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Analogue Holdings Limited  
安樂工程集團有限公司

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

**ANNUAL RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

<b>Financial Highlights</b>		
	<b>2020</b>	2019
	<b>HK\$'M</b>	HK\$'M
Value of outstanding contracts	<b>11,847.5</b>	9,408.5
Revenue	<b>5,125.2</b>	4,481.9
Gross profit	<b>909.1</b>	786.7
Profit attributable to owners of the Company	<b>301.4</b>	245.0
Basic earnings per share	<b>HK\$0.22</b>	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.<sup>(i)</sup>

(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.

## RESULTS

The board of directors (the “Board”) of Analogue Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 (“FY2020”).

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

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

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Profit for the year attributable to:</b>			
Owners of the Company		<b>301,350</b>	245,001
Non-controlling interests		<b>2,535</b>	–
		<b>303,885</b>	245,001
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		<b>336,288</b>	236,487
Non-controlling interests		<b>2,535</b>	–
		<b>338,823</b>	236,487
		<b>HK cents</b>	HK cents
<b>Earnings per share</b>			
Basic	<i>10</i>	<b>22</b>	20
Diluted	<i>10</i>	<b>22</b>	20

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		4,530	4,900
Property, plant and equipment		130,381	145,980
Right-of-use assets		71,512	35,073
Intangible assets		–	6,017
Deposits paid for acquisition of property, plant and equipment		–	908
Interests in associates	<i>11</i>	509,482	228,746
Deferred tax assets		5,787	835
		<u>721,692</u>	<u>422,459</u>
<b>Current assets</b>			
Inventories		79,781	60,806
Contract assets	<i>12</i>	1,004,492	915,172
Trade receivables	<i>13</i>	789,953	947,768
Other receivables, deposits and prepayments		95,203	110,030
Amount due from an associate		–	–
Amounts due from partners of joint operations		24,263	46,631
Financial assets at fair value through profit or loss		–	17,352
Derivative financial instruments		316	–
Tax recoverable		22,548	1,447
Pledged bank deposits		15,374	215,140
Bank balances and cash		1,116,105	686,450
		<u>3,148,035</u>	<u>3,000,796</u>
<b>Current liabilities</b>			
Trade and retention payables	<i>14</i>	460,168	500,968
Other payables and accrued expenses	<i>15</i>	1,105,467	1,045,706
Contract liabilities		106,181	23,269
Amounts due to partners of joint operations		2,300	433
Lease liabilities		28,598	12,853
Contingent consideration payables	<i>16</i>	77,009	–
Tax payable		12,071	36,539
		<u>1,791,794</u>	<u>1,619,768</u>
<b>Net current assets</b>		<u>1,356,241</u>	<u>1,381,028</u>
<b>Total assets less current liabilities</b>		<u><u>2,077,933</u></u>	<u><u>1,803,487</u></u>

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 <i>HK\$'000</i>
<b>Capital and reserves</b>			
Share capital		<b>14,000</b>	14,000
Reserves		<b>1,959,632</b>	1,747,804
<b>Total equity</b>		<b>1,973,632</b>	1,761,804
<b>Non-current liabilities</b>			
Lease liabilities		<b>42,306</b>	21,276
Deferred tax liabilities		<b>14,764</b>	17,706
Deferred income		<b>2,432</b>	2,701
Contingent consideration payables	<i>16</i>	<b>44,799</b>	–
		<b>104,301</b>	41,683
		<b>2,077,933</b>	1,803,487

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

## 1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“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.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

### 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 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.

### 2.1 Impacts of 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 of 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 of 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.

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 <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> 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.

### ***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.

***Amendments to HKFRSs Annual Improvements to HKFRSs 2018-2020***

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

*HKFRS 9 Financial Instruments*

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

*HKFRS 16 Leases*

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

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

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

#### (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 <i>HK\$'000</i>	Maintenance work <i>HK\$'000</i>	Sales of goods <i>HK\$'000</i>
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	–
	<u>9,324,630</u>	<u>2,244,248</u>	<u>278,604</u>

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 <i>HK\$'000</i>	Maintenance work <i>HK\$'000</i>	Sales of goods <i>HK\$'000</i>
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	–
	<u>6,951,985</u>	<u>2,258,393</u>	<u>198,107</u>

#### 4. 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

#### 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	<u>3,169,846</u>	<u>896,583</u>	<u>453,317</u>	<u>605,435</u>	<u>5,125,181</u>

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	<u>2,676,315</u>	<u>1,086,886</u>	<u>444,382</u>	<u>274,328</u>	<u>4,481,911</u>

## 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 <i>HK\$'000</i>	Environmental engineering <i>HK\$'000</i>	ICBT <i>HK\$'000</i>	Lifts and escalators <i>HK\$'000</i>	Inter segment elimination/ unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>3,172,611</u>	<u>896,583</u>	<u>488,583</u>	<u>608,338</u>	<u>(40,934)</u>	<u>5,125,181</u>
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						<u>(28,270)</u>
Profit before tax						342,549
Income tax expense						<u>(38,664)</u>
Profit for the year						<u><u>303,885</u></u>
<b>Other segment information</b>						
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	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,880</u>	<u>–</u>	<u>19,880</u>

For the year ended 31 December 2019

	Building services <i>HK\$'000</i>	Environmental engineering <i>HK\$'000</i>	ICBT <i>HK\$'000</i>	Lifts and escalators <i>HK\$'000</i>	Inter segment elimination/ unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>2,680,940</u>	<u>1,086,886</u>	<u>496,591</u>	<u>274,695</u>	<u>(57,201)</u>	<u>4,481,911</u>
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						<u>(41,705)</u>
Profit before tax						293,307
Income tax expense						<u>(48,306)</u>
Profit for the year						<u><u>245,001</u></u>

#### 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. 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.

#### 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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Customer A*	<b>993,961</b>	1,013,587
Customer B*	<b>722,364</b>	N/A <sup>#</sup>

<sup>#</sup> 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, United States of America ("USA") and others.

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

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

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

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

## 5. OTHER GAINS AND LOSSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
(Loss) gain from change in fair value of investment properties	(370)	2,200
(Loss) gain from change in fair value of financial assets at fair value through profit and loss (“FVTPL”)	(2,738)	122
Loss from change in fair value of contingent consideration payables ( <i>Note 16</i> )	(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	13,974	–
Gain on disposal of a subsidiary	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 ( <i>Note</i> )	–	(2,013)
	<u>–</u>	<u>(2,013)</u>
	<u><b>(5,019)</b></u>	<u><b>(6,469)</b></u>

*Note:* During the year ended 31 December 2019, the Group’s associate, Hunan Prisma Electrical Co. Ltd (“HPEC”), a company incorporated in the People’s Republic of China (“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.

## 6. FINANCE COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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
	<u>3,707</u>	<u>2,385</u>
	<u><b>3,707</b></u>	<u><b>2,385</b></u>

## 7. INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
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	–
	<u>53,646</u>	<u>45,002</u>
(Over) under provision in prior years		
Hong Kong	(3,060)	(1,947)
Macau	51	–
PRC Enterprise Income Tax	1,969	–
	<u>(1,040)</u>	<u>(1,947)</u>
	52,606	43,055
Deferred tax	<u>(13,942)</u>	<u>5,251</u>
	<u><b>38,664</b></u>	<u><b>48,306</b></u>

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.



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.

## 8. PROFIT FOR THE YEAR

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) ( <i>Note</i> ):		
– Directors' remuneration	22,704	26,401
– Salaries and other benefits	1,071,831	962,317
– Retirement benefit scheme contributions (excluding directors)	47,471	44,123
	<u>1,142,006</u>	<u>1,032,841</u>
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
	<u>(126)</u>	<u>(1,734)</u>
Auditor's remuneration	<u>4,621</u>	<u>4,270</u>

*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).

## 9. DIVIDENDS

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

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

## 10. EARNINGS PER SHARE

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

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	<b>301,350</b>	245,001
<b>Number of ordinary shares</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<b>1,400,000,000</b>	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	<b>1,400,000,000</b>	1,215,969,458

For the year ended 31 December 2019 (“FY2019”), 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 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.

## 11. INTERESTS IN ASSOCIATES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Investment cost		
Listed outside Hong Kong	116,606	118,453
Unlisted ( <i>Note</i> )	240,840	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	<u>152,036</u>	<u>110,293</u>
Interests in associates	<u><u>509,482</u></u>	<u><u>228,746</u></u>

*Note:* On 31 March 2020, the Group acquired 51% of equity interests in Transel Elevator & Electric Inc. (“TEI”) and TEI became a non-wholly owned subsidiary of the Company upon the acquisition. On 10 August 2020, the Group disposed of 2% of equity interests in the TEI. Upon the disposal, the Group owns 49% of TEI as at 31 December 2020. Details are set out in Note 18.

## 12. CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Contract assets	1,018,247	915,172
Less: allowances for credit losses	<u>(13,755)</u>	<u>–</u>
	<u><u>1,004,492</u></u>	<u><u>915,172</u></u>

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.

### 13. TRADE RECEIVABLES

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

*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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0 – 30 days	<b>472,311</b>	587,087
31 – 90 days	<b>135,626</b>	224,085
91 – 360 days	<b>74,691</b>	84,677
Over 1 year	<b>9,989</b>	4,570
Total	<b>692,617</b>	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.

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.

#### 14. TRADE AND RETENTION PAYABLES

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables	<b>273,480</b>	311,640
Trade accruals	<b>50,655</b>	58,039
Retention payables	<b>134,159</b>	127,479
Bills payables	<b>1,874</b>	3,810
	<b>460,168</b>	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:

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

#### 15. OTHER PAYABLES AND ACCRUED EXPENSES

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

#### 16. CONTINGENT CONSIDERATION PAYABLES

	<b>2020</b> <b>HK\$'000</b>
Current	<b>77,009</b>
Non-current	<b>44,799</b>
Total	<b>121,808</b>

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 18. 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 (as defined in Note 18 below) 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.

	<b>2020</b> <b>HK\$'000</b>
As at 31 March 2020 (date of initial recognition)	<b>109,000</b>
Loss on change in fair value	<b>12,808</b>
	<hr/>
As at 31 December 2020	<b>121,808</b>
	<hr/> <hr/>

## 17. PLEDGE OF ASSETS

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

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

## 18. 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**

	<b>HK\$'000</b>
Cash ( <i>Note i</i> )	<b>139,230</b>
Contingent consideration arrangement ( <i>Note ii</i> )	<b>109,000</b>
	<hr/>
	<b>248,230</b>
	<hr/> <hr/>

*Notes:*

- (i) Out of the aggregate consideration of US\$35.70 million (equivalent to approximately HK\$278.46 million), US\$17.85 million (equivalent to approximately HK\$139.23 million) was paid in cash upon the completion of the acquisition.
- (ii) Amount represented the estimated fair value of the First Deferral Payment and Second Deferral Payment on 31 March 2020.

Acquisition-related costs amounting to approximately HK\$10,399,000 have been excluded from the consideration transferred and have been recognised directly as an expense when they are incurred. Acquisition-related costs amounting to approximately HK\$5,545,000 have been recognised as an expense prior to the 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***

	<b><i>HK\$'000</i></b>
<b>Non-current assets</b>	
Property, plant and equipment	5,692
Right-of-use assets	35,509
Intangible assets	134,480
Restricted cash	1,132
Deferred tax assets	460
<b>Current assets</b>	
Inventories	1,412
Contract assets	108,502
Trade receivables	273,946
Other receivables, deposits and prepayments	8,803
Bank balances and cash	68,624
<b>Current liabilities</b>	
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)
<b>Non-current liabilities</b>	
Bank borrowings	(825)
Amount due to a former shareholder	(4,204)
Lease liabilities	(28,941)
Deferred tax liabilities	(45,690)
	<hr/>
	<b>193,603</b>
	<hr/> <hr/>

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***

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

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***

	<b><i>HK\$'000</i></b>
Consideration paid in cash	139,230
Less: bank balances and cash acquired	<u>(68,624)</u>
	<u><u>70,606</u></u>

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.

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:***

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

***Gain on disposal:***

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

*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:***

	<b><i>HK\$'000</i></b>
Cash consideration received	10,920
Less: Cash and cash equivalents disposed of	(65,947)
	<hr/>
	<b>(55,027)</b>
	<hr/> <hr/>

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.

## 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 8 of the consolidated financial statements, the results in this announcement 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:

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

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.

### **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.

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.

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.

### **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.

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.

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 <i>HK\$'M</i>	% of total Revenue	2019 <i>HK\$'M</i>	% 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	<u>5,125.2</u>	<u>100.0%</u>	<u>4,481.9</u>	<u>100.0%</u>

	For the year ended 31 December			
	2020 <i>HK\$'M</i>	% of total Revenue	2019 <i>HK\$'M</i>	% 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%
	<u>5,166.1</u>	<u>100.8%</u>	<u>4,539.1</u>	<u>101.3%</u>
Less: Inter-segment	<u>(40.9)</u>	<u>(0.8%)</u>	<u>(57.2)</u>	<u>(1.3%)</u>
Total	<u>5,125.2</u>	<u>100.0%</u>	<u>4,481.9</u>	<u>100.0%</u>

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.

## **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 <i>HK\$'M</i>	Utilised amount of Net Proceeds up to 31 October 2020 <i>HK\$'M</i>	Revised allocation of the unutilised Net Proceeds as at 31 October 2020 <i>HK\$'M</i>	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2020 <i>HK\$'M</i>	Unutilised amount of Net Proceeds as at 31 December 2020 <i>HK\$'M</i>
<b>Supporting the expansion and development of building services segment</b>	67.1	34.6	42.4	19.0	23.4
<b>Enhancing engineering capabilities in environmental engineering segment</b>					
– 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
<b>Enhancing engineering capabilities of ICBT segment</b>					
– 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	–	–	–	–
<b>Expansion and development of lifts and escalators segment</b>					
– 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
<b>Acquisition of, or investment in, companies</b>	–	–	68.0	–	68.0
<b>General working capital</b>	33.7	31.8	8.4	1.2	7.2
<b>Total</b>	<b>335.7</b>	<b>90.0</b>	<b>245.7</b>	<b>26.8</b>	<b>218.9</b>

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



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

## **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 announcement, 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 Listing Rules.

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.

## **SECOND INTERIM DIVIDEND**

The Board has resolved to pay a second interim dividend of HK7 cents per share (the “Share”) of the Company for the year ended 31 December 2020 (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 (the “Shareholders”) 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 dividend by the Company for the year ended 31 December 2020 will thus be HK10.82 cents per Share, representing a dividend payout ratio of 50.3%.

## **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 (the “Annual General Meeting”), 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 Annual General Meeting, 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, at the abovementioned address, for registration by no later than 4:30 p.m. on Wednesday, 16 June 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules 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 listing date of the Company. During the year ended 31 December 2020, the Company has complied with all applicable code provisions set out in the CG Code.

## **REVIEW OF AUDITED ANNUAL RESULTS**

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2020.

## **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 reporting period.

## **PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement is published on the respective websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.atal.com](http://www.atal.com)). The Company's 2020 annual report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

On behalf of the Board of  
**ANALOGUE HOLDINGS LIMITED**  
**Dr. Poon Lok To, Otto**  
*Chairman*

Hong Kong, 29 March 2021

*As at the date of this announcement, the executive directors of the Company are Dr. Poon Lok To, Otto, Mr. Law Wei Tak and Mr. Chan Hoi Ming; the non-executive director of the Company is Dr. Mak Kin Wah and the independent non-executive directors of the Company are Mr. Chan Fu Keung, Mr. Lam Kin Fung, Jeffrey and Mr. Wong King On, Samuel.*