Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1977)

2020 Annual Report

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 2020 financial year

HK$5.1bn
Revenue

17.7%
Gross profit margin

HK$11.8bn
Outstanding contracts in hand

5.9%
Net profit margin

Contents

Milestones 2
Financial Highlights 4
Chairman's Statement 6
Management Discussion and Analysis 8
Board of Directors and Senior Management 24
Corporate Governance Report 36
Environmental, Social and Governance Report 52
Report of the Directors 100
Independent Auditor's Report 110
Consolidated Statement of Profit or Loss and Other Comprehensive Income 114
Consolidated Statement of Financial Position 115
Consolidated Statement of Changes in Equity 117
Consolidated Statement of Cash Flows 119
Notes to the Consolidated Financial Statements 122
Five-Year Financial Summary 223
Corporate Information 224

Milestones

Provision of comprehensive E&M infrastructure and building services for a new **Government Data Centre** in Cheung Sha Wan

Deployment of latest Modular Integrated Construction (MiC) technology in **a smart living and co-creation space project** in Pak Shek Kok

Global expansion to the US and the UK

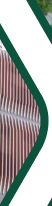
Completed the design, supply and installation of vehicle examination and control system for **a vehicle examination facility in Tsing Yi**

Delivered MEP installations with MiC technology for **a temporary quarantine facility on Lantau Island**

The Central-Mid-Levels Escalator modernisation project won first place accolade in **ELEVATOR WORLD 2021 "Project of the Year"**

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

Won **Autodesk Hong Kong BIM Awards 2020** with San Wai Sewage Treatment Works (Phase 1) project



Won plumbing and drainage system contract for a **residential project in Kai Tak Development**

Awarded the fire services contract for **a mixed-use development in Chek Lap Kok**

Financial Highlights

	2020 HK$'M	2019 HK$'M
Value of outstanding contracts	**11,847.5**	9,408.5
Revenue	**5,125.2**	4,481.9
Gross profit	**909.1**	786.7
Profit attributable to owners of the Company	**301.4**	245.0
Basic earnings per share	**HK$0.22**	HK$0.20

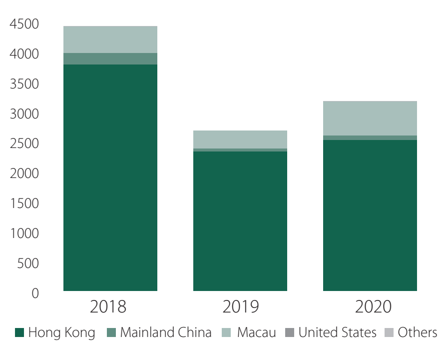
The Board has resolved to pay a second interim dividend of HK7 cents per share for the year ended 31 December 2020.(i)

(i) The second interim dividend for the year ended 31 December 2020 of HK7 cents per share, in an aggregate amount of HK$98,000,000, is expected to be paid on or about 29 April 2021. Together with the first interim dividend of HK3.82 cents per share, amounted to HK$53,480,000 in aggregate, paid in September 2020, total distribution of dividends made by the Company for the year ended 31 December 2020 will be HK10.82 cents per share, amounted to HK$151,480,000 in aggregate, representing a dividend payout ratio of 50.3%, based on the profit attributable to owners of the Company of HK$301.4 million.

REVENUE BY GEOGRAPHICAL LOCATION - BY SEGMENT

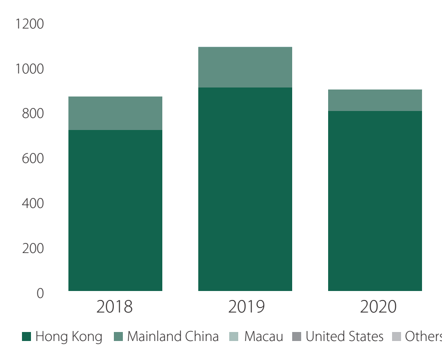
Building Services

For the year ended 31 December
HK$'M



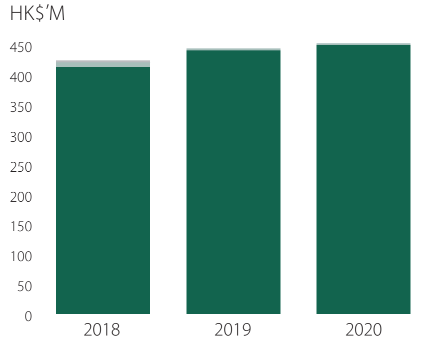
Environmental Engineering

For the year ended 31 December
HK$'M



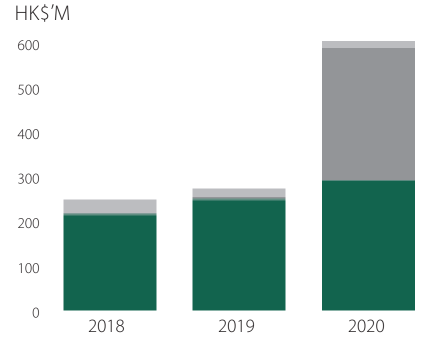
ICBT

For the year ended 31 December
HK$'M



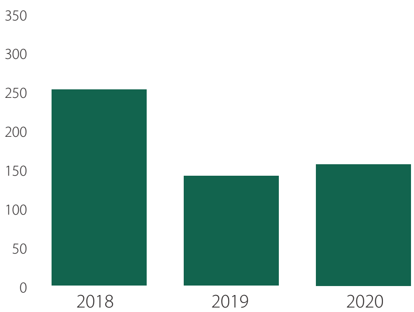
Lifts and Escalators

For the year ended 31 December
HK$'M

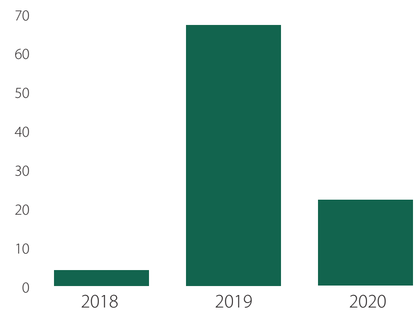


SEGMENT PROFIT

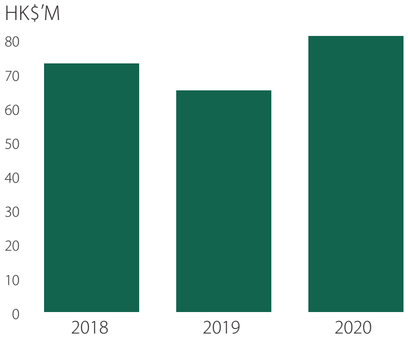
Building Services
For the year ended 31 December
HK$'M



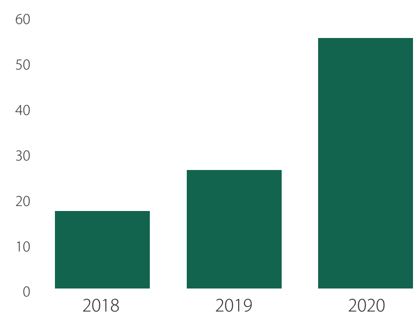
Environmental Engineering
For the year ended 31 December
HK$'M



ICBT
For the year ended 31 December
HK$'M

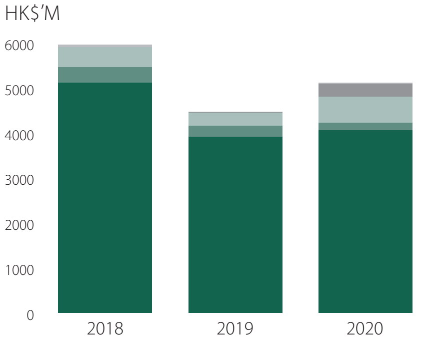


Lifts and Escalators
For the year ended 31 December
HK$'M

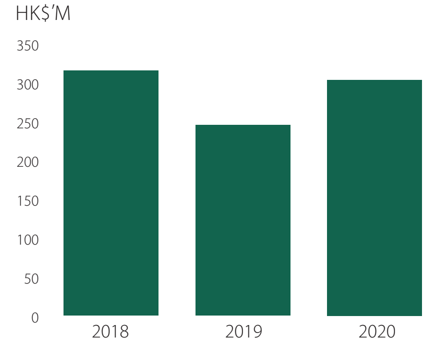


ANALOGUE HOLDINGS – CONSOLIDATED

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

"With our established leadership in our four core business areas and geographical coverage across the world, we will continue to deploy proven technologies and step up innovation to meet customer needs in the new post-pandemic era."

In 2020, the COVID-19 pandemic brought disruptions, challenges and risks in an unprecedented scale to people's lives, businesses and governments worldwide.

Inevitably, Analogue Holdings Limited (the "Company") and its subsidiaries (together forming the "Group") were also affected by the pandemic. However, with resilience empowered by its leadership and over 40 years of experience in the E&M industry, the Group was able to minimise the impacts of the pandemic on its four core businesses: building services, environmental engineering, Information, Communications and Building Technologies (ICBT), and lifts and escalators. In addition to our strong foundation, our excellent performance is enhanced by our competitive advantages in innovation, research and development capabilities and a long-established young engineer training programmes. These advantages will provide the Group with a long-term sustainable growth in all our businesses.

Despite the testing environment, we are pleased that the Group ended the financial year on a positive note with multiple achievements across different business areas. In terms of financial performance, our business continued to grow with a 14.4% increase in revenue year-on-year. On the business front, we once again boasted contracts in hand of record high value totalling HK$11.8 billion as at the end of 2020. Projects secured during the year included water and sewage treatment works and major hospital redevelopments, as well as large-scale commercial and residential projects in Kai Tak Development. We also achieved significant growth with our maintenance business, a rising source of recurring revenue for the Group.

During the year, the Group's lifts and escalators business expanded geographically. We not only tapped into the US market through our alliance with Transel Elevator & Electric Inc. ("TEI"), headquartered in New York, but also established our company in the UK.

Of all the achievements we made in 2020, we are particularly proud of the Central-Mid-Levels Escalator and Walkway System Modernisation Project, which won first place in the global award ELEVATOR WORLD "2021 Project of the Year", reinforcing our position as one of the world's best in the industry.

As the end of the pandemic is still not in sight, coupled with other external factors, the global economic outlook in 2021 remains uncertain. However, with our established leadership in our four core business areas and geographical coverage across the world, we will continue to deploy proven technologies and step up innovation to meet customer needs in the new post-pandemic era.

In Hong Kong, the Government's investment in healthcare facilities and infrastructure, and its support to the development of data centres and "smart city", have provided substantial opportunities for the E&M industry, as do the ample opportunities in the private sector, such as Kai Tak's transformation into a central business district. As an innovative leader in Hong Kong, we are well-positioned to grasp these opportunities.

In terms of international markets, our lifts and escalators business will be the key growth driver. Currently, this business segment serves millions of users in over 20 countries spanning Asia, Australia, the Americas and Europe. With our foothold now established in the US and the UK, we are accelerating our penetration into these two markets. At the same time, we have stepped up our plan to expand the Mainland China market with new sales and service centres. To support our global expansion plan, the Group has been expanding its manufacturing plant, which is expected to be completed by 2022. Upon completion, the production capacity will be substantially increased to meet growing global demand.

While our mission is to become an innovative company that is successful in both Hong Kong and overseas markets, we are also committed to nurturing young people in and for the industry. Over the past few decades, the Group has been recruiting graduate engineers and apprentices every year, providing them with professional training and career development. We are pleased to see that many of them have been growing within the Group and holding senior positions today, leading the Group to new heights.

Apart from tuning its ways and practices according to the enhanced HKEX ESG reporting guidelines and related listing rules issued in July 2020, the Group, which is in energy and environmental businesses, has also stayed abreast of national and international initiatives in relation to de-carbonisation and climate change, and will employ the latest technologies to minimise risks and optimise relevant performance in the coming years.

In the new year, it remains a priority of the Group to implement precautionary measures to protect employees against the pandemic and ensure business continuity, as we did throughout the past year. I wish to take this opportunity to thank our staff for their commitment and dedication. My gratitude also goes to all customers, business partners and shareholders for the unwavering trust and support they have given to the Group. As always, we will remain on the lookout for suitable growth opportunities that can help us achieve long-term development and create greater shareholder value.

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 29 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Overview

2020 was an unprecedented year with the COVID-19 pandemic stifling economic activities worldwide. In addition, the Sino-U.S. trade tensions and Brexit had affected the global business environment. Grants in respect of the Employment Support Scheme and COVID-19 related subsidies were provided by the Hong Kong, Macau and Mainland China governments, which were credited to cost of sales and services and administrative expenses. The Group undertook to help combat the impact of the pandemic by not making any redundancies of its Hong Kong employees from 1 June 2020 to 30 November 2020. As described in Note 11 of the consolidated financial statements, the results in this report included these subsidies.

Delay in construction programme by upstream parties of the contracting segments also affected the Group's work done, and in turn, revenue. The Group put tremendous efforts into running its businesses to achieve a growth in revenue and profit. During the reporting period, the Group submitted a total of approximately 1,532 tenders or quotations each valued over HK$1 million, secured 281 tenders and quotations each valued over HK$1 million in FY2020, the total value of which amounted to approximately HK$6,135 million. The total value of tenders and quotations awarded in FY2020 was approximately HK$7,567 million, an increase of 16.9% compared to HK$6,472 million in FY2019.

As at 31 December 2020, the Group had outstanding contracts in hand of record high value at approximately HK$11,847 million, representing an increase of approximately HK$2,439 million over that at 31 December 2019.

The Group recorded a total revenue of HK$5,125 million in FY2020, which was HK$643 million or 14.4% higher compared with FY2019. The increase in revenue in FY2020 was mainly attributable to the increase in revenue from the Building Services Segment and Lifts and Escalators Segment versus FY2019.

In the reporting period, our maintenance business, which is more adaptable to the ups and downs in the economic cycle, thus bringing in stable income, remains crucial to the Group in maintaining ties with customers after a construction project is completed. Approximately HK$855 million worth of maintenance contracts were secured in FY2020. The revenue related to the maintenance business was HK$882 million for FY2020, as compared with HK$679 million for FY2019, an increase of HK$203 million or 29.8%.

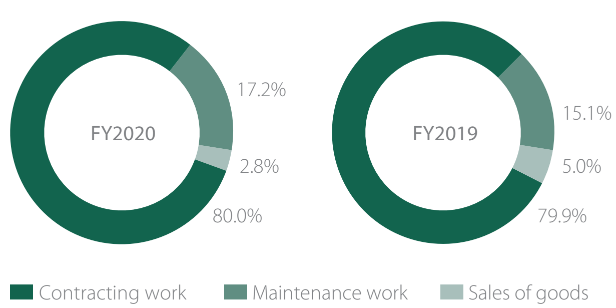
The following table presented the breakdown of the Group's revenue by nature:

	For the year ended 31 December			
	2020 HK$'M	**% of total Revenue**	2019 HK$'M	% of total Revenue
Contracting work	**4,101.2**	**80.0%**	3,580.0	79.9%
Maintenance work	**881.5**	**17.2%**	679.1	15.1%
Sales of goods	**142.5**	**2.8%**	222.8	5.0%
Total	**5,125.2**	**100.0%**	4,481.9	100.0%

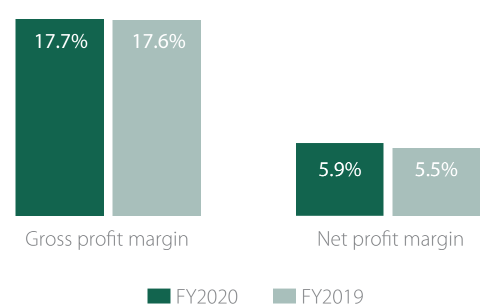
Gross profit of the Group for FY2020 was HK$909 million, an increase of HK$122 million or 15.6% as compared with HK$787 million a year ago. Gross profit margin was 17.7% in FY2020, slightly above 17.6% in FY2019.

With all the aforementioned factors taken into account, the Group recorded a consolidated net profit for the year of HK$304 million in FY2020, representing an increase of HK$59 million or 24.0% compared to FY2019. Net profit margin of the Group in FY2020 also improved to 5.9% from 5.5% in FY2019.

Revenue Ratio



Profit Margin



Building Services

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

Management Discussion and Analysis

In the reporting period, to alleviate the impact of COVID-19, the segment focused on executing orders on hand, and achieved record high revenue of HK$3,170 million compared with HK$2,676 million a year ago, representing an increase of HK$494 million, or 18.4%, versus FY2019. The major in-progress contracting projects of awarded value over HK$180 million included:

- A package project including HVAC, EL, FS, and Building Management System (BMS) for a mixed-use development in Kai Tak
- A package project including HVAC, EL, FS, and P&D for a commercial development complex in Kai Tak
- A package project including HVAC, EL, FS, P&D, BMS for a public mortuary
- A EL project at a railway station in Tai Wai
- A package project of HVAC, EL, FS, P&D, BMS, and ELV for a government data centre complex in Cheung Sha Wan
- A package project of HVAC, EL, P&D, and Sea Water Pumping System for the Intermodal Transfer Terminal Building at the Hong Kong International Airport
- A EL project for a commercial development in Shanghai
- A HVAC & EL installation project for a hotel development in Macau

Riding on our multi-disciplinary capability, the Group was a keen bidder of various key infrastructure tenders in the reporting period. The Group expected to hear the results of these tenders submitted, including the airport enhancements and the multiple healthcare facilities, in the first half of 2021. During the reporting period, the major contracting projects secured each with awarded value over HK$100 million included:

- A FS project for a mixed-use development in Chek Lap Kok
- A P&D project for a residential development in Kai Tak
- A package project including HVAC, EL, FS, and P&D for an industrial development in Tsuen Wan
- A mechanical ventilation and air-conditioning (MVAC) project for a hotel development in West Kowloon region
- A MVAC project for a commercial development in Lai Chi Kok
- A MVAC project for a commercial development in Shanghai
- A package project including HVAC, EL, P&D, and interior fit-out for a data centre in Fotan

As evidenced by a steady increase in its maintenance revenue, the Building Services segment has become more and more sophisticated in related capabilities and expertise. In the reporting period, maintenance, associated minor alteration and fitting out works were provided to a wide range of building and premises including residential, commercial, industrial, institutional, data centres, hospitals, as well as infrastructure. The major maintenance projects each of contract value over HK$10 million included:

- Maintenance of plumbing and fire services works in public estates at various locations
- Maintenance of plumbing and fire services works in institutional premises at various locations
- Maintenance of building services system in metro facilities at various locations
- Minor alteration and fitting out works for healthcare facilities in Kowloon

In the reporting period, the Group achieved the first completed project in Hong Kong adopting the latest construction technology of Modular Integrated Construction (MiC), the smart living and co-creation space project in Pak Shek Kok. Another project adopting MiC completed by the Group was a fast track temporary quarantine facility that had to be completed within three months on Lantau Island. The two MiC projects have strengthened the Group's MiC competence in the varied areas of technical know-how, coordination of cross border logistics and handling of relevant statutory procedures. The proven experience will serve the Group as valuable references in taking up other MiC construction projects, which are growing in number in Hong Kong and other regions.

Good progress was also made in the development of ATAL Building Services Prefabrication & Modularisation Construction Technology (ABSPM), for adopting off-site prefabrication and modularisation of building services components systematically and on a wider scale. Being ready to apply such technologies in our on-going and future project has the added advantage in enhancing work quality, safety and productivity, which will help alleviate the acute problems of shortage and aging of site workers.

As at 31 December 2020, the Building Services segment had HK$5,347 million worth of outstanding contracts in hand, which was HK$457 million or 7.9% less than last year.

Environmental Engineering

The environmental engineering segment delivers total solutions that cover design, installation, maintenance and operation of environmental engineering facilities for water, sewage, sludge, solid wastes and gas projects.

Drawing on its unrivalled technical expertise, the segment continued to apply the integrated project approach spanning from design, through engineering procurement and installation, to operations and maintenance. The project team is committed to delivering top quality and performance in all aspects of every project. In the reporting period, the major contracting projects in progress each valued over HK$100 million included:

- Design, build and operate project for a sewage treatment plant in San Wai
- Design and build project for a leachate treatment plant at the landfill in Tseung Kwan O
- Advance works for re-provisioning a water treatment plant in Shatin

The San Wai project won the Autodesk Hong Kong BIM Awards 2020, an accolade recognising the Group's innovative use of Building Information Modelling (BIM), the improvement in efficiency, and the precision that it brought to the project.

Management Discussion and Analysis

In addition, the segment made record high order intake worth HK$3,601 million in the reporting period. The secured major projects each of contract value over HK$100 million included:

- Design and build project of main works for re-provisioning a water treatment plant in Shatin
- Design and build project of sewage treatment plant in Yuen Long
- Design and build project of sewage treatment plant in Cheung Chau

The Group's advanced treatment processes, developed in-house, continued to provide a competitive edge in the Mainland market. Two out of seven contracts secured during the reporting period employed the Group's self-developed containerised Magnetic High Rate Clarifier AMSFS II and Biological Aerated Filter ABAF.

The segment also rendered maintenance and operation services to existing environmental facilities of government clients, utility companies and public organisations in Hong Kong, generating stable revenue for the Group. In the reporting period, the major maintenance projects each of contract value over HK$10 million included:

- Maintenance of pumping stations at multiple government premises
- Maintenance of mechanical and electrical works in water supplies facilities
- Maintenance of mechanical and electrical works in sewage treatment facilities in Stonecutter Island
- Maintenance and operation support for on-site chlorine generation plants in water supplies facilities
- Maintenance contract for the power supply facilities in Castle Peak and Black Point

As at 31 December 2020, the total value of outstanding contracts of the Environmental Engineering segment amounted to HK$5,039 million, representing an increase of HK$2,704 million or 115.8% compared to that of the previous year.

ICBT

The Information, Communications and Building Technologies ("ICBT") segment offers green and intelligent building solutions, integrating a wide range of information and communication technologies with building energy and management technologies, to facilitate Hong Kong's evolution into a smart city. Through strong in-house research and development capability and collaboration with leading hardware and software partners, universities and research institutes, the ICBT segment provides customised software and one-stop engineering solutions for customers to meet their unique needs.

Rapidly evolving intelligent building system technologies such as BMS, ELV & Security Systems, offer increasing business opportunities when our customers upgrade their existing buildings and/or replace existing systems to optimise energy use and improve overall operational efficiency. In the reporting period, the major contracting projects in progress each valued over HK$35 million included:

- Design, supply and install the vehicle examination equipment and related control system for an examination facility in Tsing Yi
- Supply and install the ELV system of a commercial development complex in Kai Tak
- Supply and install the ELV system for a hospital expansion project in Pok Fu Lam
- Supply and install the ELV system of a commercial and office development in Quarry Bay
- Design, supply and install the automatic vehicle clearance solutions for a boundary crossing facility on Lantau Island

In the reporting period, the Group actively promoted its self-developed Smart IoT Building Platform and Cloud-based AI Energy Management Platform to the market. These two platforms, available on monthly subscription basis, have impressed reputable clients, many of whom have already placed orders while others are considering further orders. Retro-commissioning is another new technological service the Group has been developing since 2019, and good progress has been made in introducing the service to the public and commercial sectors.

The Group has also tapped into business of smart mobility included in the Hong Kong Smart City Blueprint, completing its first Automated Guided Vehicular ("AGV") smart parking project with more AGV business opportunities expected in coming years. New orders were secured for smart sensors at parking spaces which could provide real-time vacancy information at parking spaces of some government premises and at certain non-metered on-street parking spaces. The Group is also pursuing Free Flow Tolling, Electronic Road Pricing, and other Intelligent Transport Systems.

During the reporting period, the ICBT segment continued to grow its maintenance services backed by the Group's track records. A wide range of maintenance works for BMS, ELV systems, automatic passenger and vehicle clearance solutions were offered to government clients, commercial premises and public organisations in Hong Kong.

As at 31 December 2020, the total value of outstanding contracts of the segment amounted to HK$854 million, representing an increase of HK$20 million or 2.4% over that of the previous year.

Management Discussion and Analysis

Lifts and Escalators

The Lifts and Escalators segment undertakes the design, manufacturing (under the trade name "Anlev"), sale, installation, and maintenance of a wide range of lifts, escalators and moving walkways, including heavy-duty escalators for public transport and large cargo and vehicular lifts. By the last quarter of 2020, Anlev Elex Elevator Ltd, the Group's wholly-owned subsidiary, had for 32 consecutive quarters achieved the highest safety and quality performance rating since the Lift Contractors' Performance Rating and Escalator Contractors' Performance Rating systems of the Hong Kong Electrical and Mechanical Services Department were launched in January 2013.

Rated outstanding in safety and quality performances, the segment continued to achieve steady growth in order intake, revenue and gross profit in FY2020. In the reporting period, the major contracting projects in progress each valued over HK$10 million included:

- Modernisation of escalators and walkway systems from Central to Mid-levels
- A design and build project for the lifts and escalators of a hospital expansion in Pok Fu Lam
- Design, supply and install lifts for a government premise in the Kowloon East region
- Design, supply and install lifts and escalators for an industrial complex in Kwai Chung
- Design, supply and install lifts for a mixed-use development in Kai Tak
- Design, supply and install lifts and dumbwaiter for a public mortuary

The Group landed the first order from the Hong Kong Housing Authority ("HKHA") in 2019 and the second order came in the reporting period. As HKHA is the single largest customer in the lift market in Hong Kong, the Group is committed to and positive about gaining a share of this important market.

Highly commended by clients, the maintenance services of the Lifts and Escalators segment continued to grow during the reporting period, catering to government clients, offices, residential buildings, amusement parks and public organisations in Hong Kong.

As evidence of world-class performance, our modernisation project for the Central-Mid-Levels Escalator and Walkway System in Hong Kong won the first place accolade in ELEVATOR WORLD "2021 Project of the Year" contest.

During the year, the Group tapped into the US market through our alliance with Transel Elevator & Electric Inc. ("TEI"), headquartered in New York. The Group has also established our company in the U.K., and is expanding its overseas markets and supporting its overseas distributors in project bidding, including metro/railway in South Korea, Australia and the United Kingdom. New agreements were signed with distributors in Eurasia and Eastern Europe regions in the reporting period. In addition to growing its distribution network, the Group will explore suitable overseas acquisition opportunities. To support these global opportunities, the Group has been expanding its manufacturing plant, which is expected to be completed by 2022.

As at 31 December 2020, the total value of outstanding contracts of the Lifts and Escalators segment amounted to HK$607 million, representing an increase of HK$171 million or 39.3% over that of the previous year.

Innovation, Resources Management and Other Operation Issues

The Group is continuing with innovation initiatives of different business segments as well as digitalisation of construction and maintenance processes so as to achieve more effective communication, safer operation and more efficient use of resources, and to generate valuable data to bolster business.

Advanced processes developed by the Environmental Engineering segment include the Ultrasound process adopted in the Sewage Treatment works in Tai Po and the pilot plant of sludge and organic waste co-digestion treatment in Shuen Wan. Furthermore, machine learning technologies are integrated into the operation and maintenance of water and wastewater treatment plants, in order to help optimise plant operation using more advanced and sustainable approaches.

The proprietary "IoT Platform" of the ICBT segment, now serving prestigious Grade-A premises and shopping malls, has been gaining acclaimed credentials. With all building systems and IoT devices integrated onto a centralised control platform, it transforms the way to manage facilities. A wide range of analytics applications are also offered on the platform to help clients optimise building performance. In particular, the energy analytics module has been proved to be an award-winning application at the American Society of Heating, the Refrigerating and Air-Conditioning Engineers ("ASHRAE") Hong Kong Chapter Technology Award 2020, and the Hong Kong ICT Awards 2019.

The Anlev Predictive Maintenance & Remote Monitoring System, developed by the Lifts and Escalators segment, provides real-time lift monitoring which allows more scientific gauging of lift performance and significantly reduces manpower cost on site. In addition, innovative processes and equipment, including scaffold-less lift installation and Automatic Wire Rope Breakage Laser Detector, are developed to enhance work safety.

Another development focus of the Group is Integrated Building Information Modelling ("BIM"), which offers multi-dimensional digital tools that can add value throughout the project life cycle, including design, planning, construction, operation and maintenance, and assets management. BIM is crucial for engineering drawings and multiple trades co-ordination, which enables successful prefabrication; modular construction; multi-trade integrated MEP (MiMEP); and modular integrated construction (MiC). As at the end of December 2020, the Group had 96 software items in its BIM Suite. The Group has also been strengthening its engineering team with more experienced and competent BIM modellers, qualified BIM professionals, and engineers well-versed in applying BIM in various infrastructure projects.

Training and Development

Committed to continuously enhance the competence of employees in tackling the ever-changing business environment, the Group established a new Corporate Training and Development Unit in April 2020. A training and development (T&D) model was developed based on the Plan-Do-Check-Act concept with the support of a T&D management documentation system. Twelve training series have been established to make up the fundamental T&D programme structure, and to cater to the different training needs of employees. To facilitate the planning, promotion and enrolment of training courses, a user-friendly online platform called ATALent was made available via the intranet of the Group.

Management Discussion and Analysis

Development programmes are also tailored to match employees' different work experiences, for example, the Young Engineers Scheme (YES) and Leaders Executives Acceleration Programme (LEAP). All extant programmes, including the HKIE Graduate Training Scheme A, VTC Apprenticeship, and Staff Training Sponsorship Programmes, were reviewed and enhanced. A new Professional Membership Sponsorship Programme was introduced to encourage qualified employees to join relevant professional institutions. The innovative and successful T&D System was recognised as the winner in the Category of Training & Development Award of South China Morning Post's Classified Post HR Appreciation Awards 2020. For more details, please refer to the section headed "Environmental, Social and Governance Report" of this report.

In the reporting period, a total of 408 internal training courses involving 30,950 training hours were organised for employees and more than 1,800 employees attended the courses to learn different technical and soft skills.

The impact of the COVID-19 pandemic

Notwithstanding the outbreak of COVID-19, which brought challenges to the global business's environment, the Group maintained its operation and put in place a host of precautionary and risk mitigation measures, suitably deploying remote work arrangements, online meetings, reduction of unnecessary contacts, periodic deep cleaning and sanitisation of offices, provision of facemasks, sanitizers, and other personal protection equipment for all employees, body temperature measurement for all personnel at workplaces, and proper record keeping of work schedule and contact history for tracing.

During the first half of 2020, business activities and operations interruption, border crossing restriction and slowdown of construction, inevitably caused delay of projects. The Group took different level of measures to manage delays and impacts to the business operations including:

- continuously reviewing the latest health and regulatory protocols, and ensuring adequate resources for smooth project operations;
- closely monitoring the supplies of materials and availability of manpower;
- maintaining comprehensive records of site incidents with the cost and time implications for delayed projects; and
- keeping under review contract terms and conditions on force majeure and extension of time, and suitably notifying clients and supervision of related parties on delays due to COVID-19.

Most, if not all, of the Group's operations resumed a level of normality in the second half of the reporting period whereas our maintenance and sales of goods businesses remained stable even under the pandemic situation. Overall, there was no material impact on the Group's business during the reporting period.

The Group will continue to stay vigilant, take timely and necessary actions to mitigate any risk identified, including alternative ways for sourcing materials, advance purchasing of critical items and rescheduling of site activities, to avoid or alleviate delay of works.

FINANCIAL REVIEW

Revenue

In FY2020, the Group recorded total revenue of HK$5,125.2 million, increased by HK$643.3 million or 14.4% as compared with FY2019. The following table sets forth a breakdown of the revenue by nature and business segment:

	For the year ended 31 December			
	2020 HK$'M	**% of total Revenue**	2019 HK$'M	% of total Revenue
Contracting work	**4,101.2**	**80.0%**	3,580.0	79.9%
Maintenance work	**881.5**	**17.2%**	679.1	15.1%
Sales of goods	**142.5**	**2.8%**	222.8	5.0%
Total	**5,125.2**	**100.0%**	4,481.9	100.0%

	For the year ended 31 December			
	2020 HK$'M	**% of total Revenue**	2019 HK$'M	% of total Revenue
Building Services	**3,172.6**	**61.9%**	2,680.9	59.8%
Environmental Engineering	**896.6**	**17.5%**	1,086.9	24.3%
ICBT	**488.6**	**9.5%**	496.6	11.1%
Lifts and Escalators	**608.3**	**11.9%**	274.7	6.1%
	5,166.1	**100.8%**	4,539.1	101.3%
Less: Inter-segment	**(40.9)**	**(0.8%)**	(57.2)	(1.3%)
Total	**5,125.2**	**100.0%**	4,481.9	100.0%

The increase in revenue in FY2020 was mainly attributable to more work done in Building Services projects such as Kai Tak area projects and Hotel Development projects in Macau, most of which were awarded to the Group in late 2019. Between 31 March 2020 and 9 August 2020, the revenue of TEI (a subsidiary of the Group during this period), contracting works of HK$197 million and maintenance works of HK$99 million, was included in the Lifts and Escalators segment. On 10 August 2020, the Group disposed 2% interest in TEI and, as a result, TEI became an associate of the Group.

Gross Profit

The Group's gross profit in FY2020 increased by HK$122.4 million or 15.6%, to HK$909.1 million compared with FY2019. Gross profit margin was 17.7%, slightly above the 17.6% in FY2019.

Other Income

The Group recorded other income of HK$18.2 million (FY2019: HK$16.5 million) during the reporting period, which mainly included bank interest income and government subsidies. The increase of HK$1.7 million year-on-year was mainly attributable to the Relocation and Employment Assistance Programme tax credit of TEI for the period between 31 March 2020 to 9 August 2020.

Management Discussion and Analysis

Administrative Expenses

Administrative expenses of the Group increased by HK$67.9 million or 13.3%, compared with FY2019. The increase was mainly due to the inclusion of approximately HK$60.0 million operating costs of TEI for the period from 31 March 2020 to 9 August 2020. On 10 August 2020, the Group disposed of 2% interest in TEI and, as a result, TEI became an associate of the Group.

Excluding the TEI effects, the Group's administrative expenses for FY2020 was up by HK$7.9 million or 1.5% from that of 2019.

Liquidity and Financial Resources

As at 31 December 2020, the Group had total cash and bank balances (excluding pledged bank deposits) of HK$1,116.1 million (31 December 2019: HK$686.5 million), of which 68.1%, 21.4%, 10.3% and 0.2% (31 December 2019: 87.5%, 10.5%, 1.8% and 0.2%) were denominated in Hong Kong dollars or Macau Pataca, RMB, USD and other currencies, respectively.

The Group maintained a healthy liquidity position throughout the reporting period. Additionally, as at 31 December 2020, it had banking facilities in respect of bond, bank overdraft and loans, and other trade finance of approximately HK$1,462.4 million (31 December 2019: HK$1,570.2 million), of which approximately HK$667.1 million had been utilised (31 December 2019: HK$332.4 million), and approximately HK$137 million standby letter of credit for TEI in 2020.

Use of proceeds from Listing

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

The following table sets out the original allocation, the revised allocation as at 31 October 2020 and the actual amounts used up to 31 December 2020:

	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
Supporting the expansion and development of building services segment	67.1	**34.6**	**42.4**	**19.0**	**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**
Enhancing engineering capabilities of ICBT segment					
– setting up dedicated research and development teams	19.3	**6.0**	**13.3**	**0.5**	**12.8**
– 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**
Acquisition of, or investment in, companies	–	**–**	**68.0**	**–**	**68.0**
General working capital	33.7	**31.8**	**8.4**	**1.2**	**7.2**
Total	335.7	**90.0**	**245.7**	**26.8**	**218.9**

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

Management Discussion and Analysis

Gearing Ratio and Indebtedness

As at 31 December 2020, the gearing ratio (being gross borrowings divided by total equity) was not applicable to the Group as the Group did not have any bank borrowings as at 31 December 2020 (31 December 2019: Not applicable).

Charges on Group Assets

The Group had pledged assets of HK$85.5 million as at 31 December 2020, representing a decrease of HK$222.4 million or 72%, against the year end of 2019 (as at 31 December 2019: HK$307.9 million). The pledged assets of the Group comprised bank deposits denominated in RMB, properties and investment properties pledged to banks to secure general short-term banking facilities for certain subsidiaries of the Group.

Capital Commitment

As at 31 December 2020, the Group had a capital commitment of HK$2.4 million contracted but not provided for in the consolidated financial statements for office renovation and reinstatement, expansion of existing lifts and escalators manufacturing facilities in Nanjing and the enterprise resources planning system (31 December 2019: HK$5.1 million).

Contingent Liabilities

As at 31 December 2020, the Group had outstanding performance bonds of approximately HK$486.8 million (31 December 2019: HK$308.1 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.

Key Financials

	2020 **HK$'M**	2019 HK$'M
Current assets	**3,148.0**	3,000.8
Current liabilities	**1,791.8**	1,619.8
Bank balances and cash	**1,116.1**	686.5
Net current assets	**1,356.2**	1,381.0
Total assets less current liabilities	**2,077.9**	1,803.5
Current ratio *(Note i)*	**1.8 times**	1.9 times
Gearing ratio *(Note ii)*	**N/A**	N/A
Return on equity *(Note iii)*	**16.1%**	16.5%

Notes:

(i)	Current ratio:	Total current assets/total current liabilities
(ii)	Gearing ratio:	Total interest-bearing bank borrowings/total equity as shown in the consolidated statement of financial position x 100%
(iii)	Return on equity:	Net profit for the year 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 at 31 December 2020, the Group had 2,515 employees, including 90 contract and 232 term contract hires, in Hong Kong, Macau and Mainland China.

The Group believes in staff development and is committed to creating an environment which employees are proud to work in. The Group is ready to compete in the market for the best skills available and provide competitive remuneration to attract and retain talent. As quality and committed employees are fundamental to customer satisfaction and ultimately the success of the Group, the remuneration policy of the Group is performance-linked – designed to share the fruit of its success with employees – to motivate staff members in helping the Group achieve its strategic business goals. To this end, the Group also has in place a comprehensive system of goals setting and performance appraisal. As an equal opportunity employer, the Group treats all employees fairly.

Remunerations of directors and senior management, which are recommended by the remuneration committee of the Board and approved by the Board, are subject to periodic review.

The Group requires employees to act with integrity and it upholds a high standard of business ethics when working with customers and business partners. A full set of Code of Conduct which sets out the standard of ethics and conducts expected of the Group and its staff is available for reference by employees via the Group's intranet.

Aspiring to become an innovative, leading and sustainable multi-disciplinary E&M engineering group, the Group embraces continuous improvement, encourages life-long learning and strives to build a culture that treasures innovation. To support staff development, it invests ample resources in training its managers, engineers and technicians.

Corporate Recognition

In recognition of its excellence in business performance, corporate governance and corporate social responsibilities, the Group was conferred with accolades in the reporting period at the Hong Kong Economic Journal's Listed Company Awards of Excellence 2020, the Hong Kong Institute of Financial Analysts and Professional Commentators Limited's (IFAPC) Outstanding Listed Companies Award 2020, and CORPHUB's Greater China's Most Trusted Engineering Services of the Year. Attesting to its outstanding performance in technical, innovation and quality, the Group won the Hong Kong Professional Building Inspection Academy Quality Sub-Contractor award, and the third place in the ASHRAE Hong Kong Chapter Technology Award 2020 (Region XIII). In response to COVID-19, the Group launched a range of precautionary measures to protect our employees and stakeholders from infection while ensuring business and operational continuity. This effective anti-pandemic effort was recognised by South China Morning Post's Classified Post HR Appreciation Awards COVID-19 Special Award.

As a long-term strategy, the Group will continue to innovate and strive for technical excellence and high-quality standards in delivering services and products and assuring workplace safety for all stakeholders.

Management Discussion and Analysis

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 31 March 2020 (Eastern Time Zone), the Group entered into a stock purchase agreement with certain then independent third parties in respect of the acquisition of 51% equity interests in TEI at an aggregate consideration of US$35.7 million (equivalent to approximately HK$278.5 million). The acquisition was completed on 31 March 2020 and TEI became an indirect non-wholly owned subsidiary of the Company. For further details of the acquisition, please refer to the announcement of the Company dated 31 March 2020.

In August 2020, after reassessing the regulatory, operating and business environment in the U.S., the Company and the board of TEI decided that it was in the best commercial interest of TEI to have its local management increase their equity stakes in TEI. Accordingly, the Group disposed of 2% equity interests in TEI on 10 August 2020 (Eastern Time Zone). The directors of the Company believe the disposal of 2% equity shares of TEI was in the best commercial interest of the Company, its shareholders and its investors, as well as, TEI and its shareholders, and other stakeholders and business partners of TEI, including its customers and suppliers. The disposal was completed on 10 August 2020. Upon the disposal, TEI became an associate of the Group. For further details of the disposal, please refer to the announcement of the Company dated 11 August 2020.

OUTLOOK

The Sino-U.S. trade tensions, Brexit, and the COVID-19 pandemic have impacted the performance and outlook of economies around the world.

Nonetheless, the Group sees plenty of growth opportunities ahead summarised as below.

Hong Kong:

- With the increasing COVID-19 vaccination and the HKSAR Government's 2021 forecast GDP growth up to 5.5%, the economy of Hong Kong is due to transition back to growth.

- The Government has committed to continuing to expand on public works, at no less than HK$100 billion per annum in the coming few years, taking overall construction-related spending to HK$300 billion per annum.

- The Government earmarked HK$200 billion for the 10-year Hospital Development Plan. Despite the COVID-19, the Government and hospitals will continue to enhance healthcare facilities with the isolation wards and expand community treatment facilities.

- The Government's long-term housing target is to supply 430,000 units in the 10-year period between 2020/21 and 2029/30.

- The Government is investing in environmental infrastructures including the landfill sites, co-digestion of organic and sewage sludge treatment facilities and upgrading of various existing sewage treatment plants and water treatment plants.

- The commitment of the Government is to the development of the Third Runway of the Hong Kong International Airport.

- The Kai-Tak Development, Tung Chung Development, Kwu Tung North Development and the Lok Ma Chau Loop Innovation and Technology Park at the border, which will support growth of the information and technology sector and meet the demand for data centre infrastructures.

- The Government is continuing to enhance and expand smart features of the city outlined on the Hong Kong Smart City Blueprint 2.0, including the Government-Wide Internet of Things (IoT) Network (GWIN) and adoption of Smart Car Parking System.

Macau:

- The Macao SAR Government has continued to invest in infrastructure projects, including the Macao Light Rapid Transit System, medical facilities, an organic waste treatment plant, and re-location of a sewage treatment plant.

- New casino and hotel development projects are forthcoming.

Mainland China:

- China's 14th Five-Year Plan introduces the idea of "Dual Circulation and Secure Supply Chains". To develop strategic technologies and advance her digital infrastructure, Mainland China will be spending trillions over the next five years on digital infrastructure, including 5G, smart cities and IoT applications. In particular, with the nation putting emphasis on the development of the Greater Bay Area (GBA) under the 14th Five Year-Plan's innovation priorities, and Hong Kong companies and professionals being accepted into the Area, demand for quality E&M services of the nine major GBA cities plus Hong Kong SAR and Macau SAR will be tremendous, which will translate into ample development opportunities for all of the four business segments of the Group.

- New discharge standards will require upgrading of existing wastewater treatment plants and switching to advanced treatment processes, supported by technical expertise and considerable investment.

- Continuing urbanisation, coupled with tightening safety standards and rising quality expectations, will make Mainland Chinese market, which the Group has been nurturing since early 2019, the largest in the world for supply, installation and maintenance of lifts and escalators.

Building on factors in its favour, the Group secured a total order intake of HK$7,567 million in FY2020 compared with HK$6,472 million in FY2019, thus maintaining a record high value of outstanding contracts in hand of HK$11.8 billion as at 31 December 2020, versus HK$9.4 billion as at 31 December 2019. In addition, as at the date of this report, active negotiation was ongoing for a range of tenders and quotations submitted in the second half of 2020. For 2021 and beyond, a healthy tender pipeline is anticipated, and the Group remains cautiously optimistic about its business outlook in 2021 and mid-to-long term growth.

In parallel with organic growth and continuously taking its technologies and skills to higher levels, the Group seeks equity participation in and acquisition of businesses with strengths complementary to its own. The Group will also widen the scope and geographical footprint of its business segments through suitable partnerships and joint ventures. Internal resources and/or external financing will be used to fund these initiatives, and the Group would make applicable disclosures should there be definitive legal agreements made for such transactions, as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Committed to fortifying its market leadership and maximising reward to shareholders, the Group is investing in innovation, technology, process improvement and people, to continuously enhance productivity and competitiveness.

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


2


3


4


5


6


7

Board of Directors as at 31 December 2020

Executive Directors

Dr. Poon Lok To, Otto (潘樂陶博士), aged 80, 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 and Hong Kong Climate Change Forum.

Currently, Dr. Poon is a member of the Election Committee – Engineering Subsector 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 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 and a school manager of the Shun Tak Fraternal Association Lee Shau Kee College. He was elected as the president of the Hong Kong Academy of Engineering Sciences since 14 December 2020 and appointed as a member of the International Advisory Committee of Smart Cities Research Institute of Hong Kong Polytechnic University on 1 January 2021. He ceased to be the chairman of the School Advisory Committee of School of Energy and Environment of City University of Hong Kong on 1 January 2021.

Board of Directors and Senior Management

Since August 2003, Dr. Poon has been a director of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 24.44% 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. Cheng Siu Ngai, Kevin (鄭小藝先生), aged 63, was appointed as a Director on 27 September 1995 and was re-designated as an executive Director on 13 April 2018. Mr. Cheng was also the chief executive officer of the Group. He sat on the boards of various companies within the Group and served as a member of the nomination committee of the Board. Mr. Cheng retired from his position as an executive Director, chief executive officer of the Company, a member of the nomination committee and director of certain subsidiaries of the Company, all with effect from 1 April 2020. Before his retirement, he oversaw the operation of all business units and corporate units of the Group and was also responsible for devising business strategies, driving innovations and fostering partnership with all stakeholders.

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

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

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

Mr. Law Wei Tak (羅威德先生), aged 65, was appointed as a Director on 27 September 1995 and re-designated as an executive Director on 13 April 2018. He also sits on the boards of various companies within the Group. Mr. Law is primarily responsible for advising on the overall strategic planning for the Group.

Mr. Law has worked in the engineering industry for over 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 24.44% by the Company.

Mr. Chan Hoi Ming (陳海明先生), aged 60, was appointed as a Director on 25 November 2015 and re-designated 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

Board of Directors and Senior Management

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 24.44% by the Company.

Non-executive Director

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

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

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

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

Independent Non-executive Directors

Mr. Chan Fu Keung (陳富強先生), aged 72, 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 69, 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

Mr. Wong King On, Samuel (黃敬安先生), aged 68, 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 55, 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 57, 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 48, 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 25 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 54, 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 52, has been a director of Anlev Elex Elevator Limited, a wholly-owned subsidiary of the Company, since June 2016, and oversees the Hong Kong operations of the Lifts and Escalators segment of the Group.

Mr. Cheung started his career as an assistant engineer in the maintenance department of Goldstar Industrial Systems (HK) Limited during 1993 to 1995. He served Otis Elevator Company (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 was subsequently promoted as a director of Anlev Elex Elevator Limited in June 2016.

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

Mr. Cheung is a chartered engineer of the Engineering Council in the United Kingdom, a registered lift engineer, a registered escalator engineer in Hong Kong and a member of each of the 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 60, has been a director of ATAL Engineering Limited since 1 April 2015. He oversees the sewage treatment operations of the Environmental Engineering segment of the Group, and is primarily responsible for the overall management of the projects which involve design, procurement, contract management and administration, program planning and quality assurance system.

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

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

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

Corporate Governance Report

The board (the "Board") of Directors (the "Directors") of Analogue Holdings Limited (the "Company" together with its subsidiaries, the "Group")) is pleased to report to the shareholders of the Company (the "Shareholders") on the corporate governance of the Company for the year ended 31 December 2020 (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 with effect from 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. Cheng Siu Ngai, Kevin *(Chief Executive Officer) (retired with effect from 1 April 2020)*
Mr. Law Wei Tak
Mr. Chan Hoi Ming

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

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

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

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

Board Meetings

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

With effect from 1 April 2020, Mr. Cheng Siu Ngai, Kevin, the former chief executive officer who had duties and responsibilities for all business units and corporate units of the Group, retired as the chief executive officer of the Company and an executive Director. Following the departure of Mr. Cheng, the Company did not appoint another chief executive officer. Instead, Mr. Cheng's 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.

Corporate Governance Report

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.

Appointment and Re-election of Directors

Each executive Director and non-executive Director has signed a letter of appointment with the Company for an initial term of 3 years and 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. In 2020, all independent non-executive Directors have signed letters of appointment to renew their term for another 3 years upon expiry of their current term in 2021.

All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years in accordance with the bye-laws of the Company. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition 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.

Corporate Governance Report

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 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. 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 stakeholders. 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.

An external consultant was invited to present to the Directors during the Reporting Year to provide updated market data; trends and updates in relation to the role of Directors; the increase of importance of a diversified board; market data of workload of Directors; and current trends on Directors' compensation package and fees.

The biography for each of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 25 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, recommendation for capital reorganization, scheme of arrangement or winding up of the Company, disclosure of inside information under Part XIVA of the Securities and Futures Ordinance. 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.

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. 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 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 one meeting.

BOARD COMMITTEES

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

Audit Committee

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

Corporate Governance Report

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 "International Sanctions" 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/supplemental announcement and the Company's annual report for the year ended 31 December 2019;

– 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 2019 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 2019;

– reviewed the compliance of CG Code for the period from the Listing Date to 31 December 2019 and reviewed the disclosure on the Corporate Governance Report in the Company's annual report for the year ended 31 December 2019;

– reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2020;

– reviewed the compliance of CG Code for the six months ended 30 June 2020;

– reviewed the external auditor's fee on reviewing the interim results of the Company and the fee charged by the external auditor in relation to the annual audit of the Group for the year ended 31 December 2020; and

– discussed with the external auditor the audit plan and audit timetable of the annual audit of the Group for the year ended 31 December 2020.

Nomination Committee

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

During the Reporting Year, the Nomination Committee held two meetings. 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 2020;

– reviewed the measurable objectives that the Board set for implementing the board diversity policy and the progress on achieving the objectives;

– recommended the renewal of an employment contract with an executive Director by the Group; and

– recommended the renewal of appointment of the independent non-executive Directors for another term of 3 years.

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 the 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.

Corporate Governance Report

During the Reporting Year, the Remuneration Committee held four 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 2020;
- 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 the 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
- reviewed the discretionary incentive bonus scheme of the Group and made recommendations to the Board.

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 2020 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 2020 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	3
HK$3,000,001 up to HK$4,000,000	2
Total	6

Attendance of meetings of Board and Board Committees

During the Reporting Year, the Company held five Board meetings, three Audit Committee meetings, four Remuneration Committee meetings and two Nomination Committee meetings. The annual general meeting of the Company was held on 29 June 2020 with the attendance of all Directors and the external auditor to answer questions from shareholders. The attendance rate of each board member at the meetings of the board and its committees and shareholders' meeting in the Reporting Year was 100%.

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)*	5/5	N/A	N/A	N/A	1/1
Mr. Cheng Siu Ngai, Kevin *(Chief Executive Officer) (Note)*	2/2	N/A	N/A	1/1	N/A
Mr. Law Wei Tak	5/5	N/A	N/A	N/A	1/1
Mr. Chan Hoi Ming	5/5	N/A	N/A	N/A	1/1
Non-executive Director					
Dr. Mak Kin Wah *(Deputy Chairman)*	5/5	3/3	4/4	2/2	1/1
Independent Non-executive Directors					
Mr. Chan Fu Keung	5/5	3/3	4/4	2/2	1/1
Mr. Lam Kin Fung, Jeffrey	5/5	N/A	N/A	2/2	1/1
Mr. Wong King On, Samuel	5/5	3/3	4/4	2/2	1/1

Note:

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

Corporate Governance Report

UPDATE ON DIRECTORS' INFORMATION

Save as disclosed in the section headed "Board of Directors and Senior Management" 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. Cheng Siu Ngai, Kevin *(Chief Executive Officer)*	*(Note)*	*(Note)*
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	✓	✓

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

The Audit Committee reviewed the trainings attended by the Directors and senior management of the Company for the year ended 31 December 2020 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 110 to 113 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 112 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:

	2020 HK$' 000	2019 HK$' 000
Audit Services	**4,500**	4,200
Non-audit services		
Service fee as the reporting accountant in relation to IPO	**–**	2,884
Assurance service on a circular	**3,800**	–
Interim review fee	**2,600**	2,000
Tax services and disbursement	**397**	196
Total	**11,297**	9,280

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 a 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 include a well-established risk management structure and risk management methodology which includes risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting in respect of operation, financial function and compliance of all the businesses of the Group.

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 2020 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, 2020, Ms. Li has undertaken not less than 15 hours of relevant professional training in compliance with the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

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

Putting forward Proposals at General Meetings

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

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

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

DIVIDEND POLICY

The dividend policy of the Company can be referred to section headed "Report of the Directors" on page 101.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

The Company had adopted new bye-laws on 14 September 2018 with effect from the Listing Date. The new bye-laws were adopted to comply with the relevant requirements under the Listing Rules. An up-to-date consolidated version of the memorandum of association and the bye-laws of the Company is available on both the websites of the Company and the Stock Exchange. During the Reporting Year, no change was made to the memorandum of association and bye-laws of the Company.

Environmental, Social and Governance Report

ABOUT THIS REPORT

In a year marked by challenges brought by the pandemic, we sought to keep advancing on a viable path, economically and socially, towards the "new normal". In this report, we stated our management approaches and provided case studies to show how we made a difference and created value for shareholders, the environment and the society at large. The case studies included are as follows:

- Supporting the United Nations Sustainable Development Goals ("SDGs") through our solutions page 56 to 57
- Connecting with clients and communities in times of pandemic page 58
- Responding to sustainability trends page 59 to 60
- Embracing new technology page 63 to 64
- Promoting climate action page 78
- Pursuing sustainable supply chain practices page 82

This report highlights our contributions to sustainability and provides information about the material environmental, social and governance ("ESG") topics concerning the Group, their impacts and relevant achievements made by the Group in the financial year between 1 January and 31 December 2020.

Reporting Standard and Principles

The report complies with the Environmental, Social and Governance Guide (the "ESG Reporting Guide") set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX"). It was prepared based on the reporting principles of materiality, quantitative, consistency and balance as set out in the ESG Reporting Guide.

Reporting Principles	Implementation
Materiality	This report covers aspects that reflect the significant ESG topics identified through stakeholder engagement. Internal and external factors such as business strategies and stakeholder concerns are taken into account during the materiality assessment. More details can be found in the Materiality Assessment section.
Quantitative	Information is presented with quantitative measurements, whenever feasible, to enable transparent comparison of trends over years.
Consistency	This report presents information on a consistent basis so that stakeholders can analyse and evaluate changes in performance over time. Due diligence is conducted to ensure the quality and accuracy of the information disclosed.
Balance	Both achievements and challenges faced by the Group are presented in the report, ensuring the full picture of the Group's performance is reasonably illustrated.

Report Boundary

The Group has a business portfolio covering entities of varying levels of ownership and operational control. While the scope of environmental performance[1] is the same as the previous report, this report provides a broader overview of the sustainability governance and performance of the Group – its four business segments in Hong Kong, Macau and Mainland China. Operations in which the Group has less than 50% equity interests (i.e. its associates) are not included in this report.

SUSTAINABILITY AT A GLANCE

Our Approach

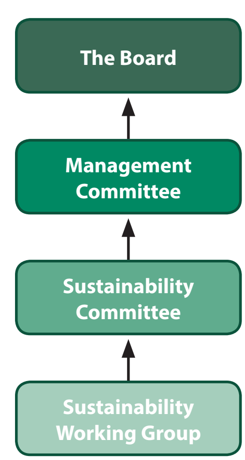
The global challenges of our time are diverse and multifaceted, but so are the solutions. Artificial intelligence ("AI"), robotics, industrialisation and urbanisation are some examples of sustainable ideas that reflect the determination and unconventional thinking to drive the society forward. Such ideas also influence our thinking and actions. Guided by the motto "*We commit, We perform, We deliver*", we uphold our "can do" spirit regardless of how challenging the situations are.

With this approach in mind, we are exploring a new sustainability strategy to examine in greater depth how sustainability trends will impact our business environment and value chain, and at the same time, offer new opportunities for us to bring in innovative solutions. Through strategic planning which aligns economic growth, environmental protection and quality of life, we expect to better capture the tangible and intangible benefits and create long-term value for stakeholders.

We also place great emphasis on execution, which is the key to transforming the strategic planning into real benefits. In 2020, we focused on strengthening ESG governance structure, employee awareness and technological innovation to build a solid foundation and continuously gain employees' commitment to implement the strategy.

Sustainability governance

Strong sustainability governance is the prerequisite for attaining sustainable growth in revenue as well as protecting the interests of stakeholders. The strategic planning process involves Board members and senior management of the Group. The Board regularly reviews the management's performance to ensure the agreed objectives are met. Together with the Board, the Group's leadership promotes a culture of responsibility and continuous improvement.



To further strengthen our sustainability governance structure and embed sustainability into our strategic plan, we have established board and executive-level sustainability governance systems during the year. The Sustainability Committee (the "Committee"), led by a Board member and supported by the Sustainability Working Group (the "Working Group"), consists of members of management staff from various units with adequate knowledge, expertise and experience who can contribute positively to the relevant subject areas. Delegated by the Board, the 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. The Committee also reports the progress made in meeting ESG-related goals and targets to the Board. The composition of the Committee and the Working Group will be reviewed from time to time to ensure an appropriate balance and representation of expertise and experience.

---

1 *Including operations of warehouses, depots, general offices, call centre and workshops in Hong Kong.*

Environmental, Social and Governance Report

Sustainability Committee's responsibilities and progress update

The Sustainability Committee ensures that sustainability is integrated into the Group's strategic plan and daily operations, and sustainability-related impacts, risks and opportunities are addressed. The Committee holds meetings at least twice every year to discuss the management approach and the performance in sustainability. Its responsibilities are clearly defined and communicated with written terms of reference.

During the reporting period, the Committee discussed and reviewed the roles and responsibilities of the Committee, the Group's sustainability-related policies and disclosure practices, and developed a corporate sustainability plan which covers sustainability awareness programmes, stakeholder engagement plan and sustainability strategies.

Promoting sustainable change

Every employee has a vital role to play in times of change, especially when it comes to behavioural change of employees. The Group takes a proactive role in educating employees about sustainability.

In 2020, we stepped up efforts to promote sustainability across all operations. In particular, we provided employees with a series of training, publications and other promotional materials (such as newsletters and intranet information) to ensure the concept of sustainability, relevant global trends, regulatory requirements and potential impacts on business are clearly conveyed to them.

Technological innovation

A successful innovation programme shall be in line with the overall business strategy, enabling a business approach that creates environmental and socioeconomic benefits. The Innovation Fund was set up to support innovation-driven initiatives and projects by individuals and teams. In building technology, we provided E&M services to a smart living and co-creation space project in Pak Shek Kok, which is one of the first building projects applying modular integrated construction ("MiC") in Hong Kong. In the process, the resources and expertise we put in successfully addressed a range of technical, logistical and cross-border management issues associated with MiC. The off-site prefabrication and assembly of building services components helped improve the quality, safety and productivity of the project, while alleviating pressures such as shortage of manpower.

Performance Snapshot

Social Betterment

Launched a new **Human Resources Information System**

Enhanced **maternity benefit** and upgraded **group insurance**

Zero fatality and occupational disease (employees and subcontractor workers)

Occupational injury rate (per 1,000 employees): **0.4**

Provided training to **1,810** employees, achieving over **30,000** training hours in total and **11** training hours per employee

Established a new Corporate Unit for **training and development**

Trained over **950** **Graduate Trainees** and **Technician Trainees** since 1984

Industrial accident rate (per 1,000 employees and subcontractor workers): **2.8**

Donated **HK$212,000**[2] to community programmes

Supported business partners and local communities in **combating the COVID-19 pandemic**

Environmental Stewardship [3, 4]

Treatment capacity of fresh water **857,000** m³ per day equivalent to **342** Olympic-size swimming pools

Treatment capacity of sewage **2,362,280** m³ per day equivalent to **944** Olympic-size swimming pools

Adopted innovative construction technologies to enhance resource-use and process efficiency, work quality and worker safety

Treatment capacity of organic waste **250** tonnes per day equivalent to **1.37 million** apples

Provided customised one-stop energy-saving products and solutions to help clients reduce carbon emissions

Total waste generated **20.3** tonnes

Total carbon emissions **1,700.6** tonnes of CO_2-e

Total energy consumption **3,307.7** MWh

Total water consumption **20,469.6** m³

Responsible Operation

Arranged training programmes highlighting the importance of preventing corruption and anti-competitive activities

Average scores of customer satisfaction surveys landed between "good" and "excellent"

No reportable cases[5] of breaches in legal or regulatory compliance

2,750 suppliers and subcontractors worldwide

---

2 *Donation (Hong Kong, Macau and Mainland China).*

3 *Total waste generated, carbon emissions, energy consumption and water consumption only apply to our operations of warehouses, depots, general offices, call centre and workshops in Hong Kong. Please read the performance summary for detailed calculation methodology.*

4 *The treatment capacity refers to the maximum design treatment capacity per day of full-scale fresh water, sewage and organic waste treatment plants in Hong Kong which were built by the Group. For presenting the equivalent capacity, the capacity of an Olympic-sized swimming pool is 2,500,000 L, assuming a nominal depth of 2m (FINA Facilities Rules 2017-2021); while the weight of an apple is 182 grams.*

5 *Referring to significant reportable cases of non-compliance with relevant laws and regulations. The level of significance of each case is determined by considering its nature and situations, impacts on the Group or on the environment and society, and its monetary penalty (i.e. fines over HK$50,000 are considered as significant).*

Environmental, Social and Governance Report

Case Study: Supporting the SDGs through our solutions

To support the SDGs and focus on areas of greatest influence, we have started with identifying our solutions which create positive impacts (direct or indirect) towards the SDGs. This enables us to prioritise SDGs and incorporate them into our sustainability strategy in the future.

How we are supporting the SDGs	SDGs	Solutions
Providing innovative designs, advanced technologies and sustainable solutions to support the advancement of potable and wastewater treatment and improve water quality in the city	6 CLEAN WATER AND SANITATION; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 13 CLIMATE ACTION	A large part of the environmental degradation suffered by the planet is caused by the discharge of untreated or poorly treated wastewater. In addition to efficiency, selected treatment technologies must also be sustainable environmentally, economically and ethically. With a strategic consideration on innovative technologies, we have introduced Aerobic Granular Sludge ("AGS") treatment process, high-power ultrasound technology and anaerobic co-digestion of food waste and municipal sewage sludge in wastewater treatment. By adopting a combination of these technologies, we aim to bring the wastewater treatment facilities closer to energy balance.

High-power ultrasound technology

The AGS technology allows simultaneous removal of carbon, nitrogen, phosphorus and other pollutants in a single biological treatment system, offering a compact, energy efficient and cost-effective treatment solution for removing contaminants in wastewater. Through innovative designs, AGS uses bacteria which exists in a form of granular sludge to remove carbon and nitrogen compounds in wastewater without adding chemicals and using plastic media, therefore there is no risk of discharging micro-plastics into the aquatic environment and nearby beaches. The AGS treatment system features a smaller carbon footprint and higher energy efficiency, thus remarkably reducing energy consumption during the plant operation.

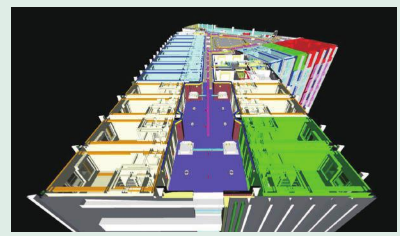
Furthermore, by applying high-power ultrasound technology, the sonicated sludge releases soluble and activated biological enzyme. This can significantly improve the effectiveness of hydrolysis and digestion of sludge. Moreover, with the application of sludge hydrolysis by sonication, the process of anaerobic sludge digestion will generate a larger amount of methane, which will be used to generate electricity and heat by the Combined Heat & Power ("CHP") Generator. While the heat generated will be converted into electricity power by the Organic Rankine Cycle ("ORC"), the remaining heat energy would be used for sludge heating in sludge digestion and sludge drying, instead of being discharged into the atmosphere.

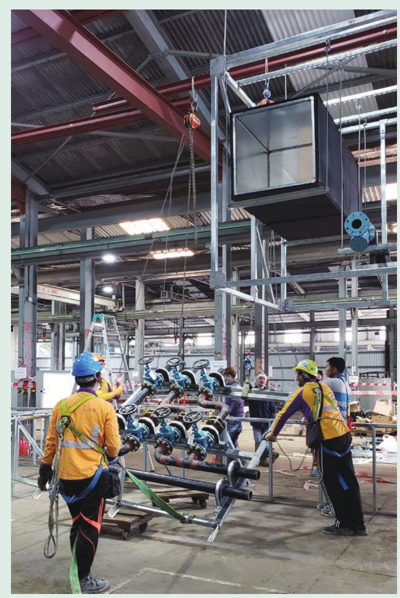
In addition, the anaerobic co-digestion of pre-treated food waste with municipal sewage sludge has a shorter retention time than conventional sludge digestion, such that the efficiency of the digestion process can be increased significantly. Subsequently a smaller digester tank can be used to lower construction cost and energy consumption.

By adopting a strategic approach to engineering design and applying the above-mentioned advanced technologies in different combinations, we aim to build wastewater treatment facilities in a more sustainable manner.

Incorporating innovative and sustainable design into our solutions to enable more sustainable infrastructure, industries and city, enabling more efficient use of resources, in turn helping combat climate change

BIM and Modularisation of MEP Systems





In the past years, Building Information Modelling ("BIM") and modularisation of Mechanical, Electrical and Plumbing ("MEP") systems have been the focus in our building services works. BIM is an intelligent 3D model-based process that offers a vast amount of project information, providing different parties with insights and tools to more efficiently plan, design, construct, and manage buildings and infrastructure. The MEP modularisation systems are prefabricated, inspected and commissioned off-site and are transported for on-site assembly, greatly boosting efficiency, quality and workers' safety.

Smart Building Solutions

Our holistic "Internet of Things ("IoT") Hub – Smart Building Platform" can gather and analyse building data in real time, enabling building operators to monitor temperature, humidity, indoor air quality ("IAQ"), energy consumption, water leakage, etc., of a building. The platform leverages big data analytics and AI to support diverse applications such as automated fault detection and alerts, human comfort prediction, tracking of building performance and AI-based energy optimisation. It allows building operators to enhance operation and resource-use efficiency.

Read more about our solutions on page 63 to 64 and 78.

Renewable Energy Solutions

The global trend of using renewable energy has led to an increase in the demand for our renewable energy solution services. Our solar paving system is integrated into the built environment while absorbing solar radiation from the paved surfaces, turning waste energy into usable electricity.

Read more about our efforts in promoting renewable energy on page 78.

Creating safe, comfortable Negative Pressure Isolation Wards ("NPIRs") in combating pandemic

The demand for negative pressure isolation wards has been in unprecedented demand during the COVID-19 pandemic. The Group developed the all-in-one system that allows the NPIRs to be operated immediately after delivery to site.

Read more about this solution on page 58.

Environmental, Social and Governance Report

Case Study: Connecting with clients and communities in times of pandemic

The global outbreak of COVID-19 requires swift responses by the Government, business sectors and local communities. Facing the pressing demand for quarantine facilities, the Group provided round-the-clock and comprehensive support to safeguard public health and well-being with its expertise and solid experience in healthcare engineering.

Stepping up efforts to support healthcare services in combating pandemic

Our efforts made positively on maintenance and renovation work at 11 public hospitals and 28 clinics or health centres in Kowloon. Addressing the pressing demand for isolation wards, our renovation, testing and commissioning ("T&C"), and maintenance work for wards have added more than 380 beds in the isolation wards. Our project teams worked to meet the demanding timelines, and allocated significant resources for T&C to prevent leakage of airborne contaminants that could affect patients and the public.

Accomplishing a temporary quarantine facility on Lantau Island with healthcare engineering expertise

The Group was awarded the contract for a temporary quarantine facility on Lantau Island. In only 75 days, our project team completed the Mechanical Ventilation and Air Conditioning ("MVAC"), electrical, Extra-Low Voltage ("ELV"), fire services and plumbing installations for over 300 quarantine units. The project also made use of innovative construction technologies such as BIM, and Modularisation of MEP systems in an off-site factory which was later transported to the site on Lantau Island for assembly and integration testing. These technologies did not only save time for the tight project schedule, but were also more efficient, with work quality and worker safety ensured, and material wastage reduced, making the process more sustainable.

Creating safe, comfortable NPIRs with all-in-one system design

There was a huge demand for negative pressure isolation wards during the pandemic. The Group adopted the all-in-one system design that allows instant use of the NPIRs after delivery to site. The unit consists of an anteroom for gowning/de-gowning, handwashing and storage, a comfortable patient room with televisions and viewing windows, and a bathroom with a shower and washing facilities for washroom. The entire unit is sealed to prevent air leakage with the rooms remain ventilated, which helps maintain a good pressure differential to prevent outward air flow.

Apart from providing support to the community, we established a Coronavirus Special Tasks Force in January 2020 to ensure effective management and maintenance of a coronavirus-free workplace. The task force is chaired by a Board member and reports to the Management Committee.

Read more about how we protect our employees and support the workforce in the construction industry during the pandemic on page 74 and 76.

Case Study: Responding to sustainability trends

We are always ready to capture emerging trends that could affect the society and the environment, and in turn provide the prerequisites for building a sustainable future. As a leading engineering company, we expect to meet external expectations while contributing to the development of the industry. To achieve this goal, considering global trends and integrating them into our business operations are necessary.

Sustainability trends	Our responses
Sustainability risk management	The Board oversees risk management of the Group, including management of ESG-related risks. We nurture an appropriate group-level and project-level risk control environment conducive to risk vigilance and effective implementation of risk mitigation measures. In addition to the enterprise risk management system, a tender and project risk management system has also been set up to focus on managing environmental impacts and safety risks, and other risk factors at individual project level. It guides the responsible tender and project teams to consider the associated risk factors and qualitatively assess the level of risk involved and submit project specific safety and environmental plans and risk containment or mitigation measures to the tender and project risk management committee for approval. To put enterprise risk management and sustainability together more closely, a review of the current corporate risk register is underway with an aim to incorporate more sustainability-related risks into our regular risk analysis. In 2020, we conducted an industry-level risk identification exercise and identified new areas for further consideration and evaluation of their impacts to our business. Read more about our risk management and internal control systems on page 48 to 49.
Responsible investment	Responsible investment is fast becoming a mainstream concern of the investment community, as more investors are seeing the benefits of incorporating sustainability into their portfolio strategies. We stay abreast of sustainability-related global trends and opportunities, and honour our responsibility to promote greater transparency in the impacts and our performance through regular reporting. This enables us to provide stakeholders with accurate, fair and adequate information. Moreover, we have been investing in more sustainable and innovative solutions and technologies to capture business opportunities and response to the rising trend of sustainable investment.

Environmental, Social and Governance Report

Case Study: Responding to sustainability trends

Sustainability trends	Our responses
Climate change	The Group has focused on developing green solutions to prepare for future environmental challenges, including climate change. On top of proactively expanding our existing engineering services, we have also invested in research and development for our environmental and ICBT businesses to echo the Hong Kong SAR Government's smart city promotion. Currently, we have capabilities to apply advanced building technologies such as BIM and MiC. In addition, we provide green and smart building solutions that integrate a wide range of information and communication technologies with building and energy management technologies, making our cities cleaner, more energy efficient and smarter. It is on our agenda to review climate change impacts for refining our climate strategies and introduce climate resilient solutions to help our clients better cope with climate change challenges. Findings of the review will also contribute to the formulation of a climate policy. Read more about our contribution to smart city on page 63 to 64 and 78.
Ecological civilisation	Ecological civilisation is an approach to calls for social and ecological reform which sets a new standard of sustainable human existence to fundamentally reduce human impacts on the environment. To this end, we have implemented an integrated management system based on the ISO 14001:2015 international standard to reduce pollution and conserve resources year-by-year. In addition to fulfilling our environmental commitments, we also ensure our subcontractors and suppliers are adopting our operating practices and provide them with training in order to improve their environmental awareness and capabilities. Read more about our environmental management system and supply chain management practices on pages 79 and 82.
Ageing population	The world is facing an ageing population. This will be characterised by the change in the needs and expectation of the global community. As the proportion of elderly grows, the provision of a physically and mentally friendly work environment will become increasingly important. We have built an occupational health and safety management system in accordance with the ISO 45001:2018 international standard, and arranged health seminars and programmes on topics such as stress management, healthy diet, and shoulder and neck care for our employees. In addition, we developed our own approach to adopt Design for Manufacture and Assembly ("DfMA") which facilitates off-site prefabrication and modularisation of building services components. This helps reduce reliance on physically demanding on-site works from ageing workforce while enhancing productivity as well as work quality and worker safety.
Sustainable supply chain management	We believe a sustainable supply chain can only be achieved with more extensive knowledge sharing and enhanced transparency for best practices across the sector. We have implemented a sustainable supply chain management mechanism for our suppliers and subcontractors, from selection, control and monitoring to performance evaluation. Besides, subcontractor forums are held annually to share good Environment, Health and Safety ("EHS") practices and build closer relationships with our key subcontractors. Read more about how we work together with our suppliers and subcontractors on page 70 to 75 and 82.

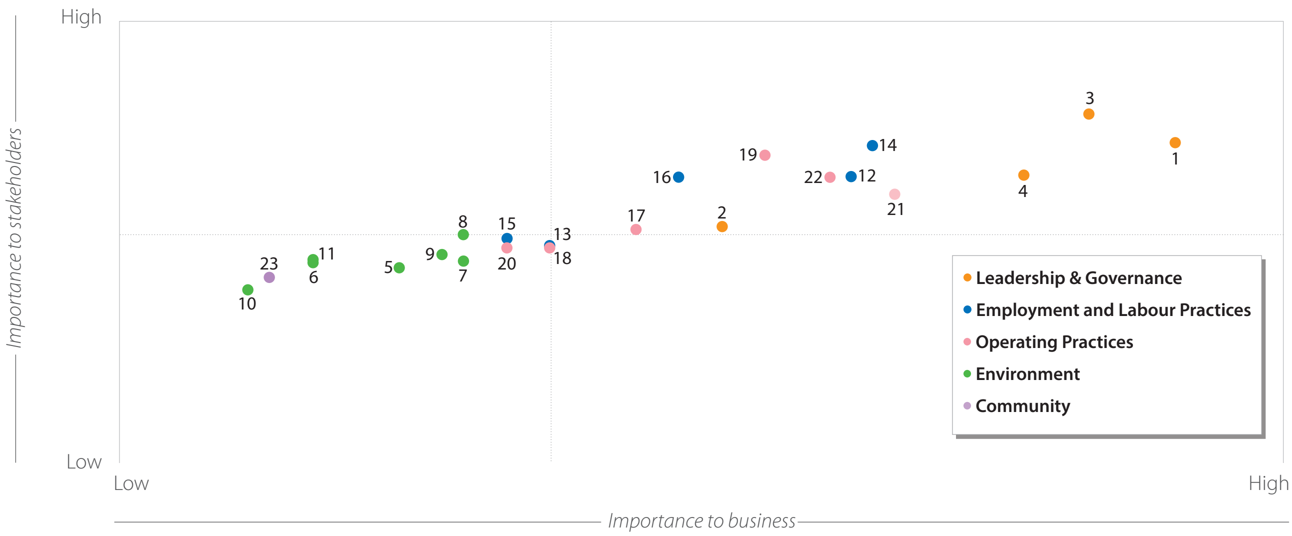
Materiality Assessment

We engage in ongoing dialogues with our key stakeholders to understand and respond to topics that are important to our employees, clients, investors, suppliers and subcontractors, business partners, regulators and the wider community. During the reporting year, we conducted a review to identify what topics matter most to our stakeholders to ensure that our report and business strategy continue to reflect stakeholders' views.

Identification of relevant sustainability topics	Based on the review of global trends, stakeholder concerns, sector issues and business risks, 23 sustainability topics across five aspects, namely leadership and governance, employment and labour practices, operating practices, community and environment, were identified. Under the Board's delegation and monitoring, the Sustainability Committee reviewed the list to ensure it reflects stakeholders' interests and information needs.
Ranking of sustainability topics by stakeholders	Internal and external stakeholders completed a materiality survey ranking the sustainability topics according to the significance to them and the Group's business. The survey gauged over 1,000 responses from both internal and external stakeholders in Hong Kong, Macau and Mainland China. The Board of Directors and the senior management of our business and corporate units also participated in the materiality survey to assess the significance of sustainability topics. They reviewed the topics based on the Group's control over the topics, the likelihood of the topics affecting stakeholders' decision and action, as well as the impacts of the Group's operations on the environment and the community at large.
Identification of material sustainability topics	The findings of the assessment were presented in form of a matrix to provide an overview of the relative significance of selected sustainability topics to our stakeholders and the Group's business.
Validation	The materiality assessment results were presented to the Sustainability Committee for further assessment, considering not only stakeholders' feedback but also the Group's environmental and social impacts, potential risks and opportunities, contributions, level of control and their relationship with the Group's strategic business objectives. The Committee proposed to raise the level of materiality of several environmental topics as well as the "diversity and inclusion" topic from "Moderate" to "Very important" and "Important" respectively. The final assessment results were subsequently validated and approved by the Management Committee and Board of Directors. We plan to organise more stakeholder engagement activities to collect further insights from stakeholders, which will enable us to identify priority areas and guide our further actions.

Environmental, Social and Governance Report

Materiality Matrix



Category	Topic	Level of materiality
Leadership & Governance	1. Compliance management 2. Innovation and technology 3. Anti-corruption 4. Prevention of anti-competitive practices	Very important
Employment and Labour Practices	12. Talent attraction, development and retention 14. Health, safety and well-being 16. Human rights	
Operating Practices	17. Supply chain engagement 19. Protection of customer information and privacy 21. Protection of intellectual property rights 22. Quality and safety of products and services	
Environment	11. Impacts on the environment and natural resources ^ 5. Climate change ^ 7. Energy ^	

Employment and Labour Practices	13. Labour shortage 15. Diversity and inclusion ^	Important
Operating Practices	18. Supply chain risk management	
Environment	8. Waste	

Operating Practices	20. Responsible marketing and advertising	Moderate
Environment	10. Materials 6. Air and greenhouse gas emissions 9. Water and effluents	
Community	23. Community investment	

^Upgraded the level of materiality from "Moderate" based on the considerations mentioned above.

SOCIAL BETTERMENT

CASE STUDY: Embracing new technology

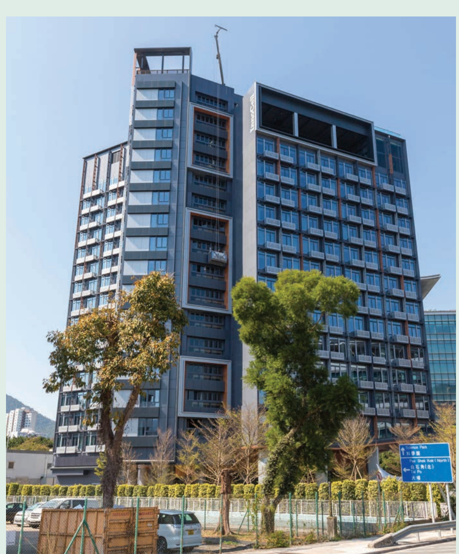
Buildings embody the Group's commitment to providing a better environment for the local community. Technology advancements are essential for the development of the construction industry in order to enhance efficiency, collaboration and safety performance.

BIM and MEP modularisation

As an early adopter of BIM and MEP modularisation in Hong Kong, we won the contract of a smart living and co-creation space project in Pak Shek Kok, one of Hong Kong's first three MiC pilot projects, giving us a showcase for our BIM and MEP modularisation capabilities. By using BIM technology and communicating with all parties involved in the project at the early design stage, we are able to install prefabricated MEP systems to enable well-coordinated and seamless assembly or installation at the construction site.

Work quality and workers' safety are better assured as most of the work processes are conducted in off-site factories. Material wastage is minimised as storage space is often limited at construction site which increases the chances of damage to materials. Environmental impacts on areas near the construction site are also reduced, making it a green construction method. The use of MEP modularisation helps improve the work progress and efficiency as time for installation and testing on-site is shortened. Work hours can be calculated more precisely and better results in terms of safety, quality, environmental friendliness and construction efficiency can be assured. Using advanced technologies, such as BIM, MEP modularisation and MiC, helps alleviate some of the problems in Hong Kong's the construction industry, such as labour shortage and issues associated with ageing workforce.

Apart from the application of BIM in the project as mentioned above, we also performed full BIM coordination, from customised design to construction, in a mixed-use development in Chek Lap Kok, for fire services installation as well as plumbing and drainage installation. Spanning across approximately 25 hectares of land, it is one of the largest commercial projects in Hong Kong.



Environmental, Social and Governance Report

AI and IoT

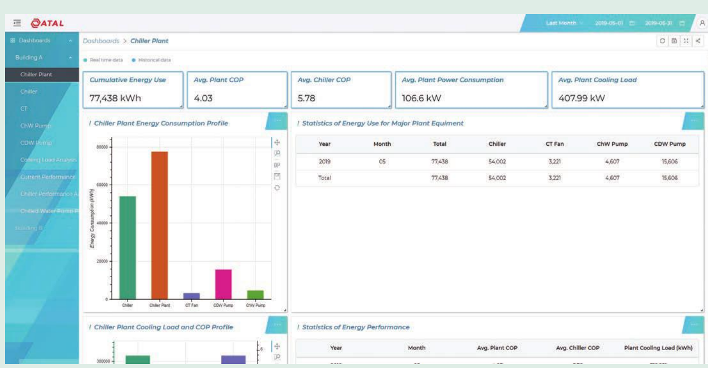
As a leader in innovative building technologies, the Group combines its E&M expertise and information technology capabilities in building works. With the rising trend in IoT technology and big data, we have captured this opportunity by building a holistic "IoT Hub – Smart Building Platform" and Fault Detection and Diagnostics ("FDD") solution.

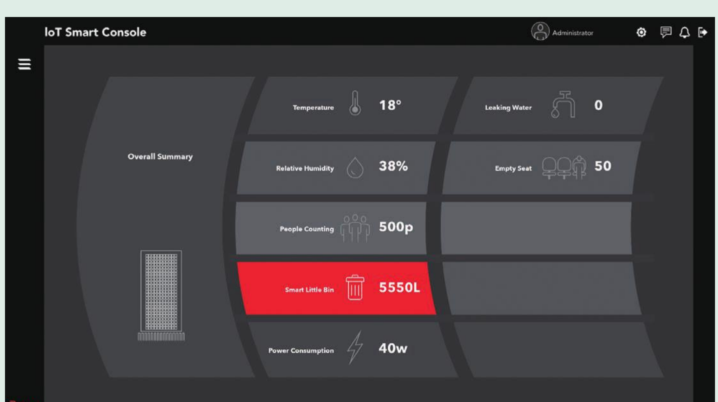
Our Smart Building Platform enables clients to monitor all building's E&M devices and analyse related real-time data, such as temperature, humidity, IAQ, energy consumption and water leakage, on one single platform along with automated fault detection alarm functions for immediate action. The web-based solution platform is accessible via mobile app or computer, allowing building operators to manage their facilities, anywhere and anytime. It can also generate historical statistics for clients to track a building's performance, allowing building owners to optimise operational efficiency.

Several Grade A office buildings in Hong Kong have already successfully adopted this platform. The platform is currently being installed at several government and public sector buildings.

In our FDD software, we leverage big data analytics and AI to provide automated diagnosis of air-conditioning system faults. It detects and identifies faults, investigates root causes and recommends solutions, making clients' HVAC systems greener and more efficient.

At the same time, it brings convenience to our clients across the entire work process, from construction to property management. The Group will continue to explore this new frontier, enabling clients to achieve better efficiency and other social benefits, thereby contributing to the betterment of the society.





People-centric Workplace

Our management approach

For many years, the Group has been promoting a people-centric workplace for its more than 2,500 employees, ensuring they feel cared for, valued and secured at work. This realises our vision in people development and our commitment to creating an environment in which employees can take pride in their work.

Our Human Resources Department works as a strategic partner of all business and corporate units, supporting them to achieve business goals by maximising the value of human capital and facilitating employees to unleash their full potential. Our human resources policies cover manpower planning, recruitment, compensation, benefits and welfare, staff relations, work arrangement, promotion and termination, which bond our practices related to employees and ensure we always act in compliance with laws and regulations.

The Group also commits to respecting human rights and acknowledges its responsibility as a responsible corporate citizen to promote equal opportunities and create a diverse and inclusive workplace where everyone, regardless of their race, colour, ethnic, national origin, sex, age, marital status, sexual orientation, religious or political beliefs, feels equally involved and supported in all areas of the workplace. These policies are clearly stated in our internal guideline. Operating procedures are established to eliminate all forms of child labour, forced labour and discrimination within our business, such as verifying applicants' identity and eligibility for employment.

Environmental, Social and Governance Report

Progress areas

Launched a new **Human Resources Information System**

Enhanced **maternity benefit** and upgraded **group insurance**

Established a new Corporate Unit for **training and development**

Provided training to **1,810** employees, achieving over **30,000** training hours in total and **11** training hours per employee

Trained over **950 Graduate Trainees** and **Technician Trainees** since 1984

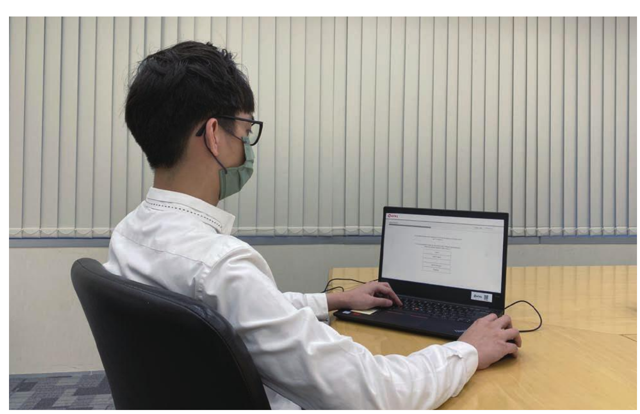
Human Resources Information System ("HRIS")

Following the success of the launch of HRIS in 2019, we have advanced into phase II implementation. The project aims to streamline processes, improve information transparency and standardise human resources practices for the Group's operations in different regions. In 2020, three new functions, namely eProfile, ePerformance and eTraining, were rolled out with coverage extended to Nanjing, China. In particular, a series of briefing sessions were arranged to ensure a complete understanding of as well as smooth and proper utilisation of the new HRIS system.

Employee Engagement

We maintain active and ongoing dialogues with employees to encourage communication and build trust.

The Group welcomes employees' feedback. We listen to and value employees' suggestions to create a better place to work, and better attract, retain and motivate employees to achieve better performance. We have established various employee communication channels including the "Echo" Aerogram which allows employees to freely express their ideas, opinions and suggestions about their work and matters of the Group. All feedback received are sent to the Chairman of the Group directly and handled in strict confidence. We also organise various regular communication activities, such as HR visits and employee engagement survey to collect feedback for further enhancing human resources policies and practices.



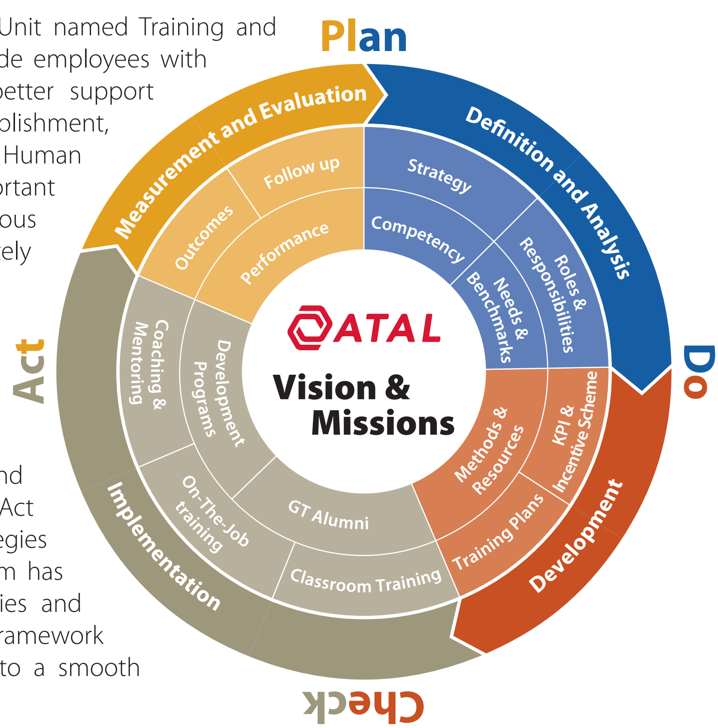
Employee Recreation and Welfare

The Group has the long-established ATAL Recreational and Welfare Affairs Club ("ARWA Club") to organise sports and recreational activities for our employees. To promote a work-life balanced workplace, in 2020, we organised a number of activities for employees to enjoy leisure time with colleagues and their families. Although many outdoor activities were restricted due to the COVID-19 pandemic and social distancing regulations, we launched a series of online interest classes for employees, such as cooking classes, fitness classes and photography workshops.

As part of our commitment to creating an inclusive and family-friendly corporate culture, we regularly review and develop human resources policy. In October 2020, we enhanced maternity benefit and decided to go beyond the regulatory requirement by providing 14 weeks of full-pay maternity leave to our employees.

Establishment of a New Corporate Unit for Training and Development

In April 2020, the Group established a new Corporate Unit named Training and Development ("TnD") with a strategic objective to provide employees with learning opportunities in a systematic manner and better support their career and personal development. Prior to its establishment, employee training and development was under the area of Human Resources Unit. The establishment of the TnD is an important move evidencing our commitment to cultivating a continuous learning culture among employees at all levels for ultimately benefiting the Group as a whole.



With the support of the Advisory Committee on TnD, the TnD unit communicated with the heads of business and corporate units to understand and analysed their expectations, then evaluated and updated relevant policies and procedures in the Operation Manual, and launched the new TnD Model based on the Plan-Do-Check-Act ("PDCA") mechanism with the key elements of TnD strategies incorporated. Under the new TnD Model, the TnD system has been further substantiated with 12 documented policies and procedures. The system sets forth a clear and effective framework for us to create a sustainable environment conducive to a smooth transformation to a new learning generation.

Environmental, Social and Governance Report

Employee Training

We provide comprehensive training programmes to employees.

The TnD unit organises a series of training and development activities to support employees in career development. Under the new system, the training programme is standardised covering the following key steps and aspects:

Training needs identification	We identify the training needs of employees, including technical, health, safety, quality and performance standards, relevant to their work nature and responsibility.
Training plan	We devise training plan stating training objectives, expected outcomes, target training groups and training hours. It aims to enhance employees' skills and support career development.
Budget allocation	We also provide guidelines to business and corporate units on training budget allocation.
Delivery and evaluation	As set out in the TnD system, employees and their supervisors are responsible for evaluating the effectiveness of the training received. The TnD unit is also responsible for the collation of evaluation and quality assurance for all training arranged.

To train up leaders of tomorrow, the Group has devoted tremendous efforts to preparing capable colleagues for supervisory and management positions by providing them with tailor-made management and leadership programmes. In particular, 47 colleagues completed the LEAP (Leaders Executive Accelerating Programme) in October 2020 with full enthusiasm and positive results, opening doors for participants in career development. To keep the learning momentum, those colleagues have been invited to the SHINE (Synergy, Holisticity, Innovation, Networking and Excellence) Gathering scheduled for late 2021.

The Group has also been running the Hong Kong Institution of Engineers ("HKIE") Scheme A Graduate Trainee and Vocational Training Council ("VTC") Apprenticeship Programmes, providing training to over 950 Graduate Trainees and Technician Trainees since the launch of the programmes in 1984. Aiming to support participating employees to become all-round engineers or technicians and serve customers with confidence and pride, the TnD unit has enriched the programmes by including more management and soft skills along with other training elements.


In 2020, 12 training series were conducted to arouse employees' interest in acquiring knowledge and skills relevant to their areas of profession. After the TnD came in place, efforts were made to enrich the staff training sponsorship and part-time degree sponsorship programmes to encourage employees to acquire more knowledge and skills from external resources.

To keep employees informed of the latest TnD activities, a dedicated and user-friendly webpage – ATALent – has been developed and is accessible via the Group's intranet. It allows all employees to access, locate and enrol in internal and external training courses relevant to their job nature. It also serves as a platform for employees to access previous training courses and workshops.

In recognition of our TnD system formation and related efforts, we are recognised as the winner in the Category of Training & Development Award of South China Morning Post's Classified Post HR Appreciation Awards 2020.

Health, Safety and Well-being

Our management approach

Safeguarding the health, safety and well-being of employees as well as subcontractor workers has always been a priority to the Group, which are also reflected in the core corporate values and policies of the Group. In line with our Corporate Social Responsibility ("CSR") Policy Statement, we are committed to developing a caring health and safety culture to minimise potential hazards and promote good health in the workplace. The EHS Policy Statement also lays out the guiding principles for safety management.

Demanding a high safety standard, we implemented a customised and integrated management system at the corporate as well as subsidiary level. Our core operations in Hong Kong, Macau and Mainland China have achieved ISO 45001:2018 Occupational Health and Safety Management System certification. Our employees are guided by our Corporate Quality, Safety and Environment ("QSE") Manual for effective implementation of the system. It is complemented by specific safety procedures and work instructions, which offer comprehensive and practical guidelines on managing health and safety topics. To enhance safety competencies, relevant objectives and targets are established, implemented and regularly reviewed at relevant business units within our operations. Moreover, we encourage safety innovation to promote excellence in construction site safety and health including smart locks for access control of plant rooms, smart wearables for tracking workers' movements and other conditions, and contingency plans for responding to safety-related conditions and potential hazards through BIM.

Effective leadership is crucial to building a robust safety culture. The management, therefore, is accountable for the effectiveness of the management system, policies and objectives. Clear lines of responsibility are established from general staff, EHS professionals and operational management to senior executives and the Board. Management system maintenance and surveillance are managed by the QSE unit. Site EHS Committees are formed for various contracts to promote health and safety, oversee the implementation of the management system on-site, and host forums to raise safety issues and planning hazard prevention. Safety performance data such as accident statistics and compliance evaluation are submitted periodically to the Corporate EHS Committee for analysis, which in turn identifies and recommends measures to improve health and safety and eliminate hazards.

Environmental, Social and Governance Report

Our commitment to safety applies equally to our employees and subcontractors. Though we do not have direct control over subcontractor processes, we regard subcontractor safety as a core part of supply chain management. Subcontractors are expected to comply with our safety policies and requirements. Our procurement processes such as selection, evaluation, stipulating clauses for safety and consequences in the event of failure in the contract and monitoring are in place to manage subcontractor safety. Subcontractor workers, who performed outstandingly in keeping the construction site safe and healthy, would receive certificates and monetary awards during the regular management site walk.

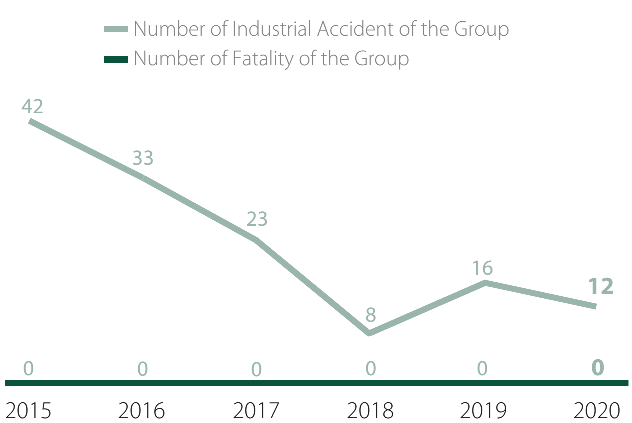
Read more about how we manage our supply chain social performance on page 82.

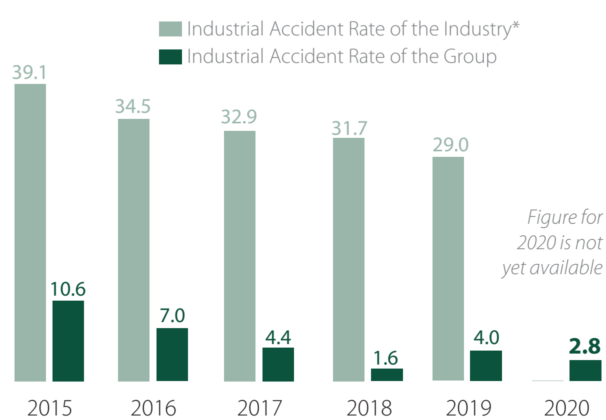
Progress areas

Zero fatality and occupational disease (employees and subcontractor workers)

Occupational injury rate (per 1,000 employees): **0.4**

Industrial accident rate (per 1,000 employees and subcontractor workers): **2.8**





* *Source from Labour Department, HKSAR Government*

Managing safety risks

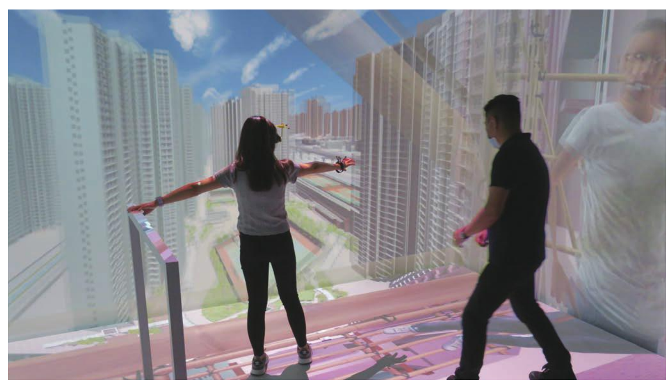
We apply a precautionary approach that focuses on minimising safety hazards at source through hazard identification as well as risk assessment and management. Appropriate action plans were developed for controlling each risk, such as design of work areas, workflows and methods, and provision of personal protective equipment. Before commencing work at sites, specific toolbox talks are provided regularly to relevant workers who work in areas with specific potential hazards identified.

In 2020, we reviewed our management system and work safety system, and enhanced permit-to-work systems in particular of lift shaft works, electrical works and lifting operations. A series of additional measures have been implemented to protect employees and workers from specific hazards. We also upgraded the Corporate QSE Manual to involve suppliers, subcontractors and interested parties in the hazard identification and risk assessment exercises. Moreover, social factors that can affect work quality such as victimisation, bullying, working alone and excessive workload have been incorporated into the health and safety risk analysis.

To enable our employees at different work locations to access health and safety training and information easily, we have enriched our learning platform. There is a wide variety of practical and helpful health and safety learning materials available for our employees to self-study anywhere and anytime. The learning materials include online awareness training videos, online quiz, site safety practical guides and handbooks, good practices and work process improvement initiatives in health and safety, safety alerts and hints, animation and video clips, and tailor-made thematic posters.

Enhancing safe behaviours

Building a safety culture is our continuous focus. Health and safety training is an integral part of orientation training, ongoing corporate training programmes, site-specific courses and thematic learning. Regular safety meetings are held among employees, subcontractors, EHS professionals and the management to discuss safety issues and improvement actions. Recognition and incentive programmes are means to promote safety performance. We also encourage employees and subcontractor workers to provide feedback and ideas on how to improve safety, fostering exchange of experience and good practices.

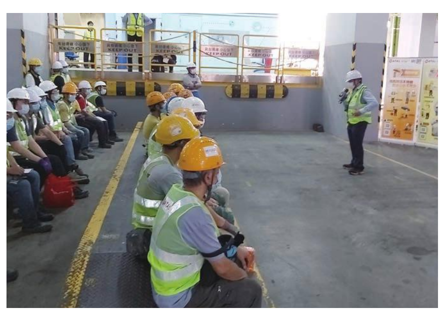


In 2020, the Group organised a series of thematic safety training, such as electrical work, work-above-ground, handling of chemicals and dangerous goods, lift and escalator works, confined space operations and fire safety.

Environmental, Social and Governance Report

"Life First" Promotional Campaign Boosts Safety Culture at Construction Sites

We attach great importance to workers' safety. During the reporting year, we held a five-day "Life First" Promotional Campaign for six construction projects to promote site safety and raise workers' safety awareness. Our senior executives led project managers, site employees and subcontractor gangers and workers in conducting a one-hour activity to review various construction procedures and assess potential risks of those procedures. Workers were invited to share their ideas and experience in identifying risk factors that may cause accidents. It was followed by a site walk and delivery of key safety messages to all site employees and workers. All participants were proactive throughout the campaign and made suggestions to resolve safety issues and improve site conditions and management. Through the campaign, senior executives were able to communicate with site employees and workers and gain useful safety management insights and knowledge.



Improving Safety Performance in Lift Maintenance Project Using Creativity and Technologies

During the reporting year, there was zero incident in our lift maintenance projects due to the successful implementation of the following innovative safety measures.

The complexity of the lift shafts limits the way workers enter and exit the lift shafts. Therefore, we have made suitable modification to the loading and unloading platform for workers working in a lift shaft. We also installed the SALA Block, which is a self-retracting lifeline, to prevent workers from falling. Moreover, we set up emergency lighting in case of power failure. Workers will also be able to contact colleagues using the five-way intercom.

Virtual reality ("VR") safety training was also provided to workers, allowing them to learn in lifelike scenarios. After the training, workers would be assessed for their knowledge and understanding of work safety.

Due to the COVID-19 pandemic, we installed touchless lift buttons to minimise the risk of spreading viruses though it is not a contractual requirement.

Promoting health and well-being

We strive to take good care of the physical and mental well-being of employees and subcontractor workers. Industry-specific health risks are managed through regular risk assessment and preventive measures. Common risks included excessive noise at workplace, heat stress, display screen equipment and contact with chemical or hazardous substances. In 2020, we collaborated with labour unions to organise health and safety promotional activities and distributed safety promotional leaflets, gifts and coupons for free medical examinations to participants. The activities have raised workers' workplace safety awareness as well as the need to monitor their health and exposure to the potential health hazards. Health and safety guidelines and training for relevant work activities are also provided. We also organised a promotional event titled "Heat Stroke Prevention Promotion" at 30 construction sites to raise employees' and workers' awareness for heat stroke prevention under the hot weather.

In line with our caring culture, we support employees to proactively manage their mental well-being through education. Education and awareness campaigns, including emotion management and stress management, were organised for employees during the year. The Group is also a participant of Joyful@Healthy Workplace. We will launch a series of activities in 2021 focusing on promoting healthy diet, physical activities and mental well-being in the workplace.

Environmental, Social and Governance Report

Safeguarding Employees and Workers during the Pandemic

To fight against the COVID-19 pandemic, a Coronavirus Special Task Force comprising employees from different corporate units and business units, was convened in January 2020 to plan precautionary measures and quarantine mechanism in order to ensure effective management and maintenance of a coronavirus-free workplace. The Task Force is chaired by a Board member and reports to the Management Committee. To ensure precautionary measures are effectively implemented, Coronavirus-Busters-In-Charge ("CBIC"), who are responsible for the overall coordination and reports to the Task Force, and Coronavirus Prefects ("CP"), who report to the CBIC and work in the frontline, have been appointed at different offices, site offices, workshops and warehouses. Safety and hygiene guides for keeping COVID-19 at bay have also been distributed to employees and subcontractor workers.

Electronic systems were developed to monitor the inventory level of our anti-contagion materials and analyse local infection cases in buildings in Hong Kong. Employees who live in the buildings with high infection risk are reminded to pay special attention. For contract employees who are not able to work in shifts, they are grouped into smaller "operating pods" to minimise personal face-to-face contact. Electronic work schedules and contact history records of employees and workers are kept for contact tracing and follow-up in case of reported infection cases happened.

We emphasise the principle of "3C avoidance", that is crowds, closed spaces and close contacts, in our operation. Virtual communication means, such as Microsoft Teams, Webinar and Amazon Workspaces Solutions, were arranged for employees to work at home or have online meetings. Spare seats and laptop computers were also available for employees to work at different ATAL workplaces.

In recognition of the relentless effort having been made by the Task Force, we are awarded COVID-19 Special Award – Corporate in HR Appreciation Awards, by South China Morning Post Classified Post in 2020.

Monitoring safety systems

Formal safety inspections and audits are regularly conducted by internal and external safety professionals to ensure daily operations of the Group comply with the safety plans and relevant statutory requirements. Findings are discussed at regular Site EHS Committee meetings and reviewed by the Corporate EHS Committee to identify good safety practices.

Management engagement is a strong driver for promoting safety performance and culture. On top of senior management visits and surprise inspections, we implemented a "Cross Business Unit Safety Inspection Scheme" at construction sites in which the heads of various business units inspect different sites and score the safety initiatives taken. In 2020, the scheme was named "Cross Business Unit QSE Inspection Scheme", reflecting the inclusion of quality of works and workmanship in the cross inspections. The scheme facilitated exchange of experience and good practices among business units.

To measure safety performance, we leverage a range of indicators collected through reporting of accidents such as injuries, dangerous occurrences, near miss events and subcontractors' accidents.

Community Investment

Our management approach

As a socially responsible company, the Group is committed to growing with the community where it operates. We explore new initiatives to take our community engagement beyond required compliance. Guided by our CSR Policy Statement, we collaborate with community partners to create value for the wider community in which we focus on two areas – supporting the underprivileged and contributing to community wellness.

Progress areas

Donated
HK$212,000[6]
to community programmes

Collaborated with the industry and local communities in
combating the COVID-19 pandemic

In 2020, the outbreak of COVID-19 has affected the livelihood of many people around the globe. Considering the widespread impact of the pandemic, we took prompt actions to adjust our community investment initiatives and prioritise our resources to help the needy combat the pandemic.

6 *Donation (Hong Kong, Macau and Mainland China).*

Environmental, Social and Governance Report

Combating the COVID-19 Pandemic

We are mindful of the special needs of the community particularly in challenging times. In the fight against the COVID-19 outbreak, the Group has devoted tremendous efforts and resources to safeguard the wellness of the community and people who are vulnerable to the impacts of the pandemic.

Supporting construction industry

The pandemic has left no business untouched. Notwithstanding precautionary measures have been taken to protect our employees and subcontractor workers from the pandemic and maintain our business operations, the Group also rendered support to the construction industry by donating to the Federation of Electrical and Mechanical Contractors for the construction workers and an online concert organised by Construction Industry Council under the theme "Construction Industry Caring Campaign – Fight Against the Novel Coronavirus". This campaign aims to provide financial assistance and mental support to construction workers and their families in compulsory quarantine or passed away due to the pandemic.

Supporting communities

In response to the shortage of medical supplies in the early stage of the COVID-19 outbreak in Hong Kong and Mainland China, we made global procurement of precautionary items such as surgical masks and hand sanitisers for our employees, subcontractor workers, business partners and communities in need. With the assistance of our community partners including Caritas, Rainbow Foundation, Evangel Children's Home, Precious Blood Children's Village and Open Door Ministries, we distributed nearly 20,000 surgical masks and hand sanitisers to their beneficiaries in Hong Kong.

While combating the COVID-19 pandemic, the Group also participated in various volunteering programmes with the tireless support from the employees. Employee volunteering exemplifies our shared value of caring for the communities. We encourage our people and their families to participate in different volunteering services. Served as a platform for our employees to connect with and give back to the community, the ARWA Club worked with our community partners to organise various kinds of volunteering activities, in which our employees devoted their time and efforts to make a difference for the community.

Apart from voluntary services, the Group also contributed to the community wellness through donations and enthusiastic support for fundraising initiatives for community programmes. As a supporter of Caritas' Computer Recycling Programme, the Group donated over 300 used computers and hard disks in 2020; the refurbished computers would be given to the needy for free or at a very low price. Besides, we gave away office furniture to Remar Association for repair and resell to support their rehabilitation services for the homeless and other people in need. In January 2020, ATAL volunteers participated in the Construction Industry Council's Happy Run at Hong Kong Institute of Construction Tai Po Training Ground. The activity aimed to promote healthy living and sporty lifestyle in the industry. In the same month, over 70 employees and their family members joined the Community Chest Corporate Challenge at Sai Kung Pak Tam Chung Country Park. Funds raised from the activity were used to support the rehabilitation and aftercare services backed by the Community Chest.

Our care for the vulnerable people did not compromise even under the social distancing measures. The Group participated in the Suicide Prevention Services' Virtual Walk in June and July 2020.

Thanks to the concerted efforts of our employees and community partners, the Group was honoured with the Community Chest Award of Excellence for 2019/2020 organised by the Labour and Welfare Bureau and named a "Caring Company" for 15 consecutive years by the Hong Kong Council of Social Service. These recognitions are testimony to our long-term commitment to and efforts in community investment. The Group will continue our best efforts to serve the society in the future.

Environmental, Social and Governance Report

ENVIRONMENTAL STEWARDSHIP

CASE STUDY: Promoting climate action

There is a case to be made that 2020, for all the sacrifices it demanded and hardship it inflicted, could at least mark a turning point on climate change. To succeed, we need innovative solutions, and execute them promptly.

Project	Description
Energy optimisation	As a provider for energy-saving services, we offer customised one-stop energy solutions that cover system design and implementation, providing assistance in applying energy-saving funds, T&C and maintenance. Developed by our in-house R&D team, the deployment of IoT technologies on smart energy optimisation systems and data analytics tools help clients save energy. Big data technology has also been used to enable easier identification of inefficient operations and equipment faults, to further reducing energy wastage. Coupled with IoT and big data technologies, our expertise in energy management and data science help our clients optimise energy efficiency. In addition, we installed a cloud-based chiller plant optimisation system in a project in Tuen Mun. With it in operation, we were able to save 7% of chiller plant energy, equivalent to a saving of HK$280,000 per annum.
Building Management System ("BMS") upgrade	Our Smart Building Platform integrates all building systems and IoT devices into one centralised control platform, transforming the conventional ways of managing buildings. Through digitisation of building operations, the Smart Building Platform brings convenience and enhances sustainability performance. Energy and water consumption can be better monitored and controlled, and equipment outage due to water leakage can be avoided. We have also introduced a market leading 15-in-1 indoor environmental quality ("IEQ") sensor to help clients manage different IEQ elements, including nitrogen dioxide, ozone, ammonia, etc., facilitating the monitoring of IAQ. The upgrade of BMS allows us to integrate multiple systems, such as the enhanced energy management system, to help clients better manage energy consumption. Leveraging IoT technologies, we are able to track water leakage as well as IAQ. Our self-developed automated FDD solution and Energy Management System allow clients to better monitor and track their energy consumption.
Renewable energy	The global trend for renewable energy has led to an increase in the demand for our renewable energy solution services. These include solar photovoltaic ("PV") panels, building-integrated PV systems, solar cooling and thermal systems, solar pavement, wind turbines and renewable energy lamp posts. For instance, our solar paving system is integrated into the built environment with the paved surfaces absorbing solar radiation, turning waste energy into usable electricity. The system is capable of withstanding the weight of cars and heavy vehicles. In Hong Kong, this system is valuable given the city's limited space. Looking ahead, we are planning to introduce technological solutions that enable our plant and infrastructure to store solar power for consumption. Clients employing our renewable energy services can expect to reduce both power intake and electricity cost.

In addition to supporting clients to reduce greenhouse gas ("GHG") emissions (or "carbon emissions"), the Group has also implemented various measures to reduce its carbon footprint in daily operation.

Read more about our environmental measures on page 79 to 81.

Managing Environmental Performance

Our management approach

We adopt a two-fold approach to environmental stewardship – aiming to minimise the environmental impacts caused by our activities, and work in partnership with stakeholders to contribute to a resilient environment. Knowing our responsibility towards the environment for the interest of the communities and the planet, we have been taking steps to manage and mitigate the environmental impacts of our operations. The CSR Policy Statement embodies our commitment to preserving the natural environment and reducing operational carbon footprint. The EHS Policy Statement includes the principles that guide us in carbon reduction, pollution control, waste minimisation and recycling, and responsible use of energy, water and other natural resources.

An integrated management system based on ISO 14001:2015 Environmental Management System standard is implemented across our core operations in Hong Kong, Macau and Mainland China. It provides us with a systematic and robust framework for ensuring legal compliance and managing environmental issues, risks and opportunities using best practices among the E&M sector of the construction industry in Hong Kong. A precautionary approach is taken to analyse, prevent and remedy potential environmental risks related to emissions and natural resources management. The Corporate QSE Manual along with relevant procedures and work instructions provide practical guidelines on how we work with our employees, suppliers, subcontractors and clients to achieve those objectives and also integrate environmental considerations into all aspects of our operations.

The Corporate EHS Committee has been designated with responsibility for monitoring the implementation of the management system, including reviewing accident statistics and identifying adverse EHS practices and conditions, ascertaining and undertaking appropriate actions, evaluating compliance performance and promoting good practices. We have comprehensive governance, policies and processes that set the basis for realising opportunities to achieve our environmental objectives and targets. In addition, our internal and external auditing processes check compliance with internal procedures and statutory requirements. Findings are discussed and reviewed by the Corporate EHS Committee to identify areas of improvement.

As part of our supply chain management, our subcontractors are required to follow our environmental policies by including contractual provisions related to environmental protection. The environmental performance of subcontractors are regularly reviewed. To facilitate the exchange of good practices and enhance environmental competence among employees and subcontractors, regular meetings and training such as toolbox talks, incentive programmes and promotional events are organised.

Read more about how we manage our subcontractors' environmental performance on page 82.

Environmental, Social and Governance Report

Progress areas[7,8]

Total waste generated
20.3 tonnes

Total carbon emissions
1,700.6
tonnes of CO_2-e

Total energy consumption
3,307.7 MWh

Total water consumption
20,469.6 m³

Reducing emissions

We seek to minimise impacts on the environment in every stage of our operations.

As stipulated in our waste management policies, we employ proper waste handling and monitoring practices to manage and reduce waste generated. In addition to applying prefabricated building elements to reduce wastage of materials and on-site waste generation, we implemented waste management practices through the Environmental Management System and provided clear guidance to our employees and subcontractors regarding disposal of construction waste. All subcontractors are required to collect and sort the waste properly according to local rules and regulations.

In 2020, the total non-hazardous waste and hazardous waste generated across our operations in Hong Kong were 19.2 tonnes and 1.1 tonnes respectively. For non-hazardous waste, the non-recyclable waste was collected and directly sent to landfills by contracted waste handlers, whereas the recyclable waste was reused, recycled or donated to charitable organisations. Licensed contractors performed disposal of hazardous waste.

Using Technological Solutions to Minimise Environmental Impacts related to Water Supply

We employ innovative technological solutions to optimise the operations of water treatment works, and minimise environmental impacts related to water supply. We have been exploring emerging technologies for devising new water treatment solutions.

Our recent project, a water treatment plant in Shatin, included in-situ reprovisioning of water treatment process units, where new disinfection technology will be adopted. On top of traditional chlorination, the latest technologies including lamellar sedimentation, two-stage filtration, ozonation and ultraviolet ("UV") light will be employed to achieve four-log disinfection, which is capable of achieving virus and pathogen inactivation rate of 99.99%.

This water treatment plant is the first municipal water treatment plant adopting UV disinfection technology in Hong Kong. The new facilities with increased treatment capacity will be able to meet growing water demand from new housing developments while further improving water quality.

7 *All environmental KPIs only apply to our operations of warehouses, depots, general offices, call centre and workshops in Hong Kong.*

8 *GHG inventory covers six types of GHGs specified in the Kyoto Protocol. Emission factors of GHG emissions from electricity consumption are obtained from the two local electricity companies (HKE, 0.81 kg CO_2-e/kWh and CLP, 0.50 kg CO_2-e/kWh), whereas emission factors of other emissions sources are obtained from local governments and authorities, or other recognised sources. The global warming potential values are obtained from the fifth assessment report (2014) of the Intergovernmental Panel on Climate Change ("IPCC").*

As a responsible corporate citizen, the Group acts on climate change in many ways, such as reducing its own GHG emissions in daily operations. We have been monitoring our electricity consumption and have introduced energy saving and other low-carbon initiatives. In 2020, the Group's operations in Hong Kong recorded total carbon emissions of 1,700.6 tonnes of CO_2-e, of which purchased electricity accounted for 36% and mobile combustion sources accounted for 33%.

The Group remains committed to the voluntary Clean Air Charter which participants were assessed and certified by the Business Environment Council. The certification reflects our efforts in combating air pollution and improving air quality.

Resource conservation

The Group has demonstrated its energy saving commitment by having a green office in its headquarters in Hong Kong and implementing numerous operating measures to improve energy efficiency and reduce energy consumption across its business operations. Apart from replacing light switches with dual tech occupancy sensors and installing eco-fluorescent tubes at our facilities, lighting sensors were installed in the perimeter zone to regulate the lumen output of fluorescent tubes and save energy.

Protecting the environment by conserving water and other natural resources has long been advocated in our EHS Policy Statement. We also provide guidelines on efficient use of resources on project level in our Project Environmental Management Plan. The Plan specifies the requirements and management strategies to reduce our impacts on natural resources and the environment in each environmental aspect. Besides, we regularly disseminate "Going Green Tips" to employees and subcontractor workers to encourage environmentally-friendly practices, such as tips for living a green life, green construction measures, etc. We always consider environmental technologies and environment-friendly measures in product development and project management, which help enhance our environmental performance during construction and operations. In 2020, the Group did not encounter problem in sourcing water, had no massive use of packaging materials, and no significant impacts on the environmental and natural resources in its operations.

Environmental, Social and Governance Report

RESPONSIBLE OPERATION

CASE STUDY: Pursuing sustainable supply chain practices

We understand the sustainability implications of our purchasing decisions. Including sustainability considerations in our procurement processes enables us to contribute to the environment as well as the communities in which we operate.

Working with over 2,700 suppliers and subcontractors worldwide, it is important for us to ensure that their products and services comply with our minimum requirements on ESG performance. Along with a set of procedures related to purchasing and subcontracting activities, our QSE Manual sets forth the overall sustainable supply chain management mechanism, from selection to performance evaluation.

Process	What we do
Selection	We work with suppliers and subcontractors who demonstrate strong commitment to environmental protection and social responsibility. All suppliers and subcontractors are selected based on a formal assessment to confirm that their EHS, quality, social (including ethical practices, human rights, labour rights, etc.) performances adhere to our selection principles.
Control strategy	Subcontractors often perform high risk jobs at work sites, mitigating their ESG risks is an important part of a prime contractor management system. Compared with the standard terms in supplier contract, we require subcontractors to adhere to relevant safety and environmental protection rules, management system and relevant green building requirements. Their QSE and ethical performance are guided by internal procedures and subjected to internal and external audits as well as site inspections.
Review and evaluation	We continually evaluate the performance of suppliers and subcontractors. By holding regular meetings with the suppliers and subcontractors and conducting regular inspection, we review their progress and EHS performance. This mechanism also serves as training for suppliers and subcontractors to enhance their overall environmental and safety awareness. In procurement, we give priority to suppliers and subcontractors with outstanding performance, whereas underperformers will be downgraded or delisted from our tender list.

In addition, we believe in the power of collaboration in a truly sustainable supply chain – not only for better managing our environmental and social risks, but also promoting inclusive growth in society. We organise subcontractor forums annually to share good safety practices and foster relationships with key subcontractors. We look forward to working with our suppliers and subcontractors to go beyond contractual requirements and minimum legal requirements in pursuing environmental and social objectives in their daily operation.

Business Ethics

Our management approach

Adhering to a very high standard of business ethics is of fundamental importance to our operation. We see anti-corruption and prevention of anti-competition behaviours as some of the core principles of the Group. Business integrity, including intellectual property rights and client privacy, and business ethics management form the backbone of our business.

The Group has set out a series of policies to regulate procedures in handling intellectual property, employees' invention, and confidential information. Employees are required to strictly adhere to the set policies regarding the usage and storage of proprietary or confidential information. To align with our business development principles, all product inventions and software programmes are protected as detailed in the Group's Operation Manual and subject to relevant intellectual property rights regulations in the countries where we operate.

Ensuring data privacy and security is essential to maintain a good relationship with our business partners. Our Personal Data and Privacy Policy has set out procedures regarding data collection, retention, as well as data access and correction. To ensure clear records of data access and updates, employees are required to complete an access/update request form before accessing or correcting personal data.

Anti-corruption and prevention of anti-competition

We have implemented various policies in relation to combating corruption and anti-competition activities to ensure we operate with strict ethical standards. In particular, our Hong Kong Competition Law Compliance Manual provides an overview of the regulations as well as guidelines on how to deal with competitors, vendors, distributors and indirect resellers. A checklist of do's and don'ts is also provided for their reference. Anti-corruption training sessions are arranged regularly for directors and employees.

Apart from maintaining our Code of Conduct and Hong Kong Competition Law Compliance Manual, a Whistle-blowing Policy has been established to maintain the accountability of our business activities. We encourage employees and business partners to raise their concerns about any suspected misconduct or malpractice in the Group. The process is kept confidential and all reports will be handled with care and fairness to ensure whistle blowers are protected against unfair dismissal, victimisation or unwarranted disciplinary actions.

Progress areas

In 2020, we stepped up efforts in combating corruption and anti-competitive activities through training and open communications. A series of training was conducted during the year. Anti-corruption training was offered at orientation to all new employees; ICAC representatives were invited to provide training on latest industry case studies to help employees stay vigilant. To enhance employees' awareness and knowledge about the Competition Ordinance in Hong Kong, a series of training programme was conducted in collaboration with our external legal consultant in 2020. The programme aims to combat anti-competition behaviours such as market sharing and bid-rigging. Other training and learning methods, such as self-learning and insights sharing among colleagues, were also in place. In 2020, there was no concluded legal case of corruption brought against the Group or its employees.

Environmental, Social and Governance Report

Compliance Management

Our management approach

The Group upholds a very high standard of accountability and business integrity by implementing effective policies, guidelines and practices. Any regulatory changes of high relevance to our businesses will be communicated effectively and timely to employees. Key updates on legislations relevant to our operations are also disseminated to employees to enhance their understanding.

Progress areas

We comply with all laws and regulations that are relevant to our business operations and closely monitor changes. Our performances of compliance management are summarised below:

Aspect	Significant reportable cases[9] of breaches in legal or regulatory compliance in 2020	Supplementary information
Business Practices (relating to corruption and anti-competitive behaviour)	No reported cases	Nil
Employees and Subcontractors (relating to employment practices, labour standards, and occupational health and safety)	No reported cases	In response to the consultation paper on raising the penalties for employers/proprietors/occupiers who have breached the occupational safety and health legislation in Hong Kong issued in December 2020, we will arrange a briefing session explaining its impacts to employees and the business, and collect feedback from employees in the first quarter of year 2021. We will consolidate and relate the feedback to the Labour Department via respective trade associations.
Product Responsibilities (relating to client privacy, product and service information, and customer health and safety)	No reported cases	The Building (Minor Works) (Amendment) Regulation 2020 came into effect on 1 September 2020 in Hong Kong. The regulation responds to the increasing demand from the public to extend the scope of the Minor Works Control System to include more small-scale building works. We have subsequently updated our employees about the latest relevant legal requirements.
Environment (relating to air and GHG emissions, discharges to water and land, and waste generation)	No reported cases	The Air Pollution Control (Air Pollutant Emission) (Controlled Vehicles) (Amendment) Regulation came into effect on 1 September 2020 to phase out Euro IV diesel commercial vehicles progressively by the end of 2027, including diesel goods vehicles, non-franchised buses and light buses, with a view to further improving roadside air quality. As the amended regulations command, we will set a target to gradually phase out all Euro IV diesel commercial vehicles.

9 *Referring to significant reportable cases of non-compliance with relevant laws and regulations. The level of significance of each case is determined by considering its nature and situations, impacts on the Group or on the environment and society, and its monetary penalty (i.e. fines over HK$50,000 are considered as significant).*

Project Delivery

Our management approach

Upholding our motto of "*We commit, We perform, We deliver*", we adhere to a very high standard of project delivery at all times and protect the rights and well-being of our customers with an effective quality assurance process. Our quality management systems are set up in accordance with the ISO 9001:2015 international standard and are applied to our projects. As stated in the Health, Safety and Well-being section, the "Cross Business Unit QSE Inspection Scheme" ensures work quality and workmanship across our construction sites. The corresponding project teams will receive the inspection report with improvement actions specified for follow up. We continuously improve our management approach and develop innovative solutions to enhance our project delivery quality while protecting customers' health and safety.

Leveraging the existing communication platforms, the Group regularly gauges customer feedback across our operations. Customer satisfaction surveys are distributed to all customers upon contract completion to evaluate their level of satisfaction and seek continual improvement. All opinions collected were closely followed up by respective business units. In addition, the Group has established effective mechanisms to ensure accurate and sufficient information about our products and services is provided to customers. Grievance procedures are in place to ensure accurate information as well as fair and timely responses would be made to customers' feedback. As part of our quality assurance procedures, we provide employees with guidelines on how to deal with non-conforming products and client complaints. In particular, complaints relating to installations, work performance, product or service quality and EHS issues shall be recorded and followed by corrective or preventive actions.

Progress areas

In 2020, the average scores of the customer satisfaction surveys landed between "good" and "excellent", indicating customers are generally satisfied with the products and services we provided. Meanwhile, appreciation letters were received from our customers in Hong Kong and Macau to express their gratitude for our excellent work quality and customer services.

Smart Building Solutions

As introduced in the previous sections, we have been developing smart building solutions to support SDGs and our environmental performance. In addition, we utilise big data to enhance customers' health and safety with our projects. The "IoT Hub" is a centralised platform for real-time data analysis employing domain knowledge and AI technologies. It assesses IEQ and predicts human comfort levels.

Prompted by the COVID-19 outbreak, people have become more conscious of IEQ. We aim to reduce the risk of chronic respiratory illness in the indoor spaces where people stay. The "IoT Hub" connects with our IEQ solution to monitor indoor air quality, temperature, acoustics and lighting. With the analytics gathered, the "IoT Hub" is able to predict the degree of human comfort in indoor environment and help clients achieve a desirable indoor environment according to the WELL Building Standard.

Environmental, Social and Governance Report

Building and E&M Works for Automation of Arrival Bags Delivery

Maintaining close communication with clients is the key to our project success. The upgrade project for the arrival baggage delivery system at the Hong Kong International Airport was challenging given the tight timeline and the requirement of not affecting the daily operation of client. The team had to build an extensive steel platform in Terminal 1 Baggage Hall to facilitate the installation of arrival baggage delivery system. Moreover, a ventilation or smoke system and the fire detection system were integrated into a 2.3km long tunnel of the baggage delivery system. To avoid interruption of the Baggage Hall's daily operation, we had to complete the logistics and installation work within limited time after midnight.

To avoid affecting the daily operation of one of the busiest airports in the world, we worked closely with the client to resolve the challenges we faced in the course of the project.

Central-Mid-Levels Escalator and Walkway System

The project involved replacement and modernisation of 18 escalators and three moving walkways in the city's heart. Working at a very popular tourist spot, we see public engagement, as well as close communication with clients and workers as the key to quality project delivery. The public communication initiatives implemented for the project included:

- Banners on walkways to inform the public of the project information and schedule
- Well-trained ambassadors to address enquiries and advise re-routing arrangement
- Bilingual notices and leaflets to inform affected stakeholders before project commencement and during the refurbishment at a specific section of the system
- Murals along the walkways to engage the community

To minimise the inconvenience caused to pedestrians, we took measures such as restricting lifting works during rush hours on weekdays and reducing worksite space to avoid disruption of road traffic.

In recognition of the team's excellent work, the project won the first place accolade in ELEVATOR WORLD "2021 Project of the Year".

A Government Data Centre Complex in Cheung Sha Wan

With the rapid development of e-services, the demand for data centre facilities has been strong in recent years. Building high-quality and highly technical data centre facilities at an aggressive pace is no easy task. It requires expertise and excellence in product delivery.

We recently secured the new government data centre complex project in Cheung Sha Wan. Expecting to provide data halls with around 1,400 server racks and critical infrastructure facilities, this new data centre complex will set a new benchmark for stand out among data centres in terms of security, capacity, performance and energy efficiency. With environmental considerations at the core of this project, this data centre complex will be environment-friendly, featuring many environmental measures to enable greener operations. It targets to obtain a Provisional Gold rating under BEAM Plus New Buildings.

Kai Tai Commercial Developments

To maintain quality and on-time delivery of our project, the Group adopts modularisation of E&M equipment for several work procedures in the Kai Tai Commercial Developments project. Modularisation does not only improve environmental quality at the work sites, but also allows smooth and timely work scheduling. The method allows certain parts of work procedures to be prepared and inspected in offsite factories, facilitating construction and building management. Compared with traditional construction methods, modularisation of E&M equipment can shorten onsite working days by approximately 15%.

Environmental, Social and Governance Report

PERFORMANCE SUMMARY

Environmental Key Performance Indicators[10,11]

Environmental Key Performance Indicators	Quantity	Unit
Air Emissions[12]		
Nitrogen oxides (NO_x)	826.7	kg
Sulphur oxides (SO_x)	3.2	kg
Respirable suspended particles (RSP)	75.8	kg
GHG Emissions		
Scope 1 Direct Emissions		
Combustion of fuels in mobile sources	563.3	tonnes of CO_2-e
Fugitive emissions from equipment and systems[13]	52.1	tonnes of CO_2-e
Scope 1 total	**615.4**	**tonnes of CO_2-e**
Scope 2 Energy Indirect Emissions		
Purchased electricity	620.6	tonnes of CO_2-e
Purchased cooling[14]	258.6	tonnes of CO_2-e
Scope 2 total	**879.2**	**tonnes of CO_2-e**
GHG emissions in total (Scope 1 and 2)	**1,494.6**	**tonnes of CO_2-e**
GHG intensity (Scope 1 and 2, by floor area)	**12.5**	**tonnes of CO_2-e/thousand ft^2**
Scope 3 Other Indirect Emissions		
Paper waste disposal	182.0	tonnes of CO_2-e
Use of fresh water	8.7	tonnes of CO_2-e
Sewage discharge	4.1	tonnes of CO_2-e
Business air travel	11.2	tonnes of CO_2-e
Scope 3 total	**206.0**	**tonnes of CO_2-e**
GHG emissions in total (Scope 1, 2 and 3)	**1,700.6**	**tonnes of CO_2-e**
GHG intensity (Scope 1, 2 and 3, by floor area)	**14.2**	**tonnes of CO_2-e/thousand ft^2**

10 *All environmental KPIs only apply to our operations of warehouses, depots, general offices, call centre and workshops in Hong Kong.*

11 *GHG inventory covers six types of GHGs specified in the Kyoto Protocol. Emission factors of GHG emissions from electricity consumption are obtained from the two local electricity companies (HKE, 0.81 kg CO_2-e/kWh and CLP, 0.50 kg CO_2-e/kWh), whereas emission factors of other emissions sources are obtained from local governments and authorities, or other recognised sources. The global warming potential values are obtained from the fifth assessment report (2014) of the IPCC.*

12 *From unleaded petrol and diesel consumed by vehicles.*

13 *Including emissions from our gas cylinder pre-qualification workshop, which account for 96.5% of the total GHG emissions released from equipment and systems.*

14 *Purchased cooling from the facility management company for the centralised air conditioning.*

Environmental Key Performance Indicators	Quantity	Unit
Generation of Hazardous and Non-hazardous Waste		
Generation of Hazardous Waste		
E-waste[15]	1.00	tonnes
Fluorescent light tubes (including LCD backlight tube)	0.00002	tonnes
Batteries	0.08	tonnes
Cartridge	0.02	tonnes
Total hazardous waste	**1.10**	**tonnes**
Hazardous waste intensity (By floor area)	**0.01**	**tonnes/thousand ft^2**
Generation of Non-hazardous Waste		
By recycling		
Metal	0.05	tonnes
Paper	2.13	tonnes
Plastic	0.17	tonnes
By disposal		
General waste	16.80	tonnes
Total non-hazardous waste	**19.15**	**tonnes**
Non-hazardous waste intensity (By floor area)	**0.16**	**tonnes/thousand ft^2**
Energy Consumption		
Petrol	1,278.3	MWh
Diesel	735.6	MWh
Electricity	974.5	MWh
Cooling	319.3	MWh
Total energy consumption	**3,307.7**	**MWh**
Energy intensity (By floor area)	**27.6**	**MWh/thousand ft^2**
Water Consumption		
Total water consumption	**20,469.6**	**m^3**
Water intensity (By floor area)	**170.6**	**m^3/thousand ft^2**
Paper Consumption		
Total paper consumption	**37.9**	**tonnes**

15 *Estimated weight of personal computer, notebooks, hard disks and LCD, which were donated to a charitable organisation.*

Environmental, Social and Governance Report

Social Key Performance Indicators[16]

Social Key Performance Indicators		
Employment		
	Number	**Distribution (%)**
Workforce Profile as at 31 December 2020	**2,686**	**N/A**
By gender		
Male	2,240	83.4%
Female	446	16.6%
By contract type		
Permanent	2,193	81.7%
Contract	90	3.4%
Term contract	232	8.6%
Part time	68	2.5%
Temporary	103	3.8%
By age		
Under 30 years old	736	27.4%
30-50 years old	1,431	53.3%
Over 50 years old	519	19.3%
By grade		
Management	6	0.2%
Senior executive	27	1.0%
Executive	244	9.1%
Professional	840	31.3%
General staff	1,569	58.4%
By location		
Hong Kong	2,390	89.0%
Macau	24	0.9%
Mainland China	272	10.1%

16 *Unless specified otherwise, figures include permanent, contract, term-contract, part-time, temporary staff in Hong Kong, Macau and Mainland China.*

Social Key Performance Indicators		
Employment		
	Number	**Rate (%)**
New Employees[17]	**681**	**26.0%**
By gender		
Male	575	26.4%
Female	106	24.1%
By contract type		
Permanent	351	10.9%
Contract	53	63.9%
Term contract	59	26.5%
Part time	32	50.4%
Temporary	186	194.8%
By age		
Under 30 years old	401	55.7%
30-50 years old	202	14.4%
Over 50 years old	78	15.6%
By grade		
Management	0	0 %
Senior executive	3	11.5%
Executive	14	5.8%
Professional	114	13.8%
General staff	550	36.2%
By location		
Hong Kong	608	26.2%
Macau	7	29.8%
Mainland China	66	24.4%

17 *New employee rate = number of employees who joined the Group during the period from 1 January to 31 December 2020/average number of employees of the reporting period x 100%*

Environmental, Social and Governance Report

Social Key Performance Indicators		
Employment		
	Number	**Rate (%)**
Employee Turnover[18]	**288**	**13.4%**
By gender		
Male	241	13.5%
Female	47	12.7%
By age		
Under 30 years old	119	18.3%
30-50 years old	146	12.0%
Over 50 years old	23	8.0%
By grade		
Management	2	33.3%
Senior executive	1	3.8%
Executive	25	10.5%
Professional	114	14.0%
General staff	146	13.7%
By location		
Hong Kong	219	11.8%
Macau	3	13.3%
Mainland China	66	24.4%

18 Employee turnover rate = number of permanent staff who left the Group during the period from 1 January to 31 December 2020/average number of permanent staff of the reporting period x 100%

Social Key Performance Indicators		
Health and Safety		
	Number	**Rate**
Fatality (employees and subcontractor workers)	**0**	**0**
Occupational Disease (employees and subcontractor workers)	**0**	**0**
Industrial Accident	**12**	**2.8**
Employees[19]		
Hong Kong	0	0
Macau	0	0
Mainland China	0	0
Subcontractor workers[20]		
Hong Kong	7	6.6
Macau	4	9.5
Mainland China	1	6.9
Lost Days due to Industrial Accident[21]	**1,457**	
Employees		
Hong Kong	0	
Macau	0	
Mainland China	0	
Subcontractor workers		
Hong Kong	1,019	
Macau	414	
Mainland China	24	
Occupational Injury (employees only)[22]	**1**	**0.4**
By location		
Hong Kong	1	0.43
Macau	0	0
Mainland China	0	0
Lost Days due to Occupational Injury (employees only)[23]	**8**	
By location		
Hong Kong	8	
Macau	0	
Mainland China	0	

*19 Industrial accident rate (employees) = number of reportable industrial accidents/average number of employees of the reporting period * 1000*
*20 Industrial accident rate (subcontractor workers) = number of reportable industrial accidents/average number of subcontractor workers of the reporting period * 1000*
21 Number of labour lost days.
*22 Occupational injury rate = number of reportable occupational injury/average number of employees of the reporting period * 1000*
23 Number of labour lost days.

Environmental, Social and Governance Report

Social Key Performance Indicators		
Training and Development		
	Number	**Percentage (%)**
Employees Trained[24]	**1,810**	**67.4%**
By gender		
Male	1,481	66.1%
Female	329	73.8%
By contract type		
Permanent	1,681	76.7%
Contract	24	26.7%
Term contract	89	38.4%
Part time	4	5.9%
Temporary	12	11.7%
By grade		
Management	5	83.3%
Senior executive	26	96.3%
Executive	227	93.0%
Professional	618	73.6%
General staff	934	59.5%
By location		
Hong Kong	1,668	69.8%
Macau	13	54.2%
Mainland China	129	47.4%
	Hour	
Total Training Hours[25]	**30,950**	
Average Training Hours[26]	**11.0**	
By gender		
Male	10.7	
Female	12.1	
By contract type		
Permanent	12.9	
Contract	1.9	
Term contract	3.9	
Part time	0.2	
Temporary	0.4	

24 *Percentage of employees trained = number of employees trained of the category which exclude employees who left the Group during the reporting period/ total number of employees of the category at the end of the reporting period x 100%*

25 *Total hours of training received by employees in 2020 (including employees who left the Group during the reporting period).*

26 *Average training hours = total hours of training received by employees of the category which exclude employees who left the Group during the reporting period/total number of employees of the category at the end of the reporting period*

Social Key Performance Indicators		
Training and Development		
	Number	
Average Training Hours	**20**	
By grade		
Management	16.6	
Senior executive	24.2	
Executive	24.1	
Professional	13.6	
General staff	7.3	
By location		
Hong Kong	11.8	
Macau	5.4	
Mainland China	4.1	
Responsible Operations		
	Number of subcontractors	**Number of suppliers**
Subcontractors and Suppliers	**863**	**1,887**
By location		
Americas	1	32
Asia-Pacific excluding Hong Kong and Mainland China	22	31
Europe	1	61
Hong Kong	798	1,072
Mainland China	41	691
	Number	
Product Recalls due to Health and Safety Issues	**0**	
Customer Complaints (Hong Kong and Macau)	**24**	
Community Investment		
	HK$	
Donation (Hong Kong, Macau and Mainland China)	**212,000**	

Environmental, Social and Governance Report

HKEX ESG GUIDE CONTENT INDEX

Description of Disclosures		Chapter/Section	Page Number
A. Environmental			
A1 Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Managing Environmental Performance, Compliance Management	79-81, 84
A1.1	The types of emissions and respective emissions data	Managing Environmental Performance, Performance Summary	79-81, 88-95
A1.2	Greenhouse gas emissions in total		
	Intensity of greenhouse gas emissions		
A1.3	Total hazardous waste produced		
	Intensity of hazardous waste produced		
A1.4	Total non-hazardous waste produced		
	Intensity of non-hazardous waste produced		
A1.5	Description of measures to mitigate emissions and results achieved		
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved		
A2 Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Managing Environmental Performance	79-81
A2.1	Direct and/or indirect energy consumption by type in total	Managing Environmental Performance, Performance Summary	79-81, 88-95
	Direct and/or indirect energy intensity		
A2.2	Water consumption in total		
	Water intensity		
A2.3	Description of energy use efficiency initiatives and results achieved		
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved		
A2.5	Total packaging material used for finished products	Managing Environmental Performance	79-81
	Total packaging material used for finished products with reference to per unit produced		

Description of Disclosures		Chapter/Section	Page Number
A3 The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	Managing Environmental Performance	79-81
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them		
B. Social			
B1 Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	People-centric Workplace, Compliance Management	65-69, 84
B1.1	Total workforce by gender, employment type, age group and geographical region	People-centric Workplace, Performance Summary	65-69, 88-95
B1.2	Employee turnover rate by gender, age group and geographical region		
B2 Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Health, Safety and Well-being, Compliance Management	69-75, 84
B2.1	Number and rate of work-related fatalities	Health, Safety and Well-being, Performance Summary	69-75, 88-95
B2.2	Lost days due to work injury		
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored		
B3 Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	People-centric Workplace	65-69
B3.1	The percentage of employees trained by gender and employee category	People-centric Workplace, Performance Summary	65-69, 88-95
B3.2	The average training hours completed per employee by gender and employee category		

Environmental, Social and Governance Report

Description of Disclosures		Chapter/Section	Page Number
B4 Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	People-centric Workplace, Compliance Management	65-69, 84
B4.1	Description of measures to review employment practices to avoid child and forced labour	People-centric Workplace	65-69
B4.2	Description of steps taken to eliminate such practices when discovered	People-centric Workplace	65-69
B5 Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain	Case Study: Pursing sustainable supply chain practices	82
B5.1	Number of suppliers by geographical region	Case Study: Pursing sustainable supply chain practices, Performance Summary	82, 88-95
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored		
B6 Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Compliance Management, Project Delivery	84, 85-87
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Performance Summary	88-95
B6.2	Number of products and services related complaints received and how they are dealt with	Project Delivery, Performance Summary	85-87, 88-95
B6.3	Description of practices relating to observing and protecting intellectual property rights	Business Ethics	83
B6.4	Description of quality assurance process and recall procedures	Project Delivery	85-87
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored	Business Ethics	83

Description of Disclosures		Chapter/Section	Page Number
B7 Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Business Ethics, Compliance Management	83, 84
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Business Ethics	83
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	Business Ethics	83
B8 Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Investment	75-77
B8.1	Focus areas of contribution	Community Investment	75-77
B8.2	Resources contributed to the focus area	Community Investment, Performance Summary	75-77, 88-95

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 2020 (the "Year").

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

A fair review of the business of the Group as required under schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Schedule 5") comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 6 and 7 and "Management Discussion and Analysis" on pages 8 to 23. The description of the principal risks and uncertainties facing the Group; 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 8 to 23, "Environmental, Social and Governance Report" on pages 52 to 99 and Notes 37 and 38 to the consolidated financial statement as set out in pages 194 to 205. For the development, performance or position of the Group as required under Schedule 5; and an analysis of the performance of the business of the Group using financial key performance indicators, please refer to the sections headed "Management Discussion and Analysis" and "Financial Highlights" on pages 4 and 5. The discussion on the Company's environmental policies and performance; 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 are set out in section headed "Environmental, Social and Governance Report".

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2020 are set out in the consolidated financial statements on pages 114 to 222.

The board of Directors (the "Board") has resolved to pay a second interim dividend of HK7 cents per share of the Company (the "Share") for the Year (the "Second Interim Dividend") to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Monday, 19 April 2021. The Second Interim Dividend is expected to be paid to the shareholders of the Company on or about Thursday, 29 April 2021. Together with the first interim dividend of HK3.82 cents per Share paid on 29 September 2020, the total distribution of dividends by the Company for the Year will thus be HK10.82 cents per Share, representing a dividend payout ratio of 50.3%.

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

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

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Second Interim Dividend, the Register of Members will be closed from Friday, 16 April 2021 to Monday, 19 April 2021, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Wednesday, 14 April 2021. 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 Thursday, 15 April 2021.

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 Tuesday, 22 June 2021, the Register of Members will be closed from Thursday, 17 June 2021 to Tuesday, 22 June 2021, 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 Wednesday, 16 June 2021.

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 49 to the consolidated financial statements respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2020, the Company's reserves available for distribution amounted to approximately HK$136.7 million (31 December 2019: HK$102.2 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$415,000 (2019: HK$302,000).

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 223.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 47.6% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 19.4%. The percentage of purchases attributable to the Group's five largest suppliers accounted for 9.3% of the Group's total purchases and the percentage of purchases attributable to the Group's largest supplier amounted to 2.1%.

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

MANAGEMENT CONTRACTS

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

DIRECTORS

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

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

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

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

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

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

In accordance with bye-law 99 of the Company's bye-laws (the "Bye-laws"), Mr. Law Wei Tak, Mr. Chan Hoi Ming, Mr. Lam Kin Fung, Jeffrey and Mr. Wong King On, Samuel 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 25 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 107 and the related party transactions as set out in Note 44 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 107 and the related party transactions as set out in Note 44 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 as disclosed in the share option scheme of the Company (the "Share Option Scheme") and share award schemes of the Company (the "Share Award Schemes"), 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 Option Scheme and the Share Award Schemes are set out in Note 47 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 2020, 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 2020.

(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 2020, 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 2020, 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 2020, 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)*	70,420,000	5.03%

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 28,532,000 Shares. Preferable Situation Assets Limited (a company 100% controlled by Mr. Webb) is interested in 41,888,000 Shares. Accordingly, Mr. Webb is deemed to be interested in the 41,888,000 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 2020.

Save as disclosed above, as at 31 December 2020, 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 Option Scheme and the Share Award Schemes 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

(i) The Company's office premises located on 12th Floor and 13th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong (the "Office Premises") were leased to ATAL Management Services Limited ("AMSL"), a wholly-owned subsidiary of the Company, by Perfect Motive Limited ("Perfect Motive") pursuant to a tenancy agreement entered into between AMSL and Perfect Motive on 13 April 2018 ("2018 Tenancy Agreement"). The term of the 2018 Tenancy Agreement was from 13 April 2018 to 31 December 2020, and the aggregated rent of the 2018 Tenancy Agreement for its entire term was HK$47,341,512.

On 27 November 2020, AMSL entered into a tenancy agreement with Perfect Motive ("2020 Tenancy Agreement") to lease the 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 2020 Tenancy Agreement for its entire term is HK$32,400,000. The value of the right-of-use asset to be recognized by the Company under the 2020 Tenancy Agreement is expected to be approximately HK$30.9 million. Further details of the 2020 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 became a connected person of the Company upon the listing of Shares on the Stock Exchange. Accordingly, the 2018 Tenancy Agreement and the 2020 Tenancy Agreement are connected transactions 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.

(ii) In August 2020, the Company reassessed the regulatory, operating and business environment in the U.S. and determined with the board of Transel Elevator & Electric Inc. ("TEI") that it was in the best interest for TEI to have TEI's local management increase their equity stakes in TEI due to latest changing Sino-U.S. tension. On 10 August 2020, Anlev (US) LLC, an indirect wholly-owned subsidiary of the Company, disposed of 1 and 1/3rd of a share of common stock of TEI, representing 2% of the equity interests in TEI, to Mr. Mark Gregorio ("Mr. Gregorio") at a consideration of US$1.4 million (equivalent to approximately HK$10.92 million) (the "TEI Disposal"). Immediately before the TEI Disposal, TEI was a 51% owned subsidiary of the Group and was owned by Mr. Mark Gregorio as to 29.4%. Therefore, Mr. Gregorio was a substantial shareholder of TEI and was a connected person of the Company at the subsidiary level under the Listing Rules. Accordingly, the TEI Disposal constituted a connected transaction of the Company. Immediately after the TEI Disposal, TEI ceased to be a subsidiary of the Group. Further details of the TEI Disposal can be referred to the announcement of the Company dated 11 August 2020.

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 44 to the consolidated financial statements. Except the connected transactions mentioned above, none of the related party transactions 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 transactions mentioned above.

Report of the Directors

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.

INTERNATIONAL SANCTIONS

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 as disclosed in the prospectus of the Company dated 28 June 2019, and to protect the interests of the Group and the Shareholders from economic sanctions risks. 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, as well as any other funds raised through the Stock Exchange, to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions;

- The Board has established the Risk Management Committee (Sanctions Risks), comprising, the chairman; the chief financial officer and legal counsel as initial members, with written policy adopted with effect from 12 July 2019, the date on which the Shares first listed on the Stock Exchange. The responsibilities of the Risk Management Committee (Sanctions Risks) include, among other things, monitoring the Group's exposure to 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. As and when the Risk Management Committee (Sanctions Risks) considers necessary, the Company will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

- 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 in the daily operations. The external international legal counsel also provided current list of countries subject to International Sanctions and Sanctioned Persons (once there are updates or amendments) to the legal counsel of the Company, who will in turn disseminate such information internally.

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 re-appointment.

On behalf of the Board

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 29 March 2021

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 114 to 222, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 of HK$4,101,152,000 for the year ended 31 December 2020 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 Lee Po Chi.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	5	**5,125,181**	4,481,911
Cost of sales and services		**(4,216,050)**	(3,695,178)
Gross profit		**909,131**	786,733
Other income	7	**18,172**	16,523
Other gains and losses	8	**(5,019)**	(6,469)
Impairment losses under expected credit loss model, net of reversal	38	**(20,987)**	(4,352)
Selling and distribution expenses		**(4,086)**	(4,141)
Administrative expenses		**(578,334)**	(510,425)
Listing expenses		**–**	(6,992)
Share of results of associates		**27,379**	24,815
Finance costs	9	**(3,707)**	(2,385)
Profit before tax		**342,549**	293,307
Income tax expense	10	**(38,664)**	(48,306)
Profit for the year	11	**303,885**	245,001
Other comprehensive income (expense)			
Items that will not be reclassified to profit or loss:			
Loss on revaluation of properties		**(4,878)**	–
Income tax relating to loss on revaluation of properties	10	**805**	–
		(4,073)	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**38,783**	(10,547)
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**228**	–
Reclassification of cumulative translation reserve upon dissolution of an associate		**–**	2,013
Reclassification of cumulative translation reserve upon dilution of interest in an associate		**–**	20
		39,011	(8,514)
Other comprehensive income (expense) for the year, net of tax		**34,938**	(8,514)
Total comprehensive income for the year		**338,823**	236,487
Profit for the year attributable to:			
Owners of the Company		**301,350**	245,001
Non-controlling interests		**2,535**	–
		303,885	245,001
Total comprehensive income for the year attributable to:			
Owners of the Company		**336,288**	236,487
Non-controlling interests		**2,535**	–
		338,823	236,487
		HK cents	HK cents
Earnings per share			
Basic	14	**22**	20
Diluted	14	**22**	20

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Non-current assets			
Investment properties	15	**4,530**	4,900
Property, plant and equipment	16	**130,381**	145,980
Right-of-use assets	17	**71,512**	35,073
Intangible assets	18	**–**	6,017
Deposits paid for acquisition of property, plant and equipment		**–**	908
Interests in associates	19	**509,482**	228,746
Deferred tax assets	34	**5,787**	835
		721,692	422,459
Current assets			
Inventories	21	**79,781**	60,806
Contract assets	22	**1,004,492**	915,172
Trade receivables	23	**789,953**	947,768
Other receivables, deposits and prepayments	24	**95,203**	110,030
Amount due from an associate	19	**–**	–
Amounts due from partners of joint operations	25	**24,263**	46,631
Financial assets at fair value through profit or loss	26	**–**	17,352
Derivative financial instruments	31	**316**	–
Tax recoverable		**22,548**	1,447
Pledged bank deposits	27	**15,374**	215,140
Bank balances and cash	27	**1,116,105**	686,450
		3,148,035	3,000,796
Current liabilities			
Trade and retention payables	28	**460,168**	500,968
Other payables and accrued expenses	29	**1,105,467**	1,045,706
Contract liabilities	30	**106,181**	23,269
Amounts due to partners of joint operations	25	**2,300**	433
Lease liabilities	32	**28,598**	12,853
Contingent consideration payables	36	**77,009**	–
Tax payable		**12,071**	36,539
		1,791,794	1,619,768
Net current assets		**1,356,241**	1,381,028
Total assets less current liabilities		**2,077,933**	1,803,487

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**1,959,632**	1,747,804
Total equity		**1,973,632**	1,761,804
Non-current liabilities			
Lease liabilities	32	**42,306**	21,276
Deferred tax liabilities	34	**14,764**	17,706
Deferred income	35	**2,432**	2,701
Contingent consideration payables	36	**44,799**	–
		104,301	41,683
		2,077,933	1,803,487

The consolidated financial statements on pages 114 to 222 were approved and authorised for issue by the Board of Directors on 29 March 2021 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 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019	94	–	5	32,272	(20,399)	16,589	1,178,046	1,206,607	–	1,206,607
Profit for the year	–	–	–	–	–	–	245,001	245,001	–	245,001
Other comprehensive expense for the year	–	–	–	–	(8,514)	–	–	(8,514)	–	(8,514)
Total comprehensive (expense) income for the year	–	–	–	–	(8,514)	–	245,001	236,487	–	236,487
Issue of new shares under the Capitalisation Issue (as defined in Note 33)	10,406	(10,406)	–	–	–	–	–	–	–	–
Issue of new shares by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 33)	3,500	416,500	–	–	–	–	–	420,000	–	420,000
Transaction costs attributable to issue of new shares	–	(47,390)	–	–	–	–	–	(47,390)	–	(47,390)
Transfer to other reserves	–	–	–	–	–	460	(460)	–	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	(53,900)	(53,900)	–	(53,900)
At 31 December 2019	14,000	358,704	5	32,272	(28,913)	17,049	1,368,687	1,761,804	–	1,761,804

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note)	Retained profits HK$'000	Sub-total HK$'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 40(a))	–	–	–	–	–	–	–	–	94,865	94,865
Disposal of a subsidiary (Note 40(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**

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

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

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**342,549**	293,307
Adjustments for:		
Bank interest income	**(5,772)**	(6,161)
Investment income from financial assets at fair value through profit or loss	**(431)**	(437)
Depreciation of property, plant and equipment	**27,889**	20,209
Depreciation of right-of-use assets	**21,404**	14,663
Amortisation of intangible assets	**19,880**	575
Trade and retention payables written back	**(19)**	(552)
Inventories written off	**–**	142
Write-down of inventories, net	**3,966**	1,108
Impairment losses under expected credit loss model, net of reversal	**20,987**	4,352
Impairment losses on intangible assets	**5,462**	–
Loss (gain) from change in fair value of investment properties	**370**	(2,200)
Loss (gain) from disposal of financial assets at fair value through profit or loss	**2,738**	(122)
Loss from change in fair value of contingent consideration payables	**12,808**	–
Gain from change in fair value of derivative financial instruments	**(316)**	(602)
Loss on disposals of property, plant and equipment	**28**	6
Net unrealised exchange (gains) losses	**(320)**	679
Share of results of associates	**(27,379)**	(24,815)
Finance costs	**3,707**	2,385
Gain on disposal of interest in an associate	**(13,974)**	–
Loss on dilution of interest in an associate	**–**	5,282
Gain on disposal of a subsidiary	**(891)**	–
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate	**–**	2,013
Gain on derecognition of right-of-use assets and lease liabilities	**(154)**	–
COVID-19-related rent concessions	**(75)**	–
Operating cash flows before movements in working capital	**412,457**	309,832

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Increase in inventories		**(20,896)**	(549)
(Increase) decrease in contract assets		**(101,639)**	61,711
Decrease (increase) in trade receivables		**176,903**	(233,496)
Increase in other receivables, deposits and prepayments		**(7,550)**	(26,370)
(Decrease) increase in trade and retention payables		**(62,128)**	39,994
Increase (decrease) in other payables and accrued expenses		**59,944**	(106,958)
Increase (decrease) in contract liabilities		**40,735**	(1,424)
Decrease in deferred income		**(269)**	(269)
Cash generated from operations		**497,557**	42,471
Hong Kong Profits Tax paid		**(81,219)**	(36,629)
PRC Enterprise Income Tax paid		**(3,484)**	(1,443)
Macau Complementary Tax paid		**(4,502)**	(6,353)
PRC dividend withholding tax paid		**(757)**	(814)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		**407,595**	(2,768)
INVESTING ACTIVITIES			
Bank interest income received		**5,772**	6,161
Investment income received from financial assets at fair value through profit or loss		**431**	437
Proceeds from disposals of financial assets at fair value through profit or loss		**14,614**	–
Proceeds on disposals of property, plant and equipment		**442**	–
Additions of property, plant and equipment		**(15,969)**	(21,537)
Payments for rental deposits		**(869)**	(492)
Deposits paid for acquisition of property, plant and equipment		**–**	(908)
Placement of pledged bank deposits		**–**	(14,382)
Release of pledged bank deposits		**200,763**	7,483
Proceeds on disposal of interest in an associate		**17,385**	–
Proceeds on dissolution of an associate		**11,166**	–
Advances to an associate		**(13,000)**	–
Payment for acquisition of a subsidiary	40(a)	**(70,606)**	–
Payment for disposal of a subsidiary	40(b)	**(55,027)**	–
Advances to partners of joint operations		**–**	(42,319)
Repayments from partners of joint operations		**22,368**	–
Dividend received from an associate		**25,519**	16,286
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		**142,989**	(49,271)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
FINANCING ACTIVITIES		
Finance costs paid	**(3,707)**	(2,385)
Repayment of bank borrowings	**(54,945)**	(95,000)
New bank borrowings raised	**–**	95,000
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	**(124,460)**	(153,900)
Repayment of lease liabilities	**(20,571)**	(13,663)
Proceeds from issue of shares	**–**	420,000
Share issue cost paid	**–**	(40,528)
Repayment to an associate	**–**	(12,502)
Advances from partners of joint operations	**1,867**	–
Repayments to partners of joint operations	**–**	(26,093)
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(133,986)**	170,929
NET INCREASE IN CASH AND CASH EQUIVALENTS	**416,598**	118,890
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**686,450**	569,951
Effect of foreign exchange rate changes	**13,057**	(2,391)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash	**1,116,105**	686,450

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. GENERAL

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

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

The Company acts as an investment holding company. The principal businesses of its major subsidiaries are encompassing (1) provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system; (2) provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas; (3) provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems; and (4) provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex" and "TEI" (for the period from 31 March 2020 to 9 August 2020) 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 *Amendments to References to the Conceptual Framework in HKFRS Standards* and 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 period beginning on or after 1 January 2020 for the preparation of the Group's consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

2.1 *Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 *Impacts on application of Amendments to HKFRS 3 Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

2.3 *Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

- 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 2021; and
- there is no substantive change to other terms and conditions of the lease.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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

2.3 Impacts on early application of Amendment to HKFRS 16 COVID-19-Related Rent Concessions (Continued)

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 *Leases* if the changes were 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.

The application of the amendment had no impact to the opening retained profits at 1 January 2020. The Group has derecognised the part of lease liability that has been extinguished by the forgiveness of lease payments using the discount rates originally applied to these leases respectively, resulting in a decrease in the lease liabilities of approximately HK$75,000, which has been recognised as variable lease payments in profit or loss for the current year.

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[1]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[4]
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)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

- 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 2020, 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 2020

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 the reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16, 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 is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

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.

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, 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

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries (Continued)

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.

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).

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;

- 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Business combinations (Continued)

- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

The results and assets and liabilities of associates and joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, an 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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

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

Interests in joint operations

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

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

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").

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

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.

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), are stated in the consolidated statement of financial position at cost or revalued amount less subsequent accumulated depreciation and accumulated impairment loss, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

Intangible assets

Intangible assets 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 the 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Research and development expenditure

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

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

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

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

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

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

Right-of-use assets (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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 2021; 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 (Continued)

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.

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

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

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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 the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

Classification and subsequent measurement of financial assets (Continued)

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

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, amounts due from 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-months ECL ("12-month ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on the Group's historical credit loss experience, and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

- 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

Financial liabilities at amortised cost

Financial liabilities (including 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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

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

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

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

Derecognition of financial liabilities

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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)

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.

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 2020

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 related to income 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

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 2020

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 2020

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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$2,765,000 as at 31 December 2020 (2019: HK$2,765,000). As at 31 December 2020, the exercise of the renewal option resulted in an additional amount of approximately HK$9,739,000 (2019: HK$15,608,000) of right-of-use assets and lease liabilities recognised.

Key sources of estimation uncertainty

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

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 2020

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. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. 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:

	2020 **HK$'000**	2019 HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**4,101,152**	3,580,020
Maintenance work	**881,483**	679,071
	4,982,635	4,259,091
Recognised at a point of time and short-term contracts		
Sales of goods	**142,546**	222,820
	5,125,181	4,481,911

Notes to the Consolidated Financial Statements
For the year ended 31 December 2020

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 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**

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. SEGMENT INFORMATION

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

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

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, communications and building technologies ("ICBT"):	Provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex" and "TEI" (for the period from 31 March 2020 to 9 August 2020) and ii) repair and maintenance services for lifts and escalators

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue

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**

For the year ended 31 December 2019

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2019

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

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

Inter-segment revenue are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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:

	2020 HK$'000	2019 HK$'000
Customer A*	**993,961**	1,013,587
Customer B*	**722,364**	N/A#

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

* 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.

	2020 HK$'000	2019 HK$'000
Revenue		
Hong Kong	**4,061,534**	3,922,278
Mainland China	**167,572**	236,297
Macau	**577,563**	298,077
USA	**297,030**	–
Others	**21,482**	25,259
Total	**5,125,181**	4,481,911

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

	2020 HK$'000	2019 HK$'000
Non-current assets		
Hong Kong	**179,732**	164,523
Mainland China	**287,169**	255,949
Macau	**621**	1,152
USA	**248,383**	–
Total	**715,905**	421,624

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Rental income	**279**	2,169
Bank interest income	**5,772**	6,161
Investment income from financial assets at FVTPL	**431**	437
Government subsidies	**5,614**	4,101
Sundry income	**6,076**	3,655
	18,172	16,523

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

8. OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000
(Loss) gain from change in fair value of investment properties	**(370)**	2,200
(Loss) gain from change in fair value of financial assets at FVTPL	**(2,738)**	122
Loss from change in fair value of contingent consideration payables (Note 36)	**(12,808)**	–
Loss on disposals of property, plant and equipment	**(28)**	(6)
Impairment losses on intangible assets	**(5,462)**	–
Gain on derecognition of right-of-use assets and lease liabilities	**154**	–
Net exchange gains (losses)	**1,368**	(1,490)
Gain on disposal of interest in an associate (Note 19)	**13,974**	–
Gain on disposal of a subsidiary (Note 40(b))	**891**	–
Loss on dilution in interest in an associate	**–**	(5,282)
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate (Note)	**–**	(2,013)
	(5,019)	(6,469)

Note: During the year ended 31 December 2019, the Group's associate, Hunan Prisma Electrical Co., Ltd. ("HPEC"), a company incorporated in the PRC, was dissolved. HPEC returned capital of approximately HK$11,355,000 to the Group during the current year, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$2,013,000 in the translation reserve was reclassified to profit or loss upon the dissolution.

9. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expenses on bank borrowings	**30**	73
Interest on lease liabilities	**2,785**	1,780
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	**306**	532
	3,707	2,385

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

10. INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current tax		
Hong Kong	**35,774**	39,359
Macau	**5,252**	4,829
PRC Enterprise Income Tax	**4,292**	814
USA Federal Income Tax	**4,371**	–
USA State Income Tax	**3,957**	–
	53,646	45,002
(Over) under provision in prior years		
Hong Kong	**(3,060)**	(1,947)
Macau	**51**	–
PRC Enterprise Income Tax	**1,969**	–
	(1,040)	(1,947)
	52,606	43,055
Deferred tax (Note 34)	**(13,942)**	5,251
	38,664	48,306

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

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

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

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 2020

10. INCOME TAX EXPENSE (CONTINUED)

The Company's subsidiaries, associates 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. 5% withholding tax rate was used for the years ended 31 December 2020 and 2019. A provision for dividend withholding tax of approximately HK$313,000 was reversed for the year ended 31 December 2020 (2019: a provision of approximately HK$1,014,000 was recognised). During the year ended 31 December 2020, withholding tax of approximately HK$757,000 (2019: HK$814,000) was paid by the Group. The above resulted in a net reversal of provision for dividend withholding tax of approximately HK$1,070,000 credited to profit or loss for the year ended 31 December 2020 (2019: a provision of approximately HK$200,000 was charged).

The Group's USA subsidiary is 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.

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:

	2020 **HK$'000**	2019 HK$'000
Profit before tax	**342,549**	293,307
Tax at Hong Kong Profits Tax rate of 16.5%	**56,521**	48,395
Tax effect of share of results of associates	**(4,517)**	(4,094)
Tax effect of expenses not deductible for tax purpose	**9,817**	5,502
Tax effect of income not taxable for tax purpose	**(19,257)**	(1,688)
Tax effect of super deduction for research and development expenses (Note)	**(2,888)**	–
Tax effect of tax losses not recognised	**3,019**	4,226
Utilisation of tax losses not recognised in prior years	**(103)**	(926)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(2,322)**	(1,907)
Withholding tax on distributable profits of subsidiaries and an associate	**(313)**	1,014
Income tax at concessionary rate	**(165)**	(165)
Overprovision in prior years	**(1,040)**	(1,947)
Others	**(88)**	(104)
Income tax expense for the year	**38,664**	48,306

Note: In Hong Kong, the qualifying research and development expenditures under Type B 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 2020

10. INCOME TAX EXPENSE (CONTINUED)

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

	2020			2019		
	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
Loss on revaluation of properties	**(4,878)**	**805**	**(4,073)**	–	–	–

11. PROFIT FOR THE YEAR

	2020 HK$'000	2019 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note):		
– Directors' remuneration (Note 12)	**22,704**	26,401
– Salaries and other benefits	**1,071,831**	962,317
– Retirement benefit scheme contributions (excluding directors)	**47,471**	44,123
	1,142,006	1,032,841
Cost of inventories recognised as expenses (included in cost of sales and services)	**246,898**	263,989
Depreciation of property, plant and equipment	**27,889**	20,209
Depreciation of right-of-use assets	**21,404**	14,663
Amortisation of intangible assets	**19,880**	575
Write-down of inventories, net	**3,966**	1,108
Inventories written off	**–**	142
Gain from change in fair value of derivative financial instruments	**(316)**	(602)
Rental income from investment properties	**(141)**	(2,037)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**15**	303
	(126)	(1,734)
Auditor's remuneration	**4,621**	4,270

Note: During the current year, the Group recognised government grants of approximately HK$97,028,000 in respect of COVID-19 related subsidies, of which 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 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020

	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)	–	2,708	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 to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2019

	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)	–	2,620	2,419	93	5,132
Mr. Cheng Siu Ngai, Kevin	–	3,125	3,940	145	7,210
Mr. Law Wei Tak	–	2,403	2,089	109	4,601
Mr. Chan Hoi Ming	–	2,144	3,142	96	5,382
Non-executive director:					
Dr. Mak Kin Wah	–	1,380	1,478	18	2,876
Independent non-executive directors:					
Mr. Chan Fu Keung	400	–	–	–	400
Mr. Lam Kin Fung, Jeffrey	400	–	–	–	400
Mr. Wong King On, Samuel	400	–	–	–	400
	1,200	11,672	13,068	461	26,401

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 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

(b) Five highest paid employees

The five highest paid individuals of the Group included four directors (2019: four), whose emoluments are included in the disclosures above. The emoluments of the remaining one (2019: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2020	2019
	HK$'000	HK$'000
Salaries and other benefits	**1,922**	1,398
Performance related bonus	**1,600**	4,599
Retirement benefit scheme contributions	**90**	64
	3,612	6,061

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 employee	
	2020	2019
HK$3,500,001 to HK$4,000,000	**1**	–
HK$6,000,001 to HK$6,500,000	**–**	1

No amount was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2019: Nil).

13. DIVIDENDS

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

	2020	2019
	HK$'000	HK$'000
2020 interim – HK3.82 cents (2019: 2019 interim dividend HK3.85 cents) per share	**53,480**	53,900
2019 second interim – HK5.07 cents (2019: N/A) per share	**70,980**	–
	124,460	53,900

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2020 of HK7 cents (2019: second interim dividend in respect of the year ended 31 December 2019 of HK5.07 cents) per ordinary share, in an aggregate amount of HK$98,000,000 (2019: HK$70,980,000), has been resolved by the Board to pay to the shareholders of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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:

	2020 HK$'000	2019 HK$'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**301,350**	245,001
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,400,000,000**	1,215,890,411
Effect of dilutive potential ordinary shares		
– Over-allotment option	**–**	79,047
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,400,000,000**	1,215,969,458

For the year ended 31 December 2019, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue (as defined in Note 33) had been effective on 1 January 2019.

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.

15. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At beginning of the year	**4,900**	74,300
Change in fair value	**(370)**	2,200
Transfers to property, plant and equipment (Note)	**–**	(71,600)
At end of the year	**4,530**	4,900

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

15. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties as at 31 December 2020 and 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used in prior year.

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

	Fair value hierarchy	**Fair value**	
		2020	2019
		HK$'000	HK$'000
Commercial property units located in Hong Kong	Level 2	**4,530**	4,900

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 2020 amounted to approximately HK$141,000 (2019: HK$2,037,000).

The investment properties have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2019	–	34,769	10,595	4,332	60,826	15,759	395	–	126,676
Exchange realignment	–	(726)	(39)	(37)	(410)	(63)	–	–	(1,275)
Additions	–	–	3,103	627	44,290	2,762	–	–	50,782
Disposals	–	–	–	(69)	(442)	(58)	–	–	(569)
Transfers from investment properties	71,600	–	–	–	–	–	–	–	71,600
At 31 December 2019 and 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 40(a))	**–**	**–**	**3,700**	**–**	**1,980**	**12**	**–**	**–**	**5,692**
Disposal of a subsidiary (Note 40(b))	**–**	**–**	**(3,725)**	**–**	**(2,002)**	**(12)**	**–**	**–**	**(5,739)**
At 31 December 2020	**65,600**	**36,396**	**16,330**	**5,251**	**113,765**	**17,934**	**395**	**39**	**255,710**
Comprising:									
At cost	**–**	**36,396**	**16,330**	**5,251**	**113,765**	**17,934**	**395**	**39**	**190,110**
At valuation	**65,600**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**65,600**
	65,600	**36,396**	**16,330**	**5,251**	**113,765**	**17,934**	**395**	**39**	**255,710**
DEPRECIATION									
At 1 January 2019	–	19,165	5,995	2,725	43,564	10,506	395	–	82,350
Exchange realignment	–	(430)	(3)	(18)	(262)	(49)	–	–	(762)
Charged for the year	–	1,606	1,535	465	14,457	2,146	–	–	20,209
Eliminated on disposals	–	–	–	(69)	(436)	(58)	–	–	(563)
At 31 December 2019 and 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 40(b))	**–**	**–**	**(248)**	**–**	**(348)**	**–**	**–**	**–**	**(596)**
Eliminated on revaluation	**(1,122)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,122)**
At 31 December 2020	**–**	**23,432**	**8,600**	**3,627**	**76,874**	**12,401**	**395**	**–**	**125,329**
CARRYING VALUES									
At 31 December 2020	**65,600**	**12,964**	**7,730**	**1,624**	**36,891**	**5,533**	**–**	**39**	**130,381**
At 31 December 2019	71,600	13,702	6,132	1,750	46,941	5,855	–	–	145,980

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 and 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Jones Lang LaSalle Corporate Appraisal and Advisory Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its building 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	
		2020	2019
		HK$'000	HK$'000
Buildings located in Hong Kong	Level 2	**65,600**	71,600

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 2020, 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$70,478,000 (2019: HK$71,600,000).

The buildings in Hong Kong have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020					
Carrying amount	**2,975**	**64,878**	**796**	**2,863**	**71,512**
As at 31 December 2019					
Carrying amount	2,869	32,204	–	–	35,073
For the year ended 31 December 2020					
Depreciation charge	**86**	**19,976**	**1,018**	**324**	**21,404**
For the year ended 31 December 2019					
Depreciation charge	88	14,575	–	–	14,663

	2020 HK$'000	2019 HK$'000
Expense relating to short-term leases	**21,324**	25,032
Total cash outflow for leases	**44,680**	40,967
Additions to right-of-use assets	**60,645**	13,045

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 (2019: one to three 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 2020 and 2019, there is no such triggering event.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

18. INTANGIBLE ASSETS

	Patents HK$'000	Backlog contracts HK$'000	Brand name HK$'000	Total HK$'000
COST				
At 1 January 2019, 31 December 2019 and 1 January 2020	9,622	–	–	9,622
Acquired on acquisition of a subsidiary (Note 40(a))	**–**	**77,298**	**57,182**	**134,480**
Disposal of a subsidiary (Note 40(b))	**–**	**(77,298)**	**(57,182)**	**(134,480)**
At 31 December 2020	**9,622**	**–**	**–**	**9,622**
AMORTISATION AND IMPAIRMENT				
At 1 January 2019	3,030	–	–	3,030
Charged for the year	575	–	–	575
At 31 December 2019 and 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 40(b))	**–**	**(19,325)**	**–**	**(19,325)**
At 31 December 2020	**9,622**	**–**	**–**	**9,622**
CARRYING VALUES				
At 31 December 2020	**–**	**–**	**–**	**–**
At 31 December 2019	6,017	–	–	6,017

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 is recognised for the patents during the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2020 HK$'000	2019 HK$'000
Investment cost		
Listed outside Hong Kong (Note i)	**116,606**	118,453
Unlisted (Note ii)	**240,840**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**152,036**	110,293
Interests in associates	**509,482**	228,746
Fair value of listed investment (Note iii)	**942,663**	859,012
Amount due from an associate (Note iv)	**96,575**	83,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(96,575)**	(83,575)
	–	–

Notes:

(i) As at 31 December 2020, included in the investment cost, there is a goodwill of approximately HK$19,236,000 (2019: HK$19,507,000) arising from the investment in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA").

(ii) As at 31 December 2020, included in the investment cost, there is a goodwill of approximately HK$137,245,000 (2019: Nil) arising from the investment in Transel Elevator & Electric Inc. ("TEI").

(iii) As at 31 December 2020, 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$942,663,000 (2019: HK$859,012,000) based on the quoted market price available on the Shanghai Stock Exchange, which is a level 1 input under of HKFRS 13 *Fair Value Measurement*.

(iv) As at 31 December 2020, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, is of approximately HK$96,575,000 (2019: HK$83,575,000), in which approximately HK$13,000,000 (2019: Nil) carries interest at HIBOR plus 1.1% (2019: N/A) per annum, non-trade nature, unsecured and repayable by October 2022, the remaining balance of approximately HK$83,575,000 (2019: 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 2020 and 2019. 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 (2019: HK$83,575,000) as at 31 December 2020.

As at 31 December 2020, the amount due from OBJV of approximately HK$13,852,000 (2019: HK$13,852,000) is trading in nature, unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the amount is unlikely to be repaid in the foreseeable future and full impairment allowance has been made as at 31 December 2020 and 2019.

In the opinion of the directors of the Company, there is no impairment on the interests in associates, as the recoverable amount, which is the higher of value in use and fair value less costs of disposal, is higher than its carrying amount as at the end of the reporting period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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
			2020	2019	**2020**	2019	
OBJV	Unincorporated	Hong Kong	**40%**	40%	**40%**	40%	Engineering contractor for construction and operation projects
NCA (Note i)	Incorporated	The PRC	**25.44%**	25.81%	**25.44%**	25.81%	Manufacturing and sale of precision air-conditioners
TEI (Note ii)	Incorporated	The USA	**49%**	N/A	**49%**	N/A	Providing new construction, modernisation, repair and maintenance services in the vertical transportation

Notes:

(i) 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). As a result of the disposal, the Group's interest in NCA decreased from 25.81% as at 31 December 2019 to 25.44%, and a gain on disposal of approximately HK$13,974,000 was recognised for the year ended 31 December 2020.

On 22 February 2019, NCA issued restricted shares to its eligible employees at RMB6.84 (approximately HK$8.03) per share, which was below the market price. As a result, the Group's interest in NCA decreased from 26.58% to 25.81%, and a loss on dilution of approximately HK$5,282,000 was recognised for the year ended 31 December 2019.

The Group is able to exercise significant influence over NCA because the Company owns 25.44% and 25.81% of NCA as at 31 December 2020 and 2019, 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 40(a). On 10 August 2020, the Group disposed of 2% of equity interests in the TEI as set out in Note 40(b). Upon the disposal, the Group owns 49% of TEI as at 31 December 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

The summarised financial information in respect of the Group's interest in associates which are accounted for using equity method is set out as below:

	HPEC	OBJV		NCA		TEI
	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000	**2020** **HK$'000**
	(Note i)					(Note ii)
Revenue	–	**95,643**	142,337	**699,227**	725,948	**440,071**
(Loss) profit for the year	(389)	**(6,646)**	(7,478)	**128,987**	96,117	**15,394**
Other comprehensive (expense) income for the year	(623)	**–**	–	**71,138**	(17,023)	**–**
Total comprehensive (expense) income for the year	(1,012)	**(6,646)**	(7,478)	**200,125**	79,094	**15,394**
Dividends from the associate during the year	–	**–**	–	**14,921**	16,286	**–**
Non-current assets	–	**658**	–	**256,293**	206,631	**142,076**
Current assets	–	**45,097**	30,520	**1,716,580**	1,354,378	**487,112**
Total assets	–	**45,755**	30,520	**1,972,873**	1,561,009	**629,188**
Current liabilities	–	**(295,816)**	(273,934)	**(496,655)**	(643,928)	**(303,335)**
Non-current liabilities	–	**–**	–	**(337,755)**	(36,901)	**(99,042)**
Net (liabilities) assets	–	**(250,061)**	(243,414)	**1,138,463**	880,180	**226,811**

Notes:

(i) HPEC was dissolved during the year ended 31 December 2019.

(ii) 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
	2020 **HK$'000**	2019 HK$'000	**2020** **HK$'000**	2019 HK$'000	**2020** **HK$'000**
Net (liabilities) assets	**(250,661)**	(243,414)	**1,138,463**	880,180	**226,811**
Non-controlling interests	**–**	–	**(2,969)**	–	**–**
	(250,661)	(243,414)	**1,135,494**	880,180	**226,811**
Proportion of the Group's interest	**40%**	40%	**25.44%**	25.81%	**49%**
Goodwill	**–**	–	**19,236**	19,507	**137,245**
Others	**–**	–	**(47,062)**	(17,955)	**–**
Carrying amount of the Group's interests in associates	**–**	–	**261,099**	228,746	**248,383**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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		Nature of business
			2020	2019	
ATAL – Degremont Joint Venture (Note)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
SITA – ATAL Joint Venture (Note)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture (Note)	Unincorporated	Hong Kong	**48.7%**	48.7%	Engineering contractor for construction projects
ATAL – Degremont – China State Joint Venture (Note)	Unincorporated	Hong Kong	**27.2%**	27.2%	Engineering contractor for construction projects
ATAL – Suez Infrastructure Joint Venture (Note)	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture (Note)	Unincorporated	Hong Kong	**49.8%**	49.8%	Engineering contractor for construction projects
ATAL – Degremont – China Harbour Joint Venture (Note)	Unincorporated	Hong Kong	**31.3%**	31.3%	Engineering contractor for construction projects
Suez – ATAL San Wai Joint Venture (Note)	Unincorporated	Hong Kong	**35%**	N/A	Engineering contractor for maintenance projects
ATAL – CW – MH Joint Venture (Note)	Unincorporated	Hong Kong	**52.0%**	N/A	Engineering contractor for construction projects
ATAL – BEOD Joint Venture (Note)	Unincorporated	Hong Kong	**73.2%**	N/A	Engineering contractor for construction projects

Note: The project was awarded from the Government of the Hong Kong Special Administrative Region.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials, consumable stores and spare parts	**68,153**	48,119
Work in progress	**9,206**	9,493
Finished goods	**2,422**	3,194
	79,781	60,806

22. CONTRACT ASSETS

	2020 HK$'000	2019 HK$'000
Contract assets	**1,018,247**	915,172
Less: allowances for credit losses	**(13,755)**	–
	1,004,492	915,172

As at 1 January 2019, contract assets amounted to approximately HK$978,397,000.

As at 31 December 2020, contract assets include retention receivables of approximately HK$334,585,000 (2019: HK$368,566,000). 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

23. TRADE RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**754,676**	953,961
Less: allowances for credit losses	**(62,059)**	(53,542)
	692,617	900,419
Unbilled revenue (Note)	**93,042**	42,853
Bills receivables	**5,261**	4,496
Less: allowances for credit losses	**(967)**	–
	4,294	4,496
	789,953	947,768

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 2019, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$771,551,000.

As at 31 December 2020, the Group's bills receivables are of age within one year (2019: within six months).

The Group generally allows credit period ranging from 14 to 90 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances.

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

	2020 HK$'000	2019 HK$'000
0 – 30 days	**472,311**	587,087
31 – 90 days	**135,626**	224,085
91 – 360 days	**74,691**	84,677
Over 1 year	**9,989**	4,570
Total	**692,617**	900,419

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$286,357,000 (2019: HK$466,240,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$65,415,000 (2019: HK$56,196,000) 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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 HK$'000	2019 HK$'000
Dividend receivables	–	10,598
Other receivables (Note i)	**4,281**	18,088
Deposits and prepayments (Note ii)	**90,922**	81,344
	95,203	110,030

Notes:

(i) Included in the balance as at 31 December 2019, approximately HK$11,355,000 was due from HPEC for the return of capital to the Group upon the dissolution. The whole balance has been subsequently fully received by the Group during the year ended 31 December 2020.

(ii) 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. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Equity securities listed in Hong Kong (Note)	–	17,352

Note: The equity securities were issued by listed companies in Hong Kong. The fair value of the equity securities were determined based on the quoted market price available on the Hong Kong Stock Exchange. The equity securities were disposed during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

27. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest rates from 1% to 2.75% (2019: 0.30% 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 3.1% (2019: 0% to 2.80%) per annum.

28. TRADE AND RETENTION PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	**273,480**	311,640
Trade accruals	**50,655**	58,039
Retention payables	**134,159**	127,479
Bills payables	**1,874**	3,810
	460,168	500,968

As at 31 December 2020 and 2019, the Group's bills payables are due within six months.

The credit period on trade payables is ranging from 0 to 90 days. The aging analysis of the Group's trade payables below is presented based on the invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
0 – 30 days	**157,990**	188,793
31 – 90 days	**62,975**	55,566
91 – 360 days	**20,210**	27,233
Over 1 year	**32,305**	40,048
	273,480	311,640

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

29. OTHER PAYABLES AND ACCRUED EXPENSES

	2020 HK$'000	2019 HK$'000
Accrued staff costs	**148,163**	129,052
Accrued contract costs	**919,359**	873,365
Others	**37,945**	43,289
	1,105,467	1,045,706

30. CONTRACT LIABILITIES

	2020 HK$'000	2019 HK$'000
Contract liabilities	**106,181**	23,269

As at 1 January 2019, contract liabilities amounted to approximately HK$24,693,000.

Revenue recognised during the current year included the whole amount of contract liabilities at the beginning of the reporting period amounted to approximately HK$23,269,000 (2019: HK$24,693,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

31. DERIVATIVE FINANCIAL INSTRUMENTS

	2020 HK$'000	2019 HK$'000
Foreign-currency forward contracts classified as current assets	**316**	–

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 2020:

Notional approximate amount	Maturity	Exchange rate
Sell British Pounds ("GBP") 367,000	**23 March 2021**	**HK$9.7157/GBP**
Sell Renminbi ("RMB") 483,000	**15 September 2021**	**HK$1.1909/RMB**

32. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	**28,598**	12,853
Within a period of more than one year but not more than two years	**22,634**	8,097
Within a period of more than two years but not more than five years	**12,625**	13,179
More than five years	**7,047**	–
	70,904	34,129
Less: Amount due for settlement within 12 months shown under current liabilities	**(28,598)**	(12,853)
Amount due for settlement after 12 months shown under non-current liabilities	**42,306**	21,276

The weighted average incremental borrowing rates applied to lease liabilities range from 5% to 5.125% per annum (2019: 5.125%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

33. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2019, 31 December 2019 and 31 December 2020	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2019	9,360,000	HK$0.01	HK$93,600	94
Issue of shares under Capitalisation Issue (Note i)	1,040,640,000	HK$0.01	HK$10,406,400	
Issue of shares (Note ii)	350,000,000	HK$0.01	HK$3,500,000	
At 31 December 2019, 1 January 2020 and 31 December 2020	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Notes:

(i) On 12 July 2019, the Company capitalised an amount of HK$10,406,400 standing to the credit of the share premium of the Company by applying such sum in paying up in full at par 1,040,640,000 shares for allotment and issue to shareholders (the "Capitalisation Issue"). The new shares rank pari passu with the existing shares in all respects.

(ii) On 12 July 2019, the Company was successfully listed on the Main Board of the Stock Exchange following the completion of issuance of 350,000,000 new shares of HK$0.01 each issued at a price of HK$1.2 per share. Proceeds of HK$3,500,000, representing the par value of the shares issued, were credited to the share capital of the Company. The remaining proceeds of HK$369,110,000, net of share issue expense were credited to the share premium account.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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:

	2020 HK$'000	2019 HK$'000
Deferred tax liabilities	14,764	17,706
Deferred tax assets	(5,787)	(835)
	8,977	16,871

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$'000	Others HK$'000	Total HK$'000
At 1 January 2019	9,530	1,659	–	1,087	–	(680)	11,596
Charged (credited) to profit or loss	200	5,065	–	(96)	–	82	5,251
Exchange realignment	12	–	–	–	–	12	24
At 31 December 2019 and 1 January 2020	9,742	6,724	–	991	–	(586)	16,871
Acquisition of a subsidiary (Note 40(a))	–	385	–	45,690	–	(845)	45,230
Disposal of a subsidiary (Note 40(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	9,251	5,179	(805)	–	(4,648)	–	8,977

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$88,820,000 (2019: HK$71,368,000) available for offset against future profits. No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

34. DEFERRED TAX (CONTINUED)

Unrecognised tax losses will be expired as follows:

	2020 HK$'000	2019 HK$'000
– 2020	**–**	222
– 2021	**147**	147
– 2022	**11,808**	12,102
– 2023	**20,983**	20,983
– 2024	**12,378**	12,378
– 2025	**13,832**	–
	59,148	45,832
– Indefinite	**29,672**	25,536
	88,820	71,368

35. DEFERRED INCOME

	2020 HK$'000	2019 HK$'000
At beginning of the year	**2,970**	3,239
Amortised	**(269)**	(269)
At end of the year	**2,701**	2,970
Analysed for reporting purposes as:		
Current (included in other payables and accrued expenses)	**269**	269
Non-current	**2,432**	2,701
	2,701	2,970

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

36. CONTINGENT CONSIDERATION PAYABLES

	2020 HK$' 000
Current	**77,009**
Non-current	**44,799**
Total	**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 40(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) will be paid to the Sellers 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) 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 2020, the fair value of the deferred consideration payables amounted to approximately HK$121,808,000, in which approximately HK$77,009,000 will be due within 12 months from the end of the reporting period and classified as current liabilities.

	2020 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	**121,808**

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structures of the Group consist of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, new share issues, raising of new debts and repayment of existing debts.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	**316**	17,352
Financial assets at amortised cost (including bank balances and cash)	**1,956,181**	1,924,675
Financial liabilities		
Financial liabilities at FVTPL	**121,808**	–
Financial liabilities at amortised cost	**466,878**	504,365

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, financial assets at FVTPL, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2020 HK$'000	2019 HK$'000	**2020 HK$'000**	2019 HK$'000
European dollars ("EUR")	**3,828**	4,301	**1,544**	1,203
GBP	**56**	9	**1,371**	16
RMB	**36,337**	23,437	**5,093**	90
United States dollars ("USD")	**108,949**	16,129	**130,053**	5,036

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 6.24%, 5.72% and 7.36% (2019: 1.87%, 2.34% and 0.66%) in HK$ against RMB, GBP and EUR. 5.72% to 7.36% (2019: 0.66% to 2.34%) are the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK$ against the relevant foreign currencies during the relevant year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 5.72% to 7.36% (2019: 0.66% to 2.34%).

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 5.72% to 7.36% (2019: 0.66% to 2.34%) against the relevant foreign currencies. For a 5.72% to 7.36% (2019: 0.66% to 2.34%) 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	
	2020 HK$'000	2019 HK$'000
EUR	**140**	19
GBP	**(62)**	(1)
RMB	**1,629**	367

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 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. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances.

The directors of the Company consider that the overall interest rate risk is not significant as the fluctuation of the interest rates on pledged bank deposits and bank balances is minimal. Accordingly, no sensitivity analysis is prepared and presented.

Other price risk

The Group has no significant security price risk as at 31 December 2020. As at 31 December 2019, the Group was exposed to security price risk through its financial assets at FVTPL as disclosed in Note 26 to the consolidated financial statements. The directors of the Company monitor the security price risk and will consider hedging the risk exposure should the need arises. The directors of the Company are of the opinion that the exposure to security price risk is not significant and therefore, no sensitivity analysis is presented.

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables 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.

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Trade receivables and contract assets arising from contracts with customers (Continued)

The Group is exposed to concentration of credit risk as at 31 December 2020 on the trade receivables from one of the Group's major customers amounting to approximately HK$129,323,000 (2019: HK$134,578,000) and accounted for 16% (2019: 14%) of the Group's total trade receivables. The same customer also amounting to approximately HK$162,034,000 (2019: HK$114,868,000) and accounted for 16% (2019: 13%) 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 2020, net impairment losses of approximately HK$7,295,000 (2019: HK$4,352,000) and HK$13,692,000 (2019: Nil) are recognised for trade receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

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 2020 and 2019, 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

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

For the year ended 31 December 2020

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	2020 and 2019 External credit rating	Internal credit rating	12-month or lifetime ECL	2020 Gross carrying amount		2019 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)	465,306		428,504	
			Low risk	Lifetime ECL (not credit-impaired)	335,331		526,199	
			Loss	Credit-impaired	52,342	852,979	46,607	1,001,310
Other receivables and deposits	24	N/A	Low risk	12-month ECL	10,486		28,686	
Amounts due from partners of joint operations	25	N/A	Low risk	12-month ECL	24,263		46,631	
Pledged bank deposits	27	A3 to BBB (2019: A3 to AAA)	N/A	12-month ECL	15,374		215,140	
Bank balances	27	A3 to BBB (2019: A3 to AAA)	N/A	12-month ECL	1,116,105		686,450	
Other item								
Contract assets	22	N/A	(Note)	Lifetime ECL (not credit-impaired) (collective assessment)	643,900		340,335	
			Low risk	Lifetime ECL (not credit-impaired)	374,347	1,018,247	574,837	915,172

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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$387,673,000 and approximately HK$374,347,000 respectively as at 31 December 2020 (2019: HK$572,806,000 and HK$574,837,000) 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% (2019: less than 1%).

Gross carrying amount

	2020			2019		
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	**0.63%**	**138,947**	**235,125**	0.30%	29,474	10,853
Watch list	**2.44%**	**326,359**	**408,775**	1.87%	399,030	329,482
		465,306	**643,900**		428,504	340,335

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. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020, the Group recognised impairment allowance of approximately HK$25,633,000 (2019: HK$6,935,000) and reversed impairment allowance of approximately HK$7,029,000 (2019: HK$7,261,000) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$25,196,000 (2019: HK$34,633,000) was made and approximately HK$36,505,000 (2019: HK$29,955,000) was reversed on credit-impaired trade receivables. During the year ended 31 December 2020, trade debtors with gross carrying amount of approximately HK$15,069,000 (2019: Nil) became credit-impaired and therefore, approximately HK$15,069,000 (2019: Nil) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the year ended 31 December 2020, impairment allowance of approximately HK$13,692,000 (2019: Nil) was made on contract assets based on the collective assessment. Impairment allowance for contract assets as at 31 December 2019 was not material.

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2019	7,261	42,578	49,839
Impairment losses recognised	6,935	34,633	41,568
Impairment losses reversed	(7,261)	(29,955)	(37,216)
Write-offs	–	(343)	(343)
Exchange realignment	–	(306)	(306)
As at 31 December 2019 and 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	**10,684**	**52,342**	**63,026**

None of the trade receivables that have been written off is subject to enforcement activities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2019, 31 December 2019 and 1 January 2020	–
Impairment losses recognised	13,692
Exchange realignment	63
As at 31 December 2020	13,755

(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 2020, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK$795,361,000 (2019: HK$1,237,796,000).

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 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

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2019									
Non-derivative financial liabilities									
Trade and retention payables	–	378,188	117,851	4,859	70	–	–	500,968	500,968
Other payables	–	2,900	61	3	–	–	–	2,964	2,964
Amounts due to partners of joint operations	–	433	–	–	–	–	–	433	433
		381,521	117,912	4,862	70	–	–	504,365	504,365
Lease liabilities	5.125	–	1,448	1,422	1,256	10,001	22,972	37,099	34,129

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

38. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments

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

Certain of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. Information about how the fair value of these financial assets and financial liabilities are determined including valuation technique and key input as well as the level of fair value hierarchy of which the fair value measurements are categorised based on the degree to which the inputs to the fair value measurements are observable is listed below.

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique and key input
	2020 HK$'000	2019 HK$'000		
Financial assets at FVTPL (Note 26)	–	17,352	Level 1	Quoted bid prices in an active market.
Derivative financial assets (Note 31)	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)	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).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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%

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. If discount rate increases from 16% to 17% (decreases 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$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. 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 2020, 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 40(a)). During the year ended 31 December 2020, a loss from change in fair value of approximately 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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.

	2020 HK$'000	2019 HK$'000
Undiscounted lease payments receivable on leases are as follows:		
Within one year	**305**	279
In the second year	**161**	149
In the third year	**161**	150
In the fourth year	**50**	150
In the fifth year	**–**	41
	677	769

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY

(a) Acquisition of a subsidiary

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary (Continued)

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 current year. The remaining amounts of approximately HK$4,854,000 have been recognised in the current year within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary (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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary (Continued)

Non-controlling interests (Continued)

Goodwill arising on acquisition (Continued)

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.

Impact of acquisition on the results of the Group

Included in the profit for the current year is 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 current year includes 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 current year of the Group would have been approximately HK$5,375,183,000, and the profit for the current year would have been approximately HK$322,405,000.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

(a) Acquisition of a subsidiary (Continued)

Impact of acquisition on the results of the Group (Continued)

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

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.

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)
Amounts due to a former shareholder	(4,643)
Deferred tax liabilities (Note 34)	(39,124)
Net assets disposed of	348,269

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

40. ACQUISITION AND DISPOSAL OF A SUBSIDIARY (CONTINUED)

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

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.

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.

41. 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.

	2020	2019
	HK$'000	HK$'000
Enterprise resources planning system	**116**	672
Expanding existing manufacturing facilities	**554**	–
Human resources management system	**10**	2,140
Office renovation and reinstatement	**1,736**	2,290
	2,416	5,102

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

42. PERFORMANCE BONDS

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$486,750,000 (2019: HK$308,059,000) 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.

43. PLEDGE OF ASSETS

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

	2020 HK$'000	2019 HK$'000
Properties	**65,600**	71,600
Investment properties	**4,530**	4,900
Bank deposits	**15,374**	215,140
Financial assets at FVTPL	**–**	16,293
	85,504	307,933

44. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the consolidated statement of financial position on pages 115 and 116 and Note 25. The Group entered into the following transactions with related parties during the current and prior year:

Name of related company	**Relationship**	**Nature of transactions**	**2020 HK$'000**	2019 HK$'000
OBJV	Associate	Sales	**5,257**	14,083
Perfect Motive Limited ("Perfect Motive")	Related party (Note)	Short-term lease expense/rental expenses	**17,444**	17,444
Perfect Motive	Related party (Note)	Services expenses	**–**	406
Perfect Motive	Related party (Note)	Direct expense recharge	**603**	629
TEI	Associate	Sales	**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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

45. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to an associate HK$'000	Other loan HK$'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$'000	Bank borrowings HK$'000	Lease liabilities HK$'000	Accrued issued costs HK$'000	Dividend payable HK$'000	Total HK$'000
					(Note 25)		(Note 32)			
At 1 January 2019	12,533	–	–	–	26,526	–	34,674	1,050	100,000	174,783
Financing cash flow	(12,502)	–	–	–	(26,093)	(605)	(15,443)	(40,528)	(153,900)	(249,071)
Interest accruals	–	–	–	–	–	605	1,780	–	–	2,385
Issue costs accruals	–	–	–	–	–	–	–	39,478	–	39,478
Cash dividend declared (Note 13)	–	–	–	–	–	–	–	–	53,900	53,900
New leases entered	–	–	–	–	–	–	13,103	–	–	13,103
Exchange realignment	(31)	–	–	–	–	–	15	–	–	(16)
At 31 December 2019 and 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	**–**	**–**	**–**	**–**	**2,300**	**–**	**70,904**	**–**	**–**	**73,204**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

46. 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
			2020	2019	2020	2019	
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
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 travelators

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

46. 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
			2020	2019	2020	2019	
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 (Note iii)	Delaware, U.S.A.	–	**100%**	N/A	**100%**	N/A	Investment holding
Anlev (UK) Limited (Note iv)	England and Wales	GBP100,000	**100%**	N/A	**100%**	N/A	Designing, manufacturing, selling, installing, renovating and providing services of lifts, escalators and parts

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

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 formed on 16 January 2020.

(iv) This subsidiary was incorporated on 15 November 2020.

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 2020

47. SHARE-BASED PAYMENTS

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 of the Company (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 entity ("Invested Entity") in which any member of the Group holds an equity interest;

b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries of the Company or any Invested Entity;

c) any supplier of goods or services to any member of the Group or any Invested Entity;

d) any customer of any member of the Group or any Invested Entity;

e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. SHARE-BASED PAYMENTS (CONTINUED)

(ii) Maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme is 140,000,000 Shares, representing 10% of the Company's issued share capital as at the date of these financial statements.

(iii) Maximum entitlement of each participant

The total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised 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.

(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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

47. SHARE-BASED PAYMENTS (CONTINUED)

(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 this annual report.

Share Award Schemes

The board of directors of the Company adopted the framework of the Share Award Schemes on 27 November 2020 ("SAS Adoption Date"), and details of the Share Award Schemes are to be developed. The purpose is to retain and attract talents for the Group.

No Share has ever been granted or awarded since the SAS Adoption Date up to the date of this annual report.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

48. 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 2020, the total expenses recognised in the profit or loss for the above schemes amounted to HK$47,837,000 (2019: HK$44,584,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Interests in subsidiaries	**360,197**	349,776
Interest in an associate	**261,099**	228,746
Amounts due from subsidiaries	**58,124**	58,124
	679,420	636,646
Current assets		
Other receivables, deposits and prepayments	**1,276**	11,917
Amounts due from subsidiaries	**501,060**	146,916
Financial assets at fair value through profit or loss	**–**	17,352
Pledged bank deposits	**–**	123,125
Bank balances and cash	**123,775**	128,201
	626,111	427,511
Current liabilities		
Other payables and accrued expenses	**1,392**	654
Amounts due to subsidiaries	**783,291**	596,123
Financial guarantee liabilities	**731**	506
	785,414	597,283
Net current liabilities	**(159,303)**	(169,772)
Total assets less current liabilities	**520,117**	466,874
Capital and reserves		
Share capital	**14,000**	14,000
Reserves	**499,463**	447,220
Total equity	**513,463**	461,220
Non-current liability		
Deferred tax liability	**6,654**	5,654
	520,117	466,874

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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

Movement in the Company's reserves is as follows:

	Share premium HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2019	–	5	(9,540)	19,813	10,278
Profit for the year	–	–	–	136,320	136,320
Exchange differences arising from translation of an associate	–	–	(4,202)	–	(4,202)
Exchange differences arising from dilution of interest in an associate	–	–	20	–	20
Total comprehensive (expense) income for the year	–	–	(4,182)	136,320	132,138
Issue of new shares under Capitalisation Issue	(10,406)	–	–	–	(10,406)
Issue of new shares by the Company upon share offer in the Listing (as defined in Note 1 and detailed in Note 33)	416,500	–	–	–	416,500
Transaction costs attributable to issue of new shares	(47,390)	–	–	–	(47,390)
Dividends recognised as distribution (Note 13)	–	–	–	(53,900)	(53,900)
At 31 December 2019 and 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	**358,704**	**5**	**4,072**	**136,682**	**499,463**

Five-Year Financial Summary

RESULTS
For the year ended 31 December

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Revenue					
– Building services	3,079,040	3,096,591	4,426,520	2,676,315	**3,169,846**
– Environmental engineering	834,995	1,256,563	865,796	1,086,886	**896,583**
– ICBT	312,439	381,687	424,473	444,382	**453,317**
– Lifts and escalators	185,238	230,436	249,257	274,328	**605,435**
Total revenue	4,411,712	4,965,277	5,966,046	4,481,911	**5,125,181**
Gross profit					
– Building services	282,131	600,375	557,747	344,689	**407,318**
– Environmental engineering	114,056	119,755	95,476	192,717	**150,747**
– ICBT	84,049	113,264	139,773	137,076	**153,636**
– Lifts and escalators	69,317	89,966	95,398	112,251	**197,430**
Total gross profit	549,553	923,360	888,394	786,733	**909,131**
Segment profit (loss)					
– Building services	90,396	332,778	252,169	141,024	**155,673**
– Environmental engineering	(4,491)	7,075	4,176	67,535	**20,077**
– ICBT	36,429	59,581	72,935	64,700	**81,370**
– Lifts and escalators	4,587	24,930	16,952	26,022	**56,662**
Total segment profit	126,921	424,364	346,232	299,281	**313,782**
Profit for the year attributable to owners of the Company	120,832	433,577	315,282	245,001	**301,350**

ASSETS, LIABILITIES AND EQUITY
As at 31 December

	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020 HK$'000**
Total assets	3,098,052	3,457,399	3,052,971	3,423,255	**3,869,727**
Total liabilities	1,539,942	1,605,275	1,846,364	1,661,451	**1,896,095**
Total equity	1,558,110	1,852,124	1,206,607	1,761,804	**1,973,632**

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

	2016	2017	2018	2019	**2020**
Earnings (HK$)	0.12	0.41	0.30	0.20	**0.22**
Net assets (HK$)	1.48	1.76	1.15	1.45	**1.41**

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

	2016	2017	2018	2019	**2020**
Return on assets	4.0%	13.2%	9.7%	7.6%	**8.3%**
Return on equity	8.0%	25.4%	20.6%	16.5%	**16.1%**
Current ratio (times)	1.6	1.7	1.5	1.9	**1.8**
Gearing ratio	4.1%	2.8%	N/A	N/A	**N/A**

Corporate Information

BOARD OF DIRECTORS

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

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

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

AUDIT COMMITTEE

Mr. Wong King On, Samuel *(Chairman)*
Mr. Chan Fu Keung
Dr. Mak Kin Wah

REMUNERATION COMMITTEE

Mr. Chan Fu Keung *(Chairman)*
Mr. Wong King On, Samuel
Dr. Mak Kin Wah

NOMINATION COMMITTEE

Mr. Lam Kin Fung, Jeffrey *(Chairman)*
Mr. Chan Fu Keung
Mr. Wong King On, Samuel
Dr. Mak Kin Wah

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13th Floor, Island Place Tower
510 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

Ocorian Management (Bermuda) Limited
Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

1977

WEBSITE

www.atal.com

Access our corporate website
for further information
www.atal.com

MIX
Paper from
responsible sources
FSC™ C021898
www.fsc.org

PRINTED WITH
SOY INK™

Analogue Holdings Limited
13/F, Island Place Tower, 510 King's Road, North Point, Hong Kong
Tel: (852) 2561 8278 | Fax: (852) 2565 7638 | Email: info@atal.com | Website: www.atal.com