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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

Financial Highlights

	For the six months ended 30 June	
	2021	2020
	HK\$'M	HK\$'M
Revenue	2,333.6	2,441.1
Gross profit	323.0	407.4
Profit attributable to owners of the Company	112.5	106.9
Basic earnings per share	HK\$0.08	HK\$0.08

The Board has resolved to pay an interim dividend of HK4.02 cents per share for the six months ended 30 June 2021.⁽ⁱ⁾

- (i) The interim dividend for the six months ended 30 June 2021 of HK4.02 cents per share, amounted to HK\$56.28 million in aggregate, representing a dividend payout ratio of 50%, based on the unaudited net profit of HK\$112.5 million.

RESULTS

The board of directors (the “Board”) of Analogue Holdings Limited (the “Company”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021.

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

For the six months ended 30 June 2021

		Six months ended 30 June	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	2,333,618	2,441,050
Cost of sales and services		<u>(2,010,577)</u>	<u>(2,033,696)</u>
Gross profit		323,041	407,354
Other income		6,355	9,319
Other gains and losses	4	19,275	6,915
Impairment losses under expected credit loss model, net of reversal	12	(2,825)	5,258
Selling and distribution expenses		(3,129)	(1,441)
Administrative expenses		(264,204)	(307,365)
Share of results of associates		61,135	4,842
Finance costs	5	<u>(2,485)</u>	<u>(1,976)</u>
Profit before tax		137,163	122,906
Income tax expense	6	<u>(24,637)</u>	<u>(18,126)</u>
Profit for the period	7	<u>112,526</u>	<u>104,780</u>
Other comprehensive income (expense)			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain (loss) on revaluation of properties		525	(736)
Income tax relating to (gain) loss on revaluation of properties		<u>(87)</u>	<u>121</u>
		<u>438</u>	<u>(615)</u>
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		5,330	(8,366)
Reclassification of cumulative translation reserve upon disposal of interest in an associate		<u>(797)</u>	<u>228</u>
		<u>4,533</u>	<u>(8,138)</u>
Other comprehensive income (expense) for the period, net of tax		<u>4,971</u>	<u>(8,753)</u>
Total comprehensive income for the period		<u>117,497</u>	<u>96,027</u>

		Six months ended 30 June	
		2021	2020
<i>Note</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
	Owners of the Company	112,526	106,878
	Non-controlling interests	—	(2,098)
		<u>112,526</u>	<u>104,780</u>
		<u>112,526</u>	<u>104,780</u>
Total comprehensive income for the period attributable to:			
	Owners of the Company	117,497	98,125
	Non-controlling interests	—	(2,098)
		<u>117,497</u>	<u>96,027</u>
		<u>117,497</u>	<u>96,027</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
	Basic	9 <u>8</u>	<u>8</u>
	Diluted	9 <u>8</u>	<u>8</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Non-current assets			
Investment properties		4,530	4,530
Property, plant and equipment		144,739	130,381
Right-of-use assets		92,179	71,512
Deposits paid for acquisition of property, plant and equipment		770	–
Interests in associates	10	526,788	509,482
Deferred tax assets		8,249	5,787
		777,255	721,692
Current assets			
Inventories		96,651	79,781
Contract assets	11	1,003,543	1,004,492
Trade receivables	12	676,503	789,953
Other receivables, deposits and prepayments		99,436	95,203
Amount due from an associate		–	–
Amounts due from partners of joint operations		10,667	24,263
Derivative financial instruments		–	316
Tax recoverable		14,866	22,548
Pledged bank deposits		15,261	15,374
Bank balances and cash		1,255,559	1,116,105
		3,172,486	3,148,035
Current liabilities			
Trade and retention payables	13	467,417	460,168
Other payables and accrued expenses	14	1,060,542	1,105,467
Contract liabilities		102,880	106,181
Amounts due to partners of joint operations		8,373	2,300
Derivative financial instruments		781	–
Lease liabilities		32,513	28,598
Contingent consideration payables	15	117,174	77,009
Tax payable		38,516	12,071
		1,828,196	1,791,794
Net current assets		1,344,290	1,356,241
Total assets less current liabilities		2,121,545	2,077,933

	<i>Note</i>	As at 30 June 2021 HK\$'000 (Unaudited)	As at 31 December 2020 HK\$'000 (Audited)
Capital and reserves			
Share capital		14,000	14,000
Reserves		<u>1,979,129</u>	<u>1,959,632</u>
Total equity		<u>1,993,129</u>	<u>1,973,632</u>
Non-current liabilities			
Lease liabilities		59,105	42,306
Deferred tax liabilities		18,282	14,764
Deferred income		2,298	2,432
Contingent consideration payables	15	<u>48,731</u>	<u>44,799</u>
		<u>128,416</u>	<u>104,301</u>
		<u>2,121,545</u>	<u>2,077,933</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements of Analogue Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties, contingent consideration payables and financial instruments which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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In addition, the Group has early applied the Amendment to HKFRS 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

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

(i) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Timing of revenue recognition and category of revenue</i>		
Recognised over time and long-term contracts		
Contracting work	1,789,242	1,915,432
Maintenance work	472,341	474,794
	<u>2,261,583</u>	<u>2,390,226</u>
Recognised at a point in time and short-term contracts		
Sales of goods	72,035	50,824
	<u>2,333,618</u>	<u>2,441,050</u>
Geographical information		
Hong Kong	2,070,731	1,870,783
Mainland China	76,138	52,484
Macau	173,390	313,948
United States of America ("USA")	1,519	195,977
Others	11,840	7,858
	<u>2,333,618</u>	<u>2,441,050</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 the end of the respective reporting period are as follows:

	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Contracting work	9,321,669	9,324,630
Maintenance work	2,391,351	2,244,248
Sales of goods	156,925	278,604
	<u>11,869,945</u>	<u>11,847,482</u>

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 for design, installation and servicing of a wide range of intelligent systems, information and communications (ICT) systems and building technology systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range of lifts and escalators offered under the trade name of "Anlev Elex"; and ii) repair and maintenance services for lifts and escalators

Reconciliation of segment revenue

For the six months ended 30 June 2021 (Unaudited)

	Building services HK\$'000	Environmental engineering HK\$'000	ICBT HK\$'000	Lifts and escalators HK\$'000	Total HK\$'000
Revenue					
– Contracting work	1,275,944	269,669	165,156	78,473	1,789,242
– Maintenance work	136,399	199,530	51,511	84,901	472,341
– Sales of goods	4,371	41,990	9,590	16,084	72,035
Total revenue	<u><u>1,416,714</u></u>	<u><u>511,189</u></u>	<u><u>226,257</u></u>	<u><u>179,458</u></u>	<u><u>2,333,618</u></u>

For the six months ended 30 June 2020 (Unaudited)

	Building services HK\$'000	Environmental engineering HK\$'000	ICBT HK\$'000	Lifts and escalators HK\$'000	Total HK\$'000
Revenue					
– Contracting work	1,235,150	316,943	174,644	188,695	1,915,432
– Maintenance work	112,589	150,382	59,763	152,060	474,794
– Sales of goods	2,722	31,441	6,858	9,803	50,824
Total revenue	<u><u>1,350,461</u></u>	<u><u>498,766</u></u>	<u><u>241,265</u></u>	<u><u>350,558</u></u>	<u><u>2,441,050</u></u>

Segment revenue and results

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

For the six months ended 30 June 2021 (Unaudited)

	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	1,416,714	511,189	226,257	179,458	–	2,333,618
– inter-segment	<u>3,028</u>	<u>–</u>	<u>18,387</u>	<u>2,995</u>	<u>(24,410)</u>	<u>–</u>
Total revenue	<u>1,419,742</u>	<u>511,189</u>	<u>244,644</u>	<u>182,453</u>	<u>(24,410)</u>	<u>2,333,618</u>
Segment profit	15,536	24,777	9,591	54,725	–	104,629
Share of results of an associate						15,189
Bank interest income						1,703
Finance costs						(2,485)
Unallocated income						65,693
Unallocated expenses						<u>(47,566)</u>
Profit before tax						137,163
Income tax expense						<u>(24,637)</u>
Profit for the period						<u><u>112,526</u></u>
Other segment information						
Depreciation of property, plant and equipment	933	885	600	2,211	10,085	14,714
Depreciation of right-of-use assets	3,852	728	2,055	827	10,967	18,429
Impairment losses under expected credit loss model, net of reversal	(8,597)	1,258	293	9,871	–	2,825
(Gain) loss on disposal of property, plant and equipment	<u>(125)</u>	<u>53</u>	<u>–</u>	<u>(4)</u>	<u>5</u>	<u>(71)</u>

For the six months ended 30 June 2020 (Unaudited)

	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	1,350,461	498,766	241,265	350,558	–	2,441,050
– inter-segment	<u>1,844</u>	<u>–</u>	<u>16,763</u>	<u>598</u>	<u>(19,205)</u>	<u>–</u>
Total revenue	<u>1,352,305</u>	<u>498,766</u>	<u>258,028</u>	<u>351,156</u>	<u>(19,205)</u>	<u>2,441,050</u>
Segment profit	52,455	15,753	30,562	16,693	–	115,463
Share of results of an associate						10,641
Bank interest income						4,051
Finance costs						(1,976)
Unallocated income						16,141
Unallocated expenses						<u>(21,414)</u>
Profit before tax						122,906
Income tax expense						<u>(18,126)</u>
Profit for the period						<u><u>104,780</u></u>
Other segment information						
Depreciation of property, plant and equipment	1,547	781	577	2,483	8,656	14,044
Depreciation of right-of-use assets	4,855	633	2,433	2,522	504	10,947
Impairment losses under expected credit loss model, net of reversal	(5,222)	840	(465)	(411)	–	(5,258)
(Gain) loss on disposal of property, plant and equipment	(151)	–	–	23	(30)	(158)
Gain on derecognition of right-of-use assets and lease liabilities	(154)	–	–	–	–	(154)
Amortisation of intangible assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>14,128</u>	<u>–</u>	<u>14,128</u>

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 and share of results of an associate. 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.

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Loss from change in fair value of contingent consideration payables (<i>Note 15</i>)	(44,097)	(4,960)
Gain on disposal of interest in an associate (<i>Note 10</i>)	63,246	13,974
Gain on disposals of property, plant and equipment	71	158
Gain on derecognition of right-of-use assets and lease liabilities	–	154
Net exchange gains	55	757
Loss from change in fair value of investment properties	–	(40)
Loss from change in fair value of financial assets at fair value through profit or loss	–	(3,128)
	<u>19,275</u>	<u>6,915</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Interest expenses on bank borrowings	–	23
Interest expenses on lease liabilities	2,397	1,504
Interest expenses on other loan	–	190
Interest expenses on amount due to a former shareholder of a subsidiary	–	33
Imputed interest expenses on reinstatement costs	42	–
Ancillary costs in respect of banking facilities	46	226
	<u>2,485</u>	<u>1,976</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Current tax		
Hong Kong	12,376	17,328
Macau	1,546	3,399
PRC Enterprise Income Tax	10,983	1,736
USA Federal Income Tax	–	1,358
USA State Income Tax	2	429
	<u>24,907</u>	<u>24,250</u>
(Over) under provision in prior years		
Hong Kong	18	(2,476)
Macau	(1,195)	51
	<u>(1,177)</u>	<u>(2,425)</u>
Deferred tax	<u>907</u>	<u>(3,699)</u>
	<u><u>24,637</u></u>	<u><u>18,126</u></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 periods.

Under the Law of the People’s Republic of China (“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 the six months ended 30 June 2021 and 30 June 2020.

The Company’s subsidiaries and an associate of the Group that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. According to the “Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income” and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. During the six months ended 30 June 2021, 5% and 10% withholding tax rates were used for the Company’s subsidiaries and the Group’s associate, respectively (six months ended 30 June 2020: 5%). A provision for dividend withholding tax of approximately HK\$5,393,000 (unaudited) (six months ended 30 June 2020: HK\$59,000 (unaudited)) was charged to profit or loss for the six months ended 30 June 2021. During the six months ended 30 June 2021, withholding tax of approximately HK\$1,484,000 (unaudited) (six months ended 30 June 2020: Nil (unaudited)) was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK\$3,909,000 (unaudited) (six months ended 30 June 2020: HK\$59,000 (unaudited)) charged to profit or loss for the six months ended 30 June 2021.

During the six months ended 30 June 2020, the Group's USA subsidiary, Transel Elevator & Electric Inc. ("TEI"), was subject to USA corporate tax representing 21% of the applicable USA Federal Income Tax rate and an average income tax rate of 12.975% for State of New York, State of New Jersey and New York City jurisdictions for its operations in the USA. On 10 August 2020, the Group disposed of 2% of equity interests in TEI and upon the disposal, TEI became an associate of the Group.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (<i>Note</i>):		
– Directors' remuneration	12,843	16,210
– Salaries and other benefits	538,112	580,175
– Retirement benefit scheme contributions (excluding directors)	24,941	22,833
	575,896	619,218
Cost of inventories recognised as expenses (included in cost of sales and services)	109,510	108,562
Depreciation of property, plant and equipment	14,714	14,044
Depreciation of right-of-use assets	18,429	10,947
Amortisation of intangible assets	–	14,128
Write-down of inventories, net	7,119	1,410
Inventories written off	841	–
Loss from change in fair value of derivative financial instruments	1,097	203
Rental income from investment properties	(73)	(68)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	8	8
	(65)	(60)
Auditor's remuneration	2,547	2,127

Note: During the six months ended 30 June 2021, the Group recognised government grants of approximately HK\$541,000 (unaudited) (six months ended 30 June 2020: HK\$11,813,000 (unaudited)) in respect of COVID-19 related subsidies, of which Nil (six months ended 30 June 2020: approximately HK\$8,817,000 (unaudited)) relates to Employment Support Scheme provided by the Hong Kong government and was credited to cost of sales and services and administrative expenses.

Included in the share of results of associates for the six months ended 30 June 2021, approximately HK\$37,640,000 (unaudited), is related to the share of USA government grants in respect of the Paycheck Protection Program ("PPP") loan forgiveness received by TEI. With the inclusion of this PPP loan forgiveness, the profit before tax of TEI for the period from 1 July 2020 to 30 June 2021 exceeds its target performance and thus resulted in "loss from change in fair value of contingent consideration payables" by approximately HK\$33,415,000 (unaudited), part of HK\$44,097,000 (unaudited), which is included in other gains and losses.

8. DIVIDENDS

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
2020 second interim – HK7 cents (2020: 2019 second interim dividend HK5.07 cents) per share	98,000	70,980

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK4.02 cents per share amounting to HK\$56,280,000 in aggregate will be paid to owners of the Company whose names appear in the register of members of the Company as at the close of business on 15 September 2021.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	112,526	106,878
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	(610)	–
Earnings for the purpose of calculating diluted earnings per share	111,916	106,878
Number of ordinary shares		
Number of ordinary shares for the purpose of calculating basic and diluted earnings per share	1,400,000,000	1,400,000,000

During the six months ended 30 June 2021, the earnings for the purpose of calculating diluted earnings per share are adjusted for any changes in the Group's share of results of an associate that is attributable to the increase in the number of ordinary shares of the associate as a result of the conversion of convertible bonds issued by the associate.

Diluted earnings per share for the six months ended 30 June 2020 are the same as the basic earnings per share as there were no dilutive potential ordinary shares outstanding.

10. INTERESTS IN ASSOCIATES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Investment cost		
Listed outside Hong Kong (<i>Note</i>)	100,066	116,606
Unlisted	240,840	240,840
Share of post-acquisition profits and other comprehensive income, net of dividends received	185,882	152,036
	<u>526,788</u>	<u>509,482</u>
Interests in associates	<u>526,788</u>	<u>509,482</u>

Note: During the current interim period, the Group disposed of 3% of its shareholding in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. (“NCA”) at an aggregate consideration of approximately RMB81,013,000 (unaudited) (equivalent to approximately HK\$97,388,000 (unaudited)). The net proceeds from the disposal amounted to approximately RMB78,363,000 (unaudited) (equivalent to approximately HK\$94,207,000 (unaudited)), net of transaction cost of approximately RMB2,650,000 (equivalent to approximately HK\$3,181,000 (unaudited)). As a result of the disposal, the Group’s interest in NCA decreased from 25.44% as at 31 December 2020 to 22.44% as at 30 June 2021, and a gain on disposal of approximately HK\$63,246,000 (unaudited) was recognised for the six months ended 30 June 2021.

During the six months ended 30 June 2020, the Group disposed of 0.37% of its shareholding in NCA at an aggregate consideration of approximately RMB16,743,000 (unaudited) (equivalent to approximately HK\$18,106,000 (unaudited)). The net proceeds from the disposal amounted to approximately RMB16,077,000 (unaudited) (equivalent to approximately HK\$17,385,000 (unaudited)), net of transaction cost of approximately RMB666,000 (equivalent to approximately HK\$721,000 (unaudited)). The Group recognised a gain on disposal of approximately HK\$13,974,000 (unaudited) for the six months ended 30 June 2020. As a result of the disposal, the Group’s interest in NCA decreased from 25.81% as at 31 December 2019 to 25.44% as at 30 June 2020.

11. CONTRACT ASSETS

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Contract assets	1,016,565	1,018,247
Less: allowances for credit losses	(13,022)	(13,755)
	<u>1,003,543</u>	<u>1,004,492</u>

As at 30 June 2021, contract assets include retention receivables of approximately HK\$327,192,000 (unaudited) (31 December 2020: HK\$334,585,000 (audited)). 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 retention period of the respective construction contract. The Group did not have any retention receivables that were past due but not impaired at the end of the reporting period.

The changes in contract assets are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Details of the allowances for credit losses are set out in Note 12.

12. TRADE RECEIVABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade receivables	667,345	754,676
Less: allowances for credit losses	<u>(66,131)</u>	<u>(62,059)</u>
	601,214	692,617
Unbilled revenue (<i>Note</i>)	73,416	93,042
Bills receivables	1,873	5,261
Less: allowances for credit losses	<u>–</u>	<u>(967)</u>
	<u>1,873</u>	<u>4,294</u>
	<u>676,503</u>	<u>789,953</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 the 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 30 June 2021, the Group's bills receivables are of age within six months (31 December 2020: one year).

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.

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

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	361,149	472,311
31 – 90 days	178,614	135,626
91 – 360 days	59,698	74,691
Over 1 year	<u>1,753</u>	<u>9,989</u>
Total	<u>601,214</u>	<u>692,617</u>

The Group applies the simplified approach to provide for expected credit losses (“ECL”) prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

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

During the six months ended 30 June 2021, the Group recognised impairment allowance of approximately HK\$19,652,000 (unaudited) (six months ended 30 June 2020: HK\$14,135,000 (unaudited)) and reversed impairment allowance of approximately HK\$10,325,000 (unaudited) (six months ended 30 June 2020: HK\$11,029,000 (unaudited)) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK\$11,646,000 (unaudited) (six months ended 30 June 2020: HK\$8,052,000 (unaudited)) was made and approximately HK\$17,410,000 (unaudited) (six months ended 30 June 2020: HK\$30,059,000 (unaudited)) was reversed on credit-impaired trade receivables. During the six months ended 30 June 2021, trade debtors with gross carrying amount of approximately HK\$12,254,000 (unaudited) (six months ended 30 June 2020: Nil (unaudited)) became credit-impaired and therefore, approximately HK\$12,254,000 (unaudited) (six months ended 30 June 2020: Nil (unaudited)) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the six months ended 30 June 2021, the Group recognised a net reversal of provision for contract assets of approximately HK\$738,000 (unaudited) (six months ended 30 June 2020: a provision of HK\$13,643,000 (unaudited)), based on the collective assessment.

13. TRADE AND RETENTION PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Trade payables	272,909	273,480
Trade accruals	60,171	50,655
Retention payables	134,337	134,159
Bills payables	–	1,874
	<u>467,417</u>	<u>460,168</u>

As at 31 December 2020, the Group's bills payables were 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:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
0 – 30 days	148,001	157,990
31 – 90 days	48,912	62,975
91 – 360 days	49,744	20,210
Over 1 year	26,252	32,305
	<u>272,909</u>	<u>273,480</u>

14. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Accrued staff costs	124,406	148,163
Accrued contract costs	888,064	919,359
Others	48,072	37,945
	<u>1,060,542</u>	<u>1,105,467</u>

15. CONTINGENT CONSIDERATION PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Current	117,174	77,009
Non-current	48,731	44,799
	<u>165,905</u>	<u>121,808</u>

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). Out of the aggregate consideration of US\$35.70 million (equivalent to approximately HK\$278.46 million), US\$17.85 million (equivalent to approximately HK\$139.23 million) was paid in cash upon the completion of the acquisition. The remaining consideration of US\$17.85 million (equivalent to approximately HK\$139.23 million) (the “Deferred Payments”) will be deferred and adjusted based on the actual performance of TEI for the pre-determined periods, varies from 0% to 140% of the Deferred Payments.

The Deferred Payments are payable as follows:

- (i) US\$10.71 million (equivalent to approximately HK\$83.54 million) (subject to adjustment) will be paid to the Sellers within 5 business days after the final determination of the first deferral payment, which will be calculated based on actual performance of TEI for the period from 1 July 2020 to 30 June 2021 (the “First Deferral Payment”); and
- (ii) US\$7.14 million (equivalent to approximately HK\$55.69 million) (subject to adjustment) will be paid to the Sellers within 5 business days after the final determination of the second deferral payment, which will be calculated based on actual performance of TEI for the period from 1 July 2021 to 30 June 2022 (the “Second Deferral Payment”).

At the date of initial recognition, the fair value of the contingent consideration payables amounted to approximately HK\$109,000,000 (audited), representing the estimated fair value of the First Deferral Payment and the 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 30 June 2021, the fair value of the deferred consideration payables amounted to approximately HK\$165,905,000 (unaudited) (31 December 2020: HK\$121,808,000 (audited)), in which approximately HK\$117,174,000 (unaudited) (31 December 2020: HK\$77,009,000 (audited)) will be due within 12 months from the end of the reporting period and classified as current liabilities.

	<i>HK\$'000</i>
As at 31 March 2020 (date of initial recognition)	109,000
Loss on change in fair value	<u>12,808</u>
As at 31 December 2020 and 1 January 2021	121,808
Loss on change in fair value	<u>44,097</u>
As at 30 June 2021	<u>165,905</u>

16. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets of the Group to secure general banking facilities granted to the Group:

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Properties	65,600	65,600
Investment properties	4,530	4,530
Bank deposits	15,261	15,374
	<u>85,391</u>	<u>85,504</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM BUSINESS REVIEW

Overview

For the six months ended 30 June 2021, the Group recorded a consolidated net profit attributable to shareholders of the Company of HK\$112.5 million, representing an increase of 5.3% compared to the same period in 2020.

It is worth noting that in the Group's 2020 first half results, contributions from Transel Elevator & Electric Inc. ("TEI") over April 2020 to June 2020 were included, TEI being a subsidiary of the Group at the time. In August 2020, the Group reduced its stake in TEI from 51% to 49%, with TEI reported as an associate of the Group thereafter. As such, an adjustment is made for TEI – where appropriate in this announcement – to provide a more accurate comparison of the Group's financial performance between the first half of 2021 and the first half of 2020.

Total revenue of the Group of this reporting period at HK\$2,333.6 million was lower by 4.4% compared with the same period in 2020, which included the contribution from TEI as a subsidiary of the Group over April 2020 to June 2020. When adjusted for the revenue from TEI, which has since been reported as an associate of the Group since August 2020, the total revenue increased by 3.9% compared to the same period in 2020.

With the Group's strong foundation built upon its core businesses, as at 30 June 2021, the outstanding contracts in hand was HK\$11.9 billion, representing a 10.2% increase over the previous period. With the global economy and in particular the local economy recovering visibly, the Group has been active in tendering, submitting in the reporting period a total of 747 tenders or quotations, with each valued at over HK\$1 million.

The Group's growth strategy is underpinned by the three pillars of "New Technology", "New Market" and "New Business Model". The implementation of this strategy was reflected in the establishment of the Group's first lifts and escalators company in London, United Kingdom and prior to that, the alliance with one of the largest independent lift and escalator companies in New York, TEI, in 2020. This effectively increased the Group's scale of operations and technical capabilities, widening its range of service offering to international customers and placing it in a strategic position for growth in Europe and the United States.

The Group has proactively been undertaking smart innovation projects in both the public and private sectors. Our valuable contribution to the completion of the smart living and co-creation space project in Pak Shek Kok, a showcase of unique technology-infusing experiences as part of Hong Kong's first Modular Integrated Construction ("MiC") pilot projects, paves the way for future opportunities under the Hong Kong government's "Smart City" initiatives.

In addition, our efforts to build a better future for the communities are aligned with the Group's initiatives to consolidate our market-leading position in enhancing the applications in Artificial Intelligence ("AI"), Building Information Modelling ("BIM"), and MultiTrade integrated Mechanical, Electrical and Plumbing ("MiMEP") systems.

To position the Group for maximising opportunities and long-term value across our business, we focused our investment in new technologies and innovative solutions – through our research and development (“R&D”) team and collaboration with local universities – in the areas of energy optimisation, digitalisation, wastewater treatment technologies, and innovative environmental solutions.

The multiple contracts awarded to the Group for projects adopting cutting-edge technologies underscore our capabilities to implement advanced application systems. These include Hong Kong’s first “Puzzle Stacking System Carpark”; and also the first Automatic Guided Vehicle (AGV) of the Robotic Parking system in support of Smart Mobility; and subsequent to the reporting period, a contract to install a new generation of Smart Washrooms by applying the latest “Long Range (LoRa)” and “Internet of Things (IoT)” technologies.

The Group recognises that developing new markets and driving new technology in isolation will no longer suffice. It will also be necessary to harness new business models to generate a competitive advantage. We are currently reviewing business model innovations and their potential applicability for using subscription basis for the energy and technology business; and Public Private Partnership for “One Belt One Road” projects. The Group will also explore suitable opportunities for equity participation that strengthens its market position.

Building Services

As at 30 June 2021, the outstanding contracts in hand of the Building Services Segment edged down 14.8% over the same period in 2020, to HK\$5,138.3 million. This was mainly due to the previous slowdown in the Hong Kong construction market. The key profit contributions during the reporting period within the Building Services Segment included Heating, Ventilation and Air Conditioning (“HVAC”), Electrical, Fire Services and Building Management System for a mixed-use development in Kai Tak and the provision of maintenance services of HVAC systems in metro facility at various locations, which was supported by our 24/7 call centre providing customer services and emergency call services for all business segments.

During the reporting period, the Group was awarded a number of notable Grade A office building projects in Wan Chai and Central as well as installation and maintenance services for prestigious clients, including operators of railway and data centre in Hong Kong and public authorities; and operators of airport complexes, public housings and public hospitals in Hong Kong.

Environmental Engineering

As at 30 June 2021, the outstanding contracts in hand of the Environmental Engineering Segment increased notably by 154.7% over the same period in 2020, to HK\$5,268.4 million. This was mainly attributable to the increased number of environmental infrastructure projects in support of the government’s announcement to improve environmental protection that was outlined in the 2020-21 budget.

The notable projects included the maintenance contract for Mechanical & Electrical Works of government department for water supplies, the water treatment plant handling greywater in Kwun Tong Region, and the construction of sewage treatment works in Southern Lantau Island.

With proprietary technologies and a strong track record in Hong Kong and Mainland China, the Group is leveraging its competitive edges and partner networks to explore overseas business opportunities.

During the reporting period, tendering activities for works outside Hong Kong and the Mainland included the Water Treatment Works in Kaliwa, the Philippines, Waste Water Treatment Works in Botswana, Southern Africa, and the Public Private Partnership projects in Bangladesh.

ICBT

As at 30 June 2021, the outstanding contracts in hand of the Information Communications and Building Technologies (“ICBT”) Segment increased by 5.5% over the same period in 2020, to HK\$936.9 million.

The key profit drivers for the ICBT Segment include our provision for green and intelligent building solutions which integrate a wide range of information and communication technologies with building energy and management technologies, that contribute to the development of a “Smart City” and “Smart Economy”. The business segment is supported by the Group’s in-house research and development capabilities in collaboration with market-leading hardware and software partners, universities, and research institutes.

The successful rollout of several ICBT Segment projects has attracted noteworthy market presence and interest from reputable clients. These include our in-house developed Cloud-based AI Energy Management Platform; and our newly developed smart “Internet of Things” (IoT) applications such as Smart Washrooms, Retro-commissioning (RCx), Indoor Environmental Quality (IEQ) Monitoring, Indoor Positioning and Video Analytics, which have resulted in orders secured by the Group. Further business opportunities are expected to materialise after the successful completion of the first Automatic Guided Vehicle (AGV) smart parking installation in 2021.

The Group will continue to drive digital transformation by developing smart building technologies as well as the market for adopting IoT and smart technologies to optimise energy use and enhance overall operational efficiency.

Lifts & Escalators

As at 30 June 2021, the outstanding contracts in hand of the Lifts and Escalators Segment (before including TEI) increased by 1.6% over the same period in 2020, to HK\$526.3 million.

The Lifts and Escalators Segment’s major profit contributors during the reporting period included the maintenance contract for government buildings.

The Group’s wholly-owned subsidiary, Anlev Elex Elevator Limited (“Anlev”) has been awarded the “Safety Star” and five “Service Quality Stars” in both Lift and Escalator Contractors’ Performance Rating with the highest level for a consecutive period of 34 consecutive quarters by the second quarter of 2021 since the launch of the rating by the government’s Electrical and Mechanical Services Department (“EMSD”) in 2013.

In addition, the Group won first place in “Escalator: modernisation” category of Elevator World’s “2021 Project of the Year” contest for the Central-Mid-Levels Escalator and Walkway System modernisation project, being the only company from Asia on the winners list.

Anlev is not only an award-winning lifts and escalators contractor in Hong Kong known for safety and service quality but also a global brand whose lifts, escalators, and moving walkways are serving millions of users in Asia, the Americas, and Europe.

Also noteworthy was the award of a Gold medal to Anlev in conjunction with EMSD and The Hong Kong Polytechnic University, in the International Exhibition of Inventions of Geneva 2021 for “Artificial Intelligent Nylon Optical Fibre Sensing Escalator Combs”, a device that detects obstacles on escalators in real-time.

In addition, the Group expected to invest RMB60 million to expand the Nanjing factory facilities to enhance the production capacity for Lifts & Escalators to meet the anticipated demand and growth of the business.

Innovation, Resources Management and Other Operation Initiatives

During the reporting period, the Group continued to drive innovation, foster an innovation culture, and invest in value-added initiatives across its business segments. Among the many technologies developed by the Group, the Digital Twin technology is being deployed to optimise the chemical usage and operation efficiency at designated water and wastewater treatment plants. Patent application has also been submitted to the State Intellectual Property office of The People’s Republic of China (中華人民共和國國家知識產權局) for the containerised sewage treatment process “全方位應用的一體化磁介質高效沉澱池設備”.

In addition, we have developed an in-house technology that utilises IoT and big data analytics technology in predictive maintenance of lifts and escalators and other applications such as fault diagnosis of electrical and mechanical systems.

Technologies in energy optimisation and efficient generation and storage for green energy are also being developed by the Group in collaboration with the local universities.

With over 50% of our building services projects having adopted BIM in coordination and project management works, the Group has been exemplary in taking the lead within the industry to support the adoption of BIM and MiMEP. This is a significant step forward in demonstrating its benefits in bringing construction practices into the digital age, which will benefit the industry as a whole.

Training and Development

During the first half of 2021, a total of 206 training courses were conducted by the Group internally for 1,474 employees (from apprentice up to management) for a total of 13,685 training hours, to assist employees to acquire knowledge and skills in their current roles and prepare them for future ones to progress professionally and personally.

A new training centre has commenced operations in the third quarter of 2021 to provide dedicated space and facilities for training purposes.

COVID-19 Impact

Notwithstanding the COVID-19 impact, the Group’s operations resumed a level of normality during the reporting period.

FINANCIAL REVIEW

The consolidated profit attributable to shareholders of the Company in the first half of 2021 was HK\$112.5 million, an increase of 5.3% compared to the same period in 2020.

The Group's cash balance amounted to HK\$1,255.6 million, an increase of 12.5% compared to cash balance as at 31 December 2020. The Group had no bank borrowings as of 30 June 2021.

It is worth noting that in the Group's 2020 first half results, contributions from TEI over April 2020 to June 2020 had been included, TEI being a subsidiary of the Group at the time. In August 2020, the Group reduced its stake in TEI from 51% to 49%, and TEI was thereafter reported as an associate of the Group. As such, there may be an adjustment made for TEI – where appropriate in this announcement – to provide a more accurate comparison of the Group's financial performance between the first half of 2021 and the first half of 2020.

Revenue

In the first half of 2021, the Group's reported revenue was HK\$2,333.6 million, a decrease of 4.4% compared to the same period in 2020.

However, the Group's reported revenue for the first half of 2020 included the revenue amounted to HK\$196.0 million generated from TEI, being a subsidiary of the Group at the time, for the three months between April to June 2020.

Upon adjusting for the revenue from TEI, which has been reported as an associate company during the period under review, the Group's total revenue increased by 3.9% compared to the same period in 2020.

Gross Profit

The gross profit for the first half of 2021 decreased by 20.7% to HK\$323.0 million compared to the same period in 2020 (six months ended 30 June 2020: HK\$407.4 million).

As mentioned in the revenue section above, if adjustment is made for TEI, the gross profit would be reported as HK\$368.0 million in the first half of 2020. The decrease for the first half of 2021 would be 12.2% compared to the same period in 2020. The decrease in gross profit in the first half of 2021 was mainly attributable to the Building Services Segment.

The gross profit margin was 13.8% for the six months ended 30 June 2021, representing a decrease against 16.7% over the same period last year. The gross profit margin for the six months ended 30 June 2020 would be 16.4% after adjusting for TEI's contribution from April 2020 to June 2020.

Other Income

Interest income was reduced by HK\$3.0 million to HK\$6.4 million in the first half of 2021 because of lower interest rates on average compared with the same period in 2020.

Other Gains and Losses

The Group recorded other gains of HK\$19.3 million during the first six months of 2021, representing an increase of HK\$12.4 million compared to the same period last year (six months ended 30 June 2020: HK\$6.9 million).

In the first half of 2021, there was a gain on disposal of 3% interest in an associate of the Group totalling HK\$63.2 million. This is an increase on the gain from the disposal of the 0.37% interest in the same associate in prior period. This gain was offset by the fair value adjustment resulting from the TEI's Deferral Payments (For details, please refer to Note 15 to the condensed consolidated financial statements in this announcement).

Administrative Expenses

The Group's administrative expenses decreased by 14.0% to HK\$264.2 million for the first half of 2021 (six months ended 30 June 2020: HK\$307.4 million).

Upon adjusting for the reported administrative expenses from TEI from April 2020 to June 2020, there would be an increase of 0.3% of administrative expenses compared to the same period in 2020.

Share of Results of Associates

The Group's share of results of associates for the six months ended 30 June 2021 increased from HK\$4.8 million to HK\$61.1 million when compared to the same period last year and the increase was mainly attributable to TEI.

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

With the inclusion of this PPP loan forgiveness, the profit before tax of the associate in US for the period from 1 July 2020 to 30 June 2021 exceeds the target performance as stipulated in the stock purchase agreement dated 31 March 2020. This results in higher deferred payment amount, by approximately HK\$33.4 million which is reflected in the "loss from change in fair value of contingent consideration payables" in other gains and losses in the accounts.

Liquidity and Financial Resources

The Group's finance and treasury functions have been centrally managed and controlled at the headquarters in Hong Kong. The Group maintained a healthy liquidity position throughout the reporting period.

As at 30 June 2021, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK\$1,255.6 million (31 December 2020: HK\$1,116.1 million), of which 62.1%, 27.7%, 10.1% and 0.1% (31 December 2020: 68.1%, 21.4%, 10.3% and 0.2%) were denominated in Hong Kong dollars or Macau Pataca, RMB, USD and other currencies respectively.

In addition, the Group had banking facilities in respect of bond, bank overdraft and loans, and other trade finance which approximately amounted to HK\$1,152.2 million (31 December 2020: HK\$1,462.4 million), of which approximately HK\$573.0 million had been utilised (31 December 2020: HK\$667.1 million).

Foreign Exchange Risk

The Group operates primarily in Hong Kong, Macau and Mainland China and is not exposed to significant exchange risk. The Group will continue to monitor its exposure to the currency risks closely by reviewing the fluctuation of the foreign exchange rate.

Use of proceeds from listing of shares of the Company

The aggregate net proceeds raised by the Company from the listing of its shares pursuant to the global offering of the Company in 2019 were approximately HK\$335.7 million (the "Net Proceeds"). As of 30 June 2021, the Group reported as having spent HK\$170.7 million of the Net Proceeds and committed HK\$18.7 million of the Net Proceeds.

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

The following table sets out the original allocation, the revised allocation as of 31 October 2020, and the actual usage up to 30 June 2021:

	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>	Utilised amount of Net Proceeds from 1 January 2021 to 30 June 2021 <i>HK\$'M</i>	Unutilised amount of Net Proceeds as at 30 June 2021 <i>HK\$'M</i>
Supporting the expansion and development of building services segment	67.1	34.6	42.4	19.0	23.4	19.4	4.0
Enhancing engineering capabilities in environmental engineering segment							
– acquisition of, investment in, cooperating or forming joint ventures	59.3	17.1	5.6	5.6	–	–	–
– support the expansion and development of environmental engineering segment, including project working capital needs and additional investment in development of advanced environmental process technologies	41.4	0.5	40.9	0.3	40.6	16.7	23.9
Enhancing engineering capabilities of ICBT segment							
– setting up dedicated research and development teams	19.3	6.0	13.3	0.5	12.8	1.9	10.9
– acquisition of, or investment in, companies which possess innovative technology	47.8	–	–	–	–	–	–
Expansion and development of lifts and escalators segment							
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	–	–	–	–	–
– setting up export sales office and sales and service centres in Mainland China	13.0	–	–	–	–	–	–
– expanding existing manufacturing facilities	–	–	67.1	0.2	66.9	12.3	54.6
Acquisition of, or investment in, companies	–	–	68.0	–	68.0	–	68.0
General working capital	33.7	31.8	8.4	1.2	7.2	3.6	3.6
Total	335.7	90.0	245.7	26.8	218.9	53.9	165.0

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

Gearing Ratio and Indebtedness

As of 30 June 2021, the gearing ratio (being gross borrowings divided by total equity) was not applicable to the Group as the Group had no bank borrowings (31 December 2020: Not applicable).

Charges on Group Assets

The Group had pledged its assets as security for general short-term banking facilities which amounted to HK\$85.4 million as at 30 June 2021, representing a reduction of 0.1% compared to that as at 31 December 2020 (as at 31 December 2020: HK\$85.5 million). The 2021 pledged assets were represented as bank deposits denominated in RMB, properties and investment properties.

Capital Commitment

As of 30 June 2021, the capital commitment of the Group contracted but not provided for in the condensed consolidated financial statements amounted to HK\$18.7 million for the expansion of existing lifts and escalators manufacturing facilities in Nanjing; and HK\$0.1 million for the enterprise resources planning system. As at 31 December 2020, the capital commitment contracted but not provided for amounted to HK\$2.4 million.

Contingent Liabilities

As at 30 June 2021, the Group had outstanding performance bonds of approximately HK\$390.9 million (31 December 2020: HK\$486.8 million), which were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's contractual obligations to customers. If the Group fails to provide satisfactory performance to such customers, the customers may demand the banks to pay them the sum or sum stipulated in the performance bond, and the Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works concerned.

Human Resources

As at 30 June 2021, the Group had 2,527 employees, including 108 contract and 229 term contract hires, in Hong Kong, Macau, Mainland China and the United Kingdom.

The Group believes in staff development and is committed to creating an environment in which employees will take pride in their work. The Group is ready to compete in the market for the best skills available and provide competitive remuneration to attract and retain talents. As quality and committed employees are fundamental to customer satisfaction and ultimately the success of the Group, the remuneration policy is also performance-linked – designed to share the fruit of its success with employees – to motivate staff in helping the Group achieve its strategic business goals. To serve that important purpose, the Group has a comprehensive system of goals setting and performance appraisal in place. 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 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.

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

OUTLOOK

The Group is in a healthy liquidity position. Our business outlook remains positive as we continue to respond to the COVID-19 pandemic and amid the various geopolitical uncertainties which may continue to affect our business, including the US-China trade tensions.

We expect a continuous rebound from the construction industry with the Hong Kong Government pledging its support to invest in infrastructure projects, including a plan to increase the annual capital works expenditure on the supply of 430,000 housing units in the coming 10 years and an expenditure of HK\$200 billion as part of the 10-year Hospital Development Plan. The Group is well-positioned to take advantage of the growth in demands from both the public and the private sectors to build a strong, yet diversified portfolio that will further add stability to its revenue pipeline in all its business segments.

Smart operations enabled by digital technologies, big data analytics, IoT, and innovation will drive the Group's R&D capabilities forward. There is also an increasing market demand for upgrading or replacing systems in existing buildings with the latest technologies to enhance operational efficiency and optimise energy use.

Looking ahead, the Group is continuing to strengthen its operations and maintenance service capabilities in anticipation of the increasing market demand for specialised solutions; constantly reviewing and innovating business models and deploying new technologies for hospital facilities, automatic smart car park systems, and digital twin technologies in water and wastewater plants.

The Group will continue to invest in the R&D of innovative construction technologies: IoT, AI, Big Data Analytics, MiC, MiMEP and BIM. The adoption of these cutting-edge technologies will benefit our clients and strengthen our competitiveness, helping to optimise time, cost, energy, quality, and operational efficiency in all our projects.

The Group will continue to monitor and act to minimise the risks associated with our growing businesses, such as engineering human capital availability, commodity and material cost fluctuations, and as we grow into the global market, the exposure on foreign exchange.

We will continue to leverage our local expertise to expand our presence regionally and in overseas markets. As we start to witness the positive outcomes from our strategic alliance with TEI and our business operations in the United Kingdom, the Group will actively explore further business opportunities in other countries (including Europe and Oceania) and the Greater Bay Area (GBA) to fortify its market leadership and accelerate growth.

Overall, the Group is supported by a strong financial position and well-placed to capture the opportunities both locally and globally to maximise stakeholders' return.

INTERIM DIVIDEND

The Board has declared an interim dividend of HK4.02 cents per share of the Company (the “Share”) for the reporting period (the “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 Wednesday, 15 September 2021. The Interim Dividend is expected to be paid to the shareholders of the Company (the “Shareholders”) on or about Wednesday, 29 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders’ entitlement to the Interim Dividend, the Register of Members will be closed from Tuesday, 14 September 2021 to Wednesday, 15 September 2021, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Friday, 10 September 2021. In order to be entitled to the 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 Monday, 13 September 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance practices and procedures. The Company adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) as the basis of the Company’s corporate governance practices. During the reporting period, the Company has complied with all the code provisions set out in the Corporate Governance Code.

REVIEW OF INTERIM 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 unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2021 have been reviewed by the Company’s external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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 INTERIM RESULTS AND 2021 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.atal.com). The Company's 2021 interim report containing all the information required under the Listing Rules will be despatched 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, 26 August 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.