overall strategic planning for the Group.

Mr. Law has worked in the engineering industry for over 39 years and joined the Group in November 1987 as an assistant manager with main area of responsibility in heating, ventilation and air-conditioning ("HVAC") project management and execution. He acted as a manager of the building services segment of the Group from January 1989 to October 1990, and was mainly responsible for the marketing, tendering and execution of building services projects. Mr. Law was appointed as a director of ATAL Engineering Limited (then known as Analogue Technical Agencies Limited), a wholly-owned subsidiary of the Company, in November 1990, and was primarily responsible for overseeing the business operations of the building services segment of the Group. In July 2011, Mr. Law was promoted as managing director of ATAL Data Centre Infrastructure Limited, a wholly-owned subsidiary of the Company, and since January 2012, he has become the chief executive of ATAL Data Centre Infrastructure Limited and has been responsible for forming business strategies for the development and expansion of the Group's building services for data centres, infrastructure and healthcare facilities, and overseeing the project management, project execution and marketing for data centres, infrastructure and healthcare facilities projects of the building services segment of the Group. Since April 2020, he also leads the Building Services businesses of the Group. Prior to joining the Group, Mr. Law served as an assistant engineer from November 1980 to December 1982, an engineer from January 1983 to December 1986, and a senior engineer from January to October 1987, at The Jardine Engineering Corporation Limited, a company principally engaged in the provision of E&M engineering contracting and product trading, where he was mainly responsible for engineering design work, tender estimation and contract management of building services engineering.

Mr. Law obtained a bachelor of science in engineering degree from The University of Hong Kong in November 1980. He has been a member of the Chartered Institution of Building Services Engineers since 1986 and a member of The Hong Kong Institution of Engineers since 1990. He is currently a registered professional engineer of the Engineers Registration Board. Mr. Law has been a chartered engineer of The Engineering Council since 1986, and has been a certified datacentre engineer of the Institution of Data Centre Engineers since 2015.

Mr. Law is the past president and honorary life president of The Hong Kong Air Conditioning and Refrigeration Association Limited. He is also a past vice president and currently a council member of the Hong Kong Federation of Electrical and Mechanical Contractors Ltd. ("HKFEMC"), and a council member of The Hong Kong E&M Contractors' Association Limited.

Since January 2017 and March 2017, Mr. Law has been a director and deputy chairman of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 25.81% by the Company.

Mr. Chan Hoi Ming (陳海明先生), aged 59, was appointed as a Director on 25 November 2015 and re-designated as an executive Director on 13 April 2018. He also sits on the boards of various companies within the Group. He is primarily responsible for advising on the overall strategic planning for the Group.

Mr. Chan joined the Group as a project manager in August 1991. He was appointed as a manager of the environmental engineering segment of the Group in January 1997, and was mainly responsible for the design, construction and testing and commissioning of the water, wastewater and solid waste

Board of Directors and Senior Management

treatment plants projects. Mr. Chan was promoted as an associate director of ATAL Engineering Limited, a wholly-owned subsidiary of the Company, in January 2001 and was primarily responsible for overseeing the E&M engineering design, project management and commissioning for wastewater and sewage treatment plant projects awarded to the Group. He was subsequently appointed as a director of various major operating subsidiaries of the Company during the period from February 2005 to July 2010. He was also appointed as the deputy chief executive of the Environmental Engineering segment of the Group in April 2015, and has since been overseeing the Environmental Engineering operations of the Group in Hong Kong, Mainland China and Macau, including the design, supply, construction, installation, testing and commissioning, operation and maintenance of municipal and industrial water, wastewater and solid waste treatment plants and related infrastructure projects. Since January 2016, Mr. Chan has been acting as the chief executive of the Environmental Engineering segment of the Group and has been actively involved in devising business strategies for the development and expansion of the Environmental Engineering operations of the Group in Hong Kong, Mainland China and Macau, overseeing the project management and project execution for the Environmental Engineering segment, and leading the overall development and implementation of operational methodologies, tools, guidelines and policies for the Group. Since April 2020, Mr. Chan also leads the Environmental Engineering, Information, Communications and Building Technologies and Lifts and Escalators businesses of the Group.

Mr. Chan had previously worked as a project engineer at Chevalier (Envirotech) Limited, a company principally engaged in water and wastewater treatment, solid waste treatment and disposal as well as fuel gas transmission and distribution systems in Hong Kong, from July 1986 to February 1988, where he was mainly responsible for tendering, product design, site installation and commissioning for sewage treatment projects. He joined Construction & Production Systems Limited, a construction company in Hong Kong, as a project manager from April 1988 to August 1989, and was in charge of the execution of contracts and commissioning of machinery and equipment. Mr. Chan also worked as a project engineer of the mechanical projects division at The General Electric Company of Hong Kong Limited, which is now known as GELEC (HK) Limited and a supplier of electrical, mechanical and lighting products in Hong Kong, from September 1989 to January 1990 where his scope of works included tendering, project supervision and site co-ordination.

Mr. Chan graduated from The Hong Kong Polytechnic University with a higher diploma in electrical engineering in November 1984. Mr. Chan was certified by the Engineering Council of the United Kingdom in 29th July 1987 to have satisfied the academic requirements for stage 1 of the professional engineer section of The Engineering Council Register (commonly known as "EC Part II"). He also obtained a postgraduate diploma in environment management from the University of London in December 2001 as an external student.

Mr. Chan is a chartered engineer of The Engineering Council since 1998, a registered professional engineer of the Engineers Registration Board and a class 1 & 2 authorised signatory and qualified person of the Fire Services Department since 2016. Mr. Chan has also been a member of the Institution of Engineering and Technology since 1998, The Chartered Institution of Water and Environmental Management since 1998, a member of the Chartered Institution of Building Service Engineers since 1999, and a fellow of The Hong Kong Institution of Engineers since 2015.

Since January 2016, Mr. Chan has been a supervisor of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 25.81% by the Company.

Non-executive Director

Dr. Mak Kin Wah (麥建華博士), aged 64, was appointed as the Director and the deputy chairman on 1 September 2017. Dr. Mak was re-designated as the non-executive Director on 13 April 2018. Dr. Mak assumes an advisory role in respect of the overall strategic planning for the Group. He also serves as a member of each of the remuneration committee, nomination committee and audit committee of the Board.

Dr. Mak began his career as an engineer at Clough Engineering Group in Perth, Australia and has over 25 years of experience in business management. During his employment at Maunsell Consultants Asia in Hong Kong and before his departure in September 1980, he was involved in various development projects, including Hong Kong Island Eastern Corridor and mass transit escalators in Ocean Park. Dr. Mak joined The Hong Kong Jockey Club in March 1993 and later became an executive director of corporate affairs until January 2017. Since 2017, he has been the president of the Caritas Institute of Higher Education and concurrently the principal of Caritas Bianchi College of Careers. He won the director of the year award of the Hong Kong Institute of Directors in 2009 and the 2013 excellent HR leader award of the Hong Kong Institute of Human Resource Management.

Dr. Mak obtained a master of business administration degree in May 1987 from City University, London, and a doctor of philosophy degree in May 1984 and a master of philosophy degree in December 1981 from University of Cambridge, United Kingdom. He also obtained a bachelor of engineering degree with first class honours in April 1980 from The University of Western Australia.

Dr. Mak is a member of the Institution of Civil Engineers and the Institute of Marine Engineering, Science and Technology. Dr. Mak is a member of the Labour Advisory Board and the Court of Baptist University. Dr. Mak is also the chairman of the Hong Kong Society for the Aged, a general committee member of the Employers' Federation of Hong Kong, a member of the Hong Kong Housing Society and a council member and chairman of the Membership Committee of the Hong Kong Management Association.

Independent Non-executive Directors

Mr. Chan Fu Keung (陳富強先生), aged 71, was appointed as an independent non-executive Director on 1 August 2015. He is also the chairman of the remuneration committee of the Board and a member of each of the nomination committee and audit committee of the Board.

Since his appointment as an independent non-executive Director on 1 August 2015, Mr. Chan has been providing independent advice to the Group on various areas, particularly on the Group's employee incentive scheme, remuneration policies and organisation structure.

Mr. Chan joined the MTR Corporation Limited (Hong Kong stock code: 66) (the "MTR Corporation") in 1989. He was the human resources director of the MTR Corporation from 1998 to 2012 and a member of its executive directorate from 1996 to 2012. He retired after 23 years of service at the MTR Corporation in July 2012. Prior to joining the MTR Corporation, Mr. Chan held senior management positions in various commercial, utility and public sectors in Hong Kong, including the Hong Kong Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telephone Company Limited. In early 1976, he joined Hutchison Whampoa Limited and became its remuneration manager in May 1981. Mr. Chan subsequently joined Hong Kong Telephone Company Limited in April 1983, where he was involved in a wide spectrum of human resources functions, including development and review on human resources policies, remuneration, employee incentive and benefits schemes.

Board of Directors and Senior Management

Mr. Chan was a council member of the Hong Kong Institute of Human Resource Management and has been its fellow member since 1985. He served the Hospital Authority Board from December 2012 to November 2018 and was the chairman of the Hospital Governing Committee of Tuen Mun Hospital from April 2014 to March 2020. Currently he is the trustee of the Hospital Authority Provident Fund Scheme. He is also a member of the remuneration committee of the board of the West Kowloon Cultural District Authority; and a member of Human Resources and Remuneration Committee of the Urban Renewal Authority. He was also appointed as a director of CUHK Medical Centre Limited on 25 February 2020.

Mr. Chan received a bachelor of social sciences degree from The University of Hong Kong in October 1971.

Mr. Chan currently holds the following position in the following company listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

Company Name	Stock code	Period	Role(s)
Stella International Holdings Limited	1836	Since September 2012	Independent non-executive Director
			Chairman of remuneration committee, member of the audit committee, the corporate governance committee and the nomination committee

Mr. Lam Kin Fung, Jeffrey (林健鋒先生), aged 68, was appointed as an independent non-executive Director on 1 May 2018. He is also the chairman of the nomination committee of the Company.

Mr. Lam obtained a bachelor degree in mechanical engineering from Tufts University in the United States in June 1974. He has over 30 years of experience in the toy manufacturing industry and is currently the managing director of Forward Winsome Industries Limited, which is engaged in toy manufacturing.

Mr. Lam is a member of the National Committee of the Chinese People's Political Consultative Conference. He also holds a number of other public and community service positions including being a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong, a general committee member of the Hong Kong General Chamber of Commerce, the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee, a director of the Hong Kong Mortgage Corporation Limited and a member of the board of directors of Heifer International-Hong Kong.

Mr. Lam currently holds the following positions in the following companies listed on the Main Board of the Stock Exchange:

Company Name	Stock code	Period	Role(s)
CC Land Holdings Limited	1224	Since June 1998	Independent non-executive director Chairman of the audit committee, member of the nomination committee and remuneration committee
China Overseas Grand Oceans Group Limited	81	Since May 2010	Independent non-executive director Chairman of the remuneration committee, member of the audit committee and the nomination committee
Chow Tai Fook Jewellery Group Limited	1929	Since November 2011	Independent non-executive director Member of the audit committee and the nomination committee
CWT International Limited	521	Since October 2013	Independent non-executive director Member of the audit committee, nomination committee and remuneration committee
i-CABLE Communications Limited	1097	Since September 2017	Independent non-executive director Chairman of the compensation committee, member of the nomination committee
Wing Tai Properties Limited.	369	Since June 2018	Independent non-executive director
Wynn Macau, Limited	1128	Since September 2009	Independent non-executive director Member of the remuneration committee and chairman of the nomination and corporate governance committee

Mr. Wong King On, Samuel (黃敬安先生), aged 67, was appointed as an independent non-executive Director on 1 May 2018. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and nomination committee of the Board.

Mr. Wong has over 30 years of experience in accounting and finance. He joined Ernst & Young's predecessor firm, Arthur Young & Company in October 1979 and was elected to partnership of Ernst & Young in January 1993. Mr. Wong was the managing partner, China Central and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in December 2009.

Board of Directors and Senior Management

Mr. Wong holds a master of business administration degree from the University of Bradford in the United Kingdom where he was awarded the Binder Hamlyn Prize for the best student in financial subjects in management and administration in December 1978.

Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("ACCA") and the Certified Practising Accountant Australia. He was the president of ACCA Hong Kong from 1998 to 1999 and a member of the global Council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA from 2003 to 2004. Mr. Wong was awarded the outstanding accounting alumnus by the Hong Kong Polytechnic University in 2002 and the outstanding Polytechnic University alumnus by the Hong Kong Polytechnic University in 2003. Mr. Wong had been the adjunct professor of the school of accounting and finance of the Hong Kong Polytechnic University from September 2002 to August 2010 and the professor of practice (accounting) from September 2013 to August 2016.

Mr. Wong currently holds the following position in the following company listed on Main Board of the Stock Exchange:

Company Name	Stock code	Period	Role(s)
Alibaba Health Information Technology Limited	241	Since May 2014	Independent non-executive director
			Chairman of audit committee, and member of the remuneration committee and the nomination committee
		Since November 2016	Chairman of the risk management Committee

Senior Management

Mr. Chan Chi Hung (陳志雄先生), aged 54, has been appointed as the chief executive of the Information, Communications and Building Technologies segment of the Group since April 2020, and is primarily responsible for overseeing the information communications technologies, energy management, intelligent and green building business of the Group.

Mr. Chan has more than 30 years of experience in building technologies specialising in building management system, security system, information and communication technologies system, Extra Low Voltage ("ELV") system, energy management, lighting system and air-conditioning system. He has also been responsible for the design, installation, engineering and maintenance of large scale intelligent building systems contracts in Hong Kong and Macau.

Mr. Chan started his career in the control and building automation business in the Group in 1989. He was promoted as a manager of the intelligent building systems division of the Information, Communications and Building Technologies (ICBT) segment of the Group in 1996, and was primarily responsible for overseeing its sales, installation, engineering and maintenance operations of the intelligent building systems division. He was further promoted as a director of the intelligent building systems division of the Group in 2010, and was primarily responsible for overseeing the intelligent systems, ELV, energy saving and green technologies business of the Group. He was then appointed as a director of the Information, Communications and Buildings Technologies segment in March 2017 and promoted as the chief executive of Information, Communications and Building Technologies in April 2020.

Mr. Chan graduated with a master of business administration in general management degree from the Hong Kong Polytechnic University in December 2007. He also obtained a bachelor of science degree in engineering from The University of Hong Kong in December 1989 and a diploma in marketing and international business from The Chinese University of Hong Kong in November 1993.

Mr. Chan is a member of the Hong Kong Institution of Engineers and the American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE). He is currently a registered professional engineer of the Engineers Registration Board. He is also a BEAM (Building Environmental Assessment Method) professional in Hong Kong.

Mr. Chan is currently a council member and was the past president of Hong Kong Air-conditioning and Refrigeration Association Limited (HKACRA) and is also currently a council member of Hong Kong Federation of Electrical & Mechanical Contractors Limited (HKFEMC). Mr. Chan is currently a board member of the Employee's Compensation Insurance Levies Management Board. He is also the advisor to the board of the Pneumoconiosis Compensation Fund Board (PCFB).

Mr. Cheng Wai Keung, Peter (鄭偉強先生), aged 56, was appointed as the chief financial officer (Designate) of the Company on 16 September 2019. After the retirement of the former Chief Financial Officer with effect from 1 January 2020, Mr. Cheng took up the role of Chief Financial Officer on the same day. Since April 2020, Mr. Cheng also leads the Group's financial operations and administration.

Mr. Cheng graduated from the University of Liverpool with a bachelor degree in Mechanical Engineering in 1986. Mr. Cheng is also a fellow of the Chartered Institute of Management Accountants in the United Kingdom.

Mr. Cheng has extensive experience working as chief financial officer in overseas market such as Europe, the Middle East, Africa and Latin America. Prior to joining the Group, Mr. Cheng served as the Chief Financial Officer of Hutchison Ports (Panama) and Hutchison Ports (Tanzania) within Hutchison Ports from 2013 to 2018. From 2011 to 2012, Mr. Cheng served as the Finance Director of PCCW Cascase Middle East Ltd. For over 10 years before 2011, Mr. Cheng held various roles as Chief Financial Officer or Finance Director in the United Kingdom for various companies, namely Virgin Media Business (previously known as ntl:business), Aqiva (previously known as ntl:Broadcast), Multitone Electronics plc, i3 Group, etc.

Mr. Cheng is the brother in law of Dr. Poon Lok To, Otto, the chairman and an executive Director.

Mr. Cheng Wai Lung (鄭偉能先生), aged 47, has been appointed as chief executive of the Building Services segment of the Group since November 2018. Mr. Cheng also serves as a director of various subsidiaries of the Company, including ATAL Engineering Limited, ATAL Building Services Engineering Limited, ATAL Building Services (Macao) Limited, Analogue Building Services (Macao) Limited, ATAL Engineering (Shanghai) Limited and Analogue Technical Agencies (Shanghai) Limited since August 2019.

Mr. Cheng started his career as a graduate trainee with the Group in 1995 and rejoined the Group in November 2018. In between, he had served in China Overseas Group companies for 16 years, having taken up the roles of deputy general manager in China State Mechanical and Electrical Engineering Limited and general manager of Transcendence Company Limited. With over 24 years of experience in building services industry and a wealth of management and engineering expertise, he is now responsible for the operation and business development of the Building Services business of the Group.

Board of Directors and Senior Management

Mr. Cheng holds a bachelor degree of Engineering (Hons) in Building Services Engineering, a master degree in Construction and Real Estate from The Hong Kong Polytechnic University and a master of business administration degree from The Open University of Hong Kong.

Mr. Cheng is a chartered engineer of the Engineering Council in the United Kingdom, a Registered Professional Engineer (Building Services and Energy Disciplines) of the Engineers Registration Board, a Chartered Environmentalist of The Society of the Environment, a BEAM Professional, a CIC-certified BIM Manager and a Fellow member of The Hong Kong Institution of Engineers, The Chartered Institution of Building Services Engineers, The Society of Engineer and The Chartered Institute of Plumbing and Heating Engineering.

He was also the Chairman of Building Services Division and the member of Learned Society Board of The Hong Kong Institution of Engineers (2018-2019), and is currently the member of Building Services Discipline Advisory Panel, Public Service Committee of The Hong Kong Institution of Engineers, the Honorary Advisor of The Chartered Institute of Plumbing and Heating Engineering – Hong Kong Branch, the member of Departmental of Building Services Engineering Advisory Committee of The Hong Kong Polytechnic University, Vice Chairperson of IVE Engineering Program revalidation Main Panel, the external member of IVE Engineering Program revalidation sub-panel (Mechanical and Building Services Engineering) and the member of Electrical and Mechanical Services Training Board of Vocational Training Council.

Mr. Cheong Hei Sing, Alex (張熺聲先生), aged 53, has been a director of Nanjing Anlev Elevator Limited, a wholly-owned subsidiary of the Company, since 2003, and a director of Anlev (HK) Limited, a wholly-owned subsidiary of the Company, since 2005. He oversees the Mainland China business operations of the Lifts and Escalators segment of the Group, including research and development, marketing and sales, production and customer service and support.

Mr. Cheong joined the Group in 1986 as a design draftsman and was involved in the early development of a new series of precision air-conditioning products. He later became an assistant design engineer, design engineer and senior design engineer during 1988 to 2004 and was the key person responsible for the design of certain series of data-chillers, precision air-conditioning systems, escalators and moving walkways. Since 2003, he has been a director of Nanjing Anlev Elevator Limited, a wholly-owned subsidiary of the Company, and is mainly responsible for overseeing the production and export of Anlev lifts and escalators at the manufacturing plant in Nanjing, Mainland China. In 2005, he was appointed as a director and a manager of Anlev (HK) Limited and has since been overseeing the sales and marketing and customer services functions of the Hong Kong operations of the lifts and escalators segment. Since 2012, Mr. Cheong has also been a director of research and development and production of lifts and escalators segment of the Group and is primarily in charge of the product development and business development of the lifts and escalators segment.

Prior to joining the Group, Mr. Cheong worked as an engineering assistant at Glory Engineering Company Limited from October 1985 to October 1986.

Mr. Cheong obtained from the Hong Kong Polytechnic an endorsement to the higher certificate in mechanical engineering in November 1988, an endorsement certificate in air-conditioning and refrigeration in November 1987 and a higher certificate in mechanical engineering in November 1986. In July 1985, Mr. Cheong obtained a diploma in mechanical engineering from Morrison Hill Technical Institute.

Mr. Cheung Ha Ming (張夏明先生), aged 51, has been a director of Anlev Elex Elevator Limited, a wholly-owned subsidiary of the Company, since June 2016, and oversees the Hong Kong operations of the Lifts and Escalators segment of the Group.

Mr. Cheung started his career as an assistant engineer in the maintenance department of Goldstar Industrial Systems (HK) Limited during 1993 to 1995. He served Otis Elevator Company (HK) Limited from 1995 to 2004 and his last position with this company was senior engineer-field support of the new equipment department. Later in 2004, he joined Kone Elevator (HK) Limited as a technical sales manager, and his last position with this company was senior sales operations manager. He joined ThyssenKrupp Elevator (HK) Limited in 2010 as the head of new installation and modernisation until joining the Group in June 2015 as an associate director of Anlev Elex Elevator Limited. He was subsequently promoted as a director of Anlev Elex Elevator Limited in June 2016.

Mr. Cheung obtained a master degree of business administration from City University of Hong Kong in November 2002 and a bachelor degree of engineering (honours) in mechanical engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1993.

Mr. Cheung is a chartered engineer of the Engineering Council in the United Kingdom, a registered lift engineer, a registered escalator engineer in Hong Kong and a member of each of the Institution of Mechanical Engineers and The International Association of Elevator Engineers.

Mr. Hong Chi Man (康志民先生), aged 60, has been a director of ATAL Engineering Limited since 1 April 2015. He oversees the sewage treatment operations of the Environmental Engineering segment of the Group, and is primarily responsible for the overall management of the projects which involve design, procurement, contract management and administration, program planning and quality assurance system.

Mr. Hong started his career by joining an apprenticeship training program in 1978. He joined the Group in 1989 as a project engineer and he executed a number of projects which involved designing, building, testing and commissioning of small package sewage treatment plants for residential development in the New Territories, Hong Kong. He joined Kenworth Engineering Limited, an E&M engineering services provider in 1993 and was later promoted as a senior project engineer. In 1995, he rejoined the Group as an assistant project manager, and was promoted as an associate director of the environmental engineering operations of ATAL Engineering Limited in 2010, and was mainly responsible for administration of the sewage treatment business. In addition, he was also involved in the project execution including process and E&M design, contract management and administration, equipment selection and procurement, supervision of installations, testing and commission of municipal and domestic sewage treatment plants and water treatment facilities. He was subsequently appointed as a director of the environmental engineering operations of ATAL Engineering Limited in 2015.

Mr. Hong was certified by the Engineering Council of the United Kingdom in September 1992 to have satisfied the academic requirements for Stage 1 of the professional engineer section of The Engineering Council Register (commonly known as "EC Part II"), which is recognised by the Institution of Mechanical Engineers. He also holds a master of science degree in civil engineering from the Hong Kong Polytechnic University in November 2000, and a master of business administration degree in technology management from La Trobe University in September 2005 through distance learning.

Mr. Hong is a chartered engineer of the Engineering Council in the United Kingdom, and a member of each of the Institution of Mechanical Engineers and the Hong Kong Institution of Engineers.

Corporate Governance Report

The Board (the "Board") of Directors (the "Directors") of Analogue Holdings Limited (the "Company" together with its subsidiaries, the "Group")) is pleased to report to the shareholders of the Company (the "Shareholders") on the corporate governance of the Company for the period from 12 July 2019 (the "Listing Date"), the listing date of the Company, to 31 December 2019 (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices and procedures.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

During the Reporting Period, the Company has complied with all applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the securities dealing code on terms no less exacting than those set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "Model Code"). In response to specific enquiries made to all the Directors by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code and the securities dealing code adopted by the Company throughout the Reporting Period.

BOARD OF DIRECTORS

During the year ended 31 December 2019, the Board comprised four executive Directors, one non-executive Director and three independent non-executive Directors.

The composition of the Board during the year ended 31 December 2019 was as follows:

Executive Directors:
Dr. Poon Lok To, Otto *(Chairman)*
Mr. Cheng Siu Ngai, Kevin *(Chief Executive Officer) (retired with effect from 1 April 2020)*
Mr. Law Wei Tak
Mr. Chan Hoi Ming

Non-executive Directors:
Dr. Mak Kin Wah *(Deputy Chairman)*

Independent Non-executive Directors:
Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Mr. Wong King On, Samuel

Note: Mr. Cheng Siu Ngai, Kevin retired as an executive Director, the chief executive officer of the Company and a member of the nomination committee of the Board with effect from 1 April 2020.

There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Board Meetings

Code provision A.1.1 of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. During the Reporting Period, the Company convened two regular Board meetings.

Apart from regular Board meetings, the chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Period.

Chairman and Chief Executive Officer

During the Reporting Period, the positions of chairman and chief executive officer are held by Dr. Poon Lok To, Otto and Mr. Cheng Siu Ngai, Kevin, respectively. The chairman provides leadership, overall strategic planning and major decision making for the Group and the chief executive officer oversees all business units and corporate units of the Group.

With effect from 1 April 2020, Mr. Cheng Siu Ngai, Kevin retired as the chief executive officer of the Company and an executive Director. Following the departure of Mr. Cheng, the Company currently does not intend to appoint another chief executive officer. Instead, Mr. Cheng's duties as the chief executive officer of the Company will be divided into and shared among the leaders of the following three management units of the Group, namely (i) Mr. Law Wei Tak, Managing Director who leads the Building Services businesses; (ii) Mr. Chan Hoi Ming, Managing Director who leads the Environmental Engineering, Information, Communications and Building Technologies and Lifts and Escalators businesses; and (iii) Mr. Cheng Wai Keung Peter, the chief financial officer of the Company who leads the financial operations and administration.

Corporate Governance Report

Non-executive Directors

Pursuant to the Company's bye-laws, all Directors are subject to retirement from office by rotation at least once every three years and are eligible for re-election by Shareholders. All non-executive Directors are appointed for a specific term of three years, and are subject to retirement by rotation under the Company's bye-laws.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The nomination committee of the Board (the "Nomination Committee") is responsible for assessing the independence of the independent non-executive Directors. As a good corporate governance practice, each member of the Nomination Committee abstains from assessing his own independence.

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

Appointment and Re-election of Directors

Each executive Director and non-executive Director has signed a letter of appointment with the Company for an initial term of 3 years and his employment shall thereafter continue on a month to month basis unless otherwise agreed between the Director and the Company or terminated in accordance with the terms thereof. Each independent non-executive Director has signed a letter of appointment with the Company for a term of 3 years. All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the bye-laws of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at such meeting.

Nomination Policy

The Board adopted the nomination policy of the Company at the Listing Date. This policy set out that the Board as a whole is responsible for the procedure of agreeing to the appointment of its own members and for nominating them for election by the Shareholders on first appointment and thereafter at regular intervals by rotation. A Nomination Committee has been established to identify individuals suitably qualified to become Directors and make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning of the Directors.

The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The appointment of a new Director shall first be considered by the Nomination Committee and then recommended by the Nomination Committee to the Board. When identifying and selecting suitably qualified candidates, the Nomination Committee will give consideration to their skill, knowledge, experience and other criteria as set out in the board diversity policy of the Company, whereby selection of candidates will be based on merit against objective criteria as the Nomination Committee may consider appropriate from time to time.

The proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director and to the public disclosure of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election or appointment as a Director. The Company may request candidates to provide additional information and documents, if considered necessary for their election or appointment as a Director.

Candidates recommended to the Board for appointment or re-appointment as independent non-executive Directors must comply with the independence requirements set out in rule 3.13 of the Listing Rules. In addition, the Board believes that independence is a matter of judgement and a major criterion for selecting candidates for appointment or re-appointment as independent non-executive Directors is that the relevant candidates should not engage in any business or any other arrangement which might potentially interfere with his exercise of judgement in his capacity as an independent non-executive Director in respect of any matter of the Company and/or its subsidiaries.

Board Diversity Policy

The Board adopted the board diversity policy of the Company on the Listing Date. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The policy aims to set out the approach to achieve diversity relating to the Board.

With a view to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the composition of the Board, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and years of working experience. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the abovementioned criteria. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will report annually, in the Corporate Governance Report section of the Company's annual report, on the Board's composition under diversified perspectives, and monitor the implementation of this policy.

The Nomination Committee will review the board diversity policy, as appropriate, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The biography for each of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 24 to 35 of this annual report.

As at the date of this annual report, the Nomination Committee considers that the Board is characterised by sufficient diversity, in terms of education background, professional experience, skills, knowledge and years of experience. The Nomination Committee will give due consideration to the board diversity policy of the Company when recommending candidates to the Board. All Board appointments will be based on merit, and candidates will be considered against objective criteria with due regard for the benefits of diversity each candidate can bring to the overall Board composition.

Corporate Governance Report

Responsibilities, Accountabilities and Contributions of the Board and Management

While the Board is collectively responsible for directing and supervising the Company's affairs, the chairman of the Board provides leadership to the Board in carrying its duties. The Board directly and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place. All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. The Board reserves for its decision on all major matters relating to corporate and material policy matters, material transactions, approving annual and interim period financial reporting, appointment of Directors, recommending or approving dividends. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the executive Directors and management. The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, which directly report to the Board. Each of these committees is established with defined written terms of reference.

Audit Committee

As at the date of this annual report, the audit committee of the Board (the "Audit Committee") consists of two independent non-executive Directors, namely Mr. Wong King On, Samuel and Mr. Chan Fu Keung, and one non-executive Director, namely Dr. Mak Kin Wah. The Audit Committee is chaired by Mr. Wong King On, Samuel, who is a qualified accountant with extensive accounting and finance experience. The principal duties of the Audit Committee include reviewing the Company's financial controls, internal control and risk management systems, reviewing the financial information of the Company, reviewing the relationship with the external auditors and overseeing the Company's corporate governance functions as set out in paragraph D.3.1 of the CG Code covering, among others, reviewing the Company's policies and practices on corporate governance, reviewing the Company's compliance with the CG Code and disclosure in Corporate Governance Report. The terms of reference of the Audit Committee have been posted on the websites of the Stock Exchange and the Company.

A risk management committee is set up to assist the Audit Committee in overseeing the risk management system, ensuring that the risk management culture is fostered and systems are implemented effectively in the daily operations. The risk management committee mainly comprises of representatives from different departments and functions, executive Directors, non-executive Director, independent non-executive Directors and is chaired by Mr. Wong King On, Samuel.

The risk management committee (sanctions risks), which reports to the risk management committee, comprises of an executive Director, the chief financial officer of the Company and the legal counsel and is chaired by Dr. Poon Lok To, Otto. The principal duties of the committee can be referred to the section headed "Business Activities in Countries Subject to International Sanctions" under the Report of the Directors of this annual report. During the Reporting Period, the risk management committee (sanctions risks) held one meeting.

During the Reporting Period, the Audit Committee held two meetings and reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2019, reviewed the compliance of CG Code for the six months ended 30 June 2019, reviewed and approved the external auditor's fee on reviewing the interim results of the Company and discussed with the external auditor the audit plan, audit timetable and audit fee of the annual audit of the Group for the year ended 31 December 2019.

The Audit Committee had reviewed the effectiveness of the risk management and internal control systems for the Reporting Period.

Remuneration Committee

As at the date of this annual report, the remuneration committee of the Board (the "Remuneration Committee") consists of two independent non-executive Directors, namely Mr. Chan Fu Keung and Mr. Wong King On, Samuel and one non-executive Director, namely Dr. Mak Kin Wah. The Remuneration Committee is chaired by Mr. Chan Fu Keung. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration. The terms of reference of the Remuneration Committee have been posted on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Remuneration Committee held one meeting and had recommended the payment of bonus to the executive Directors and senior management of the Company and also approved the payment of bonus to the full time permanent employees of the Group, and reviewed the remuneration policy of the Company.

Remuneration Policy

The Board adopted the remuneration policy of the Company on the Listing Date. This policy is to provide competitive remuneration to attract and retain staff. The Company aims to compete in the market for the best skills available.

Quality and committed staff are valuable assets contributing to the success of the Company. The remunerating objective of the Company is to ensure that there is an appropriate level of remuneration to attract, motivate and retain high calibre staff to support and oversee the Company's business and development. To ensure the ability to attract and retain talents, the Company's remuneration policy is built upon the principles of providing equitable and market-competitive remuneration package.

The Company provides competitive packages including pay, allowances, incentives, benefits and employment conditions in the industry and the regions in which the Company operates. The Company's remuneration policy is performance linked which enables the achievement of the Company's strategic business goals, and to share the success of the Company with staff.

Remuneration of Directors and senior management is recommended by the Remuneration Committee and approved by the Board. Remuneration is subject to periodic review.

Corporate Governance Report

Remuneration of Directors and Senior Management

Information on emoluments of the Directors for the year ended 31 December 2019 is set out in Note 12 to the consolidated financial statements and the below section headed “Update of Directors’ Information”.

During the Reporting Period, no Director or any of his associate(s) (as defined in the Listing Rules) was involved in deciding his own remuneration.

The remuneration paid to members of the senior management by band for the year ended 31 December 2019 is set out below:

Remuneration Bands (HK$)	Number of Senior Management
Nil – 1,000,000	1
HK$1,000,001 up to HK$2,000,000	1
HK$2,000,001 up to HK$3,000,000	2
HK$4,000,001 up to HK$5,000,000	1
HK$6,000,001 up to HK$7,000,000	1
Total	6

Update on Directors’ Information

Save as disclosed in the section headed “Board of Directors and Senior Management” in this annual report, the changes in information to be disclosed pursuant to 13.51B(1) of the Listing Rules are set out below:

The salaries of the following Directors were increased with effect from 1 April 2020 as follows:

Name of Director	Amount of new salary per month (HK$)
Dr. Poon Lok To, Otto	209,570
Dr. Mak Kin Wah	140,000
Mr. Law Wei Tak	194,910
Mr. Chan Hoi Ming	171,210

Nomination Committee

As at the date of this annual report, the Nomination Committee consists of three independent non-executive Directors, namely Mr. Lam Kin Fung, Jeffrey, Mr. Chan Fu Keung and Mr. Wong King On, Samuel and one non-executive Director, namely Dr. Mak Kin Wah. Mr. Cheng Siu Ngai, Kevin, an executive Director, ceased to be a member of the Nomination Committee following his retirement with effect from 1 April 2020. The Nomination Committee is chaired by Mr. Lam Kin Fung, Jeffrey. The principal duties include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and reviewing the board diversity policy and reviewing the measurable objectives, if any, that the Board has set for implementing such policy. The terms of reference of the Nomination Committee have been posted on the websites of the Company and the Stock Exchange.

During the Reporting Period, the Nomination Committee held one meeting and reviewed the structure, size and composition (including skills, knowledge and experience) of the Board, the nomination policy of the Company and the board diversity policy of the Company.

Attendance of meetings of Board and Board Committees

During the Reporting Period, the Company held two regular Board meetings, two Audit Committee meetings, one Remuneration Committee meeting and one Nomination Committee meeting.

The attendance records of the Directors are as follows:

	Number of meetings attended/eligible to attend			
	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors				
Dr. Poon Lok To, Otto *(Chairman)*	2/2	N/A	N/A	N/A
Mr. Cheng Siu Ngai, Kevin *(Chief Executive Officer) (Note 1)*	2/2	N/A	N/A	1/1
Mr. Law Wei Tak	2/2	N/A	N/A	N/A
Mr. Chan Hoi Ming	2/2	N/A	N/A	N/A
Non-executive Director				
Dr. Mak Kin Wah	2/2	2/2	1/1	1/1
Independent Non-executive Directors				
Mr. Chan Fu Keung	2/2	2/2	1/1	1/1
Mr. Lam Kin Fung, Jeffrey	2/2	N/A	N/A	1/1
Mr. Wong King On, Samuel	2/2	2/2	1/1	1/1

Notes:

1. Mr. Cheng Siu Ngai, Kevin retired as an executive Director and the chief executive officer of the Company and ceased to be a member of the Nomination Committee with effect from 1 April 2020.

2. The Company did not hold any general meeting during the Reporting Period.

Corporate Governance Report

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company arranges and provides continuous professional development training to Directors to ensure that the Directors have sufficient understanding of the Group's businesses and awareness of duties under the Listing Rules and the relevant statutory and regulatory requirements. During the Reporting Period, the Company organised training sessions conducted by qualified lawyers and other organisations, for the Directors on their duties, responsibilities and obligations under the Listing Rules and other law and regulations. In addition, relevant reading materials including legal and regulatory update and seminar handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the update on the relevant rules, laws and regulations relevant to the Directors in performing their duties.

A summary of the training received by the Directors during the Reporting Period based on their training records provided to the Company is set out as follows:

	Reading materials	Briefings/seminars
Executive Directors		
Dr. Poon Lok To, Otto *(Chairman)*	✓	✓
Mr. Cheng Siu Ngai, Kevin *(Chief Executive Officer) (Note)*	✓	✓
Mr. Law Wei Tak	✓	✓
Mr. Chan Hoi Ming	✓	✓
Non-executive Director		
Dr. Mak Kin Wah	✓	✓
Independent Non-executive Directors		
Mr. Chan Fu Keung	✓	✓
Mr. Lam Kin Fung, Jeffrey	✓	✓
Mr. Wong King On, Samuel	✓	✓

Note: Mr. Cheng Siu Ngai, Kevin retired as an executive Director and the chief executive officer of the Company and ceased to be a member of the Nomination Committee with effect from 1 April 2020.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The annual and interim results announcements of the Company should be reported in a timely manner, in accordance with the Listing Rules, namely within 3 months and 2 months after the end of the reporting period respectively.

The Directors' responsibilities should be reviewed together with the Independent Auditor Responsibilities in the Company's Auditor's report as set out in pages 81 to 84 in this annual report.

The Annual Report and Accounts

The Directors are responsible for the preparation of the annual report and financial statements, and are responsible in ensuring the financial statements represent a true and fair view in accordance to the Listing Rules and Hong Kong Financial Reporting Standards.

The Accounting Records and Accounting Policy

The Directors are responsible for keeping good accounting records which represent the financial positions of the Company and that the accounting records are prepared under the basis of the relevant accounting policy and in compliance with Hong Kong Financial Reporting Standards.

Going Concern

The Directors have reviewed, queried, and ascertained that the Company has adequate resources to continue its operations for the foreseeable future and hence it is appropriate for the Company to adopt the going concern approach for the preparation of its financial statements.

AUDITOR'S REMUNERATION

During the Reporting Period, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditors is set out below:

	2019 HK$'000	2018 HK$'000
Audit Services	**4,200**	4,200
Non-audit services		
Service fee as the reporting accountant in relation to IPO	**2,884**	7,985
Interim review fee	**2,000**	–
Tax services and disbursement	**196**	187
Total	**9,280**	12,372

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for maintaining a sound and effective system of risk management and internal control for reviewing its effectiveness, particularly in respect of the key controls on finance, operations and compliance through risk management assessment, to integrate into the Group's business strategies and business operations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute, assurance against material misstatement or loss.

The Board oversees the Group's risk management process which comprises of the identification and assessment of the key risks exposure of the Group based on their estimated impact and likelihood of occurrence and formulation of corresponding mitigating measures by management. The Group's identified risks and associated mitigating measures are recorded and are reviewed at least annually in light of internal and external changes. An open and interactive communication channel is maintained to enable timely reporting and ongoing supervision of the identified risks within the Group. The risk management policy of the Company has been developed with a primary objective of providing a direction to all management personnel in applying a consistent risk management system in which the significant risks concerning business processes and functions of the Group are identified, considered and addressed in approval, review and control processes. It also serves as a continuity of the Group's risk management process and facilitates transition during time of management personnel changes.

The main feature of the Group's risk management and internal control systems include a well-established risk management structure and risk management methodology which includes risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting in respect of operation, financial function and compliance of all the businesses of the Group.

Corporate Governance Report

The internal audit function of the Group is an independent function that reports directly to the Audit Committee. The internal audit function from time to time reviews the Group's business operations, risk management and internal control systems in accordance with the risk-based internal audit work plan as approved by the Audit Committee. The Board is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems on an ongoing basis and a cyclical review has been conducted on their effectiveness. Furthermore, the Board has ensured that adequate resources have been spent on the Company's accounting, internal audit and compliance functions which are run by professional staff with appropriate qualifications, experience and training. During the Reporting Period, no significant irregularity or deficiency in risk management and internal control systems was required to be drawn to the attention of the Audit Committee.

A whistleblowing policy has also been adopted by the Board on the Listing Date and is uploaded to the Company's intranet, which allows the Group's employees to raise concerns, in confidence, about any suspected misconduct, malpractice within the Company.

A Manual on Disclosure on Inside Information is in place and also uploaded to the Company's intranet, giving guidance on the management, protection and proper disclosure of inside information. The Directors adhere strictly to the statutory requirement for their responsibilities of keeping inside information confidential.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2019 covering all material controls, including financial, operational and compliance controls, and is satisfied that such systems are effective and adequate. Such review will be conducted annually for each financial year of the Group. In addition, it has reviewed and is satisfied with the adequacy of resources, staff qualifications, experience and training programme of the Group's accounting, internal audit and financial reporting functions.

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona was appointed as the secretary of the Company (the "Company Secretary") on 14 September 2018. Ms. Li joined the Group since 11 November 2015 as legal counsel, providing legal support to the Group's various businesses. Ms. Li is an employee of the Group. She confirmed that she has complied with all the qualifications and experience requirements as required by the Listing Rules.

For the year ended December 31, 2019, Ms. Li has undertaken not less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

Shareholder(s) holding at the date of deposit of the requisition not less than 10% of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right by written requisition, to require a special general meeting to be convened by the Board. The requisition must state the purpose(s) of the meeting, and must be signed by the requisitionist(s) and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If the Directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a meeting, the requisitionist(s), or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date. Any reasonable expenses incurred by the requisitionist(s) by reason of the failure of the Board duly to convene a special general meeting shall be repaid to the requisitionist(s) by the Company.

Putting forward Proposals at General Meetings

Any number of Shareholders representing not less than 5% of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates; or not less than 100 Shareholders can submit a requisition in writing to the Company: (a) to give to the Shareholders entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) to circulate to the Shareholders entitled to have notice of any general meeting sent to them any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting.

The written requisition must be signed by the requisitionist(s) and deposited at the registered office of the Company with a sum reasonably sufficient to meet the Company's relevant expenses in giving effect thereto and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the general meeting in case of any other requisition.

Procedures for Shareholder(s) to propose a person for election as a Director are available at the "Corporate Governance" section of the Company's website.

Enquiries to the Board

Shareholders may at any time send their enquiries and comments to the Board by addressing them to the Company Secretary by post to the Company's principal place of business in Hong Kong at 13th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong or by email to *info@atal.com*.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company believes that providing regular communication to the Shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance. The Company communicates with the Shareholders through the publication of annual and interim reports, announcements, notices and circular. All such information is available on the Company's website at *www.atal.com*. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

The Company had adopted new bye-laws on 14 September 2018 with effect from the Listing Date. The new bye-laws were adopted to comply with the relevant requirements under the Listing Rules. An up-to-date consolidated version of the memorandum of association and the bye-laws of the Company is available on both the websites of the Company and the Stock Exchange.

Environmental, Social and Governance Report

STATEMENT OF MANAGEMENT DECISION

This is the Environmental, Social and Governance ("**ESG**") Report of Analogue Holdings Limited (the "**Company**" together with its subsidiaries, the "**Group**"). The Group is strongly committed to integrating corporate social responsibility into our business operations. "**Innovation**", "**people oriented**" and "**management involvement**" approaches underpin our ESG framework of sustainable and ethical business practices.

We firmly believe that as a socially responsible corporation, we can create financial value for our shareholders and also social value by contributing to society in our business operation. To continuously measure, monitor and improve our positive impact to society, we have taken steps to present the results of our efforts in this year's ESG Report.

We promote a culture of work safety and innovation and always take pride in our ability to develop and apply innovative engineering technologies and processes in our business, such as specialised wastewater treatment technologies, data analytics and energy optimisation, Building Information Modelling (BIM), Modular Integrated Construction (MIC), etc.

We invest in staff training and development and provide various training programmes such as Scheme "A" Graduate Training of the Hong Kong Institution of Engineers (HKIE), apprenticeship programme, continuous professional development (CPD) trainings, and many management and leadership training programmes for our staff at different stages of career development.

We are a leading electrical and mechanical (E&M) engineering services provider in Hong Kong and are well-positioned to capture emerging opportunities in the market to achieve further business growth. Coupled with our strong commitment in ESG, we will continue to work closely with our customers and partners for sustainable growth and aim to promote our city to become a safe, healthy, green, innovative and smart city. Looking ahead, we will continue to refine our ESG disclosures based on the evolving informational needs of our stakeholders.

ABOUT THIS REPORT

This ESG Report (the "**Report**") sets out our ESG performance, together with the accomplishments and challenges of the Group, in the period from 1 January 2019 to 31 December 2019, unless otherwise specified in the Report.

This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**HKEx**"). Unless otherwise specified, this Report focuses on our core operations of the Group in Hong Kong. For easy referencing, the content index of HKEx ESG Reporting Guide are provided at the end of the Report.

OUR ESG APPROACH

The Group strives for continuous growth and success. Our goals are to create business value for our shareholders and to have a far-reaching positive impact on the communities where we operate. Our approach to address ESG matters can generate value for our shareholders, customers, subcontractors and suppliers with whom we operate with. Our motto of "We Commit, We Perform, We Deliver" guides us to conduct our business in an ethical and responsible manner. Across the Group, we work proactively to monitor and reduce our environmental footprint, to ensure effective and ethical governance, and to stimulate sustainable economic growth. The Group strives to ensure and promote quality, safety, environmental friendliness, social responsibility, timeliness and cost-efficiency of our services and has gained trust and respect from our customers. We set the goals and we focus on how to achieve them. This approach is important for our long-term success and it is fundamental to our vision to be the leading E&M engineering services provider in Hong Kong, based on the core successful approaches in "innovation", "people oriented" and "management involvement".

CORPORATE GOVERNANCE

The Board of Directors of the Group is responsible for establishing internal control system and assessing their effectiveness. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control system. The system covers corporate governance, operations, management, legal matters, and finance and auditing, to meet the needs of our Company. We have established comprehensive risk management tools through which we monitor, evaluate and manage risks related to quality, health and safety, environment, finance, capital management and human resources and other risks that we are exposed to in our business. On the other hand, the Group provides clear guidelines and provisions regarding business ethics and internal code of conduct. Complaints regarding any breach of our code of conduct can be made both on a named or an anonymous basis. To ensure a fair and transparent subcontracting and sourcing process, selection of suppliers and subcontractors shall be approved by the proper level of management.

The Board oversees the Group's risk management and internal control systems on an ongoing basis to ensure that a review of the effectiveness of the systems has been conducted, through the Audit Committee, at least annually and reported to shareholders in the Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls. The Board, through the Audit Committee, regular reviews the adequacy of resources, staff qualifications, experience and training programme of the Group's accounting, internal audit and financial reporting functions. The Audit Committee established under the Listing Rules has clear terms of reference to oversee the effectiveness of the risk management and internal control systems covering financial, operational and compliance controls. The Audit Committee's terms of reference are uploaded on the websites of the Group and the HKEx.

The Group values the communications with stakeholders and maintains a high level of transparency by providing timely and accurate information.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Among the wide spectrum of ESG matters, our individual businesses prioritise the matters relevant to their stakeholders and matters which will have a direct bearing on their operations. Our approach to materiality in this Report is based on the best-practice recommendations of the HKEx ESG Guide. In 2019, our materiality assessment process evaluated sustainability challenges in the Group's organisational context covering both the external and internal matters. In this exercise, internal stakeholders such as management team, business units and engineering project teams contributed their perspectives regarding ESG reporting and the broader ESG matters relevant to our business. The assessment also considered various ESG matters, which are relevant to our industry and operating locations, and included the following steps:

Step 1: Identification – Industry Benchmarking

- Relevant ESG matters were identified based on feedback from stakeholders including subcontractors and suppliers; other sustainability indices and the Group's local and regional industry peers.
- The materiality of each ESG matter was determined based on the ESG risks as disclosed by selected peer construction contractors.

Step 2: Prioritisation – Stakeholder Engagement

- We engaged key internal stakeholders to priortise ESG matters affecting the Group.
- Stakeholders were also asked to rank each of the shortlisted ESG matters according to their view of its importance to the operations of the Group.

Step 3: Validation – Determining Material Matters

- The Group's management team validated the range of ESG matters being reported to ensure the results of the materiality assessment were in line with and reflective of matters important to our business.
- With the aid of a materiality matrix, ESG matters determined to be of importance to our business, in consideration of Global Reporting Initiatives (GRI) G4 Reporting Principles and Standard Disclosures as well as the framework of the UN Global Compact, are shown in Table 1 below. The material matters are then discussed in this Report.

Table 1: Material ESG matters for reporting

Section of this Report		Material Matter
1	Human Capital	Employment, Labour Standards
2	Training and Development	Training and Development
3	Environmental Protection	Emissions, Effluent and Waste
4	Energy and Carbon Management	Energy, Water and Materials
5	Resource and Waste Management	Materials, Effluent and Waste
6	Occupational Health and Safety Management	Occupational Health and Safety
7	Supply Chain Management	Supply Chain Management
8	Anti-corruption	Anti-corruption
9	Compliance	Compliance
10	Community Investment	Community

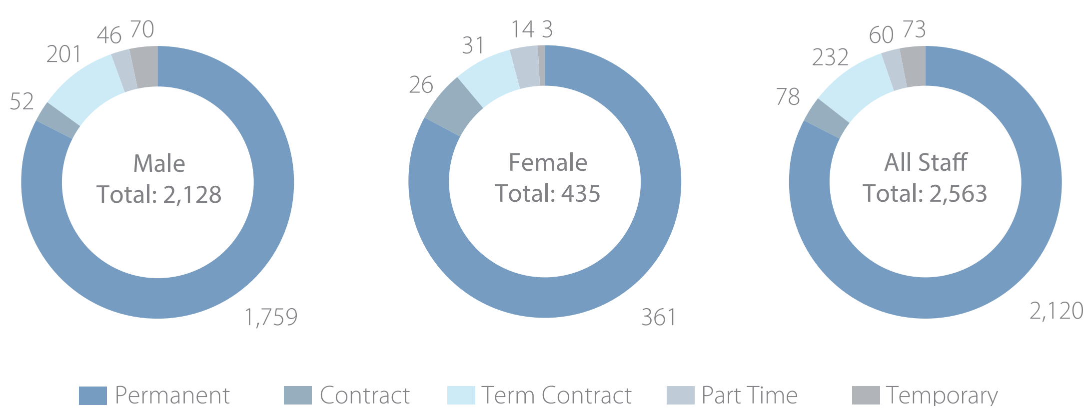
HUMAN CAPITAL

The Group complies with laws and regulations on employment related issues such as compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, including the prevention of child and forced labour, in Hong Kong, Macau and Mainland China and there is no non-compliance with the applicable laws and regulations in 2019. All the relevant policies, code of conduct and procedures are regularly reviewed and are available on the intranet. We had a total of 2,563 employees, including part-time, temporary and staff under the employment modes of term contract less than one year and more than one year, as at 31 December 2019. Table 2 provides a breakdown of the number of our employees by type, staff grade, age group and geographical location as at 31 December 2019.

Environmental, Social and Governance Report

Table 2: Breakdown of employees by type, staff grade, age group and geographical location

	Male		Female		Total
	Number	%	Number	%	Number
Total Staff	2,128	83.0	435	17.0	2,563
Permanent	1,759	83.0	361	17.0	2,120
Contract	52	66.7	26	33.3	78
Term Contract	201	86.6	31	13.4	232
Part Time	46	76.7	14	23.3	60
Temporary	70	95.9	3	4.1	73
Staff Grade *(for permanent staff only)*					
Management	5	71.4	2	28.6	7
Senior Executive	21	91.3	2	8.7	23
Executive	204	86.4	32	13.6	236
Professional	677	84.3	126	15.7	803
General	852	81.1	199	18.9	1,051
Age Group *(for permanent staff only)*					
16-18 years old	4	100	0	0	4
18-25 years old	212	88.3	28	11.7	240
26-35 years old	610	78.1	171	21.9	781
36-45 years old	478	82.4	102	17.6	580
46-55 years old	307	85.8	51	14.2	358
56-65 years old	146	94.2	9	5.8	155
> 65 years old	2	100	0	0.0	2
Geographical Location					
Hong Kong	1918	84.5	351	15.5	2269
Macau	14	60.9	9	39.1	23
Mainland China	196	72.3	75	27.7	271



We emphasize on internal promotion to offer long-term career development and performance incentives to our employees. It is also an important way to retain employees, achieve a low turnover rate, improve service quality and remain competitive. We provide equal and plenty of opportunities to all our employees. Leadership training and development are in place to nurture high potential employees for senior positions and development programmes are in place to further develop their career in the Group.

Our recruitment policies and guidelines for recruiting candidates are well developed for recruitment of suitable employees based on their qualifications, experience and expertise. We verify the age of candidates by checking their identity documents at recruitment. On the other hand, we have a variety of initiatives on recruitment, including recruitment fairs, advertisements in print media, website advertising, on-campus recruitment in universities, use of recruitment agencies and internal referrals. On the other hand, our employees are subject to regular job performance reviews which determine their promotion prospects and compensation. Employment, remuneration and promotion are performance-based and assessed using fair, transparent and accountable processes.

We respect and support work-life-balance. In addition to compassionate leave entitlements, the Group offers 5-day work week scheme and flexible working hours for staff with special needs such as family care to parents and/or children, study and other special situations. To encourage staff members to join different activities, we provide subsidy to each staff member for various kinds of staff activities such as luncheon, barbeque, Christmas party, etc. Staff getting married and having newborn baby will receive marriage gift and baby gift coupon. The Group has long established ATAL Recreational and Welfare Affairs Club (or "**ARWA Club**") to encourage and organize sports and recreational activities for our staff members. The matches of football, badminton, bowling and basketball allow our staff members to build cohesive ties on and off the field, while also generating goodwill and friendships with other members of the industry. Our teams have devoted all their efforts in each match, creating fulfilment and fun memories. On the other hand, various interest classes such as cuttlefish fishing, photography, pottery, family movie day, Halloween day, Disneyland Christmas Day, leather class, yoga class, coffee making class and craft beer workshop were organized for staff to relax, have fun, deepen friendships and maintain the valuable balance between work and life. In 2019, the Group organized more than 500 hours of different kinds of corporate events attracting more than 4,500 participants.

To promote good health, the Group regularly arranges health programmes such as flu vaccinations, medical check-ups, health talks, workshops like stress management, healthy diet, back and neck care to raise staff's health awareness and keep staff abreast of the latest health information.

Environmental, Social and Governance Report

TRAINING AND DEVELOPMENT

Professionalism is one of the core values of the Group and is also an element for the sustainable growth. We organize comprehensive training programmes for our employees at all levels. Our training programmes identify talents, with the aim of providing upward mobility within our Group and fostering employee loyalty. The programmes incorporate mentoring, coaching and training. We provide internal trainings to our incoming and current employees on general and technical knowledge and skills, including quality, health and safety, and environmental management, new technologies, standards and codes and risk assessment. Nurturing young engineers is core to the sustainability of our business. Meanwhile, we engage external consultants and specialists to develop advanced training courses, focusing on leadership development, people management, sustainability and innovation technology. We promote a culture of lifelong learning, and we encourage our employees to enroll in training courses to continuously develop their soft skills and raise their standards of service and competence. Under our part-time degree sponsorship programme, we encourage diploma holders to pursue undergraduate engineering degree programmes with the aim to become qualified engineers. Other training sponsorship will also be provided for employees to attend relevant trainings.

To attract and retain our employees and achieve sustainable development of our Group, we endeavour to provide a wide range of training programmes, including the HKIE Scheme "A" Graduate Training and apprenticeship programme. Every year, there are numbers of high caliber engineering fresh graduates recruited for the position of graduate trainee under various engineering disciplines, with two or three-year trainee programmes. Meanwhile, technician trainees are employed every year and they will go through a three to four-year apprenticeship training programme. During the training period, apart from gaining practical experience from work, apprentices will attend relevant part-time day programme offered by Vocational Training Council.

Specific yearly training plans with detailed programmes are offered to different levels of employees to best meet their professional and other training needs. In addition, we endeavour to measure the effectiveness of training programmes for our employees. During 2019, the employees completed more than 25,000 training hours organised by the Group in Hong Kong and the average number of training hours per employee is around 11.

ENVIRONMENTAL PROTECTION

Regarding the environmental protection, the Group has implemented an integrated management system based on the international standard of ISO 14001:2015 Environmental Management System. The system is not only to ensure the compliance of legal and regulatory requirements but also to achieve a satisfactory environmental protection outcome fulfilling the environmental best practices of the electrical and mechanical sector of the construction industry in Hong Kong. We comply with laws and regulations in relation to air and greenhouse gas emissions, discharges into water, land contamination, and generation of hazardous and non-hazardous waste in Hong Kong, Macau and Mainland China and there is no non-compliance with the respective laws and regulations in 2019.

Based on our integrated management system, we ensure our subcontractors and suppliers will adopt the operating practices in fulfilling the commitments to environmental protection and sustainable development accordingly. Meanwhile, we require our subcontractors and their workers comply with our environmental policy by providing education and training including regular toolbox talks. We also hold regular meetings with subcontractors to discuss environmental issues during the course of a project. On the other hand, we regularly provide our employees with environmental management and compliance trainings to ensure compliance and build competency. In 2019, we worked with Business Environmental Council and Hong Kong Quality Assurance Agency to co-organize thematic seminars in the topics of WELL Building Standard and local environmental regulations in the electrical and mechanical sector for our engineering staff members.

The Group always considers environmental technology in the product development and project management in water and sewage treatment works. Meanwhile, the Group made a big leap forward to achieve building energy optimization for clients. We implemented the award-winning solution of "Cloud-based Chiller Plant Energy Management Platform" for a Grade-A commercial tower in Causeway Bay to comply with the highest environmental standards of Platinum rating in BEAM Plus and facilitate the customer to optimize energy use and benefit from greater energy savings.

EXAMPLE Environmental Technology and Sustainable Built Practice

Our joint-venture construction project for the expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities was awarded the BEAM Plus New Building V1.2 Provisional Platinum.

- Climate and ozone practice: the dielectric tube of ozone generation unit is used for the minimization of ozone production from corona discharge. The general principle is that ozone is formed via an electrical discharge that is diffused over an area using a dielectric to create a corona discharge, and oxygen passed through this corona discharge is converted to ozone.
- Green building and sustainable built practice: it was implemented based on the urban design guideline in order to maintain the natural terrain with the vertical green and roof edge planting on one hand and to adopt roof painting with high solar reflectance index to reduce the solar heat absorption on the other hand.
- Effluent and water management: the expansion of this water treatment works could harvest the un-used sampling water in water treatment process for reuse. This is a new technology of the water management in Hong Kong.

On the other hand, the PRC subsidiary of the Group was awarded a contract in 2019 at the Shenzhen Gongming Water Treatment Plant for building a biological aerated filter for its renovation, which has a design capacity for processing 100,000 tons of sewage per day with level 4 environmental quality standards for surface water. The advanced aerated biofilter can remove ammonia nitrogen and total nitrogen in sewage with high level of automation and better filtration.

Environmental, Social and Governance Report

ENERGY AND CARBON MANAGEMENT

The Group has made great effort in energy management for combating climate change. We have implemented numerous operating measures to improve the energy efficiency and reduce energy consumption across our business operations. The Group has specialized business segment to provide wide range of intelligent systems and green building solutions. With a professional team of in-house energy and green building experts, the Group is able to offer one-stop energy management solutions for the clients to reduce energy costs and carbon footprints of their buildings. It also makes use of emerging technologies like data analytics, Internet of Things (IoT) technologies and cloud computing for various applications including automatic fault detection and diagnostics, energy analytics and real-time monitoring and optimization for energy saving.

On the other hand, the Group has demonstrated its energy saving commitment by designing a green office in the headquarters at North Point. No switch is one of the office's special features. Many light switches are replaced by dual tech occupancy sensors in the whole office, which detect motions of objects and control the lighting on/off automatically. In addition, lighting sensors are installed in the perimeter zone to regulate the lumen output of fluorescent tubes to save power. Eco-fluorescent tubes are featured in the general office and LED lights in conference rooms, washrooms and lobbies. Together, these measures bring around 50% energy savings and the life cycles of lighting devices are also extended. The office air-conditioning system is Building Management System (BMS) controlled which provides precise temperature control to the system to maintain a stable and comfortable environment. The system is also integrated with the occupancy sensors to turn off or reset the air-conditioning system during unoccupied mode. On the security side, the whole office is equipped with an advanced access control system and an IP video surveillance system which are connected to our 24-hour service centre in Kowloon Bay for round-the-clock alarm monitoring.

In order to illustrate the reduction of energy consumption, we have formulated carbon reduction targets and introduced energy saving and low carbon emission initiatives. The Group entered into a voluntary Clean Air Charter which was endorsed by the Hong Kong General Chamber of Commerce and the Hong Kong Business Coalition on the Environment. Business Environment Council regularly carries out compliance audit and the consultants appraise the performance of the Group in implementing measures to put the six items of commitment statement into effect. On the other hand, the Group had taken initiatives in obtaining the Carbon Reduction 5% Certificate under the Hong Kong Awards for Environmental Excellence in a few years ago, which was led by the Environmental Campaign Committee. The certificate recognized the successful effort towards reducing carbon emissions. The Group always encourages our colleagues to practise low carbon lifestyle and imbue green habits through the carbon reduction campaign. To promote energy conservation, the Group annually supports Hong Kong No Air Con Night by encouraging employees to turn off lights and air-conditioners to save energy and minimize ecological footprint. The Group's major greenhouse gas (GHG) or carbon emissions include direct emissions from fuel and paper printing machines and indirect emissions are due to purchased electricity consumed, waste management, etc. Sulphur Dioxide (SO_2) and Nitrogen Oxides (NO_x) emissions are mainly generated from energy consumed in offices, and Particulate Matter (PM) emissions in offices also include dust from ventilation systems, paper use, photocopiers and printers. The fuel and electricity consumptions are tabulated in Table 3 and during 2019, the total net GHG emission was 434.8 tonnes of CO_2 equivalent per staff.

In addition, we clearly highlight in the Environment, Health and Safety (EHS) policy statement that we shall protect the environment by using energy responsibly and conservatively. Energy management is one of the key elements in our integrated management system. Before commencement of work processes, environmental aspects significance analysis shall be conducted to evaluate the environmental aspects and impacts and propose necessary mitigation measures. Some measures to reduce greenhouse gas emissions were endorsed by the Corporate EHS Committee to reduce the carbon footprint in the operations. All these are evaluated through the regular internal and external audits.

Table 3: GHG emission within the boundary of the Group

	Unit	Quantity	Emission Factor
Direct Emission[a]			
Petrol consumption	litre	150,186	N/A
Direct energy intensity	Litre/staff[d]	66.2	N/A
Direct GHG emission	tonnes CO_2-e	354,439	2.36
Indirect Emission[b]			
Electricity consumption	kWh	963,068	N/A
Indirect energy intensity[b]	kWh/staff[d]	424.4	N/A
Indirect GHG emission	tonnes CO_2-e	632,235	0.5[c]/0.81[c]
Net GHG Emission	tonnes CO_2-e	986,674	N/A
Net GHG Emission per Staff	tonnes CO_2-e/staff[d]	434.8	N/A

Remark:

(a) Data collection and calculations for direct emission are limited to the Company cars in Hong Kong operations.

(b) Data collection and calculations are limited to indirect emission from general offices, depots, workshops and warehouses in Hong Kong operations.

(c) Emission factor for CLP and HEC in 2019 is 0.5 and 0.81 respectively for different regions of operations in Hong Kong.

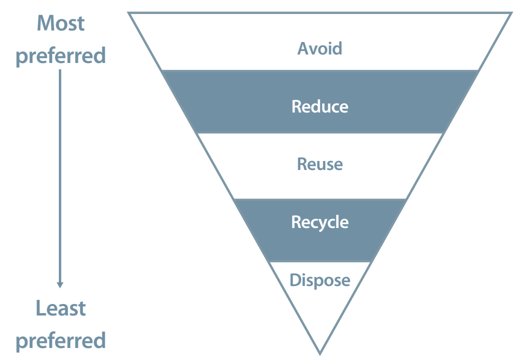
(d) Total number of employees in Hong Kong only.

EXAMPLE Cloud-based Chiller Plant Energy Management Platform

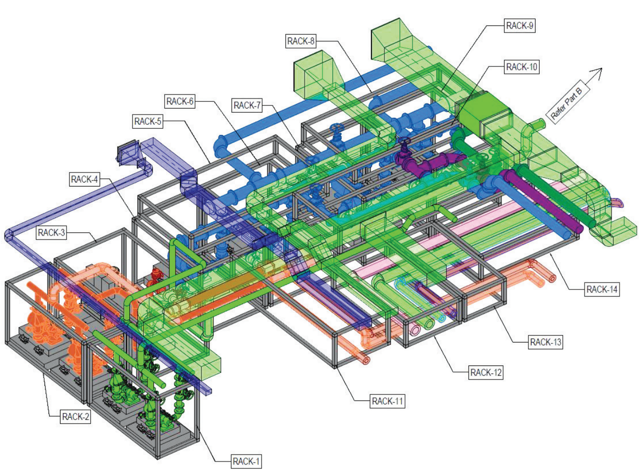
For the energy efficiency and technologies development, the "Cloud-based Chiller Plant Energy Management Platform" was a Silver award-winning solution at the Hong Kong ICT Awards 2019 in Big Data and Open Data Applications of Smart Business Award. This platform is an all-in-one intelligent system leveraging big data analytics for achieving building energy efficiency and sustainable development. Our Dynamic Optimisation is built upon the basis of mathematical modelling using actual operating data and the relevant weather data, ensuring energy performance of the whole chiller plant being optimized in real-time. The platform is designed to determine the optimal control settings under various cooling load and weather conditions. A system performance simulation model was developed based on the characteristics of the central chiller plant, the equipment and system models, for predicting the total power demand of the plant. With this plant model, the overall plant energy use corresponding to various possible combinations of the operating conditions can be holistically evaluated for comparison. This platform has proven successful in various Grade-A commercial buildings in Hong Kong.

Environmental, Social and Governance Report

RESOURCES AND WASTE MANAGEMENT



Protecting the environment by using water and other natural resources responsibly and conservatively has long been advocated in the EHS policy statement of the Group. The environmental management systems are in place at our corporate and subsidiary level, in compliance with the ISO 14001:2015 international standard. In our projects, waste and resource planning is required to minimize any environmental impact upon the environment through sustainability. The hierarchy is (1) avoidance, i.e. not generating wastes in the first place through changes to or improvement in processes; (2) reduce, by re-assessing the process, in order to use resources wisely (3) reuse of materials to avoid disposal; (4) recycle non-hazardous materials by recycling wastes collectors; (5) disposal of wastes in an environmentally responsible manner. On-site sorting of materials at source is always implemented to avoid double handling as far as possible. Necessary arrangements shall be made with potential recycling contractors to facilitate that recyclable materials sorted from the site are collected with reasonable care. During 2019, no hazardous waste was produced, and only small amount of non-hazardous waste was disposed of according to relevant regulations. The Group will continue to collect and disclose relevant data in the future. The Group has completed many building projects that achieved platinum rating of green building schemes such as LEED, WELL and BEAM Plus building standards. The project teams had spent extra effort to divert construction and demolition debris from landfills, redirect recyclables back to manufacturing process and redirect reusable materials to appropriate sites. Due to the nature of the business, our operations do not involve any significant use of packaging material.



To facilitate resource and waste management, the Group introduced modular integrated construction (MiC) in a building project to bring the opportunity in factory-controlled process to reduce waste and achieve sustainability and productivity. Concurrent prefabrication and site work have accelerated construction schedule, improved construction safety, and achieved better quality control. Modular construction process also enables better building engineering and greater Building Information Modeling (BIM) application for optimising engineering designs. For the general office, the Group has identified ways to reduce the use of paper as one of the green office practices. We have started to use recycled or Forest Stewardship Council Certified Paper in the business operation. On the other hand, the Group has widely used various applications to introduce paperless business operating processes for the employees. In fact, it has significantly reduced our use of paper, speeding up turnaround times, increasing productivity, and reducing the overall business operating cost. For the use of water, the Group did not encounter any issue in sourcing water that is fit for purpose and we will continue to expand our reporting scope and consumption data in the future.

In order to ensure the commitment of waste management initiatives, the Group has closely linked with our approach to the construction waste management effectively, with the support of our shareholders, customers, subcontractors and suppliers and stakeholders associated with the Group. With that in mind, the Group's subsidiaries have adopted a variety of measures to reduce the amount of waste being sent to landfills.

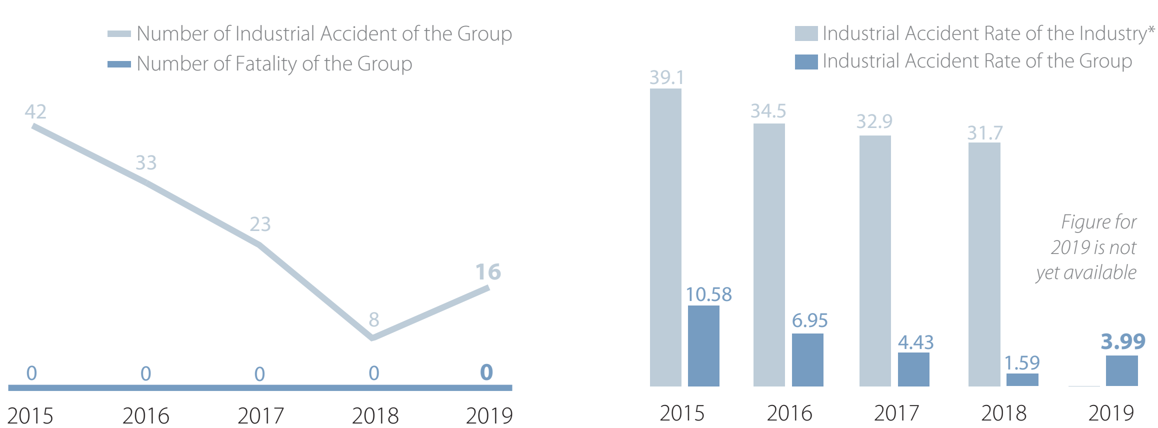
OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Health and safety are paramount to our Group and have long been embedded in the core corporate value. To achieve a very high standard of safety, the Group has customized and implemented a sound, comprehensive and integrated management system that emphasizes participation of personnel in safety planning, implementation and self-monitoring at the project level, which complies with the international standard. We achieved outstanding health and safety performance in 2019, including relatively low rate of work-related incidents leading to injury, other work-related health and safety incidents and lost days due to work injury, as shown in the Table 4 below.

Table 4: Key health and safety statistics of the Group

	Number	Rate
Fatality	0	0
Industrial Accident	16	3.99
Employee	5	2.19
Hong Kong	4	2.05
Macau	0	0
Mainland China	1	3.72
Worker (excluding employee)	11	6.32
Hong Kong	10	7.25
Macau	0	0
Mainland China	1	9.22
Occupational Disease	0	0
Lost Day due to Work Injury	1,811	
Employee	285	
Hong Kong	240	
Macau	0	
Mainland China	45	
Worker (excluding employee)	1,526	
Hong Kong	1,491	
Macau	0	
Mainland China	35	

Figure 1: Accident statistics from 2015 to 2019



** Source from Labour Department, HKSAR Government*

Environmental, Social and Governance Report

Our management gives top priority to the health and safety of all our employees, subcontractors and the public. The Group continues to dedicate resources and adopt initiatives to uphold and improve occupational safety and health management in order to reduce health and safety risks in our projects. We comply with relevant legislations for improving the health and safety management of our workplace, with the support of independent surveillance visits and audits by certification bodies and registered safety auditors. Safety audits and reviews are carried out at least once every six months in compliance with the Factories and Industrial Undertakings (Safety Management) Regulation. The audits ensure our compliance with our safety plans and the relevant health and safety statutory requirements, and help to evaluate the safety management system and its effectiveness in meeting our policy objectives.

Enhancement of the competence and awareness is an effective way of implementing effective health and safety management. We regularly organize proper health and safety trainings for staff members and workers. In addition to orientation trainings, induction trainings and toolbox talks, we organized many thematic seminars in various topics covering work-above-ground, confined space operations electrical works, handling of chemicals, lift shaft works, fire safety and workplace violence in 2019.

The occupational health and safety management systems are in place at our corporate and subsidiary level, in compliance with the OHSAS 18001 international standard. With the latest ISO 45001 Occupational Health and Safety Management System, we have paid very great effort in 2019 to conduct detailed gap analysis to bridge our current system with those of the latest international standards and requirements, with the core elements such as workers participation and consultation, assessment of risks and opportunities. Migration certification audits were successfully conducted by Hong Kong Quality Assurance Agency (HKQAA) for Hong Kong operations in 2019. The audit team was satisfied with both the documentation audit and the physical site assessments and all OHSAS 18001 management system certificates of the respective Hong Kong subsidiaries of the Group were migrated into the new standard of ISO 45001. Meanwhile, the respective Macau subsidiaries of the Group were successfully granted the ISO 45001 certificates in the certification audits conducted in 2019. It was planned for similar migration audits to be conducted for the respective PRC subsidiaries in 2020. This underscores once again the commitment of the Group to continuously improving the health and safety performance via preventing injury and illness and providing a safe and healthy environment for employees, workers and all interested parties.

CERTIFIED COMPANY HKQAA

We believe that management commitment is a key driver in fostering an environmental, health and safety culture. This commitment is driving us to continually push our standard higher with new measures. A constant focus on health and safety measures is important to help avoid site accidents. In addition to regular senior management on environmental, health and safety visits and surprise workplace health and safety inspections, “Cross Business Unit Safety Inspection Scheme” was implemented in 2019 to improve safety awareness at our construction sites. The heads of various business units were assigned to inspect and score safety initiatives of different work sites. Through this program, different business units can share their experience and good practices with each other and cultivate “Think Safety and Work Safely” atmosphere in workplaces. By reporting and providing solutions to further improve the safety performance, we strive for building a good and safe working environment and work practices to prevent accidents.

We adopt a holistic approach of promoting our EHS culture, enriching knowledge and skills and providing suitable devices and tools to enable work safety and maintain environmental friendliness on sites. To promote the benefits of implementing good housekeeping in workplace, "Good Workplace Housekeeping Competition and Sharing Forum" was held in February. Our senior management staff were invited to be the adjudicators and share their experiences and best practices with our sub-contractors and colleagues at the event. We hope these kinds of activities will cultivate a good corporate safety culture and enhance safety awareness amongst our workers and colleagues.

During June and July 2019, we organized 10 special toolbox talks on "Heat Stroke Prevention" and "Safety in Electrical Work" in collaboration with the Federation of Hong Kong Electrical and Mechanical Industries Trade Unions to promote knowledge about electrical work safety and prevent heat strokes. We also visited 10 work sites to promote heat stroke prevention measures, and distributed healthy pack with water bottles, "sweat drink" powder and chill towels to frontline workers and reminded them of the importance of replenishing water and ions, reducing body temperature. Moreover, two safety lunch talks were held jointly with the Hong Kong Construction Industry Employees General Union for workers of the San Wai Sewage Treatment Works Phase 1 and Equinix HKE-II Data Centre. Two guest speakers were invited. One was a family member of an industrial accident victim who shared with our frontline workers precautionary measures to prevent the recurrence of similar accidents. Another one speaker from the Pneumoconiosis Compensation Fund Board highlighted various safety and health measures to prevent occupational lung diseases.

EXAMPLE

Gold Prize in Subcontractor Category of Construction Industry Safety Award Scheme 2018/2019

ATAL Engineering Limited won the Gold Prize in the Building Site – Sub-contractor Category in the Construction Industry Safety Award Scheme 2018/2019, organised by the Labour Department, regarding the Hong Kong Science Park Expansion Stage 1 project. This prestigious annual safety competition scheme offers recognition to the construction sector with good occupational safety and health awareness and elevates its safety culture. Not only did we build a sound safety management system, but we also collaborated with the main contractor to implement various safety measures and initiatives. As a combined, electrical and mechanical sub-contractor in this project, we provided a comprehensive range of services including E&M installation and Building Management System (BMS). We regard this award as a booster to stay vigilant and keep adopting safe work practices.

Environmental, Social and Governance Report

We reviewed our industrial accidents in the first half of 2019 and identified that more than half of them were related to hand injuries. A tailor-made safety promotional campaign titled "Safety is in your hands" was organized with a focal point on hand protection. A series of target inspections and special tool box talks were held. A flagship subcontractor sharing forum, "Electrical Safety Subcontractor Sharing Forum", was held in December 2019 at Zero Carbon Building attracting over 140 subcontractors and colleagues. The Forum aims for reaffirming our safety commitment and providing a platform for discussion and sharing practical cases and good practices with our subcontractors to enhance electrical work safety. In this forum, we invited subcontractors and colleagues of different business units to share accident cases and various electrical safety practices, for instance:

- good practices when working at ceiling void;
- innovative approach for using smart lock;
- safety precautionary measures in electrical cabling and storing cable drums;
- hints on maintaining and testing switchboards safely;
- control measures for working at hospitals and power stations, etc.

Meanwhile, we invited Mr. Chan Fu-chai, technical advisor of Hong Kong & Kowloon Electrical Engineering & Appliances Trade Workers Union to share his real-life experience in electrical works and suggestions of completing Electrical Work Permit.

Work safety is a top priority at all our worksites, regardless of how big or small the project is. In 2019, we have made great strides in work safety, which was acknowledged with our winning of many external awards, on the corporate and project level, in numerous major industry recognition schemes, as shown in Table 5.

There is no work-related fatality and the industrial accident rate of Group is consistently maintained at a very low industrial accident rate of less than 4 per 1,000 workers which is much lower than the rate of the Hong Kong construction industry and better than our peers, as shown in Figure 1. During 2019, the Group has complied with relevant laws and regulations relating to providing a safe working environment and protecting employees and workers from occupational hazards.

0
Fatality rate

3.99
Industrial accident rate

15
External environmental, health and safety awards received

EXAMPLE — Award Winner in Maintaining Good Housekeeping in Various Public Works Projects

With the outstanding performance in keeping clean, tidy and environmental-friendly work sites, the San Wai Sewage Treatment Works (Phase One) project won Grand Award under Construction Sites Safety and Housekeeping Award Scheme 2018. This scheme was firstly launched by Drainage Services Department in 2004 with the aim of raising the housekeeping standard of their construction sites, the partnering consultants and in-house site supervisory staff engaged in the same contract. On the other hand, the San Wai Sewage Treatment Works (Phase One) project also won the Certificate of Merit – Construction Industry under the Hong Kong Awards for Environmental Excellence to recognize the great effort we paid in maintaining excellent environmental management in the project.

Table 5: External quality, safety and environmental awards

Name of Competition	Organizer	Project	Award
Construction Industry Safety Award Scheme 2018/19	Labour Department, HKSAR	Hong Kong Science Park Expansion Stage 1 (SPX1)	Gold Prize in Building Site – Subcontractor Category
Safety Video Competition in Lift and Escalator Works 2018/19	Electrical and Mechanical Services Department, HKSAR	–	Safety Video Competition in Lift and Escalator Works 2018/2019 – Champion
DSD Construction Sites Safety and Housekeeping Award Scheme	Drainage Services Department, HKSAR	DE/2016/05 (Pilot Tests for Sludge Dewatering at Sha Tin Sewage Treatment Works)	Meritorious Award in Cat. (c): E&M Works Contracts
		DC/2013/10 (Design, Build and Operate San Wai Sewage Treatment Works – Phase 1)	The Grand Award of Construction Sites Safety and Housekeeping Award Scheme (2018)
			The Best Construction Sites Safety and Housekeeping Award in Large Scale Civil Works Contracts (Contract Sum Above $300M) Category
		DE/2015/01 (Provision of Operation and Maintenance Services for Various Sewage Treatment and Stormwater Facilities)	Meritorious Awards in Maintenance Contracts of E&M Branch Category
Hong Kong Awards for Environmental Excellence	Environmental Campaign Committee	DC/2013/10 – Design, Build and Operate San Wai Sewage Treatment Works – Phase 1	Construction Industry – Certificate of Merit
Safety Video Competition Award 2019	Development Bureau and Construction Industry Council	–	Bronze Award in the Category of Electrical Installations Works
Airport Safety Recognition Award	Hong Kong International Airport	C16W003 Building and E&M Works for Automation Arrival Bags Delivery	Best Safety Supervisor – Mr. Fung Ka Lun Rex
25th Considerate Contractors Site Award Scheme	Development Bureau and Construction Industry Council	EC-380 – Refurbishment of the Central to Mid-levels Escalator and Walkway System	Merit Award of Public Works – RMAA Works
25th Considerate Contractors Site Award Scheme	Development Bureau and Construction Industry Council	Triennial Term Contract for the Comprehensive Maintenance and Repair of Lift Installations at Various Premises of the Government of the Hong Kong Special Administrative Region (Package One of AE16)	Merit Award of Public Works – RMAA Works

Environmental, Social and Governance Report

Table 5: External quality, safety and environmental awards (Continued)

Name of Competition	Organizer	Project	Award
25th Considerate Contractors Site Award Scheme	Development Bureau and Construction Industry Council	15/WSD/10 – Expansion of Tai Po Water Treatment Works and Ancillary Raw Water and Fresh Water Transfer Facilities – Design and Build of New Stream II	Merit Award of Considerate Contractors Site Awards for Public Works – New Works
			Merit Award of Outstanding Environmental Management & Performance Awards
Construction Safety Promotional Campaign 2019	Occupational Safety and Health Council	8/WSD/17 Term Contract for Mechanical & Electrical Work of WSD	Best Performance Award – Silver Award
			Best Refurbishment and Maintenance Contractor – Bronze Award
HKQAA 30th Anniversary Recognition Program	Hong Kong Quality Assurance Agency	–	Outstanding Organization with Holistic Management System

EXAMPLE Maintaining Excellent Safety Performance in Refurbishment and Maintenance in Construction Safety Promotional Campaign 2019

Our exemplary construction safety performance was recognized in the Construction Safety Promotional Campaign 2019 organized by the Occupational Safety and Health Council in collaboration with government departments and industry stakeholders. Our "Term Contract for Mechanical and Electrical Works of Water Supplies Department" won the Bronze Award in the Best Refurbishment and Maintenance Contractor category and the Silver Award in the Best Presentation Competition. As our contract involves considerable outdoor works at water treatment plants, the team came up with many innovative cooling gadgets such as a Cold Wind Supply Fan to prevent heat strokes among workers. The team also developed new initiatives to minimize the risks of electrical work, work above-ground and handling of chemicals. A sound safety management system is also in place and high safety standards are maintained via daily talks and training, inspections, weekly joint safety walks and monthly safety meetings. The team's lively, interesting drama presentation at the Best Presentation Competition depicted the hazards faced by workers, how our precautionary measures and creative safety practices had minimized the risks. The award-winning performance was well received by the audience.

EXAMPLE **Winner in EMSD Safety Video Competition in Lift and Escalator Works 2018/2019**

Anlev Elex Elevator Limited, another subsidiary of the Group, is honoured to be awarded the winner of Organization Category in Safety Video Competition in Lift and Escalator Works 2018/2019 by EMSD in March. Holding the motto "Always Think Safety and Act Safely", we introduced various safety enhancement initiatives including Safety Guidelines for Accessing and Egressing Lift Car Top, Interruption of Car Moving Safety System, Motion Sensor App and Remote Alarm System, through conversation about Anlev Safety Hints between lift foreman and his subordinates in a short video. Innovative, tailor-made work practices and useful safety measures are shared in a humorous manner. We hope the good practices and safety message can be disseminated to the widest possible audience in an effective way and be shared with peers among this sector for enhancing a safe working environment.

SUPPLY CHAIN MANAGEMENT

In the supply chain management of the Group, most of the materials and equipment such as pipes and cable are sourced from local suppliers. On the other hand, we engage subcontractors to perform relatively labour-intensive installation works and provide services where it is more cost effective, depending on the project requirements. To ensure consistency in quality, purchase orders and work orders are placed with companies that are on our lists of approved suppliers and subcontractors. Based on a set of selection criteria and periodic performance appraisals, the Group maintains two internal lists of suppliers and subcontractors who are evaluated and approved internally. We always work with them to demonstrate best supply chain practices. Based on the supply chain practices, the Group maintains internal procedures for inclusion, maintenance and evaluation of suppliers and subcontractors and the inclusion processes became more efficient in 2019 by using an enterprise resource planning system. All vendors are required to adhere to ethical business practices in particular of preventing bribery, illegal acts and infringements of human rights, and dedicated due diligence processes as parts of our current supply chain management. To promote social responsibility within the supply chain, our suppliers and subcontractors are required to follow the Group's quality, occupational health and safety and environmental policies along with strict standards for corporate governance. In addition, all aspects of social responsibility such as freedom of association, free from discrimination and prohibition on employing child or forced labour are emphasized in our supply chain operations.

Comprehensive conditions and supplementary environmental, health and safety terms are incorporated into the contracts with each of the suppliers and subcontractors to improve control over the performance of them. The Group appraises their performance at least once annually based on their ability to continue meeting the selection criteria, from the quality of their products and services to the ethical practices of their business operations, in order to maintain a strong base of reliable and quality suppliers and subcontractors at competitive prices and with high level of safety standard and workmanship for the required materials, equipment and trades. Substandard vendors will be closely monitored, downgraded as a probationary vendor and even disqualified and removed from the approval lists if any non-compliance is observed. As at 31 December 2019, there were 1,104 suppliers and 1,839 subcontractors on the lists of approved suppliers and subcontractors.

Environmental, Social and Governance Report

To monitor the compliance and overall performance of vendors in ongoing projects, the Group always deploys a dedicated onsite project team that coordinates and monitors the works of the subcontractors, holds meetings and communicates from time to time with vendors to review work progress and overall performance, and conducts onsite inspections of materials and works before acceptance. Internal and external independent audits are conducted regularly and third-party assessments are arranged, where necessary, to ensure the compliance.

ANTI-CORRUPTION

The Group maintains an anti-corruption system through the implementation of various policies against corruption and fraudulent activities, including measures against bribes and kickbacks. We have continuously enhanced and implemented policies and procedures designed to prevent corruption in our Group. A set of rules and regulations and internal policies and procedures such as whistleblowing are established to report confidentially any suspected misconduct, unethical behavior or malpractice, especially for the grey area. Meanwhile, we have developed an internal code of conduct setting out the basic standard of ethics and conducts expected of our employees, including without limitation to (i) the prevention of bribery, such as our "Bribery, Advantage and Entertainment" policy which prohibits our employees from soliciting, accepting or giving any advantage when conducting business on behalf of our Group; and (ii) the avoidance of conflict of interests, which imposes a duty on our employees to act in the interest of our Group and to avoid conflict between their personal interests and our Group's interest.

We understand that awareness on preventing the corruption is essential. Clear guidelines and provisions regarding business ethics are included in the letter of employment of all new employees joining the Group. Furthermore, the chairman and/or chief executive officer of the Company will give presentation personally at the orientation sessions with our new employees on our Group's culture, with particular emphasis on integrity and business ethics. We regularly invite the Independent Commission Against Corruption (ICAC) of Hong Kong to give talks to our employees to heighten employees' awareness about anti-corruption and anti-bribery matters including segregation of duty. The Group has provided and will continue to provide anti-corruption compliance training periodically to our directors, senior management and employees.

The Group will continue to strictly implement our risk management system and internal control and has established a risk management committee in which our management will (i) identify, assess and prioritize risks in business operation, (ii) monitor the respective risk containment and decide on mitigation measures and (iii) report to Audit Committee in reviewing the effectiveness of internal control and risk management systems.

During 2019, the Group has complied with applicable laws and regulations which are related to bribery, extortion, fraud and money laundering.

COMPLIANCE

For the compliance management, the Group has established internal control system to ensure compliance with laws and standards. In accordance with applicable laws and regulations, we have established procedures for developing and maintaining internal control system. The procedures cover corporate governance, operations, legal matters, advertising and marketing, intellectual property, consumer data and privacy, identification and labelling, complaint handling, and auditing, as appropriate for the needs of our organization. We have established comprehensive risk management tools through which we monitor, evaluate and manage risks that we are exposed to in our business. The Group strictly implements a risk management system and if any tender or project is identified as high risk or extra high risk in any of our dimensional risk class ratings, a tender and project risk management committee is convened in which our management will review and decide on the respective risk containment and mitigation measures. Meanwhile, refresher training class on awareness and understanding of the Hong Kong Competition Law was held in 2019 and attended by more than 100 senior and managerial staff.

On the other hand, the Group has established a dedicated risk management committee to monitor our exposure to sanctions risks. A "Policy on Management of Sanction Risks" has been adopted by the Company.

An Audit Committee has been established for reviewing internal control and risk management matters and an internal audit manager who reports directly to the Audit Committee will conduct regular independent internal audits covering various matters including risk management policies and procedures, project and subcontracting financial control, and tender and project risk assessment. A risk register is managed by the internal audit manager for monitoring and reviewing business risks in the operation. On the other hand, a corporate unit of Quality, Safety and Environment has been well established to monitor and review operational risks related to quality, safety and environment of various business units based on international standards and regulations. The implementation of the management systems will be verified regularly by independent external parties such as HKQAA to ensure the compliance and effectiveness.

During 2019, the Group has complied with the relevant laws and regulations that have a significant impact on the Company.

COMMUNITY INVESTMENT

The Group is strongly committed to integrating corporate social responsibility into our business operations. We have a long history of working on environmental initiatives and contributing to the community. We aim to align the initiatives of corporate social responsibility, by encouraging our staff members to participate in volunteering activities to serve the community. We have participated in HKQAA Corporate Social Responsibility (CSR) Advocate Index Scheme, which targets to drive continuous improvement with regard to CSR and sustainability issues. We achieved outstanding performance under the scheme in 2019 which demonstrates our commitment to contributing to the sustainable development of the community.

CSR advocate HKQAA CSR INDEX

EXAMPLE "Connect-Community-Culture" Drawing Competition Awards Presentation Ceremony

The Central-Mid-Levels Escalator and Walkway System not only serves residents and pedestrians daily but is also well-known as a major tourist attraction. The escalator has been in operation for more than 25 years and in view of its ageing, Anlev Elex Elevator Limited, a subsidiary of the Group, was appointed by the Transport Department (TD) and Electrical and Mechanical Services Department (EMSD) to carry out refurbishment of the escalator system, commencing last year, to ensure the system is safe and reliable for the public. Since the escalator is situated in a unique district with cultural diversity, we hope to engage the community in this refurbishment project through a cultural and artistic way. With the support from TD and EMSD, we organised the "Connect • Community • Culture" Drawing Competition for public enrolment. Ms. Mandy Kwong (MandyCat), a renowned local artist, was invited to design a set of murals which were displayed along the escalator to record this drawing competition. The competition drew an enthusiastic response. Over 40 schools joined and more than 130 entries were received. The artworks were of a high calibre and level of creativity. An Awards Presentation Ceremony was held in April.

Environmental, Social and Governance Report

The Group collaborated with NGOs to launch different voluntary and charitable events that can help the needy groups in the society. Our staff contributed more than 6,000 service hours in various charity and volunteering events. Regarding the community, our goal is to contribute to the sustainability of our business and the community by meeting the current and future needs of our stakeholders. We also made different types of contributions in donations, community events and charity run organized by the construction industry, charity schemes and humanity foundation. We donated more than HK$0.3 million to support the Community Chest, charity runs, humanity school works and global village programmes during 2019. Meanwhile, we organized and supported various community events to engage the community in our refurbishment project, build decent and safe home for low-income families and elderlies, provide a beautiful and friendly school environment and support stray animal welfare program.

6,000+

Service hours in charity and volunteering events

HK$0.3m+

Total donation to NGOs

EXAMPLE Running for Rehabilitation Service and the Industry

Charity brings prosperity and happiness. To help raise funds, the Group participated in the "2019 Community Chest Corporate Challenge" in January, which featured a 10km run and a half-marathon. All monies raised by our athletes will be allocated to enhance rehabilitation and aftercare services supported by The Community Chest. The run started at Sai Kung Pak Tam Chung Country Park, then proceeded up a hill to the top of the High Island Reservoir. Our Group Chairman and over 80 runners which are our staff members participated in this event. Finally, the Group attained the corporate team Gold Award of the 10km run. On the other hand, we participated in the Construction Industry Council's industry-wide event, "CIC Happy Run 2019" which was held in January at the Hong Kong Institute of Construction Tai Po Training Ground. Featuring a 10 km race, a 3 km Happy Run and a carnival, this annual event provides a good opportunity for construction practitioners to enjoy a fun day which promotes sport and healthy lifestyle.

EXAMPLE Volunteering Activities for the Elderly, Local School and Mainland Community

The Group encourages its employees to get involved in the community by volunteering. Our volunteering team is one of the significant deliverables for investing in our community. We are keen to show our care for the elderly. In spring of 2019, we organised a New Year Tour. Our volunteers accompanied the elderly to make wishes in Lam Tsuen where everyone flocked to the tree to make their wishes for the coming year. We enjoyed this festive event which was filled with joy and care. Afterwards they had afternoon tea and enjoyed the company of each other. Meanwhile, our volunteers accompanied more than 20 elderly from the Caritas Integrated Home Care Service Centre – Diamond Hill on a visit to the West Kowloon Cultural District Xiqu Centre and the Cantonese Opera Education and Information Centre in September, just prior to the Mid-Autumn Festival. Participants learnt much about Cantonese opera and its culture during the tour, had lunch together and enjoyed a wonderful weekend. We have worked with the Diamond Hill Centre for many years to organise various volunteering activities, and are honoured to receive the "Caritas Outstanding Corporate Volunteers Team Certificate" bronze award in September.

On the other hand, the Group's volunteers worked for the first time with Habitat for Humanity on its "Colourful Campus Project" and "Global Village Programme" to serve Hong Kong and the Mainland China respectively. A pleasant school environment is important for students' learning and growth. About 30 volunteers from the Group co-organised with Habitat for Humanity the "Colourful Campus Project" for the S.K.H. Kei Lok Primary School in June. Our colleagues, together with their families and friends, formed several teams with the students to paint a total of 26 classroom doors on the day. The newly painted doors are adorned with lovely animal images, giving the school a delightful touch of Nature. In a separate activity, 18 volunteers of the Group took part in the "Global Village Programme" in the Mainland in October, also organised by Habitat for Humanity. During the three-day stay in Nanxiong, Shaoguan, our colleagues helped re-build the home for a rural family, including mixing cement, and moving and laying the bricks to build the walls. Because of their hard work, the family now has a safe and comfortable home.

EXAMPLE Volunteers Visit to Shelters of Dogs and Cats

To promote awareness of animal welfare among staff, the Group worked with the Kelly Animals Shelter to organise in November a volunteers' visit to abandoned dogs and cats at the shelter. Nearly 30 volunteers from the Group took part in the visit and fed and played with the dogs and cats and helped clean their homes at the shelter. Kelly Animals Shelter is committed to providing temporary shelter for abandoned dogs and cats and finding families to adopt them.

Environmental, Social and Governance Report

HKEX ESG GUIDE CONTENT INDEX

As set out in this content index, this Report complies with the "comply or explain" requirements of the HKEx ESG Guide. These KPIs have been set out in Table 6 below.

Table 6: Summary of respective sections against HKEx ESG Reporting Guide

HKEx ESG Reporting Guide Reference	Sections of this Report
B1, B1.1, B4, B4.1, B4.2	Human capital
B3, B3.2	Training and development
A1, A2, A2.3, A3, A3.1	Environmental protection
A1, A1.1, A1.2, A2, A2.1, A2.3	Energy and carbon management
A1, A1.3, A1.4, A1.5, A1.6, A2, A2.2, A2.4, A2.5, A3, A3.1	Resources and waste management
B2, B2.1, B2.2, B2.3	Occupational health and safety management
B5, B5.1, B5.2	Supply chain management
B7, B7.1, B7.2	Anti-corruption
B6, B6.2, B6.3, B6.4, B6.5	Compliance
B8, B8.1, B8.2	Community investment

YOUR FEEDBACK

We value your view on our Report as your feedback will help us improve our ESG performance and disclosure and realise our vision for sustainability. If you have any question or feedback, please contact us at info@atal.com or write to the address below:

Analogue Holdings Limited
13/F Island Place Tower,
510 King's Road,
North Point,
Hong Kong

Report of the Directors

The directors of the Company (the "Directors") have pleasure to submit their report together with the audited consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 46 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Schedule 5") comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 6 and 7 and "Management Discussion and Analysis" on pages 8 to 23. The description of the principal risks and uncertainties facing the Group can be found in the sections headed "Management Discussion and Analysis" on pages 8 to 23, "Environmental, Social and Governance Report" on pages 48 to 70 and Notes 37 and 38 to the consolidated financial statement as set out in pages 155 to 165. For the development, performance or position of the Group as required under Schedule 5 and an analysis of the performance of the business of the Group using financial key performance indicators, please refer to the sections headed "Management Discussion and Analysis" and "Financial Highlights" on pages 4 and 5. The discussion on the Company's environmental policies and performance and an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends and the Company's compliance with the relevant law and regulations that have a significant impact on the Company are set out in section headed "Environmental, Social and Governance Report".

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2019 are set out in the consolidated financial statements on pages 85 to 178.

The board of Directors (the "Board") has resolved to pay a second interim dividend of HK5.07 cents per share of the Company (the "Share") for the Year (the "Second Interim Dividend") to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Thursday, 16 April 2020. The Second Interim Dividend was paid on Wednesday, 29 April 2020. Together with the first interim dividend of HK3.85 cents per Share paid on 18 October 2019, total distribution of dividends by the Company for the Year will thus be HK8.92 cents per Share, representing a dividend payout ratio of 51.0%.

Report of the Directors

Any declaration and payment of dividends by the Company shall be made in accordance with the constitutional documents of the Company and the relevant laws and regulations, including the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time (the "Bermuda Companies Act"). Pursuant to Section 54 of the Bermuda Companies Act, the Company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities.

Any declaration and payment of dividends by the Company, including the amount of any dividends to be declared, is subject to the discretion of the Board and, where required under the constitutional documents of the Company and the Bermuda Companies Act, the approval of the shareholders of the Company (the "Shareholders"). The Directors may recommend a declaration and payment of dividends after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time.

The Directors shall consider to, subject to the constitutional documents of the Company, the applicable laws and regulations and the approval by the Shareholders, if required, and taking into account the financial conditions of the Group and the other factors set out above, distribute to the Shareholders no less than 50% of the profits available for distribution of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Second Interim Dividend, the Register of Members was closed from Wednesday, 15 April 2020 to Thursday, 16 April 2020, both days inclusive, during which period no transfer of Shares was registered. The Shares were traded ex-dividend as from Thursday, 9 April 2020. In order to be entitled to the Second Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 14 April 2020.

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, which will be held on Monday, 29 June 2020, the Register of Members will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the aforesaid branch share registrar and transfer office of the Company in Hong Kong for registration by no later than 4:30 p.m. on Monday, 22 June 2020.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 50 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for distribution amounted to approximately HK$102.2 million (31 December 2018: HK$19.8 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$302,000 (2018: HK$30,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company, including issuance of Shares, during the Year are set out in Note 34 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 179.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 41.4% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 22.6%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 7.6% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.3%.

None of the Directors, their close associates (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules")) and any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's issued Shares) has an interest in the share capital of any of those customers or suppliers disclosed in the above paragraph.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

Report of the Directors

DIRECTORS

As at the date of this report, the Directors are as follows:

Executive Directors
Dr. Poon Lok To, Otto *(Chairman)*
Mr. Law Wei Tak
Mr. Chan Hoi Ming

Non-executive Director
Dr. Mak Kin Wah *(Deputy Chairman)*

Independent Non-executive Directors
Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Mr. Wong King On, Samuel

During the Year and up to the date of this report, the following change was made to the composition of the Board:

Mr. Cheng Siu Ngai, Kevin retired as an executive Director and the chief executive officer of the Company with effect from 1 April 2020.

In accordance with bye-law 99 of the Company's bye-laws (the "Bye-laws"), Dr. Poon Lok To, Otto, Dr. Mak Kin Wah and Mr. Chan Fu Keung shall retire as Directors by rotation at the forthcoming annual general meeting and, all being eligible, offer themselves for re-election as Directors. The Company has received an annual confirmation from each of the Independent Non-executive Directors of his independence pursuant to rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent.

The Directors' biographical details are set out under the section headed "Board of Directors and Senior Management" on pages 24 to 35.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraph headed "Connected Transaction" on page 78 and the related party transactions as set out in Note 43 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the paragraph headed "Connected Transaction" on page 78 in this report, as far as the Directors are aware, at no time during the Year had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significance or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors have an interest in any business which competes or is likely to compete either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Share Option Scheme (as defined below), at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PERMITTED INDEMNITY PROVISION

Pursuant to the current Bye-laws which was adopted on 12 July 2019 (the "Listing Date"), subject to the applicable laws and regulations, every Director for the time being acting in relation to any affairs of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his/her duty or supposed duty in his/her office, except such (if any) as he/she shall incur or sustain through his/her own wilful neglect or default, fraud and dishonesty respectively. Such provision has been in force since the Listing Date and continues to remain in force as at the date of this report. Further details of this provision is set out in bye-law 178 of the Bye-laws which are uploaded on the respective websites of the Company and the Stock Exchange.

Pursuant to the then bye-laws of the Company prior to the adoption of the current Bye-laws effective on the Listing Date, subject to the then bye-laws and the Bermuda Companies Act, every Director shall be indemnified out of the funds of the Company against all liabilities, loss, damage or expense incurred or suffered by him as such Director provided always that the indemnity shall not extend to any matter which would render it void pursuant to the Bermuda Companies Act. Such provision had been in force during the Year until the adoption of the current Bye-Laws on the Listing Date.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules were as follows:

(i) Interests and/or short positions in the Company

Name of Director	Capacity/ Nature of Interest	Number of Shares *(Note 1)*	Approximate percentage of shareholding *(Note 3)*
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	888,650,000	63.48%
Mr. Cheng Siu Ngai, Kevin	Beneficial interest	52,500,000	3.75%
Mr. Law Wei Tak	Beneficial interest	52,500,000	3.75%

Report of the Directors

Notes:

1. All the above interests in the Shares are long positions.

2. Arling Investment Limited directly held 888,650,000 Shares, representing approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, Dr. Poon Lok To, Otto is deemed to be interested in the same number of Shares held by Arling Investment Limited under Part XV of the SFO.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2019.

(ii) Interests and/or short positions in associated corporations of the Company

Name of Director	Capacity/ Nature of Interest	Name of associated corporations *(Note 2)*	Number of shares *(Note 1)*	Percentage of shareholding
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Arling Investment Limited	2	100.00%
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Wise Eagle Holdings Limited	8,463	84.63%
Mr. Cheng Siu Ngai, Kevin	Beneficial owner	Wise Eagle Holdings Limited	500	5.00%
Mr. Law Wei Tak	Beneficial owner	Wise Eagle Holdings Limited	500	5.00%
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Perfect Motive Limited	1	100.00%

Notes:

1. All the above interests in the shares of Arling Investment Limited, Wise Eagle Holdings Limited and Perfect Motive Limited are long positions.

2. As at 31 December 2019, Arling Investment Limited owned approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited also owned 8,463 shares of Wise Eagle Holdings Limited, representing 84.63% of the total issued share capital of Wise Eagle Holdings Limited, which in turn owned 1 share of Perfect Motive Limited, representing 100% of the issued share capital of Perfect Motive Limited. Accordingly, Arling Investment Limited, being the holding company of the Company; and Wise Eagle Holdings Limited and Perfect Motive Limited, being subsidiaries of Arling Investment Limited, are therefore associated corporations of the Company within the meaning of Part XV of the SFO. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, Dr. Poon Lok To, Otto is deemed to be interested in (i) the shares of Arling Investment Limited; and (ii) the shares of Wise Eagle Holdings Limited and Perfect Motive Limited in which Arling Investment Limited is deemed to be interested, under Part XV of the SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated associations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 3)*
HSBC International Trustee Limited	Trustee of a discretionary trust *(Note 2)*	888,650,000	63.48%
Ardik Investment Limited	Interest of controlled corporation *(Note 2)*	888,650,000	63.48%
Arling Investment Limited	Beneficial owner	888,650,000	63.48%
Ms. Cheng Teresa Yeuk Wah ("Ms. Cheng")	Interest of Spouse *(Note 2)*	888,650,000	63.48%

Notes:

1. All the above interests in the Shares are long positions.

2. Arling Investment Limited directly held 888,650,000 Shares. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, each of Ardik Investment Limited, HSBC International Trustee Limited and Dr. Poon Lok To, Otto is deemed to be interested in the 888,650,000 Shares held by Arling Investment Limited under Part XV of the SFO. As Ms. Cheng is the spouse of Dr. Poon Lok To, Otto, Ms. Cheng is deemed to be interested in the same number of Shares that Dr. Poon Lok To, Otto is interested in under Part XV of the SFO. According to section 316(1)(a) of the SFO, Ms. Cheng is deemed to be interested in any voting shares in a Hong Kong listed company in which her spouse is interested. Accordingly, Ms. Cheng is taken to be interested in 888,650,000 Shares, while Ms. Cheng does not have any legal or beneficial ownership or financial interests in any of the Shares, directly or indirectly. It follows that Ms. Cheng does not have any rights to dividends, vote or deal in respect of the Shares.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2019.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed in the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

Details of the share option scheme of the Company (the "Share Option Scheme") are set out in Note 48 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Option Scheme adopted by the Company as mentioned above, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

Report of the Directors

CONNECTED TRANSACTION

The Company's office premises located on 12th Floor and 13th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong have been and will continue to be leased to ATAL Management Services Limited ("AMSL"), a wholly-owned subsidiary of the Company, by Perfect Motive Limited pursuant to a tenancy agreement entered into between AMSL and Perfect Motive Limited on 13 April 2018 ("Connected Lease"). Perfect Motive Limited is a wholly owned subsidiary of Wise Eagle Holdings Limited, which in turn is owned as to 84.63% by Arling Investment Limited. As Perfect Motive Limited is a controlled entity of Arling Investment Limited, the holding company of the Company, it became a connected person of the Company, and the Connected Lease accordingly became a connected transaction of the Company, upon the listing of Shares on the Stock Exchange. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto, an executive Director and the chairman of the Company, is the settlor and protector of the trust. The term of the Connected Lease is from 13 April 2018 to 31 December 2020, and the aggregated rent of the Connected Lease for its entire term is HK$47,341,512.

Details of related party transactions undertaken in the normal course of business by the Group are set out in Note 43 to the consolidated financial statements. Except the connected transaction mentioned above, none of the related party transactions constitutes a discloseable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

During the Year, the Group did not enter into any transactions that are currently subject to applicable laws and regulations related to economic sanctions, export controls, trade embargoes and wider prohibitions and restrictions on international trade and investment related activities, including those adopted, administered and enforced by the U. S. Government, the European Union and its member states, United Nations or the Government of Australia (the "International Sanctions") or with certain person(s) and identity(ies) listed on the Office of Foreign Assets Control ("OFAC")'s Specially Designated Nationals and Blocked Persons List or other restricted parties list maintained by the United States, the European Union, the United Nations of Australia (the "Sanctioned Persons"). The risks management committee (sanctions risks) of the Company (the "Risk Management Committee (Sanctions Risks)") will continue to monitor and evaluate the Group's exposure to economic sanctions risks and take measures to comply with the Group's continuing undertakings to the Stock Exchange as disclosed in the prospectus of the Company dated 28 June 2019 (the "Prospectus"), and to protect the interests of the Group and the Shareholders from economic sanctions risks. The Group has implemented the following measures upon Listing:

- The Company has set up a separate bank account, which is designated for the sole purpose of the deposit and deployment of the proceeds from the global offering of the Company as set out in the Prospectus (the "Global Offering") or any other funds raised through the Stock Exchange;

- The Directors will continuously monitor the use of proceeds from the Global Offering, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;

- The Board has established the Risk Management Committee (Sanctions Risks), comprising Dr. Poon Lok To, Otto, chairman and executive Director of the Company, Mr. Phaisalakani Vichai, the then chief financial officer and Ms. Li Kit Chi, Fiona, the company secretary and legal counsel as initial members, with written policy adopted with effect from the Listing Date. Mr. Phaisalakani Vichai retired on 1 January 2020 and Mr. Cheng Wai Keung Peter, the current chief financial officer, took up his place as the committee member of the aforesaid committee. The responsibilities of the Risk Management Committee (Sanctions risks) include, among other things, monitoring our exposure to sanctions risks. According to the abovementioned written policy, the Risk Management Committee (Sanctions Risks) will meet to approve whenever there exists a business that involves any countries subject to International Sanctions or Sanctioned Persons. In any event, the Risk Management Committee (Sanctions Risks) will hold at least two meetings each year to monitor our exposure to sanctions risks;

- The Risk Management Committee (Sanctions Risks) will meet and evaluate the sanctions risks prior to determining whether the Group should embark on any business opportunities in countries subject to International Sanctions and with Sanctioned Persons. The Risk Management Committee (Sanctions Risks) needs to review and approve all relevant business transaction(s) from existing customers or potential customers from countries subject to International Sanctions and with Sanctioned Persons. In particular, the Risk Management Committee (Sanctions Risks) will review the information (such as identity and nature of business as well as its ownership) relating to the counterparty. The Risk Management Committee (Sanctions Risks) will check the counterparty against the various lists of restricted parties and countries maintained by the U.S., the European Union, United Nations or Australia, including, without limitation, any government, individual or entity that is the subject of any OFAC-administered sanctions which lists are publicly available, and determine whether the counterparty is, or is owned or controlled by, a person located in countries subject to International Sanctions or a Sanctioned Person. If any potential sanctions risk is identified, the Company will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters. As and when the Risk Management Committee (Sanctions Risks) considers necessary, the Company will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- If necessary, external international legal counsel will provide training programs relating to the sanctions to the Directors, the senior management and other relevant personnel to assist them in evaluating the potential sanctions risks in the daily operations. The external international legal counsel will provide current list of countries subject to International Sanctions and Sanctioned Persons (once there are updates or amendments) to the legal counsel and company secretary of the Company, who will in turn disseminate such information with members of the Risk Management Committee (Sanctions Risks), the Directors, the senior management and heads of the business units.

The Directors are of the view that the measures provide an adequate and effective internal control framework to assist us in identifying and monitoring any material risk relating to sanctions laws so as to protect the interests of the Shareholders and the Company.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date up to the date of this report.

Report of the Directors

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

On behalf of the Board

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 11 May 2020

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ANALOGUE HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 85 to 178, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contracts	
We identified the accounting for construction contracts as a key audit matter due to its significant impact to the consolidated financial statements and the involvement of significant management estimations in determining the outcome of the construction projects. The Group provides contracting services under long-term contracts with customers. As set out in note 4 to the consolidated financial statements, the Group recognised contract revenue of a construction contract according to the management's estimation of the outcome of the project as well as the stage of completion of construction works. The Group has recognised revenue from contracting work of approximately of HK$3,580,020,000 for the year ended 31 December 2019 as disclosed in note 5 to the consolidated financial statements.	Our procedures in relation to the accounting for construction contracts included: • Obtaining an understanding of the key controls over the preparation and revision of budgets for construction contracts and their revenue recognition process; • Checking the estimated stage of completion at year end by tracing to certificates issued by architects, surveyors or other representatives appointed by the customer or progress payment application submitted by the Group to the customer, on a sample basis; • Evaluating the accuracy of the construction costs incurred during the year by agreeing to supplier invoices or payment applications from sub-contractors or other support documentation, on a sample basis; • Assessing the reasonableness of the Group's assumptions on costs to complete the contracts and ability to deliver contracts with budgeted timescales by discussing with project directors and project managers to understand the progress of significant construction projects and evaluating whether their progress was consistent with the stage of completion of construction projects estimated by the management; and • Assessing the reliability of the management's estimation by comparing the actual costs of completed construction contracts against their budgets, on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lee Po Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
11 May 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**4,481,911**	5,966,046
Cost of sales and services		**(3,695,178)**	(5,077,652)
Gross profit		**786,733**	888,394
Other income	7	**16,523**	10,213
Other gains and losses	8	**(6,469)**	8,199
Impairment losses under expected credit loss model, net of reversal	38	**(4,352)**	(27,485)
Selling and distribution expenses		**(4,141)**	(3,525)
Administrative expenses		**(510,425)**	(499,883)
Listing expenses		**(6,992)**	(28,303)
Share of results of associates		**24,815**	27,286
Share of results of a joint venture		**–**	607
Finance costs	9	**(2,385)**	(689)
Profit before tax		**293,307**	374,814
Income tax expense	10	**(48,306)**	(59,532)
Profit for the year	11	**245,001**	315,282
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**–**	72,865
Income tax relating to gain on revaluation of properties	10	**–**	(12,023)
		–	60,842
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(10,547)**	(27,089)
Reclassification of exchange differences upon disposal of a subsidiary		**–**	(1,622)
Reclassification of exchange differences upon dissolution of an associate		**2,013**	–
Reclassification of exchange differences upon dissolution of a joint venture		**–**	1,564
Reclassification of exchange differences upon dilution of interest in an associate		**20**	(119)
		(8,514)	(27,266)
Other comprehensive (expense) income for the year, net of tax		**(8,514)**	33,576
Total comprehensive income for the year		**236,487**	348,858
		HK cents	HK cents
Earnings per share			
Basic	14	**20**	30
Diluted	14	**20**	N/A

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Investment properties	15	**4,900**	74,300
Property, plant and equipment	16	**145,980**	44,326
Right-of-use assets	17	**35,073**	–
Intangible assets	18	**6,017**	6,592
Deposits paid for acquisition of property, plant and equipment		**908**	22,415
Interests in associates	19	**228,746**	241,279
Prepaid land use rights	21	**–**	2,930
Deferred tax assets	35	**835**	775
		422,459	392,617
Current assets			
Prepaid land use rights	21	**–**	88
Inventories	22	**60,806**	62,390
Contract assets	23	**915,172**	978,397
Trade receivables	24	**947,768**	721,712
Other receivables, deposits and prepayments	25	**110,030**	80,337
Amount due from an associate	19	**–**	–
Amounts due from partners of joint operations	26	**46,631**	4,312
Financial assets at fair value through profit or loss	27	**17,352**	17,230
Tax recoverable		**1,447**	17,384
Pledged bank deposits	28	**215,140**	208,553
Bank balances and cash	28	**686,450**	569,951
		3,000,796	2,660,354
Current liabilities			
Trade and retention payables	29	**500,968**	462,922
Other payables and accrued expenses	30	**1,045,706**	1,149,081
Contract liabilities	31	**23,269**	24,693
Dividend payable		**–**	100,000
Amount due to an associate	26	**–**	12,533
Amounts due to partners of joint operations	26	**433**	26,526
Derivative financial instruments	32	**–**	602
Lease liabilities	33	**12,853**	–
Tax payable		**36,539**	54,667
		1,619,768	1,831,024
Net current assets		**1,381,028**	829,330
Total assets less current liabilities		**1,803,487**	1,221,947

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	34	**14,000**	94
Reserves		**1,747,804**	1,206,513
Total equity		**1,761,804**	1,206,607
Non-current liabilities			
Lease liabilities	33	**21,276**	–
Deferred tax liabilities	35	**17,706**	12,371
Deferred income	36	**2,701**	2,969
		41,683	15,340
		1,803,487	1,221,947

The consolidated financial statements on pages 85 to 178 were approved and authorised for issue by the Board of Directors on 11 May 2020 and are signed on its behalf by:

Dr. Poon Lok To, Otto
Director

Mr. Law Wei Tak
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
As at 1 January 2018	94	–	5	236,562	6,867	16,226	1,592,370	1,852,124
Profit for the year	–	–	–	–	–	–	315,282	315,282
Other comprehensive income (expense) for the year	–	–	–	60,842	(27,266)	–	–	33,576
Total comprehensive income for the year	–	–	–	60,842	(27,266)	–	315,282	348,858
Realisation upon depreciation of revalued properties	–	–	–	(2,058)	–	–	2,058	–
Reclassification adjustment and released of relevant deferred tax upon distribution in specie (as defined and detailed in Note 47)	–	–	–	(263,074)	–	–	305,743	42,669
Transfer to other reserves	–	–	–	–	–	363	(363)	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(1,037,044)	(1,037,044)
As at 31 December 2018	94	–	5	32,272	(20,399)	16,589	1,178,046	1,206,607

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note)	Retained profits HK$'000	Total HK$'000
As at 1 January 2019	**94**	**–**	**5**	**32,272**	**(20,399)**	**16,589**	**1,178,046**	**1,206,607**
Profit for the year	–	–	–	–	–	–	245,001	245,001
Other comprehensive expense for the year	–	–	–	–	(8,514)	–	–	(8,514)
Total comprehensive income for the year	–	–	–	–	(8,514)	–	245,001	236,487
Issue of new shares under the Capitalisation Issue (as defined in Note 34)	10,406	(10,406)	–	–	–	–	–	–
Issue of new shares by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 34)	3,500	416,500	–	–	–	–	–	420,000
Transaction costs attributable to issue of new shares	–	(47,390)	–	–	–	–	–	(47,390)
Transfer to other reserves	–	–	–	–	–	460	(460)	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(53,900)	(53,900)
As at 31 December 2019	**14,000**	**358,704**	**5**	**32,272**	**(28,913)**	**17,049**	**1,368,687**	**1,761,804**

Note: Other reserves represent legal reserves of subsidiaries in Macau Special Administrative Region ("Macau") and statutory reserves of subsidiaries in the People's Republic of China ("PRC").

As stipulated by the relevant laws and regulations for enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund. Appropriation to such reserve is made out of at least 10% of profit after taxation as reflected in the statutory financial statements of the relevant PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The appropriation to statutory surplus reserve may cease if the balance of the statutory surplus reserve has reached 50% of the relevant PRC subsidiaries' registered capital. The statutory surplus reserves can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of Capitalisation Issue.

In accordance with provision of the Macau Commercial Code, the subsidiaries incorporated in Macau are required to transfer a minimum of 25% of the profit after taxation as reflected in the statutory financial statements of the relevant subsidiaries each year to the legal reserve until the balance of the legal reserve has reached 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders of the subsidiaries.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**293,307**	374,814
Adjustments for:		
Bank interest income	**(6,161)**	(3,880)
Investment income from financial assets at fair value through profit or loss	**(437)**	(406)
Depreciation of property, plant and equipment	**20,209**	15,079
Depreciation of right-of-use assets	**14,663**	–
Amortisation of prepaid land use rights	**–**	92
Amortisation of intangible assets	**575**	582
Trade and other payables written off	**(552)**	(30)
Inventories written off	**142**	9
Write-down of inventories, net	**1,108**	728
Impairment losses under expected credit loss model, net of reversal	**4,352**	27,485
Gain from change in fair value of investment properties	**(2,200)**	(14,190)
Gain from change in fair value of financial assets at fair value through profit or loss	**(122)**	(2,233)
(Gain) loss from change in fair value of derivative financial instruments	**(602)**	1,347
Loss on disposals/written off of property, plant and equipment	**6**	736
Net unrealised exchange losses	**679**	3,783
Share of results of associates	**(24,815)**	(27,286)
Share of results of a joint venture	**–**	(607)
Finance costs	**2,385**	689
Loss on dilution of interest in an associate	**5,282**	3,812
Gain on liquidation of a subsidiary	**–**	(1,622)
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate	**2,013**	–
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of a joint venture	**–**	1,564
Operating cash flows before movements in working capital	**309,832**	380,466

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 HK$'000	2018 HK$'000
(Increase) decrease in inventories	**(549)**	9,208
Decrease (increase) in contract assets	**61,711**	(34,375)
(Increase) decrease in trade receivables	**(233,496)**	34,167
(Increase) decrease in other receivables, deposits and prepayments	**(26,370)**	29,990
Increase (decrease) in trade and retention payables	**39,994**	(12,189)
(Decrease) increase in other payables and accrued expenses	**(106,958)**	271,610
Decrease in contract liabilities	**(1,424)**	(672)
Decrease in deferred income	**(269)**	(270)
Cash generated from operations	**42,471**	677,935
Hong Kong Profits Tax paid	**(36,629)**	(63,519)
PRC Enterprise Income Tax paid	**(1,443)**	(10,519)
Macau Complementary Tax paid	**(6,353)**	(7,982)
PRC dividend withholding tax paid	**(814)**	(274)
Net cash (used in) generated from operating activities	**(2,768)**	595,641
INVESTING ACTIVITIES		
Bank interest income received	**6,161**	3,880
Investment income received from financial assets at fair value through profit or loss	**437**	406
Proceeds on disposals of property, plant and equipment	**–**	230
Additions of property, plant and equipment	**(21,537)**	(15,257)
Payments for rental deposits	**(492)**	–
Deposits paid for acquisition of property, plant and equipment	**(908)**	(7,217)
Placement of pledged bank deposits	**(14,382)**	(100,982)
Release of pledged bank deposits	**7,483**	16,010
Advances to an associate	**–**	(18,695)
Proceed on dissolution of a joint venture	**–**	14,258
Advances to partners of joint operations	**(42,319)**	–
Repayments from partners of joint operations	**–**	9,056
Dividend received from an associate	**16,286**	–
Net cash used in investing activities	**(49,271)**	(98,311)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
FINANCING ACTIVITIES		
Finance costs paid	**(2,385)**	(689)
Repayment of bank borrowings	**(95,000)**	(51,216)
New bank borrowings raised	**95,000**	–
Dividend paid to equity holders of the Company	**(153,900)**	(400,000)
Repayment of lease liabilities	**(13,663)**	–
Proceeds from issue of shares	**420,000**	–
Share issue cost paid	**(40,528)**	(6,530)
Repayment to an associate	**(12,502)**	(1,199)
Repayment to a joint venture	**–**	(21,387)
Advances from partners of joint operations	**–**	21,587
Repayments to partners of joint operations	**(26,093)**	–
Net cash generated from (used in) financing activities	**170,929**	(459,434)
Net increase in cash and cash equivalents	**118,890**	37,896
Cash and cash equivalents at 1 January	**569,951**	544,235
Effect of foreign exchange rate changes	**(2,391)**	(12,180)
Cash and cash equivalents at 31 December, represented by bank balances and cash	**686,450**	569,951

Notes to the Consolidated Financial Statements
For the year ended 31 December 2019

1. GENERAL

Analogue Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and the shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 July 2019 (the "Listing"). Its immediate holding company is Arling Investment Limited, a company incorporated in the British Virgin Islands (the "BVI") and its ultimate holding company is Ardik Investment Limited, a company incorporated in the BVI. The controlling shareholder of the Company is Dr. Poon Lok To, Otto ("Dr. Poon"), who is also the chairman and executive director of the Company.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The Company acts as an investment holding company. The principal businesses of its major subsidiaries are encompassing (1) provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system; (2) provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas; (3) provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems; and (4) provision of total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex" and repair and maintenance services for lifts and escalators.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases (Continued)

As a lessee (Continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.125% per annum.

	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018	31,552
Lease liabilities discounted at relevant incremental borrowing rates	28,162
Add: Extension options reasonably certain to be exercised	15,608
Less: Recognition exemption – short-term leases	(9,096)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	34,674
Analysed as:	
Current	10,627
Non-current	24,047
	34,674

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		34,674
Add: Reclassified from prepaid land use rights	(a)	3,018
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	(b)	(941)
		36,751
By class:		
Leasehold lands		3,018
Leased properties		33,733
		36,751

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land use rights amounting to approximately HK$88,000 and approximately HK$2,930,000 respectively were reclassified to right-of-use assets.

(b) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 HKFRS 16 Leases (Continued)

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. As at 1 January 2019, no material impact is noted for the Group.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 HK$'000	Adjustments HK$'000	**Carrying amounts under HKFRS 16 at 1 January 2019 HK$'000**
Non-current assets			
Prepaid land use rights	2,930	(2,930)	**–**
Right-of-use assets	–	36,751	**36,751**
Current asset			
Prepaid land use rights	88	(88)	**–**
Current liabilities			
Other payables and accrued expenses#	1,149,081	(941)	**1,148,140**
Lease liabilities	–	10,627	**10,627**
Non-current liabilities			
Lease liabilities	–	24,047	**24,047**

\# To comfort with current year presentation, contract liabilities that were previously included in other payables and accrued expenses as at 31 December 2018 were presented separately in consolidated statement of financial position.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and Amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

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

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

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

New and Amendments to HKFRSs in issue but not yet effective (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (Continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments which are measured at revalued amount or fair value at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee but is not control or joint control over the policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an investments in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in associates and joint ventures (Continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations (Continued)

- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

Revenue from contracts with customers

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 or 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;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; 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.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision of contracting services, 2) provision of maintenance services and 3) sales of goods.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Provision of contracting services

Recognition

The Group provides contracting services under long-term contracts with customers. Such contracts are entered into before the contracting services begin. Under the terms of the contracts, the Group's customers control the properties during the course of construction by the Group. Revenue from provision of contracting services is therefore recognised over time using output method, i.e. based on surveys of contracting work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by the Group to the customer in relation to the work completed by the Group relative to the remaining goods or services promised under the contract. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of the performance obligation under HKFRS 15.

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

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

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

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Contract assets/liabilities

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.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (Continued)

Provision of maintenance services

Recognition

The Group provides maintenance services, including operation and maintenance services to customers. Income is recognised over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Sales of goods

Recognition

The Group sells goods, including environmental engineering systems, lifts and escalators to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

Other income

Dividend income from investments is recognised when the rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and accumulated impairment loss, if any.

Ownership interests in land and building

When the Group makes payments for ownership interests of properties which includes both land and building elements, the entire consideration is allocated between the land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" (upon application of HKFRS 16) or "prepaid land use rights" (before application of HKFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying land, the entire properties are classified as property, plant and equipment.

Any revaluation increase arising on revaluation of land and buildings located in Hong Kong is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

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

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

Intangible assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Research and development expenditure

Research and development expenditure incurred on technology innovation, continuous process improvement for process innovation and digital technology for process innovation are recognised on the following basis:

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

Inventories comprise direct materials to be applied to contracts and are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less estimated costs of completion and estimated costs necessary to make the sale.

Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in Note 2)

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

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For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2)

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessee (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

Lease modifications

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

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

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

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset.

The Group as a lessee (prior to 1 January 2019)

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

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as a lessor (upon application of HKFRS 16 in accordance with transitions in Note 2) (Continued)

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, state-managed retirement benefit schemes and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets 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 selling and collecting contractual cash flows; and
- the contractual terms 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 FVTPL, except that at the date of initial application of HKFRS 9/ initial recognition of a financial asset that the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income 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 Combination* applies.

(i) Amortised cost and *interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) 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 the reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables, amounts due from partners of joint operations, pledged bank deposits and bank balances) and contract assets which are subject to impairment under HKFRS 9. The amount of ECL is updated at the reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-months ECL ("12-month ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve 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.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively for other debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12-month 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 increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(i) 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- 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.

Despite the aforegoing, 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 fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and contract assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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 original effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status; and
- nature, size and industry of debtors.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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 costs of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including trade and retention payables, other payables, dividend payable, amount due to an associate and amounts due to partners of joint operations) are subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of the loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets, other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment on property, plant and equipment, right-of-use assets and intangible assets, other than goodwill (Continued)

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

When an impairment loss is subsequently reversed, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Government grants

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Determination on lease term of contracts with renewal options

The Group applies judgment to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices and warehouses. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

As at 1 January 2019, the exercise of the renewal option resulted in an additional amount of approximately HK$15,608,000 of right-of-use assets and lease liabilities recognised.

Key sources of estimation uncertainty

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

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For the year ended 31 December 2019

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Revenue recognition of construction contracts

The Group recognises contract revenue of a construction contract according to the management's estimation of the outcome of the project as well as the stage of completion of construction works, which is determined by output method. The stage of completion is determined based on surveys of contracting work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by the Group to the customer in relation to the work completed by the Group relative to the remaining goods or services promised under the contract. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprise sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of both contract revenue and costs for the construction contract as the contract progresses, the actual outcome of the contract in terms of its total revenue and costs may be higher or lower than the estimates and this will have significant impact on the revenue and profit recognised.

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. The Group estimates the contractual cash flow expected to receive, based on the evidence of credit-impairment and forward-looking information. In addition, the Group uses provision matrix to calculate ECL for the remaining trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical loss rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2019, the total carrying amount of trade receivables and contract assets of the Group amounted to approximately HK$1,862,940,000 (2018: HK$1,700,109,000), net of allowance for credit losses of approximately HK$53,542,000 (2018: HK$49,839,000).

Useful lives and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment.

The estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. Any change in these estimates may have a material impact on the results of the Group.

As at 31 December 2019, the carrying amount of property, plant and equipment of the Group, excluding buildings in Hong Kong which carried at revalued amount, amounted to approximately HK$74,380,000 (2018: HK$44,326,000).

Notes to the Consolidated Financial Statements

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5. REVENUE

The Group recognises revenue from three major sources, namely, contracting work, maintenance work and sales of goods for both years.

(i) Disaggregation of revenue from contracts with customers

The following is an analysis of the Group's revenue from its major products and services:

	2019 HK$'000	2018 HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**3,580,020**	5,220,719
Maintenance work	**679,071**	551,381
	4,259,091	5,772,100
Recognised at a point of time and short-term contracts		
Sales of goods	**222,820**	193,946
	4,481,911	5,966,046

(ii) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and the expected timing of recognising revenue are as follows:

	Contracting work HK$'000	Maintenance work HK$'000	Sales of goods HK$'000
Within one year	**4,801,637**	**783,215**	**198,107**
More than one year but not more than two years	**1,704,081**	**538,196**	**–**
More than two years	**446,267**	**936,982**	**–**
	6,951,985	**2,258,393**	**198,107**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Contracting work HK$'000	Maintenance work HK$'000	Sales of goods HK$'000
Within one year	3,758,184	529,028	207,607
More than one year but not more than two years	1,098,835	385,459	–
More than two years	405,007	1,035,524	–
	5,262,026	1,950,011	207,607

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION

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

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

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, communications and building technology ("ICBT"):	Provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex"; and ii) repair and maintenance services for lifts and escalators

Reconciliation of segment revenue

For the year ended 31 December 2019

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	2,488,330	636,386	339,395	115,909	3,580,020
– Maintenance work	170,380	278,352	98,613	131,726	679,071
– Sales of goods	17,605	172,148	6,374	26,693	222,820
Total revenue	2,676,315	1,086,886	444,382	274,328	4,481,911

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue (Continued)

For the year ended 31 December 2018

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	4,257,711	550,505	330,892	81,611	5,220,719
– Maintenance work	152,234	181,583	86,278	131,286	551,381
– Sales of goods	16,575	133,708	7,303	36,360	193,946
Total revenue	4,426,520	865,796	424,473	249,257	5,966,046

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2019

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	2,676,315	1,086,886	444,382	274,328	–	4,481,911
– inter-segment	4,625	–	52,209	367	(57,201)	–
Total revenue	2,680,940	1,086,886	496,591	274,695	(57,201)	4,481,911
Segment profit	141,024	67,535	64,700	26,022	–	299,281
Share of results of certain associates						24,815
Bank interest income						6,161
Finance costs						(2,385)
Unallocated income						7,140
Unallocated expenses						(41,705)
Profit before tax						293,307
Income tax expense						(48,306)
Profit for the year						245,001
Other segment information						
Depreciation of property, plant and equipment	2,832	1,261	1,148	3,771	11,197	20,209
Depreciation of right-of-use of assets	8,275	354	4,361	1,288	385	14,663
Impairment losses under expected credit loss model, net of reversal	(6,801)	10,742	210	201	–	4,352
Loss on disposals of property, plant and equipment	–	–	–	6	–	6
Amortisation of intangible assets	–	–	20	555	–	575

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2018

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	4,426,520	865,796	424,473	249,257	–	5,966,046
– inter-segment	4,813	655	106,378	439	(112,285)	–
Total revenue	4,431,333	866,451	530,851	249,696	(112,285)	5,966,046
Segment profit	252,169	4,176	72,935	16,952	–	346,232
Share of results of certain associates						34,130
Share of results of a joint venture						607
Bank interest income						3,880
Finance costs						(689)
Unallocated income						21,073
Unallocated expenses						(30,419)
Profit before tax						374,814
Income tax expense						(59,532)
Profit for the year						315,282
Other segment information						
Depreciation of property, plant and equipment	2,791	1,213	517	3,804	6,754	15,079
Impairment losses under expected credit loss model, net of reversal	26,269	775	1,335	(894)	–	27,485
(Gain) loss on disposals/written off of property, plant and equipment	(57)	46	8	160	579	736
Amortisation of intangible assets	–	–	26	556	–	582
Amortisation of prepaid land use rights	–	–	–	–	92	92

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, certain other income, certain other gains and losses, share of results of certain associates and shares of results of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the CODM for review.

Information about major customers

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

	2019 HK$'000	2018 HK$'000
Customer A	**1,013,587**	876,790
Customer B	**N/A#**	801,610
Customer C	**N/A#**	687,229

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Geographical information

The Group's operations are located on Hong Kong, mainland China, Macau and others.

Information about the Group's revenue from external customers is presented based on the location of the customers.

	2019 HK$'000	2018 HK$'000
Revenue		
Hong Kong	**3,922,278**	5,122,820
Mainland China	**236,297**	349,367
Macau	**298,077**	444,402
Others	**25,259**	49,457
Total	**4,481,911**	5,966,046

Information about the Group's non-current assets other than deferred tax assets is presented based on the geographical location of the assets.

	2019 HK$'000	2018 HK$'000
Non-current assets		
Hong Kong	**164,523**	115,805
Mainland China	**255,949**	275,380
Macau	**1,152**	657
Total	**421,624**	391,842

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Rental income	**2,169**	2,174
Bank interest income	**6,161**	3,880
Investment income from financial assets at FVTPL	**437**	406
Government subsidies	**4,101**	2,475
Sundry income	**3,655**	1,278
	16,523	10,213

8. OTHER GAINS AND LOSSES

	2019 HK$'000	2018 HK$'000
Gain from change in fair value of investment properties	**2,200**	14,190
Gain from change in fair value of financial assets at FVTPL	**122**	2,233
Loss on disposals/written off of property, plant and equipment	**(6)**	(736)
Net exchange losses	**(1,490)**	(3,734)
Loss on dilution in interest in an associate	**(5,282)**	(3,812)
Gain on liquidation of a subsidiary	**–**	1,622
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate (Note i)	**(2,013)**	–
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of a joint venture (Note ii)	**–**	(1,564)
	(6,469)	8,199

Notes:

(i) During the year ended 31 December 2019, the Group's associate, Hunan Prisma Electrical Co. Ltd ("HPEC"), a company incorporated in the PRC, was dissolved. HPEC will return capital of approximately HK$11,355,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$2,013,000 in the translation reserve was reclassified to profit or loss upon the dissolution. The Group subsequently received the return of capital of approximately HK$11,355,000 from HPEC after the end of the reporting period.

(ii) During the year ended 31 December 2018, the Group's joint venture, Hunan Anlev Hiro Elevator Company Limited ("HN Anlev Hiro"), a company incorporated in the PRC, was dissolved. HN Anlev Hiro returned capital of approximately HK$14,258,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$1,564,000 in the translation reserve was reclassified to profit or loss upon the dissolution.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

9. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest expenses on bank borrowings	**73**	99
Interest on lease liabilities	**1,780**	–
Ancillary costs in respect of banking facilities	**532**	590
	2,385	689

10. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong	**39,359**	54,528
Macau	**4,829**	6,347
PRC Enterprise Income Tax	**814**	3,135
	45,002	64,010
Overprovision in prior years		
Hong Kong	**(1,947)**	(196)
	43,055	63,814
Deferred tax (Note 35)	**5,251**	(4,282)
	48,306	59,532

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under Macau Complementary Tax Law, companies are divided into Group A and Group B tax payers. Group A tax payers are assessed based on their actual taxable profits. Group B tax payers are assessed based on deemed profits ascertained by the Macau Finance Bureau. The Group has Group A and Group B tax payers and Macau Complementary Tax is calculated at a rate of 12% on the assessable profit above Macau Pataca ("MOP") 600,000 for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10. INCOME TAX EXPENSE (CONTINUED)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both years.

The Company's subsidiaries, associates and joint ventures of the Group that are a tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. According to the "Arrangement between the mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the mainland company, 5% dividend withholding tax rate is applicable. 5% withholding tax rate was used for the years ended 31 December 2019 and 2018. A provision for dividend withholding tax of approximately HK$1,014,000 was recognised for the year ended 31 December 2019 (2018: a provision for dividend withholding tax of approximately HK$3,591,000 was reversed). During the year ended 31 December 2019, withholding tax of approximately HK$814,000 (2018: HK$274,000) was paid by the Group. The above resulted in a provision for dividend withholding tax of approximately HK$200,000 charged to profit or loss for the year ended 31 December 2019 (2018: a net reversal of provision of approximately HK$3,317,000 was credited to profit or loss).

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

	2019 **HK$'000**	2018 HK$'000
Profit before tax	**293,307**	374,814
Tax at Hong Kong Profits Tax rate of 16.5%	**48,395**	61,844
Tax effect of share of results of associates	**(4,094)**	(4,502)
Tax effect of share of results of a joint venture	**–**	(100)
Tax effect of expenses not deductible for tax purpose	**5,502**	7,450
Tax effect of income not taxable for tax purpose	**(1,688)**	(4,976)
Tax effect of tax losses not recognised	**4,226**	5,216
Utilisation of tax losses not recognised in prior years	**(926)**	(5)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(1,907)**	(1,735)
Withholding tax on distributable profits of subsidiaries and an associate	**1,014**	(3,317)
Income tax at concessionary rate	**(165)**	(165)
Overprovision in prior years	**(1,947)**	(196)
Others	**(104)**	18
Income tax expense for the year	**48,306**	59,532

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

10. INCOME TAX EXPENSE (CONTINUED)

Tax effect relating to components of other comprehensive income is as follows:

	2019			2018		
	Before-tax amount HK$'000	**Tax expense HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Gain on revaluation of properties	**–**	**–**	**–**	72,865	(12,023)	60,842

11. PROFIT FOR THE YEAR

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
– Directors' remuneration (Note 12)	**26,401**	27,879
– Salaries and other benefits	**962,317**	935,917
– Retirement benefit scheme contributions (excluding directors)	**44,123**	41,534
	1,032,841	1,005,330
Cost of inventories recognised as expenses (included in cost of sales and services)	**263,989**	291,461
Depreciation of property, plant and equipment	**20,209**	15,079
Depreciation of right-of-use assets	**14,663**	–
Amortisation of prepaid land use rights	**–**	92
Amortisation of intangible assets	**575**	582
Write-down of inventories, net	**1,108**	728
Inventories written off	**142**	9
(Gain) loss from change in fair value of derivative financial instruments	**(602)**	1,347
Rental income from investment properties	**(2,037)**	(2,092)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**303**	276
	(1,734)	(1,816)
Auditor's remuneration	**4,270**	4,399

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For the year ended 31 December 2019

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

(a) Directors and chief executive

Directors' and chief executives' remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2019

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related bonus HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
			(Note i)		
Executive directors:					
Dr. Poon (Chairman)	–	2,620	2,419	93	5,132
Mr. Cheng Siu Ngai, Kevin	–	3,125	3,940	145	7,210
Mr. Law Wei Tak	–	2,403	2,089	109	4,601
Mr. Chan Hoi Ming	–	2,144	3,142	96	5,382
Non-executive director:					
Dr. Mak Kin Wah	–	1,380	1,478	18	2,876
Independent non-executive directors:					
Mr. Chan Fu Keung	400	–	–	–	400
Mr. Lam Kin Fung, Jeffrey (Note ii)	400	–	–	–	400
Mr. Wong King On, Samuel (Note ii)	400	–	–	–	400
	1,200	11,672	13,068	461	26,401

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (CONTINUED)

(a) Directors and chief executive (Continued)

For the year ended 31 December 2018

	Directors' fee	Salaries and other allowances	Performance related bonus	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note i)		
Executive directors:					
Dr. Poon (Chairman)	–	2,507	4,096	93	6,696
Mr. Cheng Siu Ngai, Kevin	–	2,962	4,868	137	7,967
Mr. Law Wei Tak	–	2,304	2,691	104	5,099
Mr. Chan Hoi Ming	–	2,026	3,274	90	5,390
Non-executive director:					
Dr. Mak Kin Wah	–	1,200	600	18	1,818
Independent non-executive directors:					
Mr. Chan Fu Keung	375	–	–	–	375
Mr. Lam Kin Fung, Jeffrey (Note ii)	267	–	–	–	267
Mr. Wong King On, Samuel (Note ii)	267	–	–	–	267
	909	10,999	15,529	442	27,879

Notes:

(i) The performance related bonus is determined by reference to the Group's performance for respective years.

(ii) Mr. Lam Kin Fung, Jeffrey and Mr. Wong King On, Samuel were appointed as the Independent Non-executive Directors of the Company on 1 May 2018.

The emoluments of the executive directors shown above were for their services in connection with the management affairs of the Group and the Company. The emoluments of the non-executive director and the independent non-executive directors shown above were for their services as directors of the Company.

None of the directors of the Company has waived or agreed to waive any remuneration during the year (2018: Nil).

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12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES (CONTINUED)

(b) Five highest paid employees

The five highest paid individuals of the Group included four directors (2018: four), whose emoluments are included in the disclosures above. The emoluments of the remaining one (2018: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and other benefits	**1,398**	1,306
Performance related bonus	**4,599**	2,972
Retirement benefit scheme contributions	**64**	59
	6,061	4,337

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
HK$4,000,001 to HK$4,500,000	**–**	1
HK$6,000,001 to HK$6,500,000	**1**	–

No amount was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2018: Nil).

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13. DIVIDEND

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2019 of HK5.07 cents per share, in an aggregate amount of HK$70,980,000, has been resolved by the board of directors to pay to the shareholders of the Company. The second interim divided has been paid in April 2020.

During the year ended 31 December 2019, the Company declared an interim dividend of HK3.85 cents per share, amounted to HK$53,900,000 in aggregate, calculated based on HK3.85 cents multiplied by 1,400,000,000 shares.

During the year ended 31 December 2018, the Company declared a total dividend of HK$1,037,044,000 (equivalent to approximately HK$86,420 per share multiplied by 12,000 shares), which included Distribution in Specie (as defined and detailed in Note 47) of HK$255,297,000 and a cash dividend of HK$281,747,000 which was settled through the current accounts due from Wise Eagle Group (defined in Note 47) to the Group and a cash dividend of HK$500,000,000, to its shareholders.

14. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the equity holders of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the equity holders of the Company)	**245,001**	315,282
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,215,890,411**	1,050,000,000
Effect of dilutive potential ordinary shares		
– Over-allotment option	**79,047**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,215,969,458**	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in Note 34) had been effective on 1 January 2018.

No diluted earnings per share was presented for the year ended 31 December 2018 as there were no potential ordinary shares in issue for the prior year.

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15. INVESTMENT PROPERTIES

	2019 HK$'000	2018 HK$'000
FAIR VALUE		
At beginning of the year	**74,300**	60,110
Change in fair value	**2,200**	14,190
Transfers to property, plant and equipment (Note)	**(71,600)**	–
At end of the year	**4,900**	74,300

Note: On 31 December 2019, certain of the Group's commercial property units are under renovation for the use as the Group's offices. Therefore, investment properties with fair value of approximately HK$71,600,000 were transferred to property, plant and equipment on 31 December 2019.

The fair value of the Group's investment properties as at 31 December 2019 and 2018 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used in prior year.

Details of the Group's investment properties and information about the fair value hierarchy are as follows:

	Fair value hierarchy	Fair value	
		2019 HK$'000	2018 HK$'000
Commercial property units located in Hong Kong	Level 2	**4,900**	74,300

The Group's investment properties held under long lease term in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for identical properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of investment properties, and thus the fair value hierarchy is classified as Level 2. The rental income earned by the Group from the investment properties for the year ended 31 December 2019 amounted to approximately HK$2,037,000 (2018: HK$2,092,000).

The investment properties have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong HK$'000	Building in the PRC HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2018	472,900	36,603	22,288	8,268	67,960	16,532	395	624,946
Exchange realignment	–	(1,834)	–	(73)	(1,024)	(157)	–	(3,088)
Additions	–	–	4,295	923	8,182	1,857	–	15,257
Disposals	–	–	(793)	(551)	(11,912)	(2,473)	–	(15,729)
Surplus on revaluation	68,100	–	–	–	–	–	–	68,100
Distribution in specie (Note 47)	(541,000)	–	(15,195)	(4,235)	(2,380)	–	–	(562,810)
At 31 December 2018 and 1 January 2019	**–**	**34,769**	**10,595**	**4,332**	**60,826**	**15,759**	**395**	**126,676**
Exchange realignment	**–**	**(726)**	**(39)**	**(37)**	**(410)**	**(63)**	**–**	**(1,275)**
Additions	**–**	**–**	**3,103**	**627**	**44,290**	**2,762**	**–**	**50,782**
Disposals	**–**	**–**	**–**	**(69)**	**(442)**	**(58)**	**–**	**(569)**
Transfers from investment properties	**71,600**	**–**	**–**	**–**	**–**	**–**	**–**	**71,600**
At 31 December 2019	**71,600**	**34,043**	**13,659**	**4,853**	**104,264**	**18,400**	**395**	**247,214**
Comprising:								
At cost	**–**	**34,043**	**13,659**	**4,853**	**104,264**	**18,400**	**395**	**175,614**
At valuation	**71,600**	**–**	**–**	**–**	**–**	**–**	**–**	**71,600**
	71,600	**34,043**	**13,659**	**4,853**	**104,264**	**18,400**	**395**	**247,214**
DEPRECIATION								
At 1 January 2018	–	18,482	18,837	6,541	52,197	11,823	395	108,275
Exchange realignment	–	(995)	–	(46)	(599)	(111)	–	(1,751)
Charged for the year	4,765	1,678	1,328	489	5,579	1,240	–	15,079
Eliminated on disposals/ written off	–	–	(361)	(470)	(11,486)	(2,446)	–	(14,763)
Eliminated on revaluation	(4,765)	–	–	–	–	–	–	(4,765)
Distribution in specie (Note 47)	–	–	(13,809)	(3,789)	(2,127)	–	–	(19,725)
At 31 December 2018 and 1 January 2019	**–**	**19,165**	**5,995**	**2,725**	**43,564**	**10,506**	**395**	**82,350**
Exchange realignment	**–**	**(430)**	**(3)**	**(18)**	**(262)**	**(49)**	**–**	**(762)**
Charged for the year	**–**	**1,606**	**1,535**	**465**	**14,457**	**2,146**	**–**	**20,209**
Eliminated on disposals	**–**	**–**	**–**	**(69)**	**(436)**	**(58)**	**–**	**(563)**
At 31 December 2019	**–**	**20,341**	**7,527**	**3,103**	**57,323**	**12,545**	**395**	**101,234**
CARRYING VALUES								
At 31 December 2019	**71,600**	**13,702**	**6,132**	**1,750**	**46,941**	**5,855**	**–**	**145,980**
At 31 December 2018	–	15,604	4,600	1,607	17,262	5,253	–	44,326

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings in Hong Kong	Over the lease term of the land lease
Building in the PRC	2.6% – 5%
Leasehold improvements	Over the shorter of lease term, or 15% – 20%
Furniture and fixtures	15% – 18%
Machinery and equipment	9% – $33^1/_3$%
Motor vehicles	18% – 25%
Moulds	15%

Fair value measurement of the Group's buildings in Hong Kong

The fair value of the Group's buildings as at 31 December 2019 has been arrived at on the basis of a valuation carried out on 31 December 2019 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its buildings in Hong Kong is at its highest and best use.

Details of the Group's buildings located in Hong Kong and information about the fair value hierarchy are as follows:

	Fair value hierarchy	Fair value 2019 HK$'000
Buildings located in Hong Kong	Level 2	**71,600**

In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for identical properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of buildings and thus the fair value hierarchy is classified as Level 2.

As at 31 December 2019, if buildings in Hong Kong had not been revalued, they would have been included in the consolidated financial statements at historical cost less accumulated depreciation with a carrying value of approximately HK$71,600,000.

The buildings in Hong Kong have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

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17. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 1 January 2019			
CARRYING VALUES	**3,018**	**33,733**	**36,751**
At 31 December 2019			
CARRYING VALUES	**2,869**	**32,204**	**35,073**
For the year ended 31 December 2019			
Depreciation charge	**88**	**14,575**	**14,663**
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16			**25,032**
Total cash outflow for leases			**40,967**
Additions to right-of-use assets			**13,045**

For both years, the Group leases various offices and warehouses for its operations. Lease contracts are entered into for fixed term of one to three years, but may have extension options as described below. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements

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17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group has extension options in a number of leases for its offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. In addition, the Group reassesses whether it is reasonable certain to exercise an extension upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses as disclosed above.

18. INTANGIBLE ASSETS

	Patent HK$'000
COST	
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	9,622
AMORTISATION	
At 1 January 2018	2,448
Charged for the year	582
At 31 December 2018 and 1 January 2019	**3,030**
Charged for the year	**575**
At 31 December 2019	**3,605**
CARRYING VALUES	
At 31 December 2019	**6,017**
At 31 December 2018	6,592

The above patents are amortised on a straight-line basis over 7 and 17 years based on the licensing periods.

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19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2019 HK$'000	2018 HK$'000
Investment cost (Note i)		
Listed outside Hong Kong	**118,453**	118,453
Unlisted	**–**	24,492
Share of post-acquisition profits and other comprehensive income, net of dividends received	**110,293**	98,334
Interests in associates	**228,746**	241,279
Fair value of listed investment (Note ii)	**859,012**	852,454
Amount due from an associate (Note iii)	**83,575**	83,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(83,575)**	(83,575)
	–	–

Notes:

(i) As at 31 December 2019, included in the investment cost, there is a goodwill of approximately HK$19,507,000 (2018: HK$20,092,000) arising from the investment in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA").

(ii) As at 31 December 2019, the fair value of the Group's interest in NCA, of which shares are listed on the Shanghai Stock Exchange since 1 November 2017, was approximately HK$859,012,000 (2018: HK$852,454,000) based on the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input under of HKFRS 13 *Fair Value Measurement*.

(iii) As at 31 December 2019, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$83,575,000 (2018: HK$83,575,000), is non-trade nature, unsecured non-interest bearing and repayable on demand. The directors of the Company consider the amount due from OBJV are unlikely to be repaid in the foreseeable future and forms part of the net investment in OBJV as at 31 December 2019 and 2018. OBJV is in the form of unincorporated and the Group has obligation to share its losses and therefore, the Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK$83,575,000 (2018: HK$83,575,000) as at 31 December 2019.

As at 31 December 2019, the amount due from OBJV of approximately of HK$13,852,000 (2018: HK$13,852,000) is trading in nature, unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the amount is unlikely to be repaid in the foreseeable future and full impairment allowance has been made as at 31 December 2019 and 2018.

In the opinion of the directors of the Company, there is no impairment on the interests in associates, as the recoverable amount, which is the higher of value in use and fair value less costs of disposal, is higher than its carrying amount as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Percentage of interest held by the Group		Percentage of voting rights held by the Group		Nature of business
			2019	2018	2019	2018	
HPEC (Note i)	Incorporated	The PRC	–	39%	–	33%	Manufacturing and selling of elevators related products
OBJV	Unincorporated	Hong Kong	**40%**	40%	**40%**	40%	Engineering contractor for construction and operation projects
南京佳力圖機房環境技術股份有限公司 ("NCA") (Note ii)	Incorporated	The PRC	**25.81%**	26.58%	**25.81%**	26.58%	Manufacturing and sale of precision air-conditioners

Notes:

(i) The Group was able to exercise significant influence HPEC because it had the power to appoint two out of the six directors of HPEC under the Articles of Association of HPEC. During the year ended 31 December 2019, HPEC was dissolved. HPEC will return capital of approximately HK$11,355,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$2,013,000 in the translation reserve was reclassified to profit or loss upon the dissolution. The Group subsequently received the return of capital of approximately HK$11,355,000 from HPEC after the end of the reporting period.

(ii) On 22 February 2019, NCA issued restricted shares to its eligible employees at RMB6.84 (approximately HK$8.03) per share, which was below the market price. As a result, the Group's interest in NCA decreased from 26.58% to 25.81%, and a loss on dilution of approximately HK$5,282,000 was recognised for the year ended 31 December 2019.

On 28 February 2018 and 28 November 2018, NCA issued restricted shares to its eligible employees at RMB14.35 (approximately HK$17.73) and RMB6.06 (approximately HK$6.90) per share, which was below the market price. As a result, the Group's interest in NCA decreased from 27.03% to 26.58%, and a loss on dilution of approximately HK$3,812,000 was recognised for the year ended 31 December 2018.

The Group is able to exercise significant influence over NCA because the Company owns 25.81% and 26.58% of NCA as at 31 December 2019 and 2018, and appointed two directors out of nine directors.

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19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

The summarised financial information in respect of the Group's interest in associates which are accounted for using equity method is set out as below:

	HPEC		OBJV		NCA	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Revenue	–	–	142,337	183,328	725,948	635,360
(Loss) profit for the year	(389)	180	(7,478)	(17,110)	96,117	121,542
Other comprehensive expense for the year	(623)	(1,589)	–	–	(17,023)	(39,547)
Total comprehensive (expense) income for the year	(1,012)	(1,409)	(7,478)	(17,110)	79,094	81,995
Dividends received from the associate during the year	–	–	–	–	16,286	11,394
Non-current assets	–	–	–	–	206,631	179,297
Current assets	–	30,486	30,520	50,785	1,354,378	1,070,110
Total assets	–	30,486	30,520	50,785	1,561,009	1,249,407
Current liabilities	–	(361)	(273,934)	(276,778)	(643,928)	(410,004)
Non-current liabilities	–	–	–	–	(36,901)	(39,938)
Net assets (liabilities)	–	30,125	(243,414)	(225,993)	880,180	799,465

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	HPEC		OBJV		NCA	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Net assets (liabilities)	–	30,125	(243,414)	(225,993)	880,180	799,465
Proportion of the Group's interest	–	39%	40%	40%	25.81%	26.58%
Goodwill	–	–	–	–	19,507	20,092
Others	–	–	–	–	(17,955)	(3,060)
Carrying amount of the Group's interests in associates	–	11,749	–	–	228,746	229,530

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20. JOINT ARRANGEMENTS

Joint operations

The Group has joint arrangements carrying out construction projects in the form of joint operations. Details of the Group's principal joint operations at the end of the reporting periods are as follows:

Name of project	Form of business structure	Place of operation	Percentage of interest held by the Group		Nature of business
			2019	2018	
ATAL – Waterleau – China Construction Joint Venture (Note a)	Unincorporated	Macau	**25%**	25%	Engineering contractor for construction projects
ATAL – Waterleau – China State Joint Venture (Note a)	Unincorporated	Macau	**28%**	28%	Engineering contractor for construction projects
ATAL – Waterleau – China State Joint Venture (Note a)	Unincorporated	Macau	**15%**	15%	Engineering contractor for construction projects
Kaden – ATAL Joint Venture (Note b)	Unincorporated	Hong Kong	**33%**	33%	Engineering contractor for construction projects
ATAL – Degremont Joint Venture (Note c)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
SITA – ATAL Joint Venture (Note c)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture (Note c)	Unincorporated	Hong Kong	**48.7%**	48.7%	Engineering contractor for construction projects
ATAL – Degremont – China State Joint Venture (Note c)	Unincorporated	Hong Kong	**27.2%**	27.2%	Engineering contractor for construction projects
ATAL – Suez Infrastructure Joint Venture (Note c)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture (Note c)	Unincorporated	Hong Kong	**49.8%**	49.8%	Engineering contractor for construction projects
ATAL – Degremont – China Harbour Joint Venture (Note c)	Unincorporated	Hong Kong	**31.3%**	31.3%	Engineering contractor for construction projects

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20. JOINT ARRANGEMENTS (CONTINUED)

Joint operations (Continued)

Notes:

(a) The project was awarded from the Government of the Macau Special Administrative Region.

(b) The project was awarded from Ocean Park Corporation.

(c) The project was awarded from the Government of the Hong Kong Special Administrative Region.

21. PREPAID LAND USE RIGHTS

As at 31 December 2018, the Group's prepaid land use rights comprise land use rights in the PRC under medium-term leases amounting to approximately HK$3,018,000. For reporting purposes, prepaid land use rights of approximately HK$88,000 were classified as current, representing the prepaid land use rights to be amortised within one year. The remaining approximately HK$2,930,000 were classified as non-current as at 31 December 2018.

Upon application of HKFRS 16 on 1 January 2019, the prepaid land use rights were reclassified to right-of-use assets.

22. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials, consumable stores and spare parts	**48,119**	52,352
Work in progress	**9,493**	7,102
Finished goods	**3,194**	2,936
	60,806	62,390

23. CONTRACT ASSETS

	2019 HK$'000	2018 HK$'000
Contract assets	**915,172**	978,397

As at 1 January 2018, contract assets amounted to approximately HK$949,384,000.

As at 31 December 2019, contract assets include retention receivables of approximately HK$368,566,000 (2018: HK$375,456,000). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

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23. CONTRACT ASSETS (CONTINUED)

Retention receivables are interest-free and repayable at the end of the retention period of the respective construction contract. The Group did not have any retention receivables that were past due but not impaired at the end of the reporting period.

The changes in contract assets are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Details of the impairment assessment are set out in Note 38b(ii).

24. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**953,961**	708,362
Less: Allowances for credit losses	**(53,542)**	(49,839)
	900,419	658,523
Unbilled revenue (Note)	**42,853**	63,189
Bills receivables	**4,496**	–
	947,768	721,712

Note: Unbilled revenue represents accrued revenue for works performed by the Group but yet to bill. The Group has unconditional right to the payment of unbilled revenue which is expected to be billed within 90 days and received within 12 months from the end of the reporting period.

As at 1 January 2018, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$811,213,000.

As at 31 December 2019, the Group's bills receivables are of age within six months.

The Group generally allows credit period ranging from 14 to 90 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances.

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24. TRADE RECEIVABLES (CONTINUED)

Aging of trade receivables net of allowance for credit losses presented based on the invoice dates are as follows:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**587,087**	350,885
31 – 90 days	**224,085**	232,827
91 – 360 days	**84,677**	72,674
Over 1 year	**4,570**	2,137
Total	**900,419**	658,523

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$466,240,000 (2018: HK$323,139,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$56,196,000 (2018: HK$50,935,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship and good repayment record from these customers.

Details of the impairment assessment are set out in Note 38b(ii).

25. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2019 HK$'000	2018 HK$'000
Dividend receivables	**10,598**	10,824
Other receivables (Note i)	**18,088**	8,096
Deferred issued costs	**–**	7,912
Deposits and prepayments (Note ii)	**81,344**	53,505
	110,030	80,337

Notes:

(i) Included in the balance as at 31 December 2019, approximately HK$11,355,000 was due from HPEC for the return of capital to the Group upon the dissolution. The whole balance has been subsequently fully received by the Group after the end of the reporting period.

(ii) Balance mainly includes prepayments to suppliers, tendering deposits, rental deposits and miscellaneous deposits and prepayments.

26. AMOUNTS DUE FROM (TO) PARTNERS OF JOINT OPERATIONS/AN ASSOCIATE

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

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27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Equity securities listed in Hong Kong (Note)	**17,352**	17,230

Note: The equity securities were issued by listed companies in Hong Kong. The fair value of the equity securities are determined based on the quoted market price available on the Hong Kong Stock Exchange.

28. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest rates from 0.30% to 2.75% (2018: 0% to 2.75%) per annum representing deposits pledged to banks to secure general short-term banking facilities granted to certain of the Company's subsidiaries. They are classified as current assets and will be released upon the release of relevant banking facilities.

Bank balances carry interest at market rates from 0% to 2.80% (2018: 0% to 3.35%) per annum.

29. TRADE AND RETENTION PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	**311,640**	298,400
Trade accruals	**58,039**	37,588
Retention payables	**127,479**	126,934
Bills payables	**3,810**	–
	500,968	462,922

As at 31 December 2019, the Group's bills payables are due within six months.

The credit period on trade payables is ranging from 0 to 90 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**188,793**	160,395
31 – 90 days	**55,566**	59,460
91 – 360 days	**27,233**	37,819
Over 1 year	**40,048**	40,726
	311,640	298,400

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30. OTHER PAYABLES AND ACCRUED EXPENSES

	2019 HK$'000	2018 HK$'000
Accrued staff costs	**129,052**	155,657
Accrued contract costs	**873,365**	965,593
Accrued issue costs and listing expenses	–	7,382
Others (Note)	**43,289**	20,449
	1,045,706	1,149,081

Note: Accrued lease liabilities as at 31 December 2018 were adjusted upon the initial application of HKFRS 16 on 1 January 2019. Details of the adjustments are set out in Note 2.

31. CONTRACT LIABILITIES

	2019 HK$'000	2018 HK$'000
Contract liabilities	**23,269**	24,693

As at 1 January 2018, contract liabilities amounted to approximately HK$25,365,000.

Revenue recognised during the current of approximately HK$24,693,000 (2018: HK$25,365,000) included the whole amount of contract liabilities at the beginning of the reporting period amounted to approximately HK$24,693,000 (2018: HK$25,365,000).

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

Construction contracts

When the Group receives a deposit before the construction activity or receives advanced payment during the construction activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit or advanced payment.

Sales of goods

The Group receives 30% of the contract value as deposits from customers when they sign the sales contracts. This will result in contract liabilities being recognised until the customers obtain the control of the goods.

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32. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 **HK$'000**	2018 HK$'000
Foreign-currency forward contracts classified as current liabilities	–	602

Major terms of the foreign-currency forward contracts which were entered into between the Group and banks (banks to sell) are as follows:

As at 31 December 2018:

Notional approximate amount	**Maturity**	**Exchange rate**
Sell European dollars ("EUR") 708,000	22 February 2019	HK$9.399/EUR
Sell EUR129,000	22 February 2019	HK$9.399/EUR
Sell EUR73,000	4 July 2019	HK$9.219/EUR
Sell EUR46,000	26 July 2019	HK$9.1535/EUR
Sell Singapore dollars ("SGD") 185,000	22 February 2019	HK$5.875/SGD
Sell British pounds ("GBP") 149,000	22 February 2019	HK$10.634/GBP
Sell GBP77,000	29 March 2019	HK$10.502/GBP
Sell Swiss franc ("CHF") 73,000	30 September 2019	HK$8.0855/CHF
Sell Renminbi ("RMB") 219,000	22 February 2019	HK$1.2342/RMB

33. LEASE LIABILITIES

	2019 **HK$'000**
Lease liabilities payable:	
Within one year	**12,853**
Within a period of more than one year but not more than two years	**8,097**
Within a period of more than two years but not more than five years	**13,179**
	34,129
Less: Amount due for settlement with 12 months shown under current liabilities	**(12,853)**
Amount due for settlement after 12 months shown under non-current liabilities	**21,276**

The weighted average incremental borrowing rate applied at 5.125% per annum.

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34. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2018	12,600	US$1	US$12,600	
Increase in share capital (Note i)	100,000,000,000	HK$0.01	HK$1,000,000,000	
Cancellation of share capital (Note i)	(12,600)	US$1	(US$12,600)	
At 31 December 2018, 1 January 2019 and 31 December 2019	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2018	12,000	US$1	US$12,000	94
Issue of shares (Note i)	9,360,000	HK$0.01	HK$93,600	
Repurchase of shares (Note i)	(12,000)	US$1	(US$12,000)	
At 31 December 2018 and 1 January 2019	**9,360,000**	**HK$0.01**	**HK$93,600**	**94**
Issue of shares under Capitalisation Issue (Note ii)	**1,040,640,000**	**HK$0.01**	**HK$10,406,400**	
Issue of shares (Note iii)	**350,000,000**	**HK$0.01**	**HK$3,500,000**	
At 31 December 2019	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Notes:

(i) On 14 September 2018, the authorised share capital of the Company was increased to HK$1,000,000,000 by the creation of 100,000,000,000 shares with par value of HK$0.01 each. On the same day, the Company allotted and issued 9,360,000 shares with par value of HK$0.01 to the existing shareholders and repurchased the 12,000 shares with par value of US$1 each. On 14 September 2018, the authorised but unissued share capital of the Company was diminished by cancellation of 12,600 shares with par value of US$1 each.

(ii) On 12 July 2019, the Company capitalised an amount of HK$10,406,400 standing to the credit of the share premium of the Company by applying such sum in paying up in full at par 1,040,640,000 shares for allotment and issue to shareholders (the "Capitalisation Issue"). The new shares rank pari passu with the existing shares in all respects.

(iii) On 12 July 2019, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 350,000,000 new shares of HK$0.01 each issued at a price of HK$1.2 per share. Proceeds of HK$3,500,000, representing the par value of the shares issued, were credited to the share capital of the Company. The remaining proceeds of HK$369,110,000, net of share issue expense were credited to the share premium account.

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35. DEFERRED TAX

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2019 HK$'000	2018 HK$'000
Deferred tax liabilities	**17,706**	12,371
Deferred tax assets	**(835)**	(775)
	16,871	11,596

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the current and prior years are as follows:

	PRC withholding tax on distributable profits HK$'000	Temporary difference on tax depreciation HK$'000	Revaluation of properties HK$'000	Intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 January 2018	13,063	(3,556)	44,474	1,183	(633)	54,531
Credited to profit or loss	(3,987)	(199)	–	(96)	–	(4,282)
Income tax relating to gain on revaluation of properties	–	–	12,023	–	–	12,023
Exchange realignment	454	–	–	–	(47)	407
Distribution in specie (Note 47)	–	5,414	(56,497)	–	–	(51,083)
At 31 December 2018 and 1 January 2019	**9,530**	**1,659**	**–**	**1,087**	**(680)**	**11,596**
Charged (credited) to profit or loss	**200**	**5,065**	**–**	**(96)**	**82**	**5,251**
Exchange realignment	**12**	**–**	**–**	**–**	**12**	**24**
At 31 December 2019	**9,742**	**6,724**	**–**	**991**	**(586)**	**16,871**

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$71,368,000 (2018: HK$51,869,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

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35. DEFERRED TAX (CONTINUED)

Unrecognised tax losses will be expired as follows:

	2019 HK$'000	2018 HK$'000
– 2019	**–**	137
– 2020	**222**	229
– 2021	**147**	147
– 2022	**12,102**	2,464
– 2023	**20,983**	26,955
– 2024	**12,378**	–
	45,832	29,932
– Indefinite	**25,536**	21,937
	71,368	51,869

36. DEFERRED INCOME

	2019 HK$'000	2018 HK$'000
At beginning of the year	**3,239**	3,509
Amortised	**(269)**	(270)
At end of the year	**2,970**	3,239
Analysed for reporting purposes as:		
Current (included in other payables and accrued expenses)	**269**	270
Non-current	**2,701**	2,969
	2,970	3,239

In 2015, a joint operation was required to provide a 15-year performance bond to Drainage Services Department of the HKSAR Government for a construction project. The performance bond covers the period from January 2015 to December 2029. Under the arrangement, Drainage Services Department would reimburse bond charges incurred on the performance bond and a lump sum of approximately HK$442,000 was received from Drainage Services Department in 2015. It is amortised on a straight-line basis over 15 years.

In 2016, a joint operation is required to operate a 15-year maintenance workshop for Drainage Services Department for a construction site. The operation of the workshop covers the period from March 2016 to February 2031. Under the arrangement, Drainage Services Department would reimburse the expenses incurred for the workshop and a lump sum of approximately HK$3,595,000 was received from Drainage Services Department in 2016. It is amortised on a straight-line basis over 15 years.

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37. CAPITAL RISK MANAGEMENT

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

The capital structures of the Group consist of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, new share issues, raising of new debts and repayment of existing debts.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Financial assets at FVTPL	**17,352**	17,230
Financial assets at amortised cost (including bank balances and cash)	**1,924,675**	1,523,448
Financial liabilities		
Financial liabilities at FVTPL	**–**	602
Financial liabilities at amortised cost	**504,365**	615,545

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables, amounts due from (to) associates, amounts due from (to) partners of joint operations, financial assets at FVTPL, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, dividend payable and derivative financial instruments. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group has foreign-currency bank balances, trade receivables, other receivables, trade and retention payables and other payables, which expose the Group to foreign currency risk. The Group had entered into foreign-currency forward contracts to mitigate its foreign currency risk exposure.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
EUR	**4,301**	6,919	**1,203**	293
GBP	**9**	1	**16**	2,155
RMB	**23,437**	20,027	**90**	12,784
United States dollars ("USD")	**16,129**	9,328	**5,036**	7,600

Sensitivity analysis

The Group is mainly exposed to fluctuation in EUR, GBP, RMB and USD against HK$. As HK$ is pegged to USD under the Hong Kong's linked exchange rate system, the management of the Group is of the opinion that the Group's exposure to the foreign exchange rate risk of USD is minimal.

The following table details the Group's sensitivity to increase and decrease by 1.87%, 2.34% and 0.66% (2018: 4.28%, 5.43% and 3.54%) in HK$ against RMB, GBP and EUR. 0.66% to 2.34% (2018: 3.54% to 5.43%) are the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK$ against the relevant foreign currencies during the relevant year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 0.66% to 2.34% (2018: 3.54% to 5.43%).

A positive number indicates an increase, while a negative number indicates a decrease in post-tax profit for the year below when HK$ is weakened by 0.66% to 2.34% (2018: 3.54% to 5.43%) against the relevant foreign currencies. For a 0.66% to 2.34% (2018: 3.54% to 5.43%) strengthening of HK$ against the relevant foreign currencies, there would be an equal but opposite impact on the post-tax profit for the year.

	Profit for the year	
	2019	2018
	HK$'000	HK$'000
EUR	**19**	213
GBP	**(1)**	(98)
RMB	**367**	319

Notes to the Consolidated Financial Statements

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 33 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on pledged bank deposits and bank balances is minimal. Accordingly, no sensitivity analysis is prepared and presented.

Other price risk

The Group is exposed to security price risk through its financial assets at FVTPL as disclosed in Note 27 to the consolidated financial statements. The directors of the Company monitor the security price risk and will consider hedging the risk exposure should the need arises. The directors of the Company are of the opinion that the exposure to security price risk is not significant and therefore, no sensitivity analysis is presented.

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables, amounts due from partners of joint operations, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2019 on the trade receivables from one of the Group's major customers amounting to approximately HK$103,233,000 (2018: HK$49,967,000) and accounted for 11% (2018: 7%) of the Group's total trade receivables. In the opinion of the directors of the Company, this customer is reputable organisation in the market. The directors of the Group consider that the credit risk is limited in this regard.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. Except for debtors with significant outstanding balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped under a provision matrix based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. Net impairment losses of approximately HK$4,352,000 (2018: HK$27,485,000) for trade receivables is recognised during the year. Impairment allowance for contract assets is not material. Details of the quantitative disclosures are set out below in this note.

Other receivables and amounts due from partners of joint operations

For other receivables and amounts due from partners of joint operations, the directors of the Company make periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2019 and 2018, the Group assessed the ECL for other receivables and amounts due from partners of joint operations were insignificant and thus no loss allowance was recognised.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on pledged bank deposits and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	2019 and 2018 External credit rating	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount		2018 Gross carrying amount	
					HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised costs								
Trade receivables	24	N/A	(Note)	Lifetime ECL (not credit-impaired) (provision matrix)	428,504		389,596	
			Low risk	Lifetime ECL (not credit-impaired)	526,199		339,377	
			Loss	Credit-impaired	46,607	1,001,310	42,578	771,551
Other receivables	25	N/A	Low risk	12-month ECL	28,686		18,920	
Amounts due from partners of joint operations	26	N/A	Low risk	12-month ECL	46,631		4,312	
Pledged bank deposits	28	A3 to AAA	N/A	12-month ECL	215,140		208,553	
Bank balances	28	A3 to AAA	N/A	12-month ECL	686,450		569,951	
Other item								
Contract assets	23	N/A	(Note)	Lifetime ECL (not credit-impaired) (provision matrix)	340,335		302,076	
			Low risk	Lifetime ECL (not credit-impaired)	574,837	915,172	676,321	978,397

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix, grouped by internal credit rating.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Provision matrix – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix within lifetime ECL (not credit impaired). Debtors with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$572,806,000 and approximately HK$574,837,000 respectively as at 31 December 2019 (2018: HK$381,955,000 and HK$676,321,000) were assessed individually for trade receivables and contract assets. The average loss rates for debtors with significant outstanding balances that are not credit-impaired are assessed to be less than 1% (2018: less than 1%).

Gross carrying amount

	2019			2018		
Internal credit rating	**Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**0.30%**	**29,474**	**10,853**	0.50%	37,720	96,203
Watch list	**1.87%**	**399,030**	**329,482**	1.80%	350,301	203,191
Doubtful	**N/A**	**–**	**–**	2.38%	1,575	2,682
		428,504	**340,335**		389,596	302,076

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may result in debtor ability to make payments) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. Large number of small customers are assessed collectively based on provision matrix based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Provision matrix – internal credit rating (Continued)

During the year ended 31 December 2019, the Group recognised impairment allowance of approximately HK$6,935,000 and reversed impairment allowance of approximately HK$7,261,000 (2018: HK$7,261,000 and Nil) for trade receivables, based on the provision matrix. Impairment allowance of approximately HK$34,633,000 (2018: HK$20,224,000) was made and approximately HK$29,955,000 (2018: Nil) was reversed on debtors with significant balances and credit-impaired debtors. Impairment allowance for contract assets as at 31 December 2019 and 2018 was not material.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	–	24,875	24,875
Impairment losses recognised	7,261	20,224	27,485
Write-offs	–	(2,243)	(2,243)
Exchange adjustments	–	(278)	(278)
As at 31 December 2018 and 1 January 2019	**7,261**	**42,578**	**49,839**
Impairment losses recognised	**6,935**	**34,633**	**41,568**
Impairment losses reversed	**(7,261)**	**(29,955)**	**(37,216)**
Write-offs	**–**	**(343)**	**(343)**
Exchange adjustments	**–**	**(306)**	**(306)**
As at 31 December 2019	**6,935**	**46,607**	**53,542**

None of the trade receivables that have been written off is subject to enforcement activities.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on available cash generated from operations and banking facilities to finance its operation. As at 31 December 2019, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK$1,237,796,000 (2018: HK$1,348,929,000).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that require net settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contractual maturities are essential for understanding of the timing of cash flows of derivatives.

Liquidity tables

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2019									
Non-derivative financial liabilities									
Trade and retention payables	–	378,188	117,851	4,859	70	–	–	500,968	500,968
Other payables	–	2,900	61	3	–	–	–	2,964	2,964
Amounts due to partners of joint operations	–	433	–	–	–	–	–	433	433
		381,521	117,912	4,862	70	–	–	504,365	504,365
Lease liabilities	5.125	–	1,448	1,422	1,256	10,001	22,972	37,099	34,129

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate	Repayable on demand	Less than 30 days	31 – 60 days	61 – 90 days	91 days – 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 December 2018								
Non-derivative financial liabilities								
Trade and retention payables	–	331,131	122,764	9,027	–	–	462,922	462,922
Other payables	–	13,564	–	–	–	–	13,564	13,564
Dividend payable	–	100,000	–	–	–	–	100,000	100,000
Amount due to an associate	–	12,533	–	–	–	–	12,533	12,533
Amounts due to partners of joint operations	–	26,526	–	–	–	–	26,526	26,526
		483,754	122,764	9,027	–	–	615,545	615,545
Derivatives – net settlement								
Foreign-currency forward contracts – outflows net	–	–	–	10,804	807	1,684	13,295	602

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38. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. Information about how the fair value of these financial assets and financial liabilities are determined including valuation technique and key input as well as the level of fair value hierarchy of which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable is listed below.

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique and key input
	2019 HK$'000	2018 HK$'000		
Financial assets at FVTPL (Note 27)	**17,352**	17,230	Level 1	Quoted bid prices in an active market.
Derivative financial liabilities (Note 32)	**–**	602	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 or 2 during the current and prior years.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants in respect of leased properties for the next one to five years.

	2019 HK$'000
Minimum lease payments receivable on leases are as follows:	
Within one year	**279**
In the second year	**149**
In the third year	**150**
In the fourth year	**150**
In the fifth year	**41**
	769

The Group had contracted with lessees for the following future minimum lease payments:

	2018 HK$'000
Within one year	1,511
In the second to fifth year inclusive	506
	2,017

The Group as lessee

	2018 HK$'000
Minimum lease payments paid under operating leases in respect of rented premises:	
Land and buildings and warehouse	34,784
Staff quarters	2,098
Car parks	87
	36,969

The Group had commitments for future minimum lease payments under operating leases in respect of rented premises which fall due as follows:

	2018 HK$'000
Within one year	21,078
In the second to fifth year inclusive	10,474
	31,552

Operating lease payments represent rents payable by the Group for certain of its office premises, warehouses and staff quarters and carparks. Leases are negotiated and rents are fixed for one to three years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

40. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following commitments contracted but not provided for in the consolidated financial statements.

	2019 HK$'000	2018 HK$'000
Enterprise resources planning system	**672**	10,028
Human resources management system	**2,140**	8,209
Office renovation	**2,290**	–
	5,102	18,237

41. PERFORMANCE BONDS

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$308,059,000 (2018: HK$368,811,000) given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

42. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following pledge of assets:

	2019 HK$'000	2018 HK$'000
Properties	**71,600**	–
Investment properties	**4,900**	74,300
Bank deposits	**215,140**	208,553
Financial assets at FVTPL	**16,293**	17,230
	307,933	300,083

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

43. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the consolidated statement of financial position on pages 86 and 87 and Note 26. The Group entered into the following transactions with related parties during the current and prior year:

Name of related company	Relationship	Nature of transactions	2019 HK$'000	2018 HK$'000
OBJV	Associate	Sales	**14,083**	20,284
Perfect Motive Limited ("Perfect Motive")	Related party (Note)	Short-term lease/ rental expenses	**17,444**	13,156
Perfect Motive	Related party (Note)	Services expenses	**406**	1,712
Perfect Motive	Related party (Note)	Direct expense recharge	**629**	1,646

Note: Upon the completion of Distribution in Specie as defined and detailed in Note 47, Perfect Motive became a subsidiary of Arling Investment and a related party of a Group.

(b) Compensation of key management personnel

The remuneration of directors of the Company, being the key management is set out in Note 12.

44. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") with certain banks. The following recognised financial asset and financial liabilities are not offset in the consolidated statements of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

As at 31 December 2018

	Gross amounts presented on consolidated statement of financial position	Related amount not set off in consolidated statement of financial position	
		Financial instrument	Net amount
	HK$'000	HK$'000	HK$'000
Recognised financial assets:			
– Bank balances	133,764	(602)	133,162
Recognised financial liabilities:			
– Derivative financial instruments	(602)	602	–

As at 31 December 2019, there is no financial assets and financial liabilities subject to enforceable master netting arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an associate HK$'000	Amounts due to joint ventures HK$'000	Amounts due to partners of joint operations HK$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Accrued issued costs HK$'000	Dividend payable HK$'000	Total HK$'000
	(Note 26)		(Note 26)		(Note 33)			
At 1 January 2018	14,442	21,591	4,939	51,216	–	186	–	92,374
Financing cash flow	(1,199)	(21,387)	21,587	(51,905)	–	(6,530)	(400,000)	(459,434)
Interest accruals	–	–	–	689	–	–	–	689
Issue costs accruals	–	–	–	–	–	7,394	–	7,394
Cash dividend declared (Note 13)	–	–	–	–	–	–	500,000	500,000
Exchange realignment	(710)	(204)	–	–	–	–	–	(914)
At 31 December 2018	12,533	–	26,526	–	–	1,050	100,000	140,109
Adjustment upon application of HKFRS 16	–	–	–	–	34,674	–	–	34,674
At 1 January 2019	**12,533**	**–**	**26,526**	**–**	**34,674**	**1,050**	**100,000**	**174,783**
Financing cash flow	**(12,502)**	**–**	**(26,093)**	**(605)**	**(15,443)**	**(40,528)**	**(153,900)**	**(249,071)**
Interest accruals	**–**	**–**	**–**	**605**	**1,780**	**–**	**–**	**2,385**
Issue costs accruals	**–**	**–**	**–**	**–**	**–**	**39,478**	**–**	**39,478**
Cash dividend declared (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**53,900**	**53,900**
New leases entered	**–**	**–**	**–**	**–**	**13,103**	**–**	**–**	**13,103**
Exchange realignment	**(31)**	**–**	**–**	**–**	**15**	**–**	**–**	**(16)**
At 31 December 2019	**–**	**–**	**433**	**–**	**34,129**	**–**	**–**	**34,562**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2019	2018	2019	2018	
安樂工程貿易有限公司 Analogue Technical Agencies Limited*	Hong Kong	HK$1,014,973	**100%**	100%	**100%**	100%	Supplying electrical and mechanical materials and equipment and providing associated installation services
安諾電梯有限公司 Anlev (HK) Limited	Hong Kong	HK$4,000,000	**100%**	100%	**100%**	100%	Designing and trading of escalators and moving walkways
安樂工程有限公司 ATAL Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and environmental engineering contractor on construction and infrastructure projects
安樂機電設備工程有限公司 ATAL Building Services Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and building services contractor in design, installation and maintenance of building and infrastructure projects
安樂數據中心基建有限公司 ATAL Data Centre Infrastructure Limited*	Hong Kong	HK$20,000,000	**100%**	100%	**100%**	100%	Providing data centre and critical facilities infrastructure supports
安樂工程(澳門)有限公司 ATAL Engineering (Macao) Limited (Note i) *	Macau	MOP25,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂設備安裝工程(上海)有限公司	The PRC	RMB52,000,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

46. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2019	2018	**2019**	2018	
安樂科技工程有限公司 ATAL Technologies Limited*	Hong Kong	HK$19,000,000	**100%**	100%	**100%**	100%	Provision of solution to the integration of information technology, communications and security systems, and in the development of related technologies and applications
安力電梯有限公司 Anlev Elex Elevator Limited	Hong Kong	HK$55,000,000	**100%**	100%	**100%**	100%	Providing installation and maintenance services for lifts, escalators and travellators
安樂建築工程服務(上海)有限公司*	The PRC	USD4,000,000	**100%**	100%	**100%**	100%	Supplying electrical, mechanical and environmental materials and equipment and providing associated installation and maintenance services
南京安諾電梯有限公司	The PRC	USD15,300,000	**100%**	100%	**100%**	100%	Manufacturing and sale of escalators and moving walkways
南京安樂軟件科技有限公司 ("NAT")*	The PRC	USD210,000	**100%**	100%	**100%**	100%	Manufacturing and sale of hardware, software and electronic systems
安諾工業有限公司 Anlev Industrial Ltd*	Hong Kong	HK$119,340,001	**100%**	100%	**100%**	100%	Investment holding
安樂屋宇服務(澳門)有限公司 ATAL Building Services (Macao) Limited (Note i) *	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering
安諾屋宇服務(澳門)有限公司 Analogue Building Services (Macao) Limited (Note i) *	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering

Notes to the Consolidated Financial Statements

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46. PARTICULAR OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2019	2018	2019	2018	
Pedarco International Limited	Hong Kong	HK$203,000	**100%**	100%	**100%**	100%	Development, production and marketing of automated movement system
安樂管理服務有限公司 ATAL Management Services Limited (Note ii)*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Provision of property management services
LATA Limited (Note iii)*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holding

Notes:

* Directly held by the Company.

(i) Historically, 4% of equity interests in these subsidiaries are held by Dr. Poon on behalf of the Group. On 16 May 2018, Dr. Poon transferred the legal ownership of the 4% equity interests to LATA Limited.

(ii) This subsidiary was incorporated on 5 February 2018.

(iii) This subsidiary was incorporated on 26 March 2018.

The directors of the Company are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the above table lists only the particulars of the subsidiaries which materially affect the results or financial position of the Group.

None of the subsidiary had issued any debt securities at the end of the year and the prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

47. DISTRIBUTION IN SPECIE

On 18 April 2018, the Company subscribed for, and was allotted and issued with, an additional 9,999 new shares in Wise Eagle Holdings Limited ("Wise Eagle") at par in contemplation of the declaration of dividend by way of Distribution in Specie of its shareholding interest in the Wise Eagle Group as defined and detailed below.

On 18 April 2018, the Company declared and approved payments of an interim dividend by way of distribution in specie of its entire equity interests in Wise Eagle, a wholly owned subsidiary of the Company and holding company of Perfect Motive (collectively the "Wise Eagle Group") ("Distribution in Specie"). The net assets of Wise Eagle Group as at 18 April 2018 was approximately HK$255,297,000, which excluded the deferred tax liabilities of approximately HK$42,669,000 related to revaluation of its properties recognised on consolidation. The difference of HK$42,669,000 was transferred to retained profits at the date of completion of the Distribution in Specie. The assets and liabilities of Wise Eagle Group derecognised as at 18 April 2018 are as follows:

	HK$'000
Property, plant and equipment	543,085
Other receivables, deposits and prepayments	2,215
Bank balances and cash	739
Other payables and accrued expenses	(304)
Tax payable	(277)
Amounts due to the Group	(281,747)#
Deferred tax liabilities	(51,083)
Net assets attributable to owners of the Group and distributed by the Company through Distribution in Specie	212,628

On 24 April 2018, the Company further declared and approved an interim dividend of HK$281,747,000, which was settled through the amounts due from Wise Eagle Group to the Group.

At the date of completion of Distribution in Specie, property revaluation reserve of approximately HK$263,074,000 had been transferred to retained profits.

48. SHARE-BASED PAYMENTS

A share option scheme (the "Share Option Scheme") was adopted by resolutions in writing passed by the then shareholders of the Company on 14 September 2018 to take effect on the date of listing of the shares of the Company (the "Shares") on the Stock Exchange on 12 July 2019. The Share Option Scheme was adopted for a period of 10 years from 12 July 2019 to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. The principal terms of the Share Option Scheme are summarised below:

(i) Who may join

The directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries of the Company or any entity ("Invested Entity") in which any member of the Group holds an equity interest;

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For the year ended 31 December 2019

48. SHARE-BASED PAYMENTS (CONTINUED)

(i) Who may join (Continued)

b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries of the Company or any Invested Entity;

c) any supplier of goods or services to any member of the Group or any Invested Entity;

d) any customer of any member of the Group or any Invested Entity;

e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

(ii) Maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme is 140,000,000 Shares, representing 10% of the Company's issued share capital as at the date of these financial statements.

(iii) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the grantee is a connected person (as defined in the Listing Rules) of the Company) abstaining from voting.

Options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.1% of the total number of Shares in issue and having an aggregate value exceeding HK$5 million must be approved by the shareholders in general meeting (with such grantee, his associates (as defined in the Listing Rules) and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting in favour at such general meeting) in advance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

48. SHARE-BASED PAYMENTS (CONTINUED)

(iv) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the directors of the Company and stated in the offer for the grant of options to the grantee.

(v) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

(vi) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share options were granted, exercised, cancelled or lapsed under the Share Option Scheme during the year nor remained outstanding as at 31 December 2019.

49. EVENTS AFTER THE REPORTING PERIOD

(i) Proposed disposal of investment in NCA

On 20 March 2020, the Group announced its intention to dispose a maximum up to 3% of its shareholding in NCA based on market price (the "Proposed Disposal"). The period of disposal through the bidding method is within three months after fifteen trading days of the Shanghai Stock Exchange from the date of this announcement. The period of disposal through the block trading method is within three months after three trading days of the Shanghai Stock Exchange from the date of this announcement.

Up to the date of the issuance of these consolidated financial statements, the Proposed Disposal has not been completed.

For details, please refer to the announcement of the Company dated 20 March 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

49. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(ii) Major acquisition involving the acquisition of 51% of equity interests in the Target Company (as defined below) and grant of the put right

On 31 March 2020, a wholly-owned subsidiary of the Company (the "Buyer") entered into a stock purchase agreement (the "Agreement") with six independent individuals (the "Sellers"), to purchase 34 issued shares of Transel Elevator & Electric Inc., (the "Target Company"), representing 51% of the equity interests in the Target Company (the" Offered Shares") for an aggregate consideration of US$35.7 million (equivalent to approximately HK$278.46 million). The Target Company is a corporation incorporated in New York that is principally engaged in the business of providing new construction, modernisation, repair and maintenance services in the vertical transportation sector for both residential and commercial real estate customers. The above acquisition had been completed on 31 March 2020.

On 31 March 2020, the shareholders' agreement (the "Shareholders' Agreement") was entered into among the Sellers, the Buyer and the Target Company. The Shareholders' Agreement contains various rights of shareholders in the Target Company, including but not limited to sellers' put right and buyer's call right and Target Company's book value option and leaver options.

The above acquisition is accounted for as a business combination under HKFRS 3 and upon the completion of the acquisition, the Target Company became an indirect non-wholly owned subsidiary of the Company. However, the directors of the Company are still assessing the financial impact of the above acquisition to the Group at the date of the issuance of these consolidated financial statements.

For details, please refer to the announcement of the Company dated 31 March 2020.

(iii) The outbreak of coronavirus disease ("COVID-19")

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had a negative impact on the operations of the Group. The progress of some construction tenders and projects in Hong Kong, Macau and mainland China have been inevitably affected to some extent. In respect to the Group's associates located in Hong Kong and mainland China, the outbreak of COVID-19 is also expected to have negative effect to these associates.

Given the dynamic nature of these circumstances and unpredictability of future development, the directors of the Company consider that the financial effects on the Group's consolidated financial statements cannot be reasonably estimated as at the date these financial statements are authorised for issue, but are expected to affect the consolidated results for the financial year ending 2020 and beyond, as well as the Group's interests in associates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Non-current assets		
Interests in subsidiaries	**349,776**	349,776
Interest in an associate	**228,746**	229,530
Amounts due from subsidiaries	**58,124**	58,124
	636,646	637,430
Current assets		
Other receivables, deposits and prepayments	**11,917**	19,490
Amounts due from subsidiaries	**146,916**	121,463
Financial assets at fair value through profit or loss	**17,352**	17,230
Pledged bank deposits	**123,125**	123,125
Bank balances and cash	**128,201**	972
	427,511	282,280
Current liabilities		
Other payables and accrued expenses	**654**	7,904
Dividend payable	**–**	100,000
Amounts due to subsidiaries	**596,123**	795,748
Financial guarantee liabilities	**506**	43
	597,283	903,695
Net current liabilities	**(169,772)**	(621,415)
Total assets less current liabilities	**466,874**	16,015
Capital and reserves		
Share capital	**14,000**	94
Reserves	**447,220**	10,278
Total equity	**461,220**	10,372
Non-current liability		
Deferred tax liability	**5,654**	5,643
	466,874	16,015

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves is as follows:

	Share premium HK$'000	Contributed surplus HK$'000 (Note)	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2018	–	67,053	5	1,075	334,007	402,140
Profit for the year	–	–	–	–	655,797	655,797
Exchange differences arising from translation of an associate	–	–	–	(10,615)	–	(10,615)
Total comprehensive income for the year	–	–	–	(10,615)	655,797	645,182
Dividend recognised as distribution (Note 13)	–	(67,053)	–	–	(969,991)	(1,037,044)
At 31 December 2018 and 1 January 2019	**–**	**–**	**5**	**(9,540)**	**19,813**	**10,278**
Profit for the year	**–**	**–**	**–**	**–**	**136,320**	**136,320**
Exchange differences arising from translation of an associate	**–**	**–**	**–**	**(4,182)**	**–**	**(4,182)**
Total comprehensive income for the year	**–**	**–**	**–**	**(4,182)**	**136,320**	**132,138**
Issue of new shares under Capitalisation Issue	**(10,406)**	**–**	**–**	**–**	**–**	**(10,406)**
Issue of new shares by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 34)	**416,500**	**-**	**-**	**-**	**-**	**416,500**
Transaction costs attributable to issue of new shares	**(47,390)**	**-**	**-**	**-**	**-**	**(47,390)**
Dividends recognised as distribution (Note 13)	**-**	**-**	**-**	**-**	**(53,900)**	**(53,900)**
At 31 December 2019	**358,704**	**-**	**5**	**(13,722)**	**102,233**	**447,220**

Note: Contributed surplus represents the excess of the value of the subsidiaries acquired over the nominal value of the Company's shares issued which, under the Companies Act 1981 of Bermuda, is available for distribution to the shareholders of the Company.

Five-Year Financial Summary

RESULTS

For the year ended 31 December

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Revenue					
– Building services	3,078,710	3,079,040	3,096,591	4,426,520	**2,676,315**
– Environmental engineering	953,519	834,995	1,256,563	865,796	**1,086,886**
– ICBT	275,434	312,439	381,687	424,473	**444,382**
– Lifts and escalators	161,407	185,238	230,436	249,257	**274,328**
Total revenue	4,469,070	4,411,712	4,965,277	5,966,046	**4,481,911**
Gross profit					
– Building services	487,044	282,131	600,375	557,747	**344,689**
– Environmental engineering	146,827	114,056	119,755	95,476	**192,717**
– ICBT	97,216	84,049	113,264	139,773	**137,076**
– Lifts and escalators	49,173	69,317	89,966	95,398	**112,251**
Total gross profit	780,260	549,553	923,360	888,394	**786,733**
Segment profit (loss)					
– Building services	222,302	90,396	332,778	252,169	**141,024**
– Environmental engineering	58,311	(4,491)	7,075	4,176	**67,535**
– ICBT	45,688	36,429	59,581	72,935	**64,700**
– Lifts and escalators	(15,807)	4,587	24,930	16,952	**26,022**
Total segment profit	310,494	126,921	424,364	346,232	**299,281**
Profit for the year	278,435	120,832	433,577	315,282	**245,001**

ASSETS, LIABILITIES AND EQUITY

As at 31 December

	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019 HK$'000**
Total assets	2,903,262	3,098,052	3,457,399	3,052,971	**3,423,255**
Total liabilities	1,450,682	1,539,942	1,605,275	1,846,364	**1,661,451**
Total equity	1,452,580	1,558,110	1,852,124	1,206,607	**1,761,804**

FINANCIAL INFORMATION PER SHARE

For the year ended 31 December/As at 31 December

	2015	2016	2017	2018	**2019**
Earnings (HK$)	0.27	0.12	0.41	0.30	**0.20**
Net assets (HK$)	1.38	1.48	1.76	1.15	**1.45**

KEY RATIOS

For the year ended 31 December/As at 31 December

	2015	2016	2017	2018	**2019**
Return on assets	10.2%	4.0%	13.2%	9.7%	**7.6%**
Return on equity	20.9%	8.0%	25.4%	20.6%	**16.5%**
Current ratio (times)	1.6	1.6	1.7	1.5	**1.9**
Gearing ratio	2.6%	4.1%	2.8%	N/A	**N/A**

Corporate Information

BOARD OF DIRECTORS

Executive Directors*

Dr. Poon Lok To, Otto *(Chairman)*
Mr. Law Wei Tak
Mr. Chan Hoi Ming

Non-executive Director

Dr. Mak Kin Wah *(Deputy Chairman)*

Independent non-executive Directors

Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Mr. Wong King On, Samuel

AUDIT COMMITTEE

Mr. Wong King On, Samuel *(Chairman)*
Mr. Chan Fu Keung
Dr. Mak Kin Wah

REMUNERATION COMMITTEE

Mr. Chan Fu Keung *(Chairman)*
Mr. Wong King On, Samuel
Dr. Mak Kin Wah

NOMINATION COMMITTEE*

Mr. Lam Kin Fung, Jeffrey *(Chairman)*
Mr. Chan Fu Keung
Mr. Wong King On, Samuel
Dr. Mak Kin Wah

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited

1 Garden Road
Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13th Floor, Island Place Tower
510 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited

(formerly known as Estera Management (Bermuda) Limited)
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1977

WEBSITE

www.atal.com

* *Mr. Cheng Siu Ngai, Kevin retired as an executive director and chief executive officer of the Company and ceased to be a member of the nomination committee of the Board with effect from 1 April 2020.*

Access our corporate website
for further information
www.atal.com

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