ATAL

Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1977)

2021

Annual Report

45 years

About Analogue Holdings Limited

Established in 1977, Analogue Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") (stock code: 1977) is a leading electrical and mechanical ("E&M") engineering service provider headquartered in Hong Kong, with operations in Macau, Mainland China, the United States and the United Kingdom. Serving a wide spectrum of customers from public and private sectors, the Group provides multi-disciplinary and comprehensive E&M engineering and technology services in four major segments, including Building Services, Environmental Engineering, Information, Communications and Building Technologies ("ICBT") and Lifts & Escalators.

The Group also manufactures and sells Anlev lifts and escalators internationally and has entered into an alliance with Transel Elevator & Electric Inc., one of the largest independent lifts and escalators companies in New York, the United States. The Group's associate partner, Nanjing Canatal Data Centre Environmental Tech Company Limited (603912.SS), is specialised in manufacturing of precision air conditioners.

Highlights of 2021 financial year

Gross profit margin
16.4%

Revenue
HK$5.4 bn

Contracts-in-hand
HK$11.3 bn

Profit attributable to owners of the Company
HK$314.3 mn

Contents

Milestones

1977

The Group was founded by Dr Otto Poon

1978

Secured our first sewage treatment plant project in Hong Kong

1985

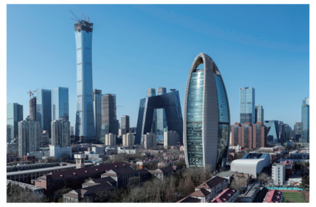
Secured our first major computer centre installation project in Hong Kong

1999

Completed one of the world's largest sewage treatment plants in Hong Kong

2002

Opened our principal Mainland China office in Beijing



Set up 24/7 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 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

PROJECT OF THE YEAR 2021

Secured the contract for the modernisation of Central-Mid-Levels Escalator and Walkway System in Hong Kong

2018

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

Participated in mega transport infrastructure project, Hong Kong-Zhuhai-Macao Bridge which was opened in 2018

2019

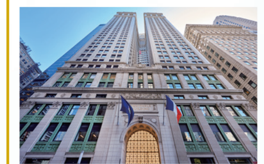
Analogue Holdings Limited was listed on the Main Board of the Stock Exchange of Hong Kong

Secured our first building services contract on modular integrated construction (MiC) project in Hong Kong

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

2020

Entered into an alliance with TEI Group, tapping the US market



Provision of in-situ reprovisioning of a water treatment plant in Shatin

2021

Established Anlev (UK) Limited, our first company in the UK, marking our foothold in Europe

Participated in Hong Kong's first Puzzle-stacking Automated Parking System, another milestone in "Smart Mobility"

Introduced the city's first automated robotic parking system

ATAL Training Centre officially opened

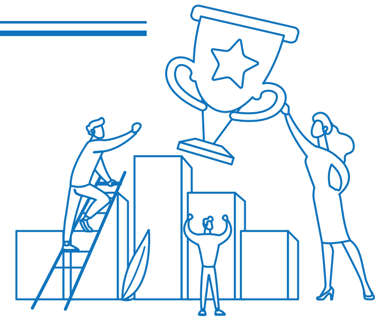
Obtained our first green loan instrument for enhancing water and wastewater management

2022

In celebration of the Group's 45th Anniversary

Awards Gallery

3 Awards CORPORATE



CIC Outstanding Contractor Awards 2021

- Grand Award – Specialist Contractor
- Professionalisation Award – Specialist Contractor

CIC Construction Digitalisation Award 2021

- Contractor Category B - Gold Award

6 Awards INVESTOR RELATIONS

Bloomberg Businessweek/Chinese Edition - Listed Enterprises of the Year

- Listed Enterprises of the Year
- Outstanding Performance - Best Corporate Governance

IFAPC Outstanding Listed Companies Award 2021

HKEJ Listed Company Awards of Excellence 2021 (Main Board)

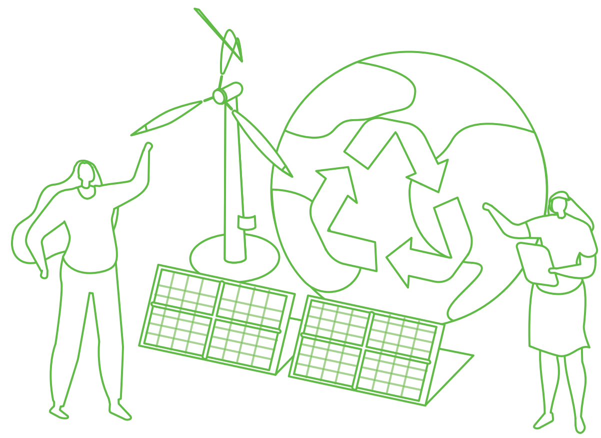
ListCo Excellence Awards 2021

HKIRA 7th Investor Relations Awards

- Certificate of Excellence

21 Awards ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Hong Kong Green and Sustainable Finance Awards 2021
- Outstanding Award for Green and Sustainable Loan Issuer (Construction Industry) - Visionary Green Loan Framework
- Leadership Award for Green and Sustainable Finance Development
- Two Strategist Awards for Green and Sustainable Finance Development



ESG Achievement Awards 2020
- The Outstanding ESG Performer of the Year - Gold Award
- Outstanding ESG Company - Diamond Award

Caring Company Scheme
- 15 years+ Caring Company
- Caring Company

Social Capital Builder Awards 2020

Energy Saving Charter

27th Considerate Contractors Site Award Scheme
- Considerate Contractors Site Awards for Public Works – RMAA Works - Merit Award

Occupational Safety Incentives 2021
- Outstanding Contractor with Initiatives/Innovation Solutions

Alcumus Safe Contractor
- Safe Contractor Accreditation

Life First Safety Promotion Campaign
- Most Engaging Contractor

20th Hong Kong Occupational Safety & Health Award
- OSH Annual Report Award – Bronze
- OSH MVP Award – 10 Years Plus
- Safety Performance Award – Excellence

Safety Video Competition in Lift and Escalator Works 2020/21
- Second runner-up

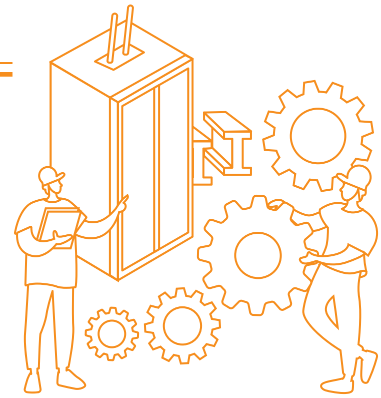
Best Programme for Work Safety in Hot Weather and Employees' Health Protection
- Merit

Best Safety Enhancement Program for Lifting Operation
- Bronze Award

建造業安全提升運動2020/2021 －建造業安全短片比賽
- 建造地盤組－優異獎

Awards Gallery

9 Awards PROJECTS



Elevator World's 2021 Project of the Year
- Escalators, Modernisation – Champion Central-Mid-Levels Escalator and Walkway System Modernisation project

The International Exhibition of Inventions of Geneva 2021
- Gold Medal
  Artificial Intelligent Nylon Optical Fibre Sensing Escalator Combs

2021-22 Hong Kong Awards for Industries
- Innovation and Creativity Award
  AMSFS III
- Innovation and Creativity Certificate of Merit
  ATAL Negative Pressure Isolation Room

BEAM Plus Certification 2021 (HKGBC & BEAM Society Limited)
- Final Platinum Rating under BEAM Plus for New Buildings V1.2

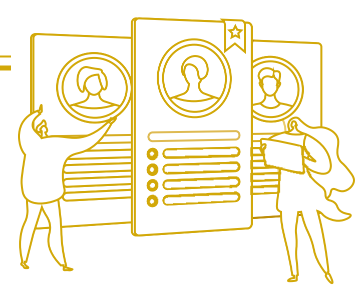
NEC Awards 2021
- NEC Contractor of the Year - Highly Commended

Autodesk Hong Kong BIM Awards 2021

ACEHK Annual Award 2021

The Outstanding Construction and Renovation Award Ceremony 2020
- Quality Sub-Contractor (Bathroom Fittings, Plumbing and Drainage)

8 Awards HUMAN RESOURCES



Young Engineers Awards 2021
- Employer of the Year (Large category)

Good MPF Employer Award
- The Good MPF Employer 5 Years+ 2021

CTgoodjobs Best HR Awards 2021
- Best Family-friendly Employment Policy Award – Grand
- Top Workplace Companies Award – Gold

SCMP Classified Post HR Appreciation Awards
- HR Best Practice – Training & Development
- COVID-19 Special Award – Corporate

The Outstanding Apprentice Award Scheme 2020
- The Outstanding Apprentice Award 2020

Youth Employment and Training Programme (YETP) Most Improved Trainees 2020
- Certificate of Merit

Financial Highlights

	2021 HK$'M	2020 HK$'M
Value of outstanding contracts	**11,309.0**	11,847.5
Revenue	**5,350.7**	5,125.2
Gross profit	**878.4**	909.1
Profit attributable to owners of the Company	**314.3**	301.4
Basic earnings per share	**HK$0.22**	HK$0.22

The Board has resolved to pay a second interim dividend of HK7.25 cents per share for the year ended 31 December 2021.(i)

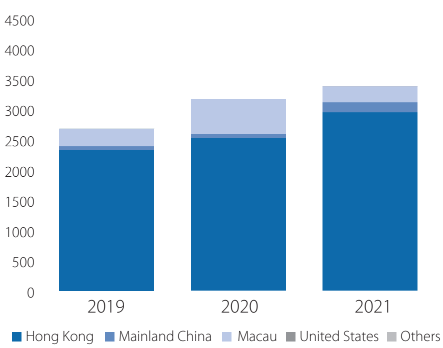
(i) The second interim dividend for the year ended 31 December 2021 of HK7.25 cents per share, in an aggregate amount of HK$101,500,000, is expected to be paid on or about 29 April 2022. Together with the first interim dividend of HK4.02 cents per share, amounted to HK$56,280,000 in aggregate, paid in September 2021, total distribution of dividends made by the Company for the year ended 31 December 2021 will be HK11.27 cents per share, amounted to HK$157,780,000 in aggregate, representing a dividend payout ratio of 50.2%, based on the profit attributable to owners of the Company of HK$314.3 million.

REVENUE BY GEOGRAPHICAL LOCATION - BY SEGMENT

Building Services

For the year ended 31 December

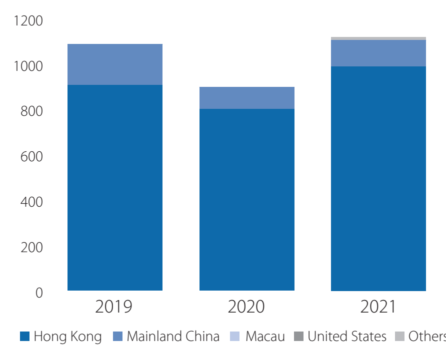
HK$'M



Environmental Engineering

For the year ended 31 December

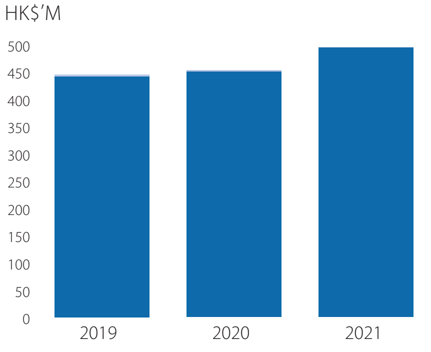
HK$'M



ICBT

For the year ended 31 December

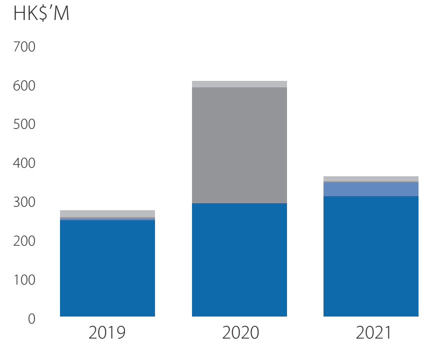
HK$'M



Lifts and Escalators

For the year ended 31 December

HK$'M

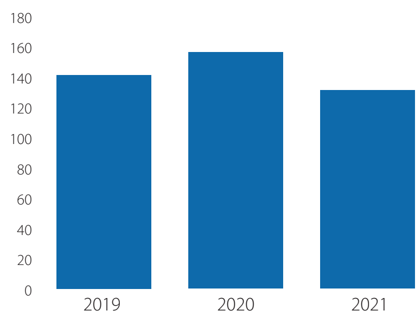


Financial Highlights

SEGMENT PROFIT

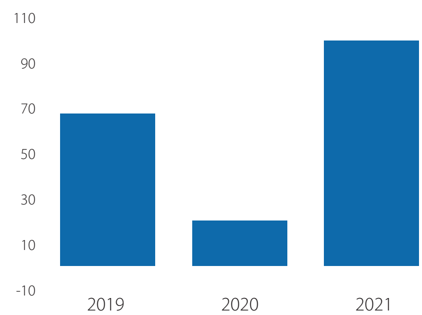
Building Services

For the year ended 31 December
HK$'M



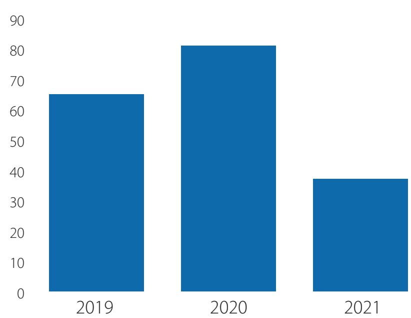
Environmental Engineering

For the year ended 31 December
HK$'M



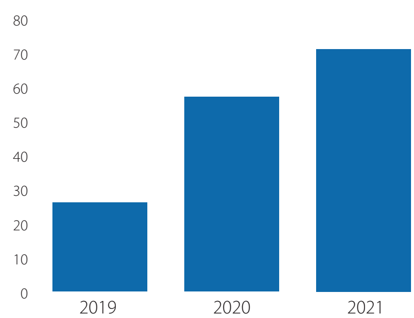
ICBT

For the year ended 31 December
HK$'M



Lifts and Escalators

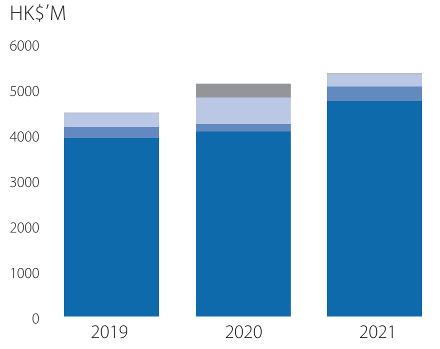
For the year ended 31 December
HK$'M



ANALOGUE HOLDINGS – CONSOLIDATED

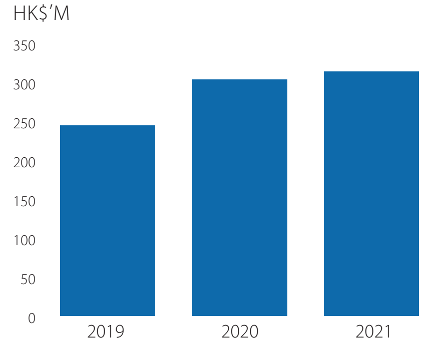
Revenue by geographical location

For the year ended 31 December
HK$'M



Profit for the year

For the year ended 31 December
HK$'M



Chairman's Statement

"At ATAL, we upheld the company motto "We commit, We perform, We deliver" while doubling efforts to overcome challenges, which included optimising all facets of operation. This strategy has resulted in increased revenue and profitability in 2021, despite the testing environment."

Building for the Future

Progress amidst the new normal

For the second consecutive year, COVID-19 has impacted people around the world and from all walks of life, establishing a new normal. While the electrical and mechanical (E&M) engineering sector was less affected by COVID when compared with other industries, it still faced various challenges, such as interruptions in tendering for public works projects, high material and labour costs, and delays in the procurement of raw materials. At ATAL, we upheld the company motto "We commit, We perform, We deliver" while doubling efforts to overcome challenges, which included optimising all facets of operation. This strategy has resulted in increased revenue and profitability in 2021, despite the testing environment.

Reaffirming our industry leadership

Amidst these unprecedented times, our strategy has been to strengthen the Group's resilience and competitiveness so that it will be in an advantageous position to seize opportunities once the market recovers. In terms of business mix, we have intentionally increased the proportion of contributions from maintenance services to ensure that the Group is able to generate a stable source of income. The ICBT and Lifts and Escalators segments are prime examples where our efforts have been directed to.

In terms of geographical expansion, we have leveraged our successful track record in Hong Kong, Macau and Mainland China to establish footholds overseas, including in the United States and the United Kingdom, as part of our strategy to develop our international business presence. These important platforms will consequently serve as springboards for our penetration into even more markets going forward.

Chairman's Statement

As an advocate of innovation, we continue to direct our efforts towards enriching business operations through applications of new technologies, and thus reaffirm our position as an industry leader. Examples of such efforts include the first Puzzle Stacking Parking System and Automatic Guided Vehicle (AGV) Robotic Parking System in Hong Kong, advanced environmental treatment processes, wide application of Modular Integrated Construction (MiC) and Multi-Trade integrated Mechanical, Electrical and Plumbing (MiMEP) in our various projects, etc.

On the green initiatives front, I am pleased that ATAL has become the first E&M engineering group in Hong Kong to qualify under the CIC Sustainable Finance Certification Scheme and the HKQAA Green and Sustainable Finance Certification Scheme for the Green Loan Pre-Issuance Stage Certificate, as well as obtaining the first green loan instrument that will go towards enhancing water and wastewater management. In continuing this green journey, we are actively collaborating with prominent universities to develop more green energy and innovative environmental solutions. As recognition of ATAL's efforts, the Group received four awards under "Hong Kong Green and Sustainable Finance Awards 2021", organised by HKQAA, all of which will motivate us to set more milestones in this important endeavour.

Preparing for tomorrow

In late 2021, the Omicron variant of the coronavirus swept the globe and arrived in Hong Kong following Christmas, which sparked the fifth wave of infections.

While new economic uncertainties have emerged, we remain prudently optimistic about the year ahead as the Group possesses strong business fundamentals and is in a sound financial position. We have been taking precautionary measures against potential risks from COVID-19 and will continue with our business expansion efforts.

We believe that good opportunities arise even amidst challenging times. After our listing on the Main Board of HKEX in 2019, we began implementing our strategy to penetrate into new markets. This decision has resulted in footholds in two continents, namely, North America and Europe. Our plan is to expand operations across Europe, starting from the UK, while further strengthening our presence in the US. At the same time, we will explore M&A opportunities in different parts of the world, placing top priority on companies that have synergistic effects with our existing businesses and can generate strong recurring income.

To support our business growth, we will continue to recruit top professionals from around the world, and nurture local talents via our newly established ATAL Training Centre, which adopts the latest technologies, including Internet of Things (IoT), Virtual Reality (VR), etc. as training tools. As we believe that all staff members are our valuable assets, we are thus a proponent of diversity. In leading by example, we will make every effort to diversify the composition of the board and management team, as we trust that this will not only benefit these decision-making bodies, but also the Group as a whole.

2022 marks the 45th anniversary of the Group. Over the past decades, we have dealt with numerous challenges, and have grown stronger from such experiences. With our pioneering spirit, utmost determination, wealth of experience and solid foundation, we are confident in achieving our expansion plans and propelling ATAL to new heights.

Dr. POON Lok To, Otto
Chairman

Hong Kong, 25 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

Overview

Solid performance was posted by the Group in 2021 amid the pandemic and global uncertainty, achieving a 4.3% year-on-year growth in the net profit attributable to owners of the Company to HK$314.3 million. This year-on-year growth in net profit was achieved in the absence of such wage subsidies as the Government's "Employment Support Scheme" in 2020, which is evidence that the year ended 31 December 2021 ("FY2021") is most encouraging.

As noted previously, the Group reduced its stake in Transel Elevator & Electric Inc. ("TEI") from 51% to 49% in August 2020, and TEI has been reported as an associate of the Group thereafter. As such, an adjustment is made for TEI for the year ended 31 December 2020 ("FY2020") – where appropriate in this report – to provide an appropriate comparison of the Group's performance between FY2021 and FY2020. TEI remains a close strategic partner for capturing overseas business development and expansion opportunities.

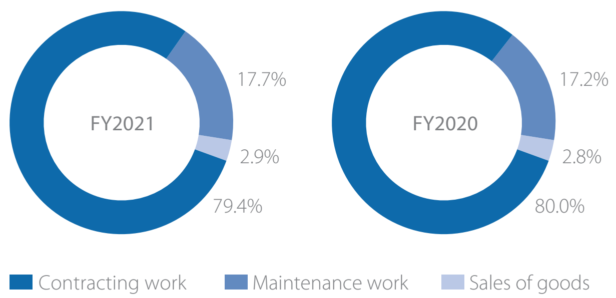
The Group recorded a total revenue of HK$5,351 million in FY2021, an increase of 4.4% compared to that in FY2020. When adjusted for the revenue from TEI, the Group's total revenue increased by 10.8% or HK$522 million compared to FY2020. This revenue increase was driven by both our Building Services and Environmental Engineering segments, which shows the progress and strength of our different business segments.

We were able to draw on our exceptional project execution capability to deliver on our order book throughout 2021; our contracts-in-hand as at 31 December 2021 edged down 4.5% to HK$11,309 million (31 December 2020: HK$11,847 million). The Group's tendering activities remained active during the reporting period, with a total of 1,676 tenders valued at over HK$1 million each. The total value of tenders and quotations awarded amounted to HK$4,812 million. Compared to the exceptional year of 2020, which saw a record contract award of HK$7,567 million, FY2021 posted a strong performance notwithstanding the emergence of the fifth wave of COVID-19 towards the end of 2021.

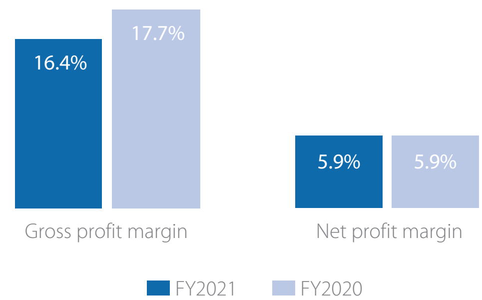
In particular, our revenue from maintenance increased 7.2% year-on-year to HK$945 million, with the Group securing HK$896 million maintenance contracts during the reporting period. This is a testament to our position as a leading provider of operations and maintenance.

Management Discussion and Analysis

Revenue Ratio



Profit Margin



Our emphasis on close collaboration with clients to anticipate and solve their most pressing challenges, backed up by our in-house research and development teams who stand ready to drive innovation and respond to changing trends, will continue to be the critical success factor in maintaining our clients' infrastructure assets and meeting their economic, social, and environmental vision.

We are striding forward with a strategy underpinned by the three key pillars of "New Technology", "New Market", and "New Business Model". This is evidenced by our alliance with TEI, one of the largest independent lift and escalator companies in New York, and the establishment of the Group's first lifts and escalators company in the United Kingdom. The alliance with TEI has effectively enhanced the Group's operational and technical capabilities, and widened our service offering to international customers. Our collaboration with one of the Hong Kong property developers positions the Group for gaining a larger foothold in the healthcare sector and for opening up ground-breaking technologies and new business models such as IoT solutions and tele-medicine.

The Group became the first E&M engineering company in Hong Kong to obtain a Sustainable Finance Certification from the Construction Industry Council and achieve the Green Loan Pre-Issuance Stage Certificate under the Green and Sustainable Finance Certification Scheme launched by the Hong Kong Quality Assurance Agency. This paves the way for the Group's first Green Finance Framework for utilising Green Financing Transactions to fund and deliver environmental and sustainable solutions that benefit our clients and the community.

We will continue to leverage suitable new business ventures and opportunities for equity partnerships, such as Public Private Partnership (PPP) for "One Belt One Road" projects, and for delivering projects more effectively and more sustainably.

During the reporting period, the Group won multiple awards in recognition of our leadership and best practices. These prestigious awards include the "Grand Award" and "Professionalisation Award" of the first "CIC Outstanding Contractor Award 2021" under the "Specialist Contractor" category organised by the Construction Industry Council; the Gold Award of the CIC Construction Digitalisation Award 2021 under the Organisation Category – Category B; and the "Employer of the Year Award (Large Category)" of CIBSE Young Engineers Awards 2021.

The Group set a significant milestone with the acquisition of Toppy Tower, an industrial building located in Kwai Chung, an industrial building planned to be revitalised for integrating all our operational units under an office hub. Centralising our resources in one location will boost our productivity and promote synergy between business units.

Building Services

With active project delivery throughout the year, the Building Services segment edged down its contracts-in-hand by 8.5% from 2020, to HK$4,892 million as of 31 December 2021.

Well recognised as an early adopter of cutting-edge building technologies, our Building Services segment pioneered the first high-rise building in Hong Kong using the advanced Modular Integrated Construction ("MiC") method. Our technical excellence and quality workmanship demonstrated on this successful project enabled the Group to secure HK$150 million of MiC contracts in the reporting period.

With the increasing market demand for MiC, we are expanding our MultiTrade integrated Mechanical, Electrical and Plumbing ("MiMEP") facilities and developing our proprietary ATAL Building Services Prefabrication and Modularisation Construction Technology ("ABSPM"). ABSPM coupled with digitalisation technologies can bring benefits to our clients by significantly improving the speed, cost, safety, and quality of construction work.

We have been working on one of the territory's biggest data centres, and have secured additional installation and maintenance projects from major data centre operators in Hong Kong. With the continuously increasing demand for data storage and transmission, further business opportunities will arise in association with data centres.

Our Mainland team has secured a major contract for a Hong Kong racehorse training facility located in Guangzhou. Other key projects secured by the Building Services segment during the reporting period include a major hospital term contract and seven residential projects worth approximately HK$800 million.

Environmental Engineering

As of 31 December 2021, the contracts-in-hand of the Environmental Engineering segment decreased by 1.2% to HK$4,977 million.

During the reporting period, the Group was awarded four term contracts for the Hong Kong Government's water supplies department that brings citywide benefits. The scope covers all waterwork installations throughout the territory, particularly the maintenance of mechanical and electrical equipment, instrumentation equipment, water quality monitoring equipment, and plants. This reflects the recognition for the Group's holistic and multi-disciplinary approach in providing comprehensive solutions to upkeep the city's water quality.

An example of the social and economic benefits that our projects can bring to the local communities is the Hong Kong Government drainage services department's iconic project to upgrade the existing sewage treatment works to become the effluent polishing plant in Yuen Long which has been upgraded to meet future development needs, including expanding the treatment capacity from 70,000m^3/day to 150,000m^3/day. Our deployment of the most advanced sewage treatment technologies featuring green design and community provisions, will create an exemplary community asset and a more sustainable Hong Kong.

The Group commenced the operation and maintenance works for the sewage treatment plants in San Wai and power stations in Castle Peak and Black Point during the reporting period. The Group is entrusted to implement innovative strengthening, protection, and maintenance solutions to extend the working life of the treatment plants and to ensure they are being maintained to their optimal capacity for serving the community in Hong Kong.

Management Discussion and Analysis

ICBT

As of 31 December 2021, the contracts-in-hand of the Information, Communications and Building Technologies ("ICBT") segment increased by 2.7% over the same period in 2020, to HK$877 million.

The Group is driving forward its green and intelligent building solutions, integrating a wide range of information and communication technologies with building energy and management technologies to increase connectivity and contribute to the development of the "Smart City" and "Smart Economy". To ensure access to the best industry practices, the ICBT segment is supported by the Group's in-house research and development capabilities in collaboration with market-leading hardware and software partners, universities, and research institutes.

We successful rolled out in FY2021 our proprietary Internet of Things ("IoT") applications for Smart Washrooms, Retro-commissioning of electrical and mechanical systems, Indoor Environmental Quality Monitoring, Indoor Positioning and Video Analytics. Our continuous contributions to streamlining digital processes and applying them will ultimately benefit society and advance the Smart City development in line with the government's blueprint.

Our in-house developed Cloud-based AI Energy Management Platform has attracted wide industry recognition and helped secure multiple orders from reputable clients. Our AI Energy Management Platform, IoT applications, and Video Analytics technology have been chosen by more than 20 shopping malls. Our Photovoltaic ("PV") systems will be installed in more than 100 schools and NGOs; the combination of digital-reality capture, pervasive connectivity and systems integration will ensure better, safer, faster and more cost-effective outcomes for our clients.

The Group will continue to innovate, apply new technology, and invest to drive digital transformation across smart building technologies. Innovations will be rolled out and adopted across the business in a timely manner to offer our clients the latest, most advantageous, and proven technology.

Lifts & Escalators

As of 31 December 2021, the contracts-in-hand of our Anlev Elevator Group ("Anlev"), after adjusting for TEI – decreased by 7.3% over the same period in 2020, to HK$563 million.

Anlev, whose globally-branded lifts, escalators, and moving walkways serve millions of users in Asia, the Americas, and Europe, advances urbanisation by offering a one-stop solution through a range of vertical and horizontal transportation systems. A testament to the outstanding safety and quality performance of Anlev, one of its main profit contributors is the lift and escalator maintenance contracts in both the private and public sectors. In reporting period, Anlev was again awarded the contract for the Comprehensive Maintenance and Repair of Escalator Installations at Various Premises of the Hong Kong Government. In addition to maintenance, Anlev provides design, manufacturing, sales, installation and modernisation of all forms of vertical and horizontal transportation systems.

Recognised as a leader in safety and total quality management, and an innovative and sustainable engineering provider, Anlev has been accredited with the highest level of safety and quality performance for a consecutive period of nine years, with the award of the "Safety Star" plus five "Service Quality Stars" in the Lift contractors and Escalator Contractors' Rating since the launch of this rating by the Hong Kong Government.

Significantly, Anlev won first place of Elevator World's "2021 Project of the Year" contest under the "Escalator: modernisation" category for the Central-Mid-Levels Escalator and Walkway System modernisation project, being the only company from Asia on the winners list.

Anlev installed Hong Kong's first commercial puzzle-stacking automated parking system, which advances the 'Smart Mobility' in Hong Kong with a form of flexible automated parking system ("APS"). The APS design by Anlev leverages innovative technology to provide 30 to 100 percent more parking spaces within the same footprint, thus helping to alleviate the shortage of parking space in Hong Kong, enhance traffic planning and bring greater convenience to motorists. Following the success of the first APS project, Anlev was awarded a further contract to provide an APS for the new government building in the Kai Tak Development Area.

The Gold medal was awarded to Anlev at the largest global exhibition devoted exclusively to inventions, the "International Exhibition of Inventions of Geneva 2021", for the "Artificial Intelligent Nylon Optical Fibre Sensing Escalator Combs", a device that detects obstacles on escalators in real-time. Anlev's gold medal was the result of close collaboration and co-creation with the government's Electrical and Mechanical Services Department. This invention was recognised as having combined innovation, technology, and smart mobility to enhance the quality of urban living for current and future generations.

The expansion of Anlev's manufacturing plant in Nanjing is expected to be completed by 2022. Anlev's substantial investment will greatly increase the production capacity of our products. Backed by our safety and quality excellence, this expansion will position Anlev to capture market opportunities both locally and globally.

Management Discussion and Analysis

Innovation, Resources Management and Other Operation Initiatives

The Group has a long-term commitment to innovation as a foundation for business success. We have continuously innovated to adapt to new ways of working under COVID-19 not only to sustain our operations but also to emerge stronger in the new norm. We have worked with our industry and supply-chain partners, government and clients closely, to protect our employees and stakeholders, and keep our operations running.

During the reporting period, the Group has continued with its digital transformation and accelerated self-developed new technology, including the 'Digital Twin technology' for optimising chemical usage and operation efficiency at designated water and wastewater treatment plants, and IoT and big data analytics technology for predictive maintenance of lifts and escalators and other applications such as fault diagnosis of electrical and mechanical systems.

Other digital technology solutions harnessed to deliver market-leading innovations include Artificial Intelligence ("AI"), MultiTrade integrated Mechanical, Electrical and Plumbing ("MiMEP") systems, and Building Information Modelling ("BIM").

Digitalisation development will continue, towards automation and operational modernisation on the one hand, and enhancing the Group's capabilities for deploying smart operations enabled by our AI Energy Management Platform, IoT applications and big data analytics on the other hand.

To add value to our customers, we are rolling out the latest innovative solutions in our client's premises, including "Long Range (LoRa)" and Internet of Things ("IoT)" technologies to deliver Smart Washroom solutions, and breakthrough technologies such as granular sludge treatment process as well as state-of-the-art water and wastewater treatment technology for upgrading the existing sewage treatment works to become the effluent polishing plant in Yuen Long.

Hong Kong's first Modular Integrated Construction ("MiC") pilot smart living and co-working space which we completed in Pak Shek Kok will serve as a blueprint for modernising Hong Kong's construction industry. The smart living and co-working space is intended to showcase cutting-edge construction technology to deliver a modern way of blended living-and-working in the digital era.

The readiness to adopt new technologies often depends on the interoperability with existing work practices and operation management systems. Such coordination across different aspects of project management can be enhanced by adopting BIM. The Group is taking a lead in the industry to promote, implement and adopt BIM and MiMEP as part of our strategic initiative to assure quality and improve the industry practice in construction engineering.

The Group will continue to foster an innovation culture to deliver energy optimisation, energy storage, renewable energy, digitalisation, wastewater treatment and innovative environmental solutions that will benefit clients and communities.

Training and Development

The Group's strategy is to continuously develop our people with technical, leadership and other development programmes across different levels of the organisation. We have long been training engineering graduates and technicians through the Graduate and Apprenticeship programmes. A dedicated Training and Development Unit has also been established. The Group's commitment to nurturing staff was recognised by the Training & Development Award of South China Morning Post's Classified Post HR Appreciation Awards 2020.

During the reporting period, our ATAL Training Centre ("ATC") was officially opened. This dedicated facility is equipped with innovative technologies, including IoT and virtual reality, to optimise our delivery of a variety of learning opportunities.

COVID-19 Impact

Notwithstanding the impact of the rapid spread of Covid on global business in general, especially supply chains, we have managed to sustain our operation and balanced the needs of stakeholders. The Group's clear strategy is to keep our people and subcontractors safe, whether working in the office, on-site or remotely. A Special Coronavirus Task Force has been established to develop, review and implement effective precautionary and support measures, including communication of up-to-date safety and hygiene guidelines. Reacting swiftly to assure operational continuity, our people have proven to be resilient under the COVID-19 pandemic.

FINANCIAL REVIEW

The Group is pleased to report that we achieved solid performance in FY2021. The consolidated profit attributable to owners of the Company in FY2021 was HK$314.3 million, an increase of 4.3% compared to FY2020. This result is more encouraging when considering the year-on-year comparison was made amid the absence of wage subsidies from the Government's "Employment Support Scheme" in FY2021, but which was apparent in FY2020.

The Group's net cash position underlines the ongoing strength of our balance sheet. The cash balance as of 31 December 2021 amounted to HK$801.7 million. Whilst this was less than last year by HK$314.4 million or 28.2%, it was attributable to the Group making long-term decisions in acquiring assets, including that of Toppy Tower, an industrial building planned to be revitalised as an office building. The consideration paid, net of new mortgage loan, was HK$288 million. Another major purchase was equity interests in TEI in 2020, amounting to HK$117.0 million in contingent consideration payables.

The long-term decisions were made with due consideration to maintaining sufficient cash reserves and adequate committed borrowing facilities to ensure funds are available to finance our growth and development. The Group's bank borrowing balance as of 31 December 2021 was HK$292.5 million (31 December 2020: Nil), out of which HK$277.9 million was a non-current liability.

In August 2020, the Group reduced its stake in TEI from 51% to 49%, and TEI was reported as an associate of the Group thereafter. As such, an adjustment is made for TEI for FY2020 – where appropriate in this report – to provide a more accurate comparison of the Group's financial performance between FY2021 and FY2020.

Management Discussion and Analysis

Revenue

In FY2021, the Group's reported revenue was HK$5,350.7 million, an increase of HK$225.5 million or 4.4% as compared with that in FY2020. Upon adjusting for the revenue from TEI in FY2020, the Group's total revenue increased by 10.8% or HK$521.5 million compared to FY2020. The following table sets forth the breakdown of the Group's revenue by nature:

	For the year ended 31 December			
	2021 HK$'M	**% of total Revenue**	2020 HK$'M	% of total Revenue
Contracting work	**4,249.7**	**79.4%**	4,101.2	80.0%
Maintenance work	**944.7**	**17.7%**	881.5	17.2%
Sales of goods	**156.3**	**2.9%**	142.5	2.8%
Total	**5,350.7**	**100.0%**	5,125.2	100.0%

It should be noted that the Group's reported revenue for FY2020 included the revenue from TEI for the period from 31 March to 9 August 2020 that amounted to HK$296.0 million.

Gross Profit

The Group's gross profit in FY2021 was HK$878.4 million or 3.4% lower compared with FY2020 (FY2020: HK$909.1 million). However, as mentioned in the revenue section above, when adjustment is made for TEI, the Group's gross profit increased by 4.2% year-on-year or HK$35.5 million higher compared to FY2020 (FY2020: HK$842.9 million).

The gross profit margin was 16.4% in FY2021 versus 17.7% in FY2020 (or 17.5% in FY2020 after adjusting for TEI's contribution from April 2020 to August 2020).

Other Income

Other income increased slightly by approximately HK$0.3 million or 1.5% compared to FY2020.

Other Gains and Losses

In other gains and losses, the Group recorded a net gain of HK$18.1 million in FY2021, compared with a net loss of HK$5.0 million in FY2020, representing an increase of HK$23.1 million year-on-year.

During FY2021, the Group took steps to further optimise our portfolio to boost long term growth as evidenced by our latest disposal of approximately 3% of our shareholding in Nanjing Canatal Data-Centre Environmental Tech Company Ltd., an associate of the Group, to recognise a gain of HK$63.2 million (FY2020: the gain on disposal of approximately 0.37% equity interests resulting in a gain of HK$14.0 million). The positive impact of these gains was, however, partly offset by the remeasurement losses relating to changes in fair value of contingent consideration payables, as a result of higher profit attained by TEI for the period from 1 July 2020 to 30 June 2021 when target performance was exceeded by approximately HK$33.4 million.

Administrative Expenses

Administrative expenses of the Group increased by 6.7% to HK$617.4 million (FY2020: HK$578.3 million). The increase was mainly attributable to salary increment and staff promotion, as well as provisioning for a higher discretionary incentive bonus as a result of exceeding business performance.

Upon adjusting for the reported administrative expenses from TEI from April 2020 to August 2020, the increase compared to FY2020 would be 19.1%; and 2.1% if the subsidies obtained from the Employment Support Scheme ("ESS") recorded in 2020 was excluded.

Share of Results of Associates

The Group's share of results of associates increased by HK$46.8 million to HK$74.2 million (2020: HK$27.4 million), the contributions of which were mainly from TEI.

The Group's share of USA government grants in respect of Paycheck Protection Program ("PPP") for TEI was approximately HK$37.6 million, and this was included in the share of results of associates upon obtaining the PPP loan forgiveness by TEI in June 2021.

Liquidity and Financial Resources

The Group centrally managed its finance, funding and treasury functions and such functions are controlled at the headquarters in Hong Kong. Throughout the reporting period, the Group's liquidity position has been sound and healthy.

As of 31 December 2021, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK$801.7 million (31 December 2020: HK$1,116.1 million), of which 66.6%, 31.5%, 1.9%, and 0.1% (31 December 2020: 68.1%, 21.4%, 10.3%, and 0.2%) were denominated in Hong Kong dollars or Macau Pataca, RMB, USD, and other currencies, respectively. The lower percentage in US dollar was mainly due to the payment of deferred consideration payables approximately at USD15 million in August 2021 with the acquisition of TEI in March 2020.

As of 31 December 2021, the Group's bank borrowing was HK$292.5 million (31 December 2020: Nil), representing the mortgage loan outstanding for Toppy Tower. The repayment is scheduled to be completed by the end of the year 2041. It is denominated in Hong Kong dollars and bears interest at floating rates.

Additionally, as of 31 December 2021, the Group had banking facilities in respect of bond, bank overdraft and loans, and other trade finance which approximately amounted to HK$2,237.9 million (31 December 2020: HK$1,462.4 million), of which approximately HK$921.2 million had been utilised (31 December 2020: HK$667.1 million). The increase in gross bank facilities year-on-year is attributable to the new facilities for a mortgage loan and planned revitalisation/renovation of Toppy Tower.

Foreign Exchange Risk

The Group operates primarily in Hong Kong, Macau, and Mainland China and is not significantly exposed to foreign exchange risk. The Group will continue to closely monitor its exposure to the currency risks by keeping track of the movement of the foreign currency rates.

The Group has entered into foreign currency forward contracts for the planned foreign currency transactions in the ordinary course of business. There are no foreign currency net investments hedged by currency borrowings or other hedging instruments.

Use of proceeds from listing of shares of the Company

The aggregate net proceeds raised by the Company from the listing of its shares pursuant to the global offering of the Company in 2019 were approximately HK$335.7 million (the "Net Proceeds"). As of 31 December 2021, the Group reported as having spent HK$218.0 million of the Net Proceeds and committed HK$13.9 million of the Net Proceeds.

Management Discussion and Analysis

As set out in the announcement of the Company dated 27 November 2020, the Board resolved to change the use of the unutilised Net Proceeds as of 31 October 2020.

The following table sets out the original allocation, the revised allocation as of 31 October 2020, and the actual usage up to 31 December 2021:

	Original allocation of Net Proceeds HK$'M	Utilised amount of Net Proceeds up to 31 October 2020 HK$'M	Revised allocation of the unutilised Net Proceeds as at 31 October 2020 HK$'M	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2020 HK$'M	Unutilised amount of Net Proceeds as at 31 December 2020 HK$'M	**Utilised amount of Net Proceeds from 1 January 2021 to 31 December 2021 HK$'M**	**Unutilised amount of Net Proceeds as at 31 December 2021 HK$'M**
Supporting the expansion and development of building services segment	67.1	34.6	42.4	19.0	23.4	**23.4**	**–**
Enhancing engineering capabilities in environmental engineering segment							
– acquisition of, investment in, cooperating or forming joint ventures	59.3	17.1	5.6	5.6	–	**–**	**–**
– support the expansion and development of environmental engineering segment, including project working capital needs and additional investment in development of advanced environmental process technologies	41.4	0.5	40.9	0.3	40.6	**33.2**	**7.4**
Enhancing engineering capabilities of ICBT segment							
– setting up dedicated research and development teams	19.3	6.0	13.3	0.5	12.8	**9.5**	**3.3**
– acquisition of, or investment in, companies which possess innovative technology	47.8	–	–	–	–	**–**	**–**
Expansion and development of lifts and escalators segment							
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	–	–	–	**–**	**–**
– setting up export sales office and sales and service centres in Mainland China	13.0	–	–	–	–	**–**	**–**
– expanding existing manufacturing facilities	–	–	67.1	0.2	66.9	**27.9**	**39.0**
Acquisition of, or investment in, companies	–	–	68.0	–	68.0	**–**	**68.0**
General working capital	33.7	31.8	8.4	1.2	7.2	**7.2**	**–**
Total	335.7	90.0	245.7	26.8	218.9	**101.2**	**117.7**

The expected timeline for utilising all the unutilised Net Proceeds is on or before 31 December 2022.

Acquisition of Toppy Tower

In December 2021, the Group acquired Toppy Tower, an industrial building located in Kwai Chung, Hong Kong, for an aggregate consideration of HK$580,486,000. Details of the acquisition of Toppy Tower can be referred to the Company's announcement dated 20 October 2021. The industrial building will be revitilised into an office tower that will form a consolidated operational base to bring most of our people together. This aims to improve our organisational efficiency through a sustainable work environment that is conducive to boosting our people's well-being, productivity, and creativity. This represents our Group's continued confidence in the office as a place for in-person collaboration and connection that can streamline communication, knowledge transfer, and workflows.

Future Plans For Material Investment or Capital Assets

While the Group will continue to target suitable new business ventures and investment opportunities, there are no concrete future plans for material investments or capital assets as at the date of this report.

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

Other than the acquisition of Black Tie Holdings Limited, a company which indirectly owns Toppy Tower, in December 2021, the Group has no material acquisition or disposal of any subsidiaries, associates, and joint ventures in the course of the reporting period.

Gearing Ratio and Indebtedness

As of 31 December 2021, the gearing ratio (being gross bank borrowing divided by total equity) was 13.7% (31 December 2020: Not applicable).

Charges on Group Assets

The Group had pledged assets as security for general short-term banking facilities and a mortgage loan which amounted to HK$681.3 million as of 31 December 2021 (31 December 2020: HK$85.5 million). This was an increase of HK$595.8 million compared to the end of last year. This was mainly due to the new pledge with the acquisition of Toppy Tower, for the mortgage loan as well as loan facilities for revitalisation and renovation of Toppy Tower.

Capital Commitment

As of 31 December 2021, the capital commitment of the Group contracted but not provided for in the consolidated financial statements amounted to HK$23.0 million for the expansion of existing lifts and escalators manufacturing facilities in Nanjing, revitalisation of existing investment properties, and the enterprise resources planning system (31 December 2020: HK$2.4 million).

Contingent Liabilities

As of 31 December 2021, the Group had outstanding performance bonds of approximately HK$447.2 million (31 December 2020: HK$486.8 million), which were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's contractual obligations to customers. If the Group fails to provide satisfactory performance to such customers, the customers may demand the banks to pay them the sum or sum stipulated in the performance bond, and the Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works concerned.

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

Key Financials

	2021 HK$'M	2020 HK$'M
Current assets	**3,068.4**	3,148.0
Current liabilities	**1,972.1**	1,791.8
Bank balances and cash	**801.7**	1,116.1
Net current assets	**1,096.3**	1,356.2
Total assets less current liabilities	**2,477.1**	2,077.9
Current ratio *(Note i)*	**1.6 times**	1.8 times
Gearing ratio *(Note ii)*	**13.7%**	N/A
Return on equity *(Note iii)*	**15.3%**	16.1%

Notes:

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

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

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

Human Resources

As of 31 December 2021, the Group had 2,559 employees in Hong Kong, Macau, Mainland China, and the United Kingdom.

The Group is firmly committed to continuously developing its workforce and maintaining an environment in which employees take pride in their work. We build an inclusive workplace and provide opportunities whereby staff can reach their full potential. Fundamental to our approach to achieving the Group's goals and attaining customer satisfaction is to attract and retain the best talent by offering a compelling employee value proposition that combines competitive pay and benefits with opportunities for learning and career growth. As an equal opportunity employer, the Group nurtures a culture that supports well-being and diversity, encourages collaboration and innovation, and values a shared commitment to our vision and mission.

Our remuneration policy aims to motivate employees to deliver strong sustainable business performance in line with the strategy. Remunerations of directors and senior management, recommended by the Remuneration Committee of the Board and approved by the Board, are subject to periodic reviews. Overall, remuneration of the workforce is linked to performance to share the fruit of success with employees, and ultimately to drive the achievement of business goals and shareholders' value. To assure this, the Group has in place a comprehensive system of goals setting and performance appraisal.

The Group prides itself on high ethical standards in serving customers and working with partners. Employees are to adhere to the Group's Code of Conduct, which is maintained to inform all employees.

Recognised for promoting work-life balance through a range of HR policies and practices, the Group won the "Top Workplace Companies Award – Gold" award and the "Best Family-friendly Employment Policy Award – Grand" award in 2021.

The Group will continue to invest in providing multi-disciplinary, project management, digitalisation, customer service, ethical and other relevant training to add value to the customers and encourage continuous professional and capability development.

OUTLOOK

The Group's liquidity remains strong and healthy with a low gearing ratio and strong recurring cash flows to provide the Group with the financial flexibility to take on additional projects and invest in the longer-term future of the business. Whilst the local economy recovered visibly during the reporting period, the pace of recovery was hampered towards the end of FY2021 by the fifth wave of COVID-19. Notwithstanding this, the outlook remains positive for the Group, which has been able to focus on our well-established foundation and innovative culture to sustain the operation through the uncertainties.

Significant investments in infrastructure are expected to drive the recovery of the economy and growth in Hong Kong. The government remains committed to urban development, with a steady increase of spending on public capital works projects totalling at least HK$100 billion in each of the coming years. Together with private sector development, the construction output in Hong Kong will reach about HK$300 billion per annum, including public and private housing, commercial development, a strong pipeline of infrastructure projects on the reclaimed land in Tung Chung, new towns in Hung Shui Kiu and Kwu Tung North, developments atop Siu Ho Wan MTR Depot in Lantau and around the Kam Sheung Road MTR station, and infrastructure development in the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop.

In addition, there are increasing infrastructure and associated development projects along new railway lines that will enhance connectivity in Tung Chung East and West, Tuen Mun, Kwu Tung, Northern Link, and Northern Metropolis. Other key projects include developing Lantau into an "Aerotropolis" connecting the Guangdong-Hong Kong-Macao Greater Bay Area, and district cooling systems at Hung Shui Kiu, Tung Chung, and Kwu Tung new development area.

The Group is well-positioned to capitalise on these growth opportunities and add value to our customers by leveraging our innovation, digital technology, and passion to deliver results more effectively, efficiently and sustainably.

The popular adoption of the IoT, big data and data analytics by many industries to enhance their business performance, is driving the growth of the data centres, for which Hong Kong is an ideal location enjoying a low risk of natural calamities, reliable electricity supply and close proximity to Mainland China. Already a leader in this growing sector of data centres, the Group is reinforcing our competitive advantage for future growth by adding new capabilities and expanding market availability to serve different customers.

Macau is to become a global leisure and tourism hub in the Greater Bay Area blueprint. This transformation presents a significant opportunity to all business segments of the Group. The recent amendments in the gaming laws, supported by the gaming industry, is expected to facilitate increased construction investment in Macau's resort, retail and entertainment facilities.

Management Discussion and Analysis

The coming years will see Hong Kong's continued development to become a smart and sustainable city with the next generation territory-wide connectivity to enable big data analytics, artificial intelligence, and IoT in urban applications. These business opportunities will allow the Group, supported by proprietary know-how developed by our Research and Development (R&D) team, to bring a myriad of benefits, such as more energy-efficient buildings, digitised solutions for enhancing operational efficiency, and improved delivery of healthcare and other services, through our customers for the betterment of Hong Kong.

Looking ahead, we anticipate that the post-pandemic norm will be an opportunity for our customers and the community to look for fresh thinking and new solutions for more sustainable operations and ways of living. The Group will stand ready to move forward with our customers and the community by leveraging our three pillars of "New Technology", "New Business Model" and "New Market", to help strengthen operations and maintenance (O&M), set new standards of excellence, achieve continuous improvement and adopt new technologies across all of our business segments, including hospital facilities, lifts and escalators, smart car park systems and Digital Twin technologies in water and wastewater plants.

With our widely recognised customer-centric approach, proven track record in deploying intelligent automation systems, and our state-of-the-art 'Predictive Maintenance and Remote Monitoring System', the Group is well positioned to be the O&M services provider of choice in established as well as new industries.

The Group's continuous R&D investment not only in IoT, AI, Big Data Analytics and Digital Twin, but also in the construction technologies of BIM, MiC and MiMEP and robotic solutions will help to better design, construct and operate important assets. Our investment will ultimately benefit our customers and the community by reducing cost, uplifting productivity, and improving safety, quality, and sustainability.

The Group will continue to focus on our fundamentals to overcome any challenges and uncertainties ahead, such as COVID-19. We will ensure the best practice that suits our business, proactively identifying and mitigating risks, for example, by carefully managing human resource availability and material cost fluctuations. We will also prudently manage foreign exchange exposure to hedge or minimise such risks.

We will seek, where appropriate, synergistic business partners to expand our footprint, open up new business opportunities and build new revenue streams. This is evidenced by the fruit of the Group's partnership with TEI and the establishment of our business operations in the United Kingdom.

Supported by our strong financial position and a strong pipeline of business opportunities emerging locally and internationally across the Greater Bay Area, Oceania and Europe, the Group will continue to create shareholders' value and business growth while contributing through our customers and stakeholders to the communities we operate in.

Board of Directors and Senior Management


1

1. **Dr. Poon Lok To, Otto**
   Executive Director and Chairman
2. **Mr. Law Wei Tak**
   Executive Director
3. **Mr. Chan Hoi Ming**
   Executive Director
4. **Dr. Mak Kin Wah**
   Non-executive Director and Deputy Chairman
5. **Mr. Chan Fu Keung**
   Independent Non-executive Director
6. **Mr. Lam Kin Fung, Jeffrey**
   Independent Non-executive Director
7. **Mr. Wong King On, Samuel**
   Independent Non-executive Director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Board of Directors as at 31 December 2021

Board of Directors and Senior Management

Executive Directors

Dr. Poon Lok To, Otto (潘樂陶博士), aged 81, 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 Group's business, and is primarily responsible for the leadership, overall strategic planning and major decision making for the Group.

Dr. Poon has over 50 years of experience in the engineering business. He founded the Group in 1977. Prior to forming 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. He 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").

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, Lift and Escalator Safety Advisory Committee, Hong Kong Quality Assurance Agency, Hong Kong Green Building Council, Trustee Board of the IMechE and Council of 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, Hong Kong Climate Change Forum and the School Advisory Committee of School of Energy and Environment of City University of Hong Kong.

Currently, Dr. Poon is a member of the Election Committee – Engineering Subsector, the president of the Hong Kong Academy of Engineering Sciences and the life president of HKFEMC. He also serves as a member of the International Advisory Committee of Research Institute for Sustainable Urban Development of Hong Kong Polytechnic University, a member of the International Advisory Committee of Smart Cities Research Institute 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 Section of Hong Kong-France Business Council of Hong Kong Trade Development Council, an advisor to the Bauhinia Foundation Research Centre, 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 and a Honorary Advisor of the Institution of Public Private Partnerships.

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 21.44% 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 "Substantial shareholders/other person's interests in securities" in the Report of the Directors 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. Law Wei Tak (羅威德先生), aged 66, was appointed as a Director on 27 September 1995 and redesignated 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 40 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 data centre 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 21.44% by the Company.

Board of Directors and Senior Management

Mr. Chan Hoi Ming (陳海明先生), aged 61, was appointed as a Director on 25 November 2015 and redesignated as an executive Director on 13 April 2018. He 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 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 business 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 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 on 29 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 21.44% by the Company.

Non-executive Director

Dr. Mak Kin Wah (麥建華博士), aged 65, 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, the chairman of the English Schools Foundation, 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 73, 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. He retired from his position as the Trustee of the Hospital Authority Provident Fund Scheme on 1 July 2020.

Mr. Chan is a member of the Grantham Hospital Governing Committee and is a director of CUHK Medical Centre Limited. Currently, he is 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 has been appointed as a non-executive director of the Urban Renewal Authority Board for 3 years from 1 December 2020 to 30 November 2023.

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 70, 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
China Strategic Holdings Limited	235	Since December 2020	Independent non-executive director
			Member of audit 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
			Chairman of the nomination and corporate governance committee and member of the remuneration committee
Hong Kong Aerospace Technology Group Limited	1725	Since July 2021	Executive Director

Mr. Wong King On, Samuel (黃敬安先生), aged 69, 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 56, 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 58, was appointed as the chief financial officer (designate) of the Company on 16 September 2019 and took up the role of chief financial officer on 1 January 2020. Mr. Cheng has been leading the Group's financial operations and administration since April 2020.

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 49, 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 26 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 RCx 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 Hon. Secretary of Building Services Discipline Advisory Panel of The Hong Kong Institution of Engineers, the Honorary Technical Advisor of The Chartered Institute of Plumbing and Heating Engineering – Hong Kong Branch, the member of Departmental Advisory Committee of Department of Building Services Engineering of The Hong Kong Polytechnic University 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 55, 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 53, has been a chief executive, Lifts and Escalators (Greater China) of Anlev Elex Elevator Limited, a wholly-owned subsidiary of the Company, since April 2021, and oversees the Greater China 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 (H.K.) 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 became a director of Anlev Elex Elevator Limited in June 2016 and promoted as chief executive, Lifts & Escalators (Greater China) in April 2021.

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 Hong Kong Institution of Engineers, the Institution of Mechanical Engineers and The International Association of Elevator Engineers.

Mr. Hong Chi Man (康志民先生), aged 61, has been a director of ATAL Engineering Limited, a wholly owned subsidiary of the Company, 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 year ended 31 December 2021 (the "Reporting Year").

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 since 12 July 2019, the date on which the Company's shares first listed on the Stock Exchange (the "Listing Date").

During the Reporting Year, 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 Year.

BOARD OF DIRECTORS

The composition of the Board during the Reporting Year was as follows:

Executive Directors:
Dr. Poon Lok To, Otto *(Chairman)*
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

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

Board Meetings

Code provision 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. The Directors may attend meetings in person, by phone or through means of electronic communication facilities in accordance with the Company's Bye-laws. During the Reporting Year, the Company convened four Board meetings. The Board also approved numerous matters by resolutions in writing. For all board meetings, the agendas and accompanying board papers were sent to the Directors at least three days before the intended date of the board meetings. In addition to the 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 Year.

Chairman and Chief Executive Officer

During the Reporting Year, the position of chairman was held by Dr. Poon Lok To, Otto who provided leadership, overall strategic planning and major decision making for the Group.

After the retirement of the former chief executive officer in April 2020, his duties as the chief executive officer of the Company were 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.

Non-executive Directors

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.

During the Reporting Year, 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.

Corporate Governance Report

Appointment and Re-election of Directors

Each executive Director and the non-executive Director will sign letters of appointment with the Company in 2022 to renew their term for another 3 years upon expiry of their current term in 2022 and that their 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 also signed a letter of appointment with the Company in 2021 to renew his term for another 3 years upon expiry of his term in 2021.

All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every 3 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 member 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 the exercise of judgement in their capacity as independent non-executive Directors 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 perspectives, 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 board diversity 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.

Up to the date of this annual report, the Nomination Committee has reviewed and considered that the Board is characterised by sufficient diversity, in terms of the abovementioned perspectives. 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.

With the Company's latest business strategies and objectives in mind, the Nomination Committee will continue to monitor and assess how greater board diversity can add value to the Company and to the stakeholders. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. We recognise that gender diversity at the Board level can be improved given its current composition of all-male Directors. The Company is targeted to appoint a director with different gender before 31 December 2024.

The biography for each of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 26 to 32 of this annual 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. The Board directly and indirectly through its committees, leads and provides direction to management by laying down strategies; monitors the Group's overall 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 including approving annual and interim period financial reporting of the Group, equity fund raising of the Company, recommendation or approval of dividends, notifiable transaction and/or connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, disclosure of inside information under Part XIVA of the Securities and Futures Ordinance, recommendation for capital reorganization, and scheme of arrangement or winding up of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operations and management of the Company are delegated to the executive Directors and management.

Corporate Governance Report

An executive committee comprising executive Directors from time to time (currently Dr. Poon Lok To, Otto, Mr. Law Wei Tak and Mr. Chan Hoi Ming) is delegated with the authority to handle certain operational matters, including the opening of bank accounts; provision of guarantee to wholly-owned subsidiaries for the due performance of contracts in the ordinary course of business of the subsidiaries; the obtaining of banking facilities and the provision of guarantee to banks for obtaining banking facilities by the wholly-owned subsidiaries. The resolutions approved by the Executive Committee were periodically reported to the Board members. Board committees as set out under the heading of "Board Committee" below have also been delegated with the authority to specific duties as more particularly set out in the terms of reference of these committees.

A sustainability committee was formed in 2020, which is led by an executive Director and supported by a sustainability working group, and consists of members of management staff from various business and corporate units with adequate knowledge, expertise and experience who can contribute positively to the relevant subject areas. Delegated by the Board, the sustainability committee is responsible for advising and making recommendations on formulating sustainability strategy, integrating sustainability into our strategic plan and daily operations, and ensuring that internal control systems are in place for sustainability-related risks. This sustainability committee assesses the materiality of sustainability issues, prepares the annual Environmental, Social and Governance Report and reports to the management committee of the Company which in turn reports to the Board. During the Reporting Year, the sustainability committee held three meetings.

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 the CG Code (including, 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, which set out in more detail the duties and functions 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 comprises one independent non-executive Director, two executive Directors, the non-executive Director and the chief financial officer and is chaired by Mr. Wong King On, Samuel. During the Reporting Year, the risk management committee held two meetings.

The risk management committee (sanctions risks), which reports to the risk management committee, comprises an executive Director, the chief financial officer of the Company and the legal counsel and is chaired by Dr. Poon Lok To, Otto. The role of the committee can be referred to the section headed "Sanctions Compliance" under the Report of the Directors of this annual report. During the Reporting Year, the risk management committee (sanctions risks) held two meetings.

During the Reporting Year, the Audit Committee held three meetings. The work performed by the Audit Committee in the Reporting Year included:

- reviewed the annual results announcement and the Company's annual report for the year ended 31 December 2020;

- recommended to the Board to put forward the re-appointment of Deloitte Touche Tohmatsu as the external auditor of the Company for approval at the annual general meeting of the Company;

- reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2020 covering all material controls, including financial, operational and compliance controls;

- reviewed the adequacy of resources, qualifications and experience of the staff of the Company's accounting, internal audit and financial reporting functions;

- reviewed the training attended by the Directors and the senior management of the Company for the year ended 31 December 2020;

- reviewed the compliance of CG Code for the year ended 31 December 2020 and reviewed the disclosure on the Corporate Governance Report in the Company's annual report for the year ended 31 December 2020;

- reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2021;

- reviewed the compliance of CG Code for the six months ended 30 June 2021;

- reviewed the external auditor's fee on reviewing the interim results of the Company for the six months ended 30 June 2021 and the fee charged by the external auditor in relation to the annual audit of the Group for the year ended 31 December 2021;

- discussed with the external auditor the audit plan and audit timetable of the annual audit of the Group for the year ended 31 December 2021; and

- reviewed and recommended the approval by the Board the Auditor Independency Policy.

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. 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 of Directors; and reviewing the board diversity policy and reviewing the measurable objectives 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.

Corporate Governance Report

During the Reporting Year, the Nomination Committee held one meeting. The work performed by the Nomination Committee in the Reporting Year included:

– reviewed the structure, size and composition (including skills, knowledge and experience) of the Board;

– assessed the independence of the independent non-executive Directors;

– recommended the Board to put forward the retiring Directors for re-appointment at the annual general meeting held in 2021; and

– reviewed the measurable objectives (which have been set out in the board diversity policy) the Board has set for implementing the board diversity policy and the progress on achieving the objectives.

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. One of the duties of the Remuneration Committee is to make recommendations to the Board on the remuneration of non-executive Directors; and to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including, among others, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). The terms of reference of the Remuneration Committee have been posted on the websites of the Company and the Stock Exchange.

During the Reporting Year, the Remuneration Committee held three meetings. The work performed by the Remuneration Committee in the Reporting Year included:

– recommended to the Board to put forward for the shareholders' approval the authorization of the Board to fix the Directors' remuneration at the annual general meeting held in 2021;

– recommended to the Board the increase of salary of the executive Directors, the non-executive Director and senior management of the Company;

– approved the increase of salary of the full time permanent employees of the Group;

– recommended to the Board the discretionary incentive bonus for the executive Directors, non-executive Directors and the senior management of the Company;

– approved the payment of the discretionary incentive bonus of the full time permanent employees of the Group; and

– recommended to the Board the framework of the Share Award Schemes.

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.

Remuneration of Directors and Senior Management

Information on emoluments of the Directors for the year ended 31 December 2021 is set out in Note 12 to the consolidated financial statements.

During the Reporting Year, 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 2021 is set out below:

Remuneration Bands	Number of Senior Management
HK$1,000,001 up to HK$2,000,000	1
HK$2,000,001 up to HK$3,000,000	1
HK$3,000,001 up to HK$4,000,000	4
Total	6

Corporate Governance Report

Attendance of meetings of Board and Board Committees

During the Reporting Year, the Company held four Board meetings, three Audit Committee meetings, three Remuneration Committee meetings and one Nomination Committee meeting. The annual general meeting of the Company was held on 22 June 2021.

The attendance records of the Directors are as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders
Executive Directors					
Dr. Poon Lok To, Otto *(Chairman)*	4/4	N/A	N/A	N/A	1/1
Mr. Law Wei Tak	4/4	N/A	N/A	N/A	1/1
Mr. Chan Hoi Ming	4/4	N/A	N/A	N/A	1/1
Non-executive Director					
Dr. Mak Kin Wah *(Deputy Chairman)*	4/4	3/3	3/3	1/1	1/1
Independent Non-executive Directors					
Mr. Chan Fu Keung	4/4	3/3	3/3	1/1	1/1
Mr. Lam Kin Fung, Jeffrey	4/4	N/A	N/A	1/1	0/1
Mr. Wong King On, Samuel	4/4	3/3	2/3	1/1	1/1

UPDATE ON DIRECTORS' INFORMATION

On 21 January 2022, Mr. Chan Hoi Ming, an executive Director, was granted 14,000,000 awarded shares pursuant to the share award scheme of the Company adopted on 27 November 2020. Assuming all the vesting criteria and conditions have been fulfilled, such 14,000,000 awarded shares will be vested in three tranches as follows: (i) thirty percent (30%) will be vested from 30 June 2022; (ii) thirty percent (30%) will be vested from 30 June 2023; and (iii) the remaining forty percent (40%) will be vested from 30 June 2024. For further details, please refer to the Company's announcements dated 21 January 2022 and 16 February 2022.

Save as disclosed above and in this annual report, there are no other changes in information on the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 other relevant statutory and regulatory requirements. During the Reporting Year, the Company organised training sessions conducted by external qualified lawyers and consultants for the Directors on their duties, responsibilities and obligations under the Listing Rules and other law and regulations. The e-training session launched by the Stock Exchange also gave the Directors an opportunity to receive guidance on the Listing Rules and its updates. In addition, relevant reading materials including legal and regulatory update and training handouts have been provided to the Directors for their reference and studying, to ensure that the Directors understand the updates on the relevant rules, laws and regulations relevant to the Directors in performing their duties.

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

	Reading materials	Seminars/e-training
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	✓	✓

The Audit Committee reviewed the trainings attended by the Directors and senior management of the Company for the year ended 31 December 2021 and considered the same to be adequate.

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 periods 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 60 to 63 in this annual report.

The Annual Report and Accounts

The Directors are responsible for the preparation of the annual report and acknowledge their responsibility for preparing the financial statements of the Company. They are responsible in ensuring that the financial statements represent a true and fair view in accordance with the Listing Rules and Hong Kong Financial Reporting Standards. The statement of the external auditor of the Company regarding the Directors' reporting responsibilities on the financial statements of the Group is set out in the paragraph headed "Responsibilities of directors and those charged with governance for the consolidated financial statements" on page 62 of the "Independent Auditor's Report".

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.

Corporate Governance Report

AUDITOR'S REMUNERATION

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

	2021 HK$'000	2020 HK$'000
Audit Services	**4,600**	4,500
Non-audit services		
Assurance service on a circular	**–**	3,800
Interim review fee	**2,300**	2,600
Tax services and disbursement	**245**	397
Total	**7,145**	11,297

RISK MANAGEMENT AND INTERNAL CONTROLS

In order to better integrate risk management and internal control with the Group's business strategies and business, the Board has overall responsibility for maintaining sound and effective systems of risk management and internal control with focus and the key controls on finance, operations and compliance through risk management assessment. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and aim 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 the identification and assessment of the key risks exposure of the Group based on their estimated impact and likelihood of occurrence and the 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 features of the Group's risk management and internal control systems incorporated 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.

The internal audit function of the Group is an independent function that reports directly to the Audit Committee. The internal audit function reviews from time to time the Group's business operations, risk management and internal control systems in accordance with the risk-based internal audit work plans 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 Year, 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 relating to their responsibilities of keeping inside information confidential. If Directors or management consider that inside information of the Company may arise, they can seek advice from external legal advisor and compliance advisor. During the Reporting Year, inside Information was disclosed by the Company as soon as reasonably practicable in accordance with the Listing Rules and Part XIVA of the Securities and Futures Ordinance.

Monthly updates had been provided to all members of the Board, for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail and to enable the Board as a whole and each Director to discharge their duties.

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 2021 covering all material controls, including financial, operational and compliance controls, and was satisfied that such systems are effective and adequate. Such review will be conducted annually for each financial year of the Group. In addition, the Audit Committee has reviewed and was satisfied with the adequacy of resources, staff qualifications, experience and training programme of the Group's accounting, internal audit and financial reporting functions and considered the same to be adequate.

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. She is a solicitor in Hong Kong and has over 20 years of legal experience. 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 31 December 2021, 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.

Corporate Governance Report

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 has adopted shareholders' communication policy since the Listing Date.

Shareholders' Communication Policy

The shareholders' communication policy promotes effective communication with its individual and institutional shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Company is committed to maintaining effective and timely dissemination of the Company's information to its shareholders. The Company believes that providing regular communication to its 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.

1. Communication Channel

   Shareholders' meetings

   – The annual general meetings and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation.

   – The Company encourages shareholders participation in shareholders' meetings. Shareholders are encouraged to participate physically or to appoint proxies to attend and vote at shareholders' meetings for and on their behalf if they are unable to attend such meetings.

   – Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual general meetings to answer questions from the shareholders.

Company's website

- The Company's website (www.atal.com) provides information on the Company, including corporate communication, e.g. annual report, interim report, notice of meeting, circular and proxy form.

Shareholders' enquiries

- Shareholders should direct their questions about their shareholdings to Tricor Investor Services Limited for share registration and related matters.

- Shareholders and the public may at any time make a request for the Company's information to the extent such information is publicly available and provide comments and suggestions to the Directors. Shareholders may direct their queries, requests and comments to the Company's principal place of business in Hong Kong for the attention of the Company Secretary.

2. Investment market communication

   - To facilitate communication between the Company, Shareholders and the investment community, results briefings and meetings with analysts may be arranged from time to time.

The policy is subject to regular review by the Board and will be amended (as appropriate) from time to time.

DIVIDEND POLICY

The dividend policy of the Company can be referred to section headed "Report of the Directors" on page 51.

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 websites of the Company and the Stock Exchange. During the Reporting Year, no change was made to the memorandum of association and bye-laws of the Company.

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 2021 (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 48 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 9 and 10 and "Management Discussion and Analysis" on pages 11 to 24. The description of the principal risks and uncertainties facing the Group; and how the COVID-19 pandemic has affected the business prospects of the Group, can be found in the sections headed "Management Discussion and Analysis" on pages 11 to 24, and Notes 37 and 38 to the consolidated financial statement as set out in pages 141 to 152 and the Environmental, Social and Governance Report. 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 7 and 8. The discussion on the Company's environmental policies and performance; 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 laws and regulations that have a significant impact on the Company can be found in the Environmental, Social and Governance Report.

A stand-alone Environmental, Social and Governance Report is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the same date when this Annual Report is published.

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 2021 are set out in the consolidated financial statements on pages 64 to 174.

The board of Directors (the "Board") has resolved to pay a second interim dividend of HK7.25 cents per share of the Company (the "Share") for the Year (the "Second Interim Dividend") to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Tuesday, 19 April 2022. The Second Interim Dividend is expected to be paid to the Shareholders on or about Friday, 29 April 2022. Together with the first interim dividend of HK4.02 cents per Share paid on 29 September 2021, the total distribution of dividends by the Company for the Year will thus be HK11.27 cents per Share, representing a dividend payout ratio of 50.2%.

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. 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 will be closed from Thursday, 14 April 2022 to Tuesday, 19 April 2022, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Tuesday, 12 April 2022. 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 Wednesday, 13 April 2022.

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 Thursday, 16 June 2022, the Register of Members will be closed from Monday, 13 June 2022 to Thursday, 16 June 2022, 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 Friday, 10 June 2022.

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 51 to the consolidated financial statements respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2021, the Company's reserves available for distribution amounted to approximately HK$240.6 million (31 December 2020: HK$136.7 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$746,000 (2020: HK$415,000).

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 33 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 175.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 49.9% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 20.6%. During the year, the aggregate amount of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's total purchases.

None of the Directors, their close associates (as defined in the Rules Governing the Listing of Securities on 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 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.

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, there was no change in the composition of the Board.

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 26 to 32.

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 Transactions" on page 57 and the related party transactions as set out in Note 45 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 Transactions" on page 57 and the related party transactions as set out in Note 45 to the consolidated financial statements, 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.

Report of the Directors

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 for the share award schemes of the Company (the "Share Award Schemes") and share option scheme of the Company (the "Share Option Scheme"), 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.

Details of the Share Award Schemes and the Share Option Scheme are set out in Note 49 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, and 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 shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his duty or supposed duty in his office, except such (if any) as he shall incur or sustain through his own wilful neglect or default, fraud and dishonesty respectively. Such provision has been in force during the Year 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.

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2021, the interests and short positions of the Directors 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. Law Wei Tak	Beneficial interest	52,500,000	3.75%

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 2021.

(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. 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 2021, 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 2021, 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.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS/OTHER PERSON'S INTERESTS IN SECURITIES

As at 31 December 2021, the following persons (other than the Directors) 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:

(i) Substantial Shareholders' (as defined in the Listing Rules) interests in securities

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 4)*
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%

(ii) Other person's interests in securities

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 4)*
Mr. Webb David Michael ("Mr. Webb")	Interest of controlled corporation *(Note 3)*	98,242,000	7.01%

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, 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 the Shares, has no rights to dividend, has no rights to vote and has no rights to deal in respect of the Shares.

3. Mr. Webb is personally interested in 39,992,800 Shares. Preferable Situation Assets Limited (a company 100% controlled by Mr. Webb) is interested in 58,249,200 Shares. Accordingly, Mr. Webb is deemed to be interested in the 58,249,200 Shares owned by Preferable Situation Assets Limited by virtue of Part XV of the SFO.

4. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2021.

Save as disclosed above, as at 31 December 2021, 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.

EQUITY-LINKED AGREEMENTS

Other than the Share Award Schemes and 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.

CONNECTED TRANSACTIONS

On 27 November 2020, ATAL Management Services Limited ("AMSL"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Perfect Motive Limited ("Perfect Motive") ("Tenancy Agreement") to lease the 12th Floor and 13th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong as office premises from 1 January 2021 to 31 December 2022 at a monthly rent of HK$1,350,000 and the aggregate rent of the Tenancy Agreement for its entire term is HK$32.4 million. The value of the right-of-use asset to be recognized by the Company under the Tenancy Agreement was expected to be approximately HK$30.9 million. Further details of the Tenancy Agreement can be referred to the announcement of the Company dated 27 November 2020.

Perfect Motive is a wholly-owned subsidiary of Wise Eagle Holdings Limited, which in turn is owned as to 84.63% by Arling Investment Limited and as to 5% by Mr. Law Wei Tak, an executive Director. As Perfect Motive is a controlled entity of Arling Investment Limited, the holding company of the Company, it is a connected person of the Company. Accordingly, the Tenancy Agreement is connected transaction 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 (the "Trust"). Dr. Poon Lok To, Otto, an executive Director and the chairman of the Company, is the settlor and protector of the Trust.

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 45 to the consolidated financial statements. Except the connected transaction mentioned above, none of the related party transactions during the Year constitutes a disclosable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transaction mentioned above.

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.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

Report of the Directors

SANCTIONS COMPLIANCE

During the Year, the Group did not enter into any transactions with persons or entities that are currently subject to applicable laws and regulations related to economic sanctions, export controls, and trade embargoes, 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"). Specifically, the Group did not enter into any transactions with: (i) person(s) or entities listed on the Office of Foreign Assets Control ("OFAC")'s Specially Designated Nationals and Blocked Persons List (the "SDN List"); (ii) entities on the U.S. Bureau of Industry and Security's Entity List (the "Entity List"), or (iii) person(s) or entities on other restricted party lists maintained by the United States, the European Union, the United Nations or 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. The Group has implemented, among others, the following measures upon listing of the Shares on the Stock Exchange:

- The Directors will continuously monitor the use of any remaining proceeds from the global offering of the Company in 2019 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). The Risk Management Committee (Sanctions Risks) will hold at least two meetings each year to monitor the Group's exposure to sanctions risks. Further, the Risk Management Committee (Sanctions Risks) has written procedures that the Company has followed and will continue to follow whenever any business opportunity or transaction is presented that may pose any sanctions risk to the Group. 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; and

- External international sanctions legal counsel had provided sanctions training to the Directors, the senior management, and other relevant personnel to assist them in evaluating and understanding the potential sanctions risks.

The Directors are of the view that the measures adopted provide an adequate and effective internal control framework to assist the Group 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 during the Year.

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 reappointment.

On behalf of the Board

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 25 March 2022

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ANALOGUE HOLDINGS LIMITED
安樂工程集團有限公司
(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 64 to 174, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 judgement, 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 HK$4,249,701,000 for the year ended 31 December 2021 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 supporting documents, 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 judgement and maintain professional skepticism throughout the audit. We also:

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

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, actions taken to eliminate threats or safeguards applied.

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 Chan Ka Sing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Revenue	5	**5,350,720**	5,125,181
Cost of sales and services		**(4,472,348)**	(4,216,050)
Gross profit		**878,372**	909,131
Other income	7	**18,437**	18,172
Other gains and losses	8	**18,111**	(5,019)
Reversal of impairment losses (impairment losses) under expected credit loss model, net	38	**14,710**	(20,987)
Selling and distribution expenses		**(2,700)**	(4,086)
Administrative expenses		**(617,350)**	(578,334)
Share of results of associates		**74,196**	27,379
Finance costs	9	**(4,910)**	(3,707)
Profit before tax		**378,866**	342,549
Income tax expense	10	**(64,567)**	(38,664)
Profit for the year	11	**314,299**	303,885
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain (loss) on revaluation of properties		**6,854**	(4,878)
Income tax relating to (gain) loss on revaluation of properties	10	**(1,131)**	805
		5,723	(4,073)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**17,332**	38,783
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**(797)**	228
		16,535	39,011
Other comprehensive income for the year, net of tax		**22,258**	34,938
Total comprehensive income for the year		**336,557**	338,823
Profit for the year attributable to:			
Owners of the Company		**314,299**	301,350
Non-controlling interests		**–**	2,535
		314,299	303,885
Total comprehensive income for the year attributable to:			
Owners of the Company		**336,557**	336,288
Non-controlling interests		**–**	2,535
		336,557	338,823
		HK cents	HK cents
Earnings per share			
Basic	14	**22**	22
Diluted	14	**22**	22

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Investment properties	15	**589,930**	4,530
Property, plant and equipment	16	**157,036**	130,381
Right-of-use assets	17	**77,475**	71,512
Intangible assets	18	**–**	–
Deposits paid for acquisition of property, plant and equipment		**1,110**	–
Interests in associates	19	**544,714**	509,482
Deferred tax assets	34	**10,458**	5,787
		1,380,723	721,692
Current assets			
Inventories	21	**85,405**	79,781
Contract assets	22	**975,211**	1,004,492
Trade receivables	23	**1,066,560**	789,953
Other receivables, deposits and prepayments	24	**109,246**	95,203
Amount due from an associate	19	**–**	–
Amounts due from partners of joint operations	25	**10,354**	24,263
Derivative financial instruments	30	**–**	316
Tax recoverable		**1,733**	22,548
Pledged bank deposits	26	**18,188**	15,374
Bank balances and cash	26	**801,738**	1,116,105
		3,068,435	3,148,035
Current liabilities			
Trade and retention payables	27	**599,929**	460,168
Other payables and accrued expenses	28	**1,163,613**	1,105,467
Contract liabilities	29	**77,174**	106,181
Amounts due to partners of joint operations	25	**11,112**	2,300
Bank borrowing – due within one year	31	**14,625**	–
Derivative financial instruments	30	**4,286**	–
Lease liabilities	32	**31,157**	28,598
Contingent consideration payables	36	**52,706**	77,009
Tax payable		**17,475**	12,071
		1,972,077	1,791,794
Net current assets		**1,096,358**	1,356,241
Total assets less current liabilities		**2,477,081**	2,077,933

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**2,115,699**	1,959,632
Total equity		**2,129,699**	1,973,632
Non-current liabilities			
Bank borrowing – due after one year	31	**277,875**	–
Lease liabilities	32	**46,252**	42,306
Deferred tax liabilities	34	**21,092**	14,764
Deferred income	35	**2,163**	2,432
Contingent consideration payables	36	**–**	44,799
		347,382	104,301
		2,477,081	2,077,933

The consolidated financial statements on pages 64 to 174 were approved and authorised for issue by the Board of Directors on 25 March 2022 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 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000 (Note b)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note a)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	14,000	358,704	–	5	32,272	(28,913)	17,049	1,368,687	1,761,804	–	1,761,804
Profit for the year	–	–	–	–	–	–	–	301,350	301,350	2,535	303,885
Other comprehensive (expense) income for the year	–	–	–	–	(4,073)	39,011	–	–	34,938	–	34,938
Total comprehensive (expense) income for the year	–	–	–	–	(4,073)	39,011	–	301,350	336,288	2,535	338,823
Acquisition of a subsidiary (Note 41(a))	–	–	–	–	–	–	–	–	–	94,865	94,865
Disposal of a subsidiary (Note 41(b))	–	–	–	–	–	–	–	–	–	(97,400)	(97,400)
Transfer to other reserves	–	–	–	–	–	–	1	(1)	–	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(124,460)	(124,460)	–	(124,460)
At 31 December 2020	14,000	358,704	–	5	28,199	10,098	17,050	1,545,576	1,973,632	–	1,973,632

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000 (Note b)	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note a)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2021	**14,000**	**358,704**	**–**	**5**	**28,199**	**10,098**	**17,050**	**1,545,576**	**1,973,632**	**–**	**1,973,632**
Profit for the year	–	–	–	–	–	–	–	314,299	314,299	–	314,299
Other comprehensive income for the year	–	–	–	–	5,723	16,535	–	–	22,258	–	22,258
Total comprehensive income for the year	–	–	–	–	5,723	16,535	–	314,299	336,557	–	336,557
Transfer to other reserves	–	–	–	–	–	–	2,113	(2,113)	–	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	(154,280)	(154,280)	–	(154,280)
Purchase of shares under share award schemes (Note 33)	–	–	(26,210)	–	–	–	–	–	(26,210)	–	(26,210)
At 31 December 2021	**14,000**	**358,704**	**(26,210)**	**5**	**33,922**	**26,633**	**19,163**	**1,703,482**	**2,129,699**	**–**	**2,129,699**

Notes:

(a) 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.

(b) During the year ended 31 December 2021, the Company purchased its own ordinary shares of an aggregate of 14,000,000 shares in the market through the trustees of the Company's share award schemes. As at 31 December 2021, all the treasury shares were held by the trustees. Details of the treasury shares and the share award schemes are set out in Notes 33 and 49 respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**378,866**	342,549
Adjustments for:		
Bank interest income	**(5,051)**	(5,772)
Investment income from financial assets at fair value through profit or loss	**–**	(431)
Depreciation of property, plant and equipment	**30,576**	27,889
Depreciation of right-of-use assets	**36,751**	21,404
Amortisation of intangible assets	**–**	19,880
Trade and retention payables written back	**–**	(19)
Inventories written off	**845**	–
Write-down of inventories, net	**15,604**	3,966
(Reversal of impairment losses) impairment losses under expected credit loss model, net	**(14,710)**	20,987
Impairment losses on intangible assets	**–**	5,462
(Gain) loss from change in fair value of investment properties	**(400)**	370
Loss from change in fair value of financial assets at fair value through profit or loss	**–**	2,738
Loss from change in fair value of contingent consideration payables	**47,850**	12,808
Loss (gain) from change in fair value of derivative financial instruments	**4,602**	(316)
(Gain) loss on disposals of property, plant and equipment	**(12)**	28
Net unrealised exchange losses (gains)	**749**	(320)
Share of results of associates	**(74,196)**	(27,379)
Finance costs	**4,910**	3,707
Gain on disposal of interest in an associate	**(63,246)**	(13,974)
Gain on disposal of a subsidiary	**–**	(891)
Gain on derecognition of right-of-use assets and lease liabilities	**(4)**	(154)
COVID-19-related rent concessions	**(19)**	(75)
Operating cash flows before movements in working capital	**363,115**	412,457
Increase in inventories	**(20,604)**	(20,896)
Decrease (increase) in contract assets	**31,824**	(101,639)
(Increase) decrease in trade receivables	**(260,232)**	176,903
Increase in other receivables, deposits and prepayments	**(8,677)**	(7,550)
Increase (decrease) in trade and retention payables	**138,632**	(62,128)
Increase in other payables and accrued expenses	**50,022**	59,944
(Decrease) increase in contract liabilities	**(29,048)**	40,735
Decrease in deferred income	**(269)**	(269)
Cash generated from operations	**264,763**	497,557
Hong Kong Profits Tax paid	**(16,117)**	(81,219)
PRC Enterprise Income Tax paid	**(14,706)**	(3,484)
Macau Complementary Tax paid	**(5,704)**	(4,502)
PRC dividend withholding tax paid	**(1,484)**	(757)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**226,752**	407,595

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Bank interest income received		**5,051**	5,772
Investment income received from financial assets at fair value through profit or loss		**–**	431
Proceeds on disposals of financial assets at fair value through profit or loss		**–**	14,614
Proceeds on disposals of property, plant and equipment		**248**	442
Additions of property, plant and equipment		**(50,802)**	(15,969)
Payments for rental deposits		**(4,035)**	(869)
Deposits paid for acquisition of property, plant and equipment		**(1,110)**	–
Placement of pledged bank deposits		**(2,603)**	–
Release of pledged bank deposits		**216**	200,763
Proceeds on disposal of interest in an associate		**94,207**	17,385
Proceeds on dissolution of an associate		**–**	11,166
Advances to an associate		**–**	(13,000)
Payment for contingent consideration payables		**(116,952)**	–
Net cash outflow on acquisition of assets through acquisition of subsidiaries	40	**(580,482)**	–
Payment for acquisition of a subsidiary	41(a)	**–**	(70,606)
Payment for disposal of a subsidiary	41(b)	**–**	(55,027)
Repayments from partners of joint operations		**13,909**	22,368
Dividend received from an associate		**14,841**	25,519
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES		**(627,512)**	142,989
FINANCING ACTIVITIES			
Finance costs paid		**(4,910)**	(3,707)
Purchase of shares under share award schemes		**(26,210)**	–
Repayment of bank borrowings		**(25,000)**	(54,945)
New bank borrowings raised		**317,500**	–
Other loan raised		**–**	76,816
Repayment to non-controlling interests		**–**	(8,769)
Repayment to a former shareholder of a subsidiary		**–**	(217)
Dividend paid to owners of the Company		**(154,280)**	(124,460)
Repayment of lease liabilities		**(34,448)**	(20,571)
Advances from partners of joint operations		**8,812**	1,867
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES		**81,464**	(133,986)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(319,296)**	416,598
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**1,116,105**	686,450
Effect of foreign exchange rate changes		**4,929**	13,057
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**801,738**	1,116,105

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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. Its immediate holding company is Arling Investment Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Ardik Investment Limited, a company incorporated in the British Virgin Islands. 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 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.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the 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.

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 and the related Amendments[2]
Amendments to HKFRS 3	Reference to the Conceptual Framework[1]
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	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of Accounting Estimates[2]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[1]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the *Conceptual Framework for Financial Reporting 2018 issued in June 2018* (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

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

Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020

The annual improvements make amendments to the following standards relevant to the Group.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by the primary users. 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, contingent consideration payables and financial instruments which are measured at revalued amounts or fair values at the end of each 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (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 these 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 accounted for in accordance with 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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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.

3.2 Significant accounting policies

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

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.

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.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/ financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

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 these consolidated financial statements using the equity method of accounting. Under the equity method, an investment 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in associates and joint ventures (Continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in joint operations (Continued)

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;
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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 *Revenue from Contracts with Customers* ("HKFRS 15").

During the period from 31 March 2020 to 9 August 2020, the Group through a non-wholly owned subsidiary in the United States of America ("USA") provides contracting services under long-term contracts with customers in USA. Such contracts are entered into before the contracting services begin. Under the terms of the contracts, the Group's USA customers in USA control the properties during the course of construction by the Group. Revenue from provision of contracting services in USA is therefore recognised over time using input method. The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's costs incurred to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

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 Group used the most likely amount method for the estimation of variable consideration.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Provision of contracting services (Continued)

Recognition (Continued)

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.

Provision of maintenance services

Recognition

The Group provides maintenance services, including operation and maintenance services to customers. Income is recognised using output method based on time elapsed 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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.

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 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than assets under construction) as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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 other than assets under construction 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

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 each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Research and development expenditure (Continued)

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 for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Leases

Definition of a lease

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 on or after the date of initial application or arising from business combinations, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Short-term leases

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. Lease payments on short-term leases 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 other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient.

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 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (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.

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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, 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, less any lease incentive receivable, 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 by making corresponding adjustments to the relevant right-of-use asset.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

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.

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

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

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 each 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 (attributed to non-controlling interest as appropriate).

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.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in 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.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets 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, the Social Security Fund Contribution in Macau and 401(k) Plan in USA are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, 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 each 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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 investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

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 on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 (see below). 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.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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 and deposits, amounts due from an associate and partners of joint operations, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-month 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, in which case 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.

(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 and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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

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

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; or

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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, for example, 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. A write-off constitutes a derecognition event. Any subsequent recoveries 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 and 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.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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)

(v) Measurement and recognition of ECL (Continued)

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 cost 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.

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.

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.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination to which HKFRS 3 applies.

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.

Financial guarantee contract liabilities 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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 testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit 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 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 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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 related to income 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. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Share-based payments

Equity-settled share-based payment transactions

Shares/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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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.

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 judgement 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Critical judgements in applying accounting policies (Continued)

Determination on lease term of contracts with renewal options (Continued)

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).

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise amounted to approximately HK$3,855,000 as at 31 December 2021 (2020: HK$2,765,000). As at 31 December 2021, the exercise of the renewal option resulted in an additional amount of approximately HK$26,113,000 (2020: HK$9,739,000) 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.

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 comprises 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

Key sources of estimation uncertainty (Continued)

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. In addition, the Group estimates ECL on trade receivables and contract assets which are not assessed individually based on a collective assessment. The ECL rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and 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.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 38b(ii), 23 and 22.

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:

	2021	2020
	HK$'000	HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**4,249,701**	4,101,152
Maintenance work	**944,743**	881,483
	5,194,444	4,982,635
Recognised at a point of time and short-term contracts		
Sales of goods	**156,276**	142,546
	5,350,720	5,125,181

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

5. REVENUE (CONTINUED)

(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 2021 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	**4,722,732**	**753,937**	**148,111**
More than one year but not more than two years	**1,978,184**	**395,102**	**–**
More than two years	**2,264,672**	**1,046,255**	**–**
	8,965,588	**2,195,294**	**148,111**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 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	4,290,945	932,562	278,604
More than one year but not more than two years	2,447,902	367,601	–
More than two years	2,585,783	944,085	–
	9,324,630	2,244,248	278,604

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

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 technologies ("ICBT"):	Provision for design, installation and servicing of a wide range of intelligent systems, information and communications (ICT) systems and building technology 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 2021

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	**3,103,024**	**628,481**	**368,594**	**149,602**	**4,249,701**
– Maintenance work	**268,814**	**407,502**	**108,302**	**160,125**	**944,743**
– Sales of goods	**6,871**	**81,293**	**17,844**	**50,268**	**156,276**
Total revenue	**3,378,709**	**1,117,276**	**494,740**	**359,995**	**5,350,720**

For the year ended 31 December 2020

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	2,926,275	516,552	331,523	326,802	4,101,152
– Maintenance work	236,823	292,619	108,749	243,292	881,483
– Sales of goods	6,748	87,412	13,045	35,341	142,546
Total revenue	3,169,846	896,583	453,317	605,435	5,125,181

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For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

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 2021

	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	3,378,709	1,117,276	494,740	359,995	–	5,350,720
– inter-segment	5,935	270	61,312	3,660	(71,177)	–
Total revenue	3,384,644	1,117,546	556,052	363,655	(71,177)	5,350,720
Segment profit	130,737	98,609	36,970	70,933	–	337,249
Share of results of an associate						23,896
Bank interest income						5,051
Finance costs						(4,910)
Unallocated income						68,420
Unallocated expenses						(50,840)
Profit before tax						378,866
Income tax expense						(64,567)
Profit for the year						314,299
Other segment information						
Depreciation of property, plant and equipment	2,048	1,661	1,118	4,290	21,459	30,576
Depreciation of right-of-use assets	7,425	1,668	4,149	1,500	22,009	36,751
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(13,713)	(12,446)	15	11,434	–	(14,710)
(Gain) loss on disposals of property, plant and equipment	(95)	82	–	(4)	5	(12)
Gain on derecognition of right-of-use assets and lease liabilities	–	–	–	(4)	–	(4)

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6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2020

	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	3,169,846	896,583	453,317	605,435	–	5,125,181
– inter-segment	2,765	–	35,266	2,903	(40,934)	–
Total revenue	3,172,611	896,583	488,583	608,338	(40,934)	5,125,181
Segment profit	155,673	20,077	81,370	56,662	–	313,782
Share of results of an associate						32,835
Bank interest income						5,772
Finance costs						(3,707)
Unallocated income						22,137
Unallocated expenses						(28,270)
Profit before tax						342,549
Income tax expense						(38,664)
Profit for the year						303,885
Other segment information						
Depreciation of property, plant and equipment	2,799	1,538	1,164	4,656	17,732	27,889
Depreciation of right-of-use assets	9,468	1,335	4,582	3,976	2,043	21,404
Impairment losses on intangible assets	–	–	–	5,462	–	5,462
Impairment losses under expected credit loss model, net of reversal	2,623	17,145	598	621	–	20,987
(Gain) loss on disposals of property, plant and equipment	(133)	168	–	23	(30)	28
Gain on derecognition of right-of-use assets and lease liabilities	(154)	–	–	–	–	(154)
Amortisation of intangible assets	–	–	–	19,880	–	19,880

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, certain share of results of an associate and finance costs. 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.

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For the year ended 31 December 2021

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:

	2021 HK$'000	2020 HK$'000
Customer A*	**1,104,117**	993,961
Customer B*	**836,461**	722,364

* Revenue from all four segments.

Geographical information

The Group's operations are located in Hong Kong, Mainland China, Macau, USA and others.

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

	2021 HK$'000	2020 HK$'000
Revenue		
Hong Kong	**4,735,067**	4,061,534
Mainland China	**314,614**	167,572
Macau	**269,674**	577,563
USA	**1,537**	297,030
Others	**29,828**	21,482
Total	**5,350,720**	5,125,181

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For the year ended 31 December 2021

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

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

	2021 HK$'000	2020 HK$'000
Non-current assets		
Hong Kong	**777,775**	179,732
Mainland China	**293,402**	287,169
Macau	**364**	621
USA	**298,682**	248,383
Others	**42**	–
Total	**1,370,265**	715,905

7. OTHER INCOME

	2021 HK$'000	2020 HK$'000
Rental income	**652**	279
Bank interest income	**5,051**	5,772
Investment income from financial assets at FVTPL	**–**	431
Government subsidies	**8,680**	5,614
Sundry income	**4,054**	6,076
	18,437	18,172

8. OTHER GAINS AND LOSSES

	2021 HK$'000	2020 HK$'000
Loss from change in fair value of contingent consideration payables (Note 36)	**(47,850)**	(12,808)
Gain on disposal of interest in an associate (Note 19)	**63,246**	13,974
Gain on disposal of a subsidiary (Note 41(b))	**–**	891
Gain (loss) on disposals of property, plant and equipment	**12**	(28)
Impairment losses on intangible assets	**–**	(5,462)
Gain on derecognition of right-of-use assets and lease liabilities	**4**	154
Net exchange gains	**2,299**	1,368
Gain (loss) from change in fair value of investment properties	**400**	(370)
Loss from change in fair value of financial assets at FVTPL	**–**	(2,738)
	18,111	(5,019)

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For the year ended 31 December 2021

9. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest expenses on bank borrowing	**158**	30
Interest on lease liabilities	**4,492**	2,785
Interest expenses on other loan	**–**	543
Interest expenses on amount due to a former shareholder of a subsidiary	**–**	43
Ancillary costs in respect of banking facilities	**260**	306
	4,910	3,707

10. INCOME TAX EXPENSE

	2021 HK$'000	2020 HK$'000
Current tax		
Hong Kong	**45,732**	35,774
Macau	**3,729**	5,252
PRC Enterprise Income Tax	**16,594**	4,292
USA Federal Income Tax	**–**	4,371
USA State Income Tax	**–**	3,957
	66,055	53,646
(Over)underprovision in prior years		
Hong Kong	**6**	(3,060)
Macau	**(1,837)**	51
PRC Enterprise Income Tax	**–**	1,969
	(1,831)	(1,040)
	64,224	52,606
Deferred tax (Note 34)	**343**	(13,942)
	64,567	38,664

Under the two-tiered profits tax rates regime in Hong Kong, 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (CONTINUED)

The Company's subsidiaries and an associate of the Group that are 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. During the year ended 31 December 2021, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (2020: 5%). A provision for dividend withholding tax of approximately HK$6,902,000 was charged to profit or loss for the year ended 31 December 2021 (2020: a provision for dividend withholding tax of approximately HK$313,000 was reversed). During the year ended 31 December 2021, withholding tax of approximately HK$1,484,000 (2020: HK$757,000) was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK$5,418,000 charged to profit or loss for the year ended 31 December 2021 (2020: a net reversal of provision of approximately HK$1,070,000 was credited to profit or loss).

During the year ended 31 December 2020, the Group's USA subsidiary, Transel Elevator & Electric Inc. ("TEI"), was subject to USA corporate tax representing 21% of the applicable USA Federal Income Tax rate and an average income tax rate of 12.975% for State of New York, State of New Jersey and New York City jurisdictions for its operations in the USA. On 10 August 2020, the Group disposed of 2% of equity interests in TEI and upon the disposal, TEI became an associate of the Group.

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:

	2021 **HK$'000**	2020 HK$'000
Profit before tax	**378,866**	342,549
Tax at Hong Kong Profits Tax rate of 16.5%	**62,513**	56,521
Tax effect of share of results of associates	**(12,243)**	(4,517)
Tax effect of expenses not deductible for tax purpose	**13,980**	9,817
Tax effect of income not taxable for tax purpose	**(2,079)**	(19,257)
Tax effect of super deduction for research and development expenses (Note)	**(2,640)**	(2,888)
Tax effect of tax losses not recognised	**5,232**	3,019
Utilisation of tax losses not recognised in prior years	**(2,647)**	(103)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(1,789)**	(2,322)
Withholding tax on distributable profits of subsidiaries and an associate	**6,902**	(313)
Income tax at concessionary rate	**(165)**	(165)
Overprovision in prior years	**(1,831)**	(1,040)
Others	**(666)**	(88)
Income tax expense for the year	**64,567**	38,664

Note: In Hong Kong, the qualifying research and development expenditures classified as Type B expenditure under section 16B of the Inland Revenue Ordinance are eligible for 300% tax deduction for the first HK$2 million and 200% deduction for the remainder.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

10. INCOME TAX EXPENSE (CONTINUED)

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

	2021			2020		
	Before-tax amount HK$'000	Tax credit HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Gain (loss) on revaluation of properties	**6,854**	**(1,131)**	**5,723**	(4,878)	805	(4,073)

11. PROFIT FOR THE YEAR

	2021 HK$'000	2020 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note):		
– Directors' remuneration (Note 12)	**18,928**	22,704
– Salaries and other benefits	**1,149,261**	1,071,831
– Retirement benefit scheme contributions (excluding directors)	**51,674**	47,471
	1,219,863	1,142,006
Cost of inventories recognised as expenses (included in cost of sales and services)	**247,956**	246,898
Depreciation of property, plant and equipment	**30,576**	27,889
Depreciation of right-of-use assets	**36,751**	21,404
Amortisation of intangible assets	**–**	19,880
Write-down of inventories, net	**15,604**	3,966
Inventories written off	**845**	–
Loss (gain) from change in fair value of derivative financial instruments	**4,602**	(316)
Rental income from investment properties	**(495)**	(141)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**28**	15
	(467)	(126)
Auditor's remuneration	**4,808**	4,621

Note: During the current year, the Group recognised government grants of approximately HK$2,768,000 (2020: HK$97,028,000) in respect of COVID-19 related subsidies, of which Nil (2020: approximately HK$90,573,000) relates to Employment Support Scheme provided by the Hong Kong government and was credited to cost of sales and services and administrative expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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 the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2021

	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)	–	2,778	1,740	93	4,611
Mr. Law Wei Tak	–	2,599	2,417	119	5,135
Mr. Chan Hoi Ming	–	2,317	2,312	105	4,734
Non-executive director:					
Dr. Mak Kin Wah	–	1,705	1,525	18	3,248
Independent non-executive directors:					
Mr. Chan Fu Keung	400	–	–	–	400
Mr. Lam Kin Fung, Jeffrey	400	–	–	–	400
Mr. Wong King On, Samuel	400	–	–	–	400
	1,200	9,399	7,994	335	18,928

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2020

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related bonus HK$'000 (Note i)	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Dr. Poon (Chairman)	–	2,708	1,799	93	4,600
Mr. Cheng Siu Ngai, Kevin (Note ii)	–	1,063	3,024	38	4,125
Mr. Law Wei Tak	–	3,056	1,680	116	4,852
Mr. Chan Hoi Ming	–	2,242	2,509	101	4,852
Non-executive director:					
Dr. Mak Kin Wah	–	1,620	1,437	18	3,075
Independent non-executive directors:					
Mr. Chan Fu Keung	400	–	–	–	400
Mr. Lam Kin Fung, Jeffrey	400	–	–	–	400
Mr. Wong King On, Samuel	400	–	–	–	400
	1,200	10,689	10,449	366	22,704

Notes:

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

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

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 (2020: 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 three directors (2020: four), whose emoluments are included in the disclosures above. The emoluments of the remaining two (2020: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	4,241	1,922
Performance related bonus	3,261	1,600
Retirement benefit scheme contributions	194	90
	7,696	3,612

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	
	2021	2020
HK$3,500,001 to HK$4,000,000	2	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 (2020: Nil).

13. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year:

	2021 HK$'000	2020 HK$'000
2021 interim – HK4.02 cents (2020: 2020 interim dividend – HK3.82 cents) per share	56,280	53,480
2020 second interim – HK7 cents (2020: 2019 second interim dividend – HK5.07 cents) per share	98,000	70,980
	154,280	124,460

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2021 of HK7.25 cents (2020: second interim dividend in respect of the year ended 31 December 2020 of HK7 cents) per ordinary share, in an aggregate amount of HK$101,500,000 (2020: HK$98,000,000), has been resolved by the board of directors of the Company to pay to the shareholders of the Company.

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14. EARNINGS PER SHARE

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

	2021 HK$'000	2020 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**314,299**	301,350
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**(895)**	–
Earnings for the purpose of calculating diluted earnings per share	**313,404**	301,350
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**1,397,260,542**	1,400,000,000

During the year ended 31 December 2021, the weighted average numbers of ordinary shares for the calculation of basic and diluted earnings per share have been adjusted for the effect of shares held by the trustees pursuant to the share award schemes.

During the year ended 31 December 2021, the earnings for the purpose of calculating diluted earnings per share are adjusted for any changes in the Group's share of results of an associate that is attributable to the increase in the number of ordinary shares of the associate as a result of the conversion of convertible bonds issued by the associate.

Diluted earnings per share for the year ended 31 December 2020 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

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15. INVESTMENT PROPERTIES

	2021 HK$'000	2020 HK$'000
FAIR VALUE		
At beginning of the year	**4,530**	4,900
Acquired on acquisition of assets through acquisition of subsidiaries (Note 40)	**585,000**	–
Change in fair value	**400**	(370)
At end of the year	**589,930**	4,530

The fair value of the Group's investment properties as at 31 December 2021 and 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle 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 2021 HK$'000	Fair value 2020 HK$'000
Commercial property units located in Hong Kong	Level 2	**4,930**	4,530
Industrial premises located in Hong Kong	Level 2	**585,000**	–
		589,930	4,530

The Group's investment properties 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 similar 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 2021 amounted to approximately HK$495,000 (2020: HK$141,000).

The investment properties have been pledged to secure the bank borrowing of the Company and the 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$'000	Assets under construction HK$'000	Total HK$'000
COST OR VALUATION									
At 1 January 2020	71,600	34,043	13,659	4,853	104,264	18,400	395	–	247,214
Exchange realignment	–	2,353	157	129	1,338	191	–	2	4,170
Additions	–	–	3,721	269	9,691	1,953	–	37	15,671
Disposals	–	–	(1,182)	–	(1,506)	(2,610)	–	–	(5,298)
Loss on revaluation	(6,000)	–	–	–	–	–	–	–	(6,000)
Acquisition of a subsidiary (Note 41(a))	–	–	3,700	–	1,980	12	–	–	5,692
Disposal of a subsidiary (Note 41(b))	–	–	(3,725)	–	(2,002)	(12)	–	–	(5,739)
At 31 December 2020 and 1 January 2021	**65,600**	**36,396**	**16,330**	**5,251**	**113,765**	**17,934**	**395**	**39**	**255,710**
Exchange realignment	**–**	**921**	**62**	**50**	**546**	**76**	**–**	**374**	**2,029**
Additions	**–**	**–**	**13,420**	**1,884**	**7,090**	**3,477**	**–**	**23,848**	**49,719**
Disposals	**–**	**–**	**(5,110)**	**(599)**	**(511)**	**(1,343)**	**–**	**–**	**(7,563)**
Gain on revaluation	**5,800**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,800**
Transfers	**–**	**–**	**–**	**–**	**594**	**–**	**–**	**(594)**	**–**
At 31 December 2021	**71,400**	**37,317**	**24,702**	**6,586**	**121,484**	**20,144**	**395**	**23,667**	**305,695**
Comprising:									
At cost	**–**	**37,317**	**24,702**	**6,586**	**121,484**	**20,144**	**395**	**23,667**	**234,295**
At valuation	**71,400**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**71,400**
	71,400	**37,317**	**24,702**	**6,586**	**121,484**	**20,144**	**395**	**23,667**	**305,695**
DEPRECIATION									
At 1 January 2020	–	20,341	7,527	3,103	57,323	12,545	395	–	101,234
Exchange realignment	–	1,511	41	72	968	160	–	–	2,752
Charged for the year	1,122	1,580	2,462	452	20,107	2,166	–	–	27,889
Eliminated on disposals	–	–	(1,182)	–	(1,176)	(2,470)	–	–	(4,828)
Eliminated on disposal of a subsidiary (Note 41(b))	–	–	(248)	–	(348)	–	–	–	(596)
Eliminated on revaluation	(1,122)	–	–	–	–	–	–	–	(1,122)
At 31 December 2020 and 1 January 2021	**–**	**23,432**	**8,600**	**3,627**	**76,874**	**12,401**	**395**	**–**	**125,329**
Exchange realignment	**–**	**621**	**22**	**33**	**405**	**54**	**–**	**–**	**1,135**
Charged for the year	**1,054**	**1,700**	**3,582**	**570**	**21,430**	**2,240**	**–**	**–**	**30,576**
Eliminated on disposals	**–**	**–**	**(5,110)**	**(588)**	**(464)**	**(1,165)**	**–**	**–**	**(7,327)**
Eliminated on revaluation	**(1,054)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,054)**
At 31 December 2021	**–**	**25,753**	**7,094**	**3,642**	**98,245**	**13,530**	**395**	**–**	**148,659**
CARRYING VALUES									
At 31 December 2021	**71,400**	**11,564**	**17,608**	**2,944**	**23,239**	**6,614**	**–**	**23,667**	**157,036**
At 31 December 2020	65,600	12,964	7,730	1,624	36,891	5,533	–	39	130,381

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above property, plant and equipment except assets under construction after taking into account the residual values, 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 in Hong Kong as at 31 December 2021 and 2020 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited. Jones Lang LaSalle 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. There has been no changes from the valuation technique used in prior year.

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 2021 HK$'000	Fair value 2020 HK$'000
Buildings located in Hong Kong	Level 2	**71,400**	65,600

In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for similar properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of leasehold properties, and thus the fair value hierarchy is classified as Level 2.

As at 31 December 2021, 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 and accumulated impairment losses with a carrying value of approximately HK$69,424,000 (2020: HK$70,478,000).

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	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2021					
Carrying amount	**2,956**	**72,084**	**175**	**2,260**	**77,475**
As at 31 December 2020					
Carrying amount	2,975	64,878	796	2,863	71,512
For the year ended 31 December 2021					
Depreciation charge	**93**	**35,434**	**621**	**603**	**36,751**
For the year ended 31 December 2020					
Depreciation charge	86	19,976	1,018	324	21,404

	2021 HK$'000	2020 HK$'000
Expense relating to short-term leases	**7,608**	21,324
Total cash outflow for leases	**46,548**	44,680
Additions to right-of-use assets	**42,703**	60,645

The Group leases various offices, warehouses, motor vehicles and office equipment for its operations. Lease contracts are entered into for fixed term of one to five years (2020: one to five years) with fixed lease payments, 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.

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 years ended 31 December 2021 and 2020, there is no such triggering event.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2021 and 2020, 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.

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18. INTANGIBLE ASSETS

	Patents HK$'000	Backlog contracts HK$'000	Brand name HK$'000	Total HK$'000
COST				
At 1 January 2020	9,622	–	–	9,622
Acquired on acquisition of a subsidiary (Note 41(a))	–	77,298	57,182	134,480
Disposal of a subsidiary (Note 41(b))	–	(77,298)	(57,182)	(134,480)
At 31 December 2020, 1 January 2021 and 31 December 2021	**9,622**	**–**	**–**	**9,622**
AMORTISATION AND IMPAIRMENT				
At 1 January 2020	3,605	–	–	3,605
Charged for the year	555	19,325	–	19,880
Impairment loss recognised in the year	5,462	–	–	5,462
Disposal of a subsidiary (Note 41(b))	–	(19,325)	–	(19,325)
At 31 December 2020, 1 January 2021 and 31 December 2021	**9,622**	**–**	**–**	**9,622**
CARRYING VALUES				
At 31 December 2021	**–**	**–**	**–**	**–**
At 31 December 2020	–	–	–	–

The above intangible assets other than brand name have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Patents	7 – 17 years
Backlog contracts	16 months

The brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The brand name will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

As at 31 December 2020, the management of the Group estimated the recoverable amount of the patents with finite useful life to be Nil due to the economic performance of the patents is worse than expected. As a result, a full impairment loss of approximately HK$5,462,000 was recognised for the patents during the year ended 31 December 2020.

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19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2021 HK$'000	2020 HK$'000
Investment cost		
Listed outside Hong Kong (Note i)	**102,982**	116,606
Unlisted (Note ii)	**240,840**	240,840
Share of post-acquisition profits and other comprehensive income, net of dividends received	**200,892**	152,036
Interests in associates	**544,714**	509,482
Fair value of listed investment (Note iii)	**874,611**	942,663
Amount due from an associate (Note iv)	**96,575**	96,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(96,575)**	(96,575)
	–	–

Notes:

(i) As at 31 December 2021, included in the investment cost, there is a goodwill of approximately HK$16,968,000 (2020: HK$19,236,000) arising from the investment in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA").

(ii) As at 31 December 2021, included in the investment cost, there is a goodwill of approximately HK$137,245,000 (2020: HK$137,245,000) arising from the investment in TEI.

(iii) As at 31 December 2021, 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$874,611,000 (2020: HK$942,663,000) based on the quoted market price available on the Shanghai Stock Exchange multiplied by the quantity of shares held by the Group, which is a Level 1 input under of HKFRS 13 *Fair Value Measurement*.

(iv) As at 31 December 2021, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$96,575,000 (2020: HK$96,575,000), in which approximately HK$13,000,000 (2020: HK$13,000,000) carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1% (2020: HIBOR plus 1.1%) per annum, non-trade nature, unsecured and repayable by October 2022, the remaining balance of approximately HK$83,575,000 (2020: 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 2021 and 2020. 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$96,575,000 (2020: HK$96,575,000) as at 31 December 2021.

As at 31 December 2021, the amount due from OBJV of approximately HK$13,852,000 (2020: 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.

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.

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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
			2021	2020	2021	2020	
OBJV	Unincorporated	Hong Kong	**40%**	40%	**40%**	40%	Engineering contractor for construction and operation projects
NCA (Note i)	Incorporated	The PRC	**22.44%**	25.44%	**22.44%**	25.44%	Manufacturing and sale of precision air-conditioners
TEI (Note ii)	Incorporated	The USA	**49%**	49%	**49%**	49%	Providing new construction, modernisation, repair and maintenance services in the vertical transportation

Notes:

(i) During the year ended 31 December 2021, the Group disposed of 3% of its shareholding in NCA at an aggregate consideration of approximately RMB81,013,000 (equivalent to approximately HK$97,388,000). The net proceeds from the disposal amounted to approximately RMB78,363,000 (equivalent to approximately HK$94,207,000), net of transaction cost of approximately RMB2,650,000 (equivalent to approximately HK$3,181,000). As a result of the disposal, the Group's interest in NCA decreased from 25.44% as at 31 December 2020 to 22.44% as at 31 December 2021, and a gain on disposal of approximately HK$63,246,000 was recognised for the year ended 31 December 2021.

During the year ended 31 December 2020, the Group disposed of 0.37% of its shareholding in NCA at an aggregate consideration of approximately RMB16,743,000 (equivalent to approximately HK$18,106,000). The net proceeds from the disposal amounted to approximately RMB16,077,000 (equivalent to approximately HK$17,385,000), net of transaction cost of approximately RMB666,000 (equivalent to approximately HK$721,000). The Group recognised a gain on disposal of approximately HK$13,974,000 for the year ended 31 December 2020. As a result of the disposal, the Group's interest in NCA decreased from 25.81% as at 31 December 2019 to 25.44% as at 31 December 2020.

The Group is able to exercise significant influence over NCA because the Company owns 22.44% and 25.44% of NCA as at 31 December 2021 and 2020, and appointed two directors out of nine directors.

(ii) On 31 March 2020, the Group acquired 51% of equity interests in TEI and TEI became a non-wholly owned subsidiary of the Company upon the acquisition. Details are set out in Note 41(a). On 10 August 2020, the Group disposed of 2% of equity interests in TEI as set out in Note 41(b). Upon the disposal, the Group owns 49% of TEI as at 31 December 2021 and 2020.

By considering that the Group has right to appoint two directors out of the four directors but the Group has no sufficiently dominant voting rights to direct the relevant activities of TEI unilaterally, the directors of the Company conclude that the Group has significant influence over TEI and therefore it is classified as an associate of the Group.

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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:

	OBJV		NCA		TEI	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000 (Note)
Revenue	**91,105**	95,643	**802,812**	699,227	**1,070,742**	440,071
(Loss) profit for the year	**(5,379)**	(6,646)	**102,482**	128,987	**102,653**	15,394
Other comprehensive income for the year	**–**	–	**31,107**	71,138	**–**	–
Total comprehensive (expense) income for the year	**(5,379)**	(6,646)	**133,589**	200,125	**102,653**	15,394
Dividends from the associate during the year	**–**	–	**14,841**	14,921	**–**	–
Non-current assets	**497**	658	**485,067**	256,293	**86,804**	142,076
Current assets	**52,568**	45,097	**1,934,406**	1,716,580	**479,660**	487,112
Total assets	**53,065**	45,755	**2,419,473**	1,972,873	**566,464**	629,188
Current liabilities	**(308,505)**	(295,816)	**(700,207)**	(496,655)	**(196,712)**	(303,335)
Non-current liabilities	**–**	–	**(475,150)**	(337,755)	**(40,288)**	(99,042)
Net (liabilities) assets	**(255,440)**	(250,061)	**1,244,116**	1,138,463	**329,464**	226,811

Note: TEI became the Group's associate on 10 August 2020. The financial information of TEI disclosed above represented its financial performance for the period from 10 August 2020 to 31 December 2020.

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	OBJV		NCA		TEI	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Net (liabilities) assets	**(255,440)**	(250,661)	**1,244,116**	1,138,463	**329,464**	226,811
Non-controlling interests	**–**	–	**–**	(2,969)	**–**	–
	(255,440)	(250,661)	**1,244,116**	1,135,494	**329,464**	226,811
Proportion of the Group's interest	**40%**	40%	**22.44%**	25.44%	**49%**	49%
Goodwill	**–**	–	**16,968**	19,236	**137,245**	137,245
Others	**–**	–	**(50,170)**	(47,062)	**–**	–
Carrying amount of the Group's interests in associates	**–**	–	**246,032**	261,099	**298,682**	248,383

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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 period are as follows:

Name of project	Form of business structure	Place of operation	Percentage of interest held by the Group 2021	2020	Nature of business
ATAL – Degremont Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
SITA – ATAL Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**48.7%**	48.7%	Engineering contractor for construction projects
ATAL – Degremont – China State Joint Venture*	Unincorporated	Hong Kong	**27.2%**	27.2%	Engineering contractor for construction projects
ATAL – Suez Infrastructure Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**49.8%**	49.8%	Engineering contractor for construction projects
ATAL – Degremont – China Harbour Joint Venture*	Unincorporated	Hong Kong	**31.3%**	31.3%	Engineering contractor for construction projects
Suez – ATAL San Wai Joint Venture*	Unincorporated	Hong Kong	**35%**	35%	Engineering contractor for maintenance projects
ATAL – CW – MH Joint Venture* (Note)	Unincorporated	Hong Kong	**51.96%**	51.96%	Engineering contractor for construction projects
ATAL – BEOD Joint Venture* (Note)	Unincorporated	Hong Kong	**73.2%**	73.2%	Engineering contractor for construction projects

* The project was awarded from the Government of the Hong Kong Special Administrative Region ("HKSAR Government").

Note: According to the agreements of ATAL – CW – MH Joint Venture and ATAL – BEOD Joint Venture, the relevant activities require unanimous consent from all shareholders. The directors of the Company consider that the Group can only exercise joint control over these arrangements and therefore they are classified as joint operations of the Group.

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21. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials, consumable stores and spare parts	**64,754**	68,153
Work in progress	**18,146**	9,206
Finished goods	**2,505**	2,422
	85,405	79,781

22. CONTRACT ASSETS

	2021 HK$'000	2020 HK$'000
Contract assets	**986,895**	1,018,247
Less: allowances for credit losses	**(11,684)**	(13,755)
	975,211	1,004,492

As at 1 January 2020, contract assets amounted to approximately HK$915,172,000.

As at 31 December 2021, contract assets include retention receivables of approximately HK$333,347,000 (2020: HK$334,585,000). 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.

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).

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23. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables	**896,616**	754,676
Less: allowances for credit losses	**(50,054)**	(62,059)
	846,562	692,617
Unbilled revenue (Note)	**205,925**	93,042
Bills receivables	**14,073**	5,261
Less: allowances for credit losses	**–**	(967)
	14,073	4,294
	1,066,560	789,953

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 2020, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$1,001,310,000.

As at 31 December 2021, the Group's bills receivables are of age within one year (2020: within one year).

The Group generally allows credit period ranging from 14 to 90 days (2020: 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.

Aging of trade receivables net of allowances for credit losses presented based on the invoice dates are as follows:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**606,194**	472,311
31 – 90 days	**163,954**	135,626
91 – 360 days	**75,377**	74,691
Over 1 year	**1,037**	9,989
Total	**846,562**	692,617

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$327,171,000 (2020: HK$286,357,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$61,237,000 (2020: HK$65,415,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship, good repayment record and continuous repayment from these customers.

Details of the impairment assessment are set out in Note 38b(ii).

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24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Other receivables	**4,406**	4,281
Deposits and prepayments (Note)	**104,840**	90,922
	109,246	95,203

Note: Balance mainly includes prepayments to suppliers, tendering deposits, rental deposits and miscellaneous deposits and prepayments.

25. AMOUNTS DUE FROM (TO) PARTNERS OF JOINT OPERATIONS

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest rates from 1.35% to 2.85% (2020: 1% 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 2.4% (2020: 0% to 3.1%) per annum.

27. TRADE AND RETENTION PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	**397,284**	273,480
Trade accruals	**53,236**	50,655
Retention payables	**149,409**	134,159
Bills payables	**–**	1,874
	599,929	460,168

As at 31 December 2020, the Group's bills payables are due within six months.

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27. TRADE AND RETENTION PAYABLES (CONTINUED)

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:

	2021 HK$'000	2020 HK$'000
0 – 30 days	**244,298**	157,990
31 – 90 days	**101,004**	62,975
91 – 360 days	**23,757**	20,210
Over 1 year	**28,225**	32,305
	397,284	273,480

28. OTHER PAYABLES AND ACCRUED EXPENSES

	2021 HK$'000	2020 HK$'000
Accrued staff costs	**172,162**	148,163
Accrued contract costs	**931,049**	919,359
Others	**60,402**	37,945
	1,163,613	1,105,467

29. CONTRACT LIABILITIES

	2021 HK$'000	2020 HK$'000
Contract liabilities	**77,174**	106,181

As at 1 January 2020, contract liabilities amounted to approximately HK$23,269,000.

Revenue recognised during the current year included the whole amount of contract liabilities at the beginning of the reporting period amounted to approximately HK$106,181,000 (2020: HK$23,269,000).

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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30. DERIVATIVE FINANCIAL INSTRUMENTS

	2021 HK$'000	2020 HK$'000
Foreign-currency forward contracts classified as current assets	–	316
Foreign-currency forward contracts classified as current liabilities	4,286	–

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 2021:

Notional approximate amount	Maturity	Exchange rate
Sell European dollars ("EUR") 18,000	17 February 2022	HK$9.4625/EUR
Sell EUR 5,000	31 March 2022	HK$9.332/EUR
Sell EUR 679,000	21 June 2022	HK$9.2483/EUR
Sell EUR 113,000	3 August 2022	HK$9.0715/EUR
Sell Australian dollars ("AUD") 65,000	14 February 2022	HK$6.084/AUD
Sell AUD 1,979,000	6 May 2022	HK$5.7805/AUD
Sell British pounds ("GBP") 500,000	18 January 2022	HK$10.495/GBP
Sell GBP 56,000	4 May 2022	HK$10.8275/GBP
Sell GBP 289,000	16 September 2022	HK$10.365/GBP
Sell GBP 89,000	5 October 2022	HK$10.543/GBP
Sell Swedish krona ("SEK") 63,028,000	17 March 2022	HK$0.9211/SEK
Sell Renminbi ("RMB") 332,000	1 March 2022	HK$1.2197/RMB

As at 31 December 2020:

Notional approximate amount	Maturity	Exchange rate
Sell GBP 367,000	23 March 2021	HK$9.7157/GBP
Sell RMB 483,000	15 September 2021	HK$1.1909/RMB

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31. BANK BORROWING

	2021 HK$'000	2020 HK$'000
Secured variable-rate bank loan	**292,500**	–
Less: amount due within one year shown under current liabilities	**(14,625)**	–
Amount shown under non-current liabilities	**277,875**	–
Secured loan is repayable as follows:		
– within one year	**14,625**	–
– within a period of more than one year but not exceeding two years	**14,625**	–
– within a period of more than two years but not exceeding five years	**43,875**	–
– more than five years	**219,375**	–
	292,500	–

At 31 December 2021, the Group's bank borrowing is denominated in HK$ and carries interest rates at HIBOR plus a margin per annum.

The effective interest rates of bank borrowing range from 1.309% to 1.345%.

The fair value of bank borrowing approximated its carrying amount.

At 31 December 2021, the bank borrowing is secured by the investment property located in Kwai Chung, Hong Kong, the assignment of rental income from that investment property, debenture containing fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$1,756,000 and their issued share capital.

The Group is required to comply with certain restrictive financial and other covenants. The Group has complied with these covenants throughout the reporting period.

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32. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**31,157**	28,598
Within a period of more than one year but not more than two years	**12,460**	22,634
Within a period of more than two years but not more than five years	**30,694**	12,625
More than five years	**3,098**	7,047
	77,409	70,904
Less: Amount due for settlement within 12 months shown under current liabilities	**(31,157)**	(28,598)
Amount due for settlement after 12 months shown under non-current liabilities	**46,252**	42,306

The weighted average incremental borrowing rates applied to lease liabilities range from 5% to 5.125% per annum (2020: 5% to 5.125%).

33. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Note: During the year ended 31 December 2021, the Company repurchased 14,000,000 shares of the Company's own ordinary shares on the Stock Exchange through the trustees of the Company's share award schemes, at prices ranging from HK$1.7872 to HK$1.99 per share for an aggregate consideration of approximately HK$26,210,000. As at 31 December 2021, all the treasury shares were held by the trustees.

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34. 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:

	2021 HK$'000	2020 HK$'000
Deferred tax liabilities	21,092	14,764
Deferred tax assets	(10,458)	(5,787)
	10,634	8,977

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the current and prior years are as follows:

	Withholding tax on distributable profits of subsidiaries and associates HK$'000	Temporary difference on tax depreciation HK$'000	Revaluation of properties HK$'000	Intangible assets HK$'000	ECL provision HK$'000	Tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 January 2020	9,742	6,724	–	991	–	–	(586)	16,871
Acquisition of a subsidiary (Note 41(a))	–	385	–	45,690	–	–	(845)	45,230
Disposal of a subsidiary (Note 41(b))	–	(385)	–	(39,124)	–	–	845	(38,664)
(Credited) charged to profit or loss	(1,070)	(1,545)	–	(7,557)	(4,360)	–	590	(13,942)
Income tax relating to loss on revaluation of properties	–	–	(805)	–	–	–	–	(805)
Exchange realignment	579	–	–	–	(288)	–	(4)	287
At 31 December 2020 and 1 January 2021	**9,251**	**5,179**	**(805)**	**–**	**(4,648)**	**–**	**–**	**8,977**
Charged (credited) to profit or loss	**5,418**	**202**	**–**	**–**	**(3,502)**	**(227)**	**(1,548)**	**343**
Income tax relating to gain on revaluation of properties	**–**	**–**	**1,131**	**–**	**–**	**–**	**–**	**1,131**
Exchange realignment	**340**	**–**	**–**	**–**	**(130)**	**–**	**(27)**	**183**
At 31 December 2021	**15,009**	**5,381**	**326**	**–**	**(8,280)**	**(227)**	**(1,575)**	**10,634**

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$105,938,000 (2020: HK$88,820,000) available for offset against future profits. Deferred tax assets have been recognised in respect of approximately HK$1,373,000 (2020: Nil) of such losses as at 31 December 2021. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

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For the year ended 31 December 2021

34. DEFERRED TAX (CONTINUED)

Unrecognised tax losses will be expired as follows:

	2021 HK$'000	2020 HK$'000
– 2021	–	147
– 2022	**11,808**	11,808
– 2023	**6,042**	20,983
– 2024	**12,378**	12,378
– 2025	**13,832**	13,832
– 2026	**25,831**	–
	69,891	59,148
– Indefinite	**34,674**	29,672
	104,565	88,820

35. DEFERRED INCOME

	2021 HK$'000	2020 HK$'000
At beginning of the year	**2,701**	2,970
Amortised	**(269)**	(269)
At end of the year	**2,432**	2,701
Analysed for reporting purposes as:		
Current (included in other payables and accrued expenses)	**269**	269
Non-current	**2,163**	2,432
	2,432	2,701

In 2015, a joint operation was required to provide a 15-year performance bond to Drainage Services Department of 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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36. CONTINGENT CONSIDERATION PAYABLES

	2021 HK$'000	2020 HK$'000
Current	**52,706**	77,009
Non-current	**–**	44,799
Total	**52,706**	121,808

On 31 March 2020, the Group acquired 51% equity interests in TEI for an aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million) as set out in Note 41(a). Out of the aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million), US$17.85 million (equivalent to approximately HK$139.23 million) was paid in cash upon the completion of the acquisition. The remaining consideration of US$17.85 million (equivalent to approximately HK$139.23 million) (the "Deferred Payments") will be deferred and adjusted based on the actual performance of TEI for the pre-determined periods, varies from 0% to 140% of the Deferred Payments.

The Deferred Payments are payable as follows:

(i) US$10.71 million (equivalent to approximately HK$83.54 million) (subject to adjustment) will be paid to the Sellers (as defined in Note 41(a)) within 5 business days after the final determination of the first deferral payment, which will be calculated based on actual performance of TEI for the period from 1 July 2020 to 30 June 2021 (the "First Deferral Payment"); and

(ii) US$7.14 million (equivalent to approximately HK$55.69 million) (subject to adjustment) will be paid to the Sellers within 5 business days after the final determination of the second deferral payment, which will be calculated based on actual performance of TEI for the period from 1 July 2021 to 30 June 2022 (the "Second Deferral Payment").

At the date of initial recognition, the fair value of the contingent consideration payables amounted to approximately HK$109,000,000, representing the estimated fair value of the First Deferral Payment and Second Deferral Payment.

The contingent consideration payables are measured at fair value at the end of the reporting period, with changes in fair value recognised in profit or loss. As at 31 December 2021, the fair value of the deferred consideration payables amounted to approximately HK$52,706,000 (2020: HK$121,808,000), in which approximately HK$52,706,000 (2020: HK$77,009,000) will be due within 12 months from the end of the reporting period and classified as current liabilities.

	HK$'000
As at 31 March 2020 (date of initial recognition)	109,000
Loss on change in fair value	12,808
As at 31 December 2020 and 1 January 2021	**121,808**
Payment made during the year	**(116,952)**
Loss on change in fair value	**47,850**
As at 31 December 2021	**52,706**

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36. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

Included in the share of results of associates for the year ended 31 December 2021, approximately HK$37,640,000, is related to the share of USA government grants in respect of the Paycheck Protection Program ("PPP") loan forgiveness received by TEI. With the inclusion of this PPP loan forgiveness, the profit before tax of TEI for the period from 1 July 2020 to 30 June 2021 exceeds its target performance and thus resulted in "loss from change in fair value of contingent consideration payables" by approximately HK$33,415,000, part of HK$47,850,000, which is included in other gains and losses.

The details of the fair value measurement of the contingent consideration payables are set in Note 38(c).

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 net debt, which includes the bank borrowing and lease liabilities, net of cash and cash equivalents 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

	2021 HK$'000	2020 HK$'000
Financial assets		
Derivative financial instruments	**–**	316
Financial assets at amortised cost (including bank balances and cash)	**1,912,245**	1,956,181
Financial liabilities		
Derivative financial instruments	**4,286**	–
Financial liabilities at FVTPL	**52,706**	121,808
Financial liabilities at amortised cost	**914,415**	466,878

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from an associate, amounts due from (to) partners of joint operations, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, bank borrowing, lease liabilities, contingent consideration payables 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, other payables and contingent consideration 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.

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**	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
EUR	**1,676**	3,828	**224**	1,544
GBP	**230**	56	**1,023**	1,371
RMB	**73,389**	36,337	**2,686**	5,093
United States dollars ("USD")	**23,388**	108,949	**63,286**	130,053

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 1.58%, 1.71% and 4.71% (2020: 6.24%, 5.72% and 7.36%) in HK$ against RMB, GBP and EUR respectively. 1.58% to 4.71% (2020: 5.72% to 7.36%) are the sensitivity rates 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 1.58% to 4.71% (2020: 5.72% to 7.36%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

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 1.58% to 4.71% (2020: 5.72% to 7.36%) against the relevant foreign currencies. For a 1.58% to 4.71% (2020: 5.72% to 7.36%) 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	
	2021	2020
	HK$'000	HK$'000
EUR	**57**	140
GBP	**(11)**	(62)
RMB	**933**	1,629

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 32 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances and variable-rate bank borrowing (see Note 31 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances and HIBOR arising from the Group's HK$ denominated borrowing. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

The directors of the Company consider that the exposure of cash flow interest rate risk arising from pledged bank deposits and bank balances 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.

At 31 December 2021, if interest rates on bank borrowing had been 100 basis points (2020: N/A) higher/lower with all other variables held constant, post-tax profit for the year would be decreased/increased by approximately HK$96,000 (2020: N/A), mainly as a result of higher/lower interest expense on variable-rate bank borrowing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(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 and deposits, 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.

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:

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 2021 on the trade receivables from one of the Group's major customers amounting to approximately HK$110,019,000 (2020: HK$129,323,000) and accounted for 10% (2020: 16%) of the Group's total trade receivables. The same customer also amounting to approximately HK$150,261,000 (2020: HK$162,034,000) and accounted for 15% (2020: 16%) of the Group's total contract assets. In the opinion of the directors of the Company, this customer is reputable organisation in the market. The directors of the Company 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 collective assessment. 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 collective assessment based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. During the year ended 31 December 2021, net impairment losses of approximately HK$12,630,000 and HK$2,080,000 are reversed (2020: HK$7,295,000 and HK$13,692,000 are recognised) for trade receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other receivables and deposits and amounts due from partners of joint operations

For other receivables and deposits 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 2021 and 2020, the Group assessed the ECL for other receivables and deposits and amounts due from partners of joint operations were insignificant and thus no loss allowance was recognised.

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

Notes to the Consolidated Financial Statements

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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	External credit rating	Internal credit rating	12-month or lifetime ECL	2021 Gross carrying amount		2020 Gross carrying amount	
					HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost								
Trade receivables	23	N/A	(Note)	Lifetime ECL (not credit-impaired) (collective assessment)	532,766		465,306	
			Low risk	Lifetime ECL (not credit-impaired)	545,507		335,331	
			Loss	Credit-impaired	38,341	1,116,614	52,342	852,979
Other receivables and deposits	24	N/A	Low risk	12-month ECL	15,405		10,486	
Amounts due from partners of joint operations	25	N/A	Low risk	12-month ECL	10,354		24,263	
Pledged bank deposits	26	AA1 to BAA1 (2020: A3 to BBB)	N/A	12-month ECL	18,188		15,374	
Bank balances	26	AA1 to BAA1 (2020: A3 to BBB)	N/A	12-month ECL	801,738		1,116,105	
Other item								
Contract assets	22	N/A	(Note)	Lifetime ECL (not credit-impaired) (collective assessment)	516,618		643,900	
			Low risk	Lifetime ECL (not credit-impaired)	470,277	986,895	374,347	1,018,247

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 collective assessment, grouped by internal credit rating.

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For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – 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 collective assessment within lifetime ECL (not credit-impaired). Trade receivables and contract assets with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$583,848,000 and approximately HK$470,277,000 respectively as at 31 December 2021 (2020: HK$387,673,000 and HK$374,347,000) were assessed individually. The average loss rates for debtors with significant outstanding balances that are not credit-impaired are assessed to be less than 1% (2020: less than 1%).

Gross carrying amount

	2021			2020		
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	**0.52%**	**108,430**	**141,384**	0.63%	138,947	235,125
Watch list	**2.05%**	**424,336**	**375,234**	2.44%	326,359	408,775
		532,766	**516,618**		465,306	643,900

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and 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 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)

Collective assessment – internal credit rating (Continued)

During the year ended 31 December 2021, the Group recognised impairment allowance of approximately HK$20,376,000 (2020: HK$25,633,000) and reversed impairment allowance of approximately HK$11,020,000 (2020: HK$7,029,000) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$22,227,000 (2020: HK$25,196,000) was made and approximately HK$44,213,000 (2020: HK$36,505,000) was reversed on credit-impaired trade receivables. During the year ended 31 December 2021, trade debtors with gross carrying amount of approximately HK$8,408,000 (2020: HK$15,069,000) became credit-impaired and therefore, approximately HK$8,408,000 (2020: HK$15,069,000) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the year ended 31 December 2021, impairment allowance of approximately HK$2,080,000 was reversed (2020: HK$13,692,000 was made) on contract assets based on the collective assessment.

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 2020	6,935	46,607	53,542
Impairment losses recognised	25,633	25,196	50,829
Impairment losses reversed	(7,029)	(36,505)	(43,534)
Transfer	(15,069)	15,069	–
Write-offs	–	(73)	(73)
Exchange realignment	214	2,048	2,262
As at 31 December 2020 and 1 January 2021	**10,684**	**52,342**	**63,026**
Impairment losses recognised	**20,376**	**22,227**	**42,603**
Impairment losses reversed	**(11,020)**	**(44,213)**	**(55,233)**
Transfer	**(8,408)**	**8,408**	**–**
Write-offs	**–**	**(997)**	**(997)**
Exchange realignment	**81**	**574**	**655**
As at 31 December 2021	**11,713**	**38,341**	**50,054**

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)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating (Continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2020	–
Impairment losses recognised	13,692
Exchange realignment	63
As at 31 December 2020	**13,755**
Impairment losses reversed	**(2,080)**
Exchange realignment	**9**
As at 31 December 2021	**11,684**

(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 2021, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK$1,316,728,000 (2020: HK$795,361,000).

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.

Notes to the Consolidated Financial Statements

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) *Liquidity risk (Continued)*

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	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2021										
Non-derivative financial liabilities										
Trade and retention payables	–	368,451	204,104	27,371	–	3	–	–	599,929	599,929
Other payables	–	10,874	–	–	–	–	–	–	10,874	10,874
Amounts due to partners of joint operations	–	11,112	–	–	–	–	–	–	11,112	11,112
Bank borrowing	1.309 to 1.345	–	1,536	1,536	1,536	13,821	72,234	245,253	335,916	292,500
Contingent consideration payables	–	–	–	–	–	55,692	–	–	55,692	52,706
		390,437	205,640	28,907	1,536	69,516	72,234	245,253	1,013,523	967,121
Lease liabilities	5 to 5.125	–	2,723	2,638	3,154	26,121	48,561	3,164	86,361	77,409
Derivatives – net settlement										
Foreign-currency forward contracts – outflows net	–	–	5,248	974	58,100	23,285	–	–	87,607	4,286

	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	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2020										
Non-derivative financial liabilities										
Trade and retention payables	–	345,787	107,716	2,955	213	3,497	–	–	460,168	460,168
Other payables	–	4,410	–	–	–	–	–	–	4,410	4,410
Amounts due to partners of joint operations	–	2,300	–	–	–	–	–	–	2,300	2,300
Contingent consideration payables	–	–	–	–	–	82,924	55,970	–	138,894	121,808
		352,497	107,716	2,955	213	86,421	55,970	–	605,772	588,686
Lease liabilities	5 to 5.125	–	2,703	2,805	2,755	22,943	38,910	7,383	77,499	70,904

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For the year ended 31 December 2021

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

Interest rate benchmark reform

The Group's HIBOR bank loan will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators, if any.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loan linked to HIBOR will continue till maturity.

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
	2021 HK$'000	2020 HK$'000		
Derivative financial liabilities (assets) (Note 30)	**4,286**	(316)	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.
Contingent consideration payables (Note 36)	**52,706**	121,808	Level 3	Discounted cash flow. Discounted cash flow method was used to capture the present value of the expected future economic benefits will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate (Note).

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38. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on recurring basis (Continued)

Note: Significant unobservable inputs

(i) Discount rate of 16.5% (2020: 16%)

An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration payables and vice versa. As at 31 December 2021, if discount rate increased from 16.5% to 17.5% (decreased from 16.5% to 15.5%), while all other variables keep constant, would decrease the fair value of contingent consideration payables by approximately HK$222,000 (increase by HK$225,000). As at 31 December 2020, if discount rate increased from 16% to 17% (decreased from 16% to 15%), while all other variables keep constant, would decrease the fair value of contingent consideration payables by approximately HK$902,000 (increase by HK$919,000).

(ii) Probability-adjusted profits, with a range from approximately US$7,140,000 (equivalent to approximately HK$55,692,000) to US$7,854,000 (equivalent to approximately HK$61,261,000) (31 December 2020: Probability-adjusted profits, with a range from approximately US$5,712,000 (equivalent to approximately HK$44,554,000) to US$12,852,000 (equivalent to approximately HK$100,246,000))

An increase in the probability-adjusted profits used in isolation would result in an increase in the fair value measurement of the contingent consideration payables and vice versa. As at 31 December 2021, a 5% increase (5% decrease) in the probability-adjusted profits, while all other variables keep constant, would increase the fair value of contingent consideration payables by approximately HK$2,606,000 (decrease by HK$2,606,000). As at 31 December 2020, a 5% increase (5% decrease) in the probability-adjusted profits, while all other variables keep constant, would increase the fair value of contingent consideration payables by approximately HK$6,079,000 (decrease by HK$6,079,000).

There were no transfers between Level 1 or 2 during the current and prior years.

As at 31 December 2021, the only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of TEI (Note 41(a)). During the year ended 31 December 2021, a loss from change in fair value of approximately HK$47,850,000 (2020: HK$12,808,000) relating to this contingent consideration has been recognised in profit or loss.

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.

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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 four years.

	2021 **HK$'000**	2020 HK$'000
Undiscounted lease payments receivable on leases are as follows:		
Within one year	**5,120**	305
In the second year	**766**	161
In the third year	**202**	161
In the fourth year	**–**	50
	6,088	677

40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2021, the Group completed the following transaction accounted for as acquisition of assets through acquisition of subsidiaries as the assets acquired do not meet the definition of a business:

On 20 December 2021, the Group acquired 100% equity interest of Black Tie Holdings Limited and its wholly owned subsidiary, Fame Smart Investment Limited ("Target Group"), for an aggregate consideration of HK$580,486,000 from an independent third party. The Target Group's major asset is the property known as Toppy Tower located in Kwai Chung, Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 *Business Combinations* and concluded that the property is considered as a single identifiable assets. The Group determined that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets and conclude that the acquired Target Group is not a business.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current asset	
Investment properties (Note 15)	**585,000**
Current assets	
Trade receivables	**74**
Other receivables, deposits and prepayments	**438**
Bank balances and cash	**4**
Current liability	
Other payables and accrued expenses	**(5,030)**
	580,486

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40. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net cash outflows arising on acquisition of the Target Group

	HK$'000
Consideration paid in cash	**580,486**
Less: bank balances and cash acquired	**(4)**
	580,482

41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of a subsidiary in 2020

On 31 March 2020, a wholly owned subsidiary of the Company entered into a stock purchase agreement (the "Agreement") with six independent individuals (the "Sellers"), to purchase 34 issued shares of TEI, representing 51% of the equity interests in TEI for an aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million). TEI 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 and accounted for as acquisition of business using the acquisition method.

	Consideration HK$'000
Cash (Note i)	139,230
Contingent consideration arrangement (Note ii)	109,000
	248,230

Notes:

(i) Out of the aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million), US$17.85 million (equivalent to approximately HK$139.23 million) was paid in cash upon the completion of the acquisition.

(ii) Amount represented the estimated fair value of the First Deferral Payment and Second Deferral Payment on 31 March 2020.

Acquisition-related costs amounting to approximately HK$10,399,000 have been excluded from the consideration transferred and have been recognised directly as an expense when they are incurred. Acquisition-related costs amounting to approximately HK$5,545,000 have been recognised as an expense prior to the year ended 31 December 2020. The remaining amounts of approximately HK$4,854,000 have been recognised in the year ended 31 December 2020 within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2021

41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary in 2020 (Continued)

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment (Note 16)	5,692
Right-of-use assets	35,509
Intangible assets (Note 18)	134,480
Restricted cash	1,132
Deferred tax assets (Note 34)	460
Current assets	
Inventories	1,412
Contract assets	108,502
Trade receivables	273,946
Other receivables, deposits and prepayments	8,803
Bank balances and cash	68,624
Current liabilities	
Trade and retention payables	(104,495)
Other payables and accrued expenses	(45,641)
Contract liabilities	(138,770)
Lease liabilities	(6,568)
Bank borrowings	(55,652)
Tax payable	(4,746)
Amount due to a former shareholder	(656)
Amounts due to shareholders	(8,769)
Non-current liabilities	
Bank borrowings	(825)
Amount due to a former shareholder	(4,204)
Lease liabilities	(28,941)
Deferred tax liabilities (Note 34)	(45,690)
	193,603

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41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary in 2020 (Continued)

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised of trade and other receivables) approximated to the gross contractual amounts, net of allowances for credit losses, the best estimate at acquisition date of the contractual cash flows of the receivables expected to be collected.

Non-controlling interests

The non-controlling interests (49%) in TEI recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of TEI and amounted to approximately HK$94,865,000.

Goodwill arising on acquisition

	HK$'000
Consideration transferred	248,230
Plus: non-controlling interests (49% in TEI)	94,865
Less: recognised amounts of net assets acquired	(193,603)
Goodwill arising on acquisition	149,492

Goodwill arose on the acquisition of TEI because the acquisition will allow the Group to gain local presence, knowledge and more than 30 years' experience in the USA lifts and escalators market. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Net cash outflows arising on acquisition of TEI

	HK$'000
Consideration paid in cash	139,230
Less: bank balances and cash acquired	(68,624)
	70,606

Goodwill arising on this acquisition is deductible for tax purpose.

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For the year ended 31 December 2021

41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary in 2020 (Continued)

Impact of acquisition on the results of the Group

Included in the profit for the year ended 31 December 2020 was profit of approximately HK$5,174,000 contributed by TEI's operation for the period from 31 March 2020 to 9 August 2020. Revenue for the year ended 31 December 2020 included approximately HK$295,981,000 generated from TEI for the period from 31 March 2020 to 9 August 2020.

The pro-forma information provided in this paragraph is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020 and no subsequent disposal during the year ended 31 December 2020, nor is it intended to be a projection of future results. Had the acquisition of TEI been completed on 1 January 2020, revenue for the year ended 31 December 2020 of the Group would have been approximately HK$5,375,183,000, and the profit for the year ended 31 December 2020 would have been approximately HK$322,405,000.

In determining the 'pro-forma' revenue and profit of the Group had TEI been acquired at the beginning of the reporting period, the directors of the Company calculated depreciation and amortisation of property, plant and equipment, right-of-use assets and intangible assets based on the recognised amounts of property, plant and equipment, right-of-use assets and intangible assets at the date of the acquisition.

(b) Disposal of 2% equity interests in TEI in 2020

On 10 August 2020, the Group entered into a share purchase agreement with Mr. Mark Gregorio, a non-controlling shareholder of TEI, to sell 2% of equity interests in TEI for a consideration of US$1.4 million (equivalent to approximately HK$10.92 million). The above disposal had been completed on 10 August 2020. Upon the disposal, TEI became an associate of the Group.

Notes to the Consolidated Financial Statements

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41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(b) Disposal of 2% equity interests in TEI in 2020 (Continued)

Analysis of assets and liabilities over which control was lost:

	10 August 2020 HK$'000
Goodwill	149,492
Property, plant and equipment (Note 16)	5,143
Right-of-use assets	33,246
Intangible assets (Note 18)	115,155
Restricted cash	1,132
Deferred tax assets (Note 34)	460
Inventories	2,921
Contract assets	108,329
Trade receivables	256,036
Other receivables, deposits and prepayments	4,659
Bank balances and cash	65,947
Trade and retention payables	(87,419)
Other payables and accrued expenses	(48,274)
Contract liabilities	(96,826)
Lease liabilities	(33,324)
Bank borrowings	(1,532)
Tax payable	(6,293)
Other loan	(76,816)
Amount due to a former shareholder	(4,643)
Deferred tax liabilities (Note 34)	(39,124)
Net assets disposed of	348,269

Gain on disposal:

	HK$'000
Cash consideration	10,920
Interest in an associate (Note)	240,840
Net assets disposed of	(348,269)
Non-controlling interests	97,400
Gain on disposal	891

Note: Upon the completion of disposal, the Group ceases to control TEI and has significant influence over TEI. TEI became the Group's associate. Amount represented deemed cost of the initial recognition of interest in an associate, which was determined at the fair value of the 49% of equity interests in TEI as at 10 August 2020.

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41. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(b) Disposal of 2% equity interests in TEI in 2020 (Continued)

Net cash outflows arising on disposal:

	HK$'000
Cash consideration received	10,920
Less: Cash and cash equivalents disposed of	(65,947)
	(55,027)

Disposal-related costs amounting to approximately HK$411,000 have been recognised within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

42. 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:

	2021 HK$'000	2020 HK$'000
Enterprise resources planning system	**145**	116
Expanding existing manufacturing facilities	**13,853**	554
Human resources management system	**–**	10
Office renovation and reinstatement	**–**	1,736
Revitalisation of existing investment properties	**8,988**	–
	22,986	2,416

43. PERFORMANCE BONDS

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$447,163,000 (2020: HK$486,750,000) 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.

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44. PLEDGE OF ASSETS

At the end of the reporting period, the Group had the following pledge of assets:

	2021 HK$'000	2020 HK$'000
Properties	**71,400**	65,600
Investment properties	**589,930**	4,530
Bank deposits	**18,188**	15,374
Others (Note 31)	**1,756**	–
	681,274	85,504

45. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the consolidated statement of financial position on pages 65 and 66 and Note 25. The Group entered into the following transactions with related parties during the current and prior years:

Name of related company	Relationship	Nature of transactions	2021 HK$'000	2020 HK$'000
OBJV	Associate	Sales	**4,186**	5,257
OBJV	Associate	Interest income	**223**	–
OBJV	Associate	Service fee income	**914**	–
Perfect Motive Limited ("Perfect Motive")	Related party (Note)	Repayment of lease liabilities/ short-term lease expenses	**16,200**	17,444
Perfect Motive	Related party (Note)	Direct expense recharge	**561**	603
TEI	Associate	Sales	**1,537**	1,012

Note: Perfect Motive is a subsidiary of Arling Investment Limited, the Company's immediate holding company.

(b) Compensation of key management personnel

The remuneration of directors of the Company, being the key management is set out in Note 12.

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46. 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 assets and financial liabilities are not offset in the consolidated statement 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 2021

	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	**801,738**	**(4,286)**	**797,452**
Recognised financial liabilities:			
– Derivative financial instruments	**(4,286)**	**4,286**	**–**

As at 31 December 2020, there is no financial assets and financial liabilities subject to enforceable master netting arrangements.

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47. 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.

	Other loan HK$'000	Amount due to non-controlling interests HK$'000	Amount due to former shareholder of a subsidiary HK$'000	Amounts due to partners of joint operations HK$'000	Bank borrowing HK$'000	Lease liabilities HK$'000	Dividend payable HK$'000	Total HK$'000
				(Note 25)	(Note 31)	(Note 32)		
At 1 January 2020	–	–	–	433	–	34,129	–	34,562
Acquisition of a subsidiary	–	8,769	4,860	–	56,477	35,509	–	105,615
Disposal of a subsidiary	(76,816)	–	(4,643)	–	(1,532)	(33,324)	–	(116,315)
Financing cash flow	76,273	(8,769)	(260)	1,867	(55,281)	(23,356)	(124,460)	(133,986)
Interest accruals	543	–	43	–	336	2,785	–	3,707
Cash dividend declared (Note 13)	–	–	–	–	–	–	124,460	124,460
New leases entered/lease modification	–	–	–	–	–	58,460	–	58,460
Early termination of a lease	–	–	–	–	–	(3,333)	–	(3,333)
Rent reduction	–	–	–	–	–	(75)	–	(75)
Exchange realignment	–	–	–	–	–	109	–	109
At 31 December 2020 and 1 January 2021	**–**	**–**	**–**	**2,300**	**–**	**70,904**	**–**	**73,204**
Financing cash flow	**–**	**–**	**–**	**8,812**	**292,082**	**(38,940)**	**(154,280)**	**107,674**
Interest accruals	**–**	**–**	**–**	**–**	**418**	**4,492**	**–**	**4,910**
Cash dividend declared (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**154,280**	**154,280**
New leases entered/lease modification	**–**	**–**	**–**	**–**	**–**	**41,039**	**–**	**41,039**
Early termination of a lease	**–**	**–**	**–**	**–**	**–**	**(84)**	**–**	**(84)**
Rent reduction	**–**	**–**	**–**	**–**	**–**	**(19)**	**–**	**(19)**
Exchange realignment	**–**	**–**	**–**	**–**	**–**	**17**	**–**	**17**
At 31 December 2021	**–**	**–**	**–**	**11,112**	**292,500**	**77,409**	**–**	**381,021**

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48. PARTICULARS 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
			2021	2020	**2021**	2020	
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 (Note ii)	The PRC	RMB52,000,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
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

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48. PARTICULARS 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
			2021	2020	**2021**	2020	
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* (Note ii)	The PRC	RMB35,569,907	**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 (Note ii)	The PRC	RMB161,300,000	**100%**	100%	**100%**	100%	Manufacturing and sale of escalators and moving walkways
南京安樂軟件科技有限公司* (Note ii)	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 Limited*	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
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*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Provision of property management services
LATA Limited*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holding
Anlev (US) LLC	Delaware, USA	–	**100%**	100%	**100%**	100%	Investment holding

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48. PARTICULARS 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
			2021	2020	2021	2020	
Anlev (UK) Limited	England and Wales	GBP100,000	**100%**	100%	**100%**	100%	Designing, manufacturing, selling, installing, renovating and providing services of lifts, escalators and parts
Anlev (UK) Holdings Limited (Note iii)	England and Wales	GBP100,000	**100%**	N/A	**100%**	N/A	Investment holding
Future Chance Developments Limited (Note iv)	British Virgin Islands	USD100	**100%**	N/A	**100%**	N/A	Investment holding
Black Tie Holdings Limited (Note v)	British Virgin Islands	USD100	**100%**	N/A	**100%**	N/A	Investment holding
榮俊投資有限公司 Fame Smart Investment Limited (Note v)	Hong Kong	HK$1	**100%**	N/A	**100%**	N/A	Property investment

Notes:

* Directly held by the Company.

(i) Each of ATAL Engineering (Macao) Limited, Analogue Building Services (Macao) Limited and ATAL Building Services (Macao) Limited is owned as to 96% by the Company and 4% by the Company's wholly owned subsidiary, LATA Limited.

(ii) These subsidiaries are wholly foreign-owned enterprises established in the PRC.

(iii) This subsidiary was incorporated on 9 November 2021.

(iv) This subsidiary was incorporated on 28 July 2021.

(v) Acquired during the current year.

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 during the year or at the end of the year and prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS

Share Award Schemes

The Company adopted two share award schemes (singly, "Share Award Scheme" or collectively, the "Share Award Schemes") with the similar terms except that the eligible participants of one of the Share Award Schemes ("Eligible Participants") shall not be connected persons of the Company. The principal terms of the Share Award Schemes are summarised below:

1. Purpose of the Share Award Schemes

The purpose of the Share Award Schemes is to (i) recognise and reward the contribution of certain Eligible Participants (as mentioned below) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

2. Eligible Participants

The Eligible Participants of one of the Share Award Schemes include any person belonging to the following classes of participants: (a) an employee of the Company (full time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company and any entity in which any member of the Group holds any equity interest ("Invested Entity") (the "Employee"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and (d) 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. The Eligible Participants of the other Share Award Scheme include the above Eligible Participants except the connected persons of the Company.

3. Selection Criteria

A Selected Participant is an Eligible Participant for whom Shares have been provisionally set aside pursuant to an award (the "Award") granted by the board of directors of the Company. The eligibility of any of the Eligible Participants to an Award granted by the board of directors of the Company to a Selected Participant shall be determined by the board of directors of the Company from time to time on the basis of the opinion of the board of directors of the Company as to his contribution and/or future contribution to the development and growth of the Group.

4. Satisfaction of Awards

To satisfy the Award, the Company shall transfer to the trustees for the trusts in respect of the Share Award Schemes (the "Trustees") the necessary funds from the Company's internal resources and instruct the Trustees to acquire the shares of the Company (the "Shares") through either on-market and/or off-market transactions at the prevailing market price. The Company shall not instruct the Trustees to acquire any Shares where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance ("SFO") or other applicable laws from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

5. *Scheme Limit and Maximum Number of Shares to be Granted*

The total number of awarded shares under the Awards (the "Awarded Shares") made pursuant to the Share Award Schemes shall not exceed 10% of the total number of issued shares of the Company as at 27 November 2020 ("SAS Adoption Date") (i.e. 140,000,000 Shares). As at the date of the issuance of these consolidated financial statements, the total number of awarded shares available for grant is 104,000,000 Shares, representing approximately 7.43% of the Company's total number of issued Shares as at the date of these financial statements. The maximum number of Shares which may be subject to an Award or Awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the SAS Adoption Date (i.e. 14,000,000 Shares).

6. *Voting Rights*

Neither the Selected Participant nor the Trustees may exercise any of the voting rights in respect of any Awarded Shares that have not yet vested.

7. *Duration of the Share Award Schemes*

The Share Award Schemes shall be valid and effective for a term of 10 years commencing from the SAS Adoption Date, and after the expiry of such 10-year term no further Awards may be made but the rules of the Share Award Schemes shall remain in full force and effect to the extent necessary to give effect to any Awards made prior thereto and the administration of the trust property held by the Trustees.

8. *Timing of Awards and/or Instructions to the Trustees*

No Award shall be made to Selected Participants and no instructions shall be given to the Trustees to acquire Shares under the Share Award Schemes:

(a) when inside information has come to the Company's knowledge until such inside information has been published in accordance with the SFO; and

(b) during the periods or times in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company. In particular, during the period preceding the publication of financial results in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

9. Vesting Conditions and/or Performance Targets

The board of directors of the Company is entitled to impose any condition(s) and/or performance target(s), if any, that must be attained by the relevant Selected Participant before any of the Awarded Shares may be transferred to and vested in such Selected Participant under an Award (including but not limited to a period of continued service within the Group after the Award), and shall inform the Trustees and such Selected Participant the relevant conditions and/or performance targets of the Award and the Awarded Shares.

10. Vesting Period

There is no minimum period for which an Award must be held before it can be vested. The board of directors of the Company is entitled to prescribe the earliest date ("Earliest Vesting Date") and other subsequent date(s), if any, on which the Trustee may vest the legal and beneficial ownership of the Awarded Shares. The Trustees shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:

(i) the Earliest Vesting Date as specified in the award notice to which such Award relates; and

(ii) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related award notice have been attained or paid and notified to the Trustee by the board of directors of the Company.

11. Subscription Price for the Awards or Awarded Shares

There is no amount payable on acceptance of the Awards or the Awarded Shares.

12. Lapse and Forfeiture of Award

In the event that a Selected Participant does not satisfy the vesting condition(s) and/or performance target(s) set out in the award letter issued to such Selected Participant, the Award does not vest and the Award shall lapse and the Award Shares shall be deemed to be returned shares (the "Returned Shares").

In respect of a Selected Participant who dies or retires at his normal retirement date or by agreement with a member of the Group at any time prior to or on the vesting date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

In the event that any Selected Participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such Selected Participant shall forthwith lapse and be cancelled.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

12. Lapse and Forfeiture of Award (Continued)

In the event (i) a Selected Participant is found to be excluded in accordance with the Share Award Scheme (the "Excluded Participant") or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustees for the relevant Awarded Shares within the stipulated period, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme.

Upon the occurrence of any of the following events, the Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme:

(i) when a Selected Participant ceases to be an Employee other than because of his death or retirement at his normal retirement date or by agreement with the relevant member of the Group;

(ii) when the Subsidiary or Invested Entity by which a Selected Participant is employed ceases to be a subsidiary or Invested Entity of the Group;

(iii) when the board of directors of the Company shall at its absolute discretion determine in respect of a Selected Participant (other than a Selected Participant who is an Employee) that:

(a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on one part and any member of the Group or any Invested Entity on the other part;

(b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or

(c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the Invested Entity by reason of the cessation of its relationship with the Group or its Invested Entity or by any other reasons whatsoever; or

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

12. Lapse and Forfeiture of Award (Continued)

(iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

The Trustees shall hold the Returned Shares exclusively for the benefit of all or one or more of the Eligible Participants (excluding any Excluded Participants) as the board of directors of the Company shall in its absolute discretion at any time determine and select in writing as the Selected Participant(s).

No Share has been granted or awarded since the SAS Adoption Date to 31 December 2021. On 21 January 2022, a total of 36,000,000 Awarded Shares were granted to certain Selected Participants, among which 14,000,000 Awarded Shares were granted to Mr. Chan Hoi Ming, an executive director of the Company. For further details of the grant of 14,000,000 Awarded Shares to Mr. Chan Hoi Ming, please refer to the announcements of the Company dated 21 January 2022 and 16 February 2022, respectively.

Share Option Scheme

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 on the Stock Exchange on 12 July 2019. The Share Option Scheme was adopted to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, and remains in force until 11 July 2029. 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 Invested Entity;

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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(i) Who may join (Continued)

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 total number of issued Shares 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 and 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.

(iv) The period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee, which period may commence from the date of the offer for the grant of option is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option, subject to the provisions for early termination thereof.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

49. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(v) 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.

(vi) 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.

(vii) 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 option has ever been granted since the adoption of the Share Option Scheme up to the date of the issuance of these consolidated financial statements.

50. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their basic payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the schemes.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

The employees employed in the USA contribute a percentage of their compensation up to annual statutory limits to the 401(k) Plan, and the plan provides for a matching contribution by the employer. The employer is required to make equal to a uniform percentage of each tier of employee salary deferral.

No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2021, the total expenses recognised in the profit or loss for the above schemes amounted to approximately HK$52,009,000 (2020: HK$47,837,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2021 HK$'000	2020 HK$'000
Non-current assets			
Interests in subsidiaries		**620,812**	360,197
Interest in an associate		**246,032**	261,099
Amounts due from subsidiaries		**320,010**	58,124
		1,186,854	679,420
Current assets			
Other receivables, deposits and prepayments		**1,151**	1,276
Amounts due from subsidiaries		**496,449**	501,060
Bank balances and cash		**119,828**	123,775
		617,428	626,111
Current liabilities			
Other payables and accrued expenses		**6,758**	1,392
Amounts due to subsidiaries		**897,259**	783,291
Financial guarantee liabilities		**193**	731
Bank borrowing – due within one year	31	**14,625**	–
		918,835	785,414
Net current liabilities		**(301,407)**	(159,303)
Total assets less current liabilities		**885,447**	520,117
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**584,008**	499,463
Total equity		**598,008**	513,463
Non-current liabilities			
Bank borrowing – due after one year	31	**277,875**	–
Deferred tax liability		**9,564**	6,654
		287,439	6,654
		885,447	520,117

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves is as follows:

	Share premium HK$'000	Treasury share reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2020	358,704	–	5	(13,722)	102,233	447,220
Profit for the year	–	–	–	–	158,909	158,909
Exchange differences arising from translation of an associate	–	–	–	17,566	–	17,566
Exchange differences arising from disposal of interest in an associate	–	–	–	228	–	228
Total comprehensive income for the year	–	–	–	17,794	158,909	176,703
Dividends recognised as distribution (Note 13)	–	–	–	–	(124,460)	(124,460)
At 31 December 2020 and 1 January 2021	**358,704**	**–**	**5**	**4,072**	**136,682**	**499,463**
Profit for the year	**–**	**–**	**–**	**–**	**258,150**	**258,150**
Exchange differences arising from translation of an associate	**–**	**–**	**–**	**7,682**	**–**	**7,682**
Exchange differences arising from disposal of interest in an associate	**–**	**–**	**–**	**(797)**	**–**	**(797)**
Total comprehensive income for the year	**–**	**–**	**–**	**6,885**	**258,150**	**265,035**
Dividends recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**(154,280)**	**(154,280)**
Purchase of shares under share award schemes (Note 33)	**–**	**(26,210)**	**–**	**–**	**–**	**(26,210)**
At 31 December 2021	**358,704**	**(26,210)**	**5**	**10,957**	**240,552**	**584,008**

Five-Year Financial Summary

RESULTS
For the year ended 31 December

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Revenue					
– Building services	3,096,591	4,426,520	2,676,315	3,169,846	**3,378,709**
– Environmental engineering	1,256,563	865,796	1,086,886	896,583	**1,117,276**
– ICBT	381,687	424,473	444,382	453,317	**494,740**
– Lifts and escalators	230,436	249,257	274,328	605,435	**359,995**
Total revenue	4,965,277	5,966,046	4,481,911	5,125,181	**5,350,720**
Gross profit					
– Building services	600,375	557,747	344,689	407,318	**432,358**
– Environmental engineering	119,755	95,476	192,717	150,747	**194,859**
– ICBT	113,264	139,773	137,076	153,636	**114,743**
– Lifts and escalators	89,966	95,398	112,251	197,430	**136,412**
Total gross profit	923,360	888,394	786,733	909,131	**878,372**
Segment profit					
– Building services	332,778	252,169	141,024	155,673	**130,737**
– Environmental engineering	7,075	4,176	67,535	20,077	**98,609**
– ICBT	59,581	72,935	64,700	81,370	**36,970**
– Lifts and escalators	24,930	16,952	26,022	56,662	**70,933**
Total segment profit	424,364	346,232	299,281	313,782	**337,249**
Profit for the year attributable to owners of the Company	433,577	315,282	245,001	301,350	**314,299**

ASSETS, LIABILITIES AND EQUITY
As at 31 December

	2017 HK$'000	2018 HK$'000	2019 HK$'000	2020 HK$'000	**2021 HK$'000**
Total assets	3,457,399	3,052,971	3,423,255	3,869,727	**4,449,158**
Total liabilities	1,605,275	1,846,364	1,661,451	1,896,095	**2,319,459**
Total Equity	1,852,124	1,206,607	1,761,804	1,973,632	**2,129,699**

FINANCIAL INFORMATION PER SHARE
For the year ended 31 December/As at 31 December

	2017	2018	2019	2020	**2021**
Earnings (HK$)	0.41	0.30	0.20	0.22	**0.22**
Net assets (HK$)	1.76	1.15	1.45	1.41	**1.52**

KEY RATIOS
For the year ended 31 December/As at 31 December

	2017	2018	2019	2020	**2021**
Return on assets	13.2%	9.7%	7.6%	8.3%	**7.6%**
Return on equity	25.4%	20.6%	16.5%	16.3%	**15.3%**
Current ratio (times)	1.7	1.5	1.9	1.8	**1.6**
Gearing ratio	2.8%	N/A	N/A	N/A	**13.7%**

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
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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183 Queen's Road East
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