ATAL

Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1977)

2020 Interim Report

About Analogue Holdings Limited

Established in 1977 and headquartered in Hong Kong, Analogue Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") is a leading electrical and mechanical ("E&M") engineering service provider in Hong Kong with operations in Macau, Mainland China and the United States. The Group provides multi-disciplinary and comprehensive E&M engineering and technology services in different segments, including Building Services, Environmental Engineering, Information, Communications and Building Technologies ("ICBT") and Lifts & Escalators to a wide spectrum of customers from public and private sectors. The Group also manufactures and sells Anlev lifts and escalators internationally and has entered into an alliance with Transel Elevator & Electric Inc., one of the largest independent lifts and escalators companies in New York, the United States. The Group's associate partner, Nanjing Canatal Data Centre Environmental Tech Company Limited (603912.SS) specialised in manufacturing of precision air conditioners.

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Financial Highlights

	For the six months ended 30 June	
	2020	2019
	HK$M	HK$M
Revenue	**2,441.1**	2,079.3
Gross profit	**407.4**	364.9
Profit attributable to owners of the Company	**106.9**	107.8
Basic earnings per share	**HK$0.08**	HK$0.10

The Board declared the payment of interim dividend of HK 3.82 cents per share for the six months ended 30 June 2020.[(i)]

(i) The interim dividend for the six months ended 30 June 2020 of HK 3.82 cents per share amounted to HK$53.48 million, representing a dividend payout ratio of 50%, based on the unaudited net profit of HK$106.9 million.

Chairman's Statement

"Notwithstanding the uncertain business environment during the reporting period, we upheld the Group's guiding principle of "We Commit, We Perform, We Deliver" and achieved success across all our business segments."

On behalf of the Board of Directors (the "Board"), I am pleased to present the interim results of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the period ended 30 June 2020.

With COVID-19 rampaging through the world in the first half of 2020, the Group's priority was to protect the health of staff, subcontractor workers and their families. Stringent health and hygiene measures were undertaken in the workplace to assure safety.

Notwithstanding the uncertain business environment during the reporting period, we upheld the Group's guiding principle of "We Commit, We Perform, We Deliver". With this solid foundation and our continual pursuit of innovation, we achieved success across all our business segments, including Building Services, Environmental Engineering, ICBT (Information, Communications and Building Technologies), and Lifts and Escalators. The Group's revenue rose by 17.4% compared with the corresponding period last year. Despite the delays encountered by some projects due to the adverse external conditions, profit attributable to owners of the Company remained stable at HK$106.9 million. In addition, a new record of HK$10.8 billion contracts in hand ensures a solid foundation for the Group's sustained development in the years ahead.

Progress in "New Technology", "New Market" and "New Business Model" during the reporting period included entering into an alliance with Transel Elevator & Electric Inc. ("TEI"), one of the largest independent lift and escalator companies in New York, to capture business opportunities in the United States. The synergy between TEI's rich experience in that market and the strength of the Group will benefit both parties.

Chairman's Statement

Additionally in terms of pioneering "New Technology", we applied Building Information Modelling ("BIM") and Modularisation of Mechanical, Electrical and Plumbing ("MEP") systems, during the reporting period to the InnoCell Project – one of the first Modular Integrated Construction ("MiC") pilot projects in Hong Kong. The project has entered the final stage of development and will be completed in the last quarter of 2020. The Group also continued to invest in research and development ("R&D") and to collaborate with local universities in joint research into waste water treatment technologies for innovative application in environmental projects. The Group has been bolstering its ICBT business to capitalise on opportunities of the "Smart City" initiatives promoted by the Hong Kong Government. Subsequent to the reporting period, an order for the new generation of smart lamp posts employing the latest "LiDAR" technology was won by the Group, and a new expansion and re-provisioning contract was awarded to the Group for the Shatin Water Treatment Works (South Works), featuring Hong Kong's first application of ultraviolet (UV) light disinfection technology to the Water Treatment Plant.

We are pleased that the Group was acknowledged for its construction excellence, specifically for its Fleur Pavilia Project, a luxury residential development at Kai Yuen Street, North Point. This won the BIA Outstanding Construction and Renovation Award, organised by the Hong Kong Professional Building Inspection Academy.

The second half of 2020 is expected to remain under the cloud of COVID-19. Nevertheless, we remain confident in the Group's capability to harness opportunities amid adversity, particularly as there remain a variety of new prospects from both the public and private sectors. Internationally, we will continue to explore other suitable potential expansion opportunities that will facilitate our market penetration and sustained growth.

We are committed to providing the resources for training and development, particularly to engineering graduates and technical apprentices who we consider to be long-term investments for our future. We are also committed to the betterment of the industry and society. During the pandemic, we have not only been providing personal protective items to our staff and subcontractor workers, but also been supporting the industry by making monetary contributions to construction workers as well as supporting the community by donating face masks to various NGOs.

I would like to express my gratitude to our staff and management team for their dedication, perseverance and contributions to the Group. I also wish to thank our shareholders, business partners and customers for their unwavering support and trust. We will spare no effort in leading the Group to a more prosperous future and in maximising returns for our shareholders.

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 28 August 2020

Management Discussion and Analysis

INTERIM BUSINESS REVIEW

Overview

The first half of 2020 saw some very challenging times with the COVID-19 pandemic stifling economic activities worldwide. In mitigation, the Group put tremendous and extra efforts into its businesses, and its hard work was rewarded with a record high order book. During the reporting period, the Group submitted a total of 913 tenders or quotations each worth over HK$1 million and was awarded 155 tenders and quotations of over HK$1 million each, totalling approximately HK$1.90 billion. As at 30 June 2020, the overall value of outstanding contracts in hand was approximately HK$10.77 billion, approximately HK$1.90 billion or 21.4% more than that amount at 30 June 2019. The Group is pleased to report that all its four business segments, namely Building Services, Environmental Engineering, Information, Communications and Building Technologies (ICBT) and Lifts and Escalators, were able to maintain high amounts of outstanding contracts in hand during the reporting period.

The Group recorded a total revenue of HK$2,441.1 million in the first six months of 2020, 17.4% higher than the same period in 2019.

In the reporting period, the maintenance business, which undertakes repair, servicing, operation, and associated minor alteration and fitting out works, saw a steadily growing maintenance services market, which is less susceptible to the ups and downs in the economic cycle and construction cycle of large contracting projects, and thus able to provide a stable income stream. The maintenance business also helps the Group to maintain ties with customers after the new construction projects are completed. In the first half of 2020, maintenance contracts amounting to HK$474.8 million accounted for 19.5% of the Group's total revenue, 39.1% more than that in the same period last year. Moreover, in the reporting period, approximately HK$439.2 million worth of maintenance contracts were secured, representing 16.9% of the value of contracts awarded based on work nature, and 80.1% and 3.0% based respectively on contracting works and sale of goods.

With all of the aforementioned factors taken into account, the Group recorded for the reporting period a consolidated net profit attributable to owners of the Company of HK$106.9 million, representing a slight decrease of 0.83% compared with that in the same period in 2019.

HK$2.44bn
Total revenue, up **17.4%**

HK$10.77bn
A record high value of outstanding contracts in hand, up **21.4%**

HK$106.9m
Profit attributable to owners of the Company

HK$474.8m
Revenue by maintenance contracts, up **39.1%**

Management Discussion and Analysis

Building Services

Building services remained the largest business segment of the Group in the reporting period in terms of revenue. This encompasses the design, installation, testing and commissioning and maintenance of heating, ventilation and air conditioning ("HVAC") systems, fire services ("FS") systems, plumbing and drainage ("P&D") systems, electrical ("EL") and extra-low voltage ("ELV") systems, as well as combined electrical and mechanical ("E&M") engineering services package contracts. Customers in Hong Kong, Macau and Mainland China are served over a wide range of residential, commercial, industrial, and institutional buildings and premises, data centres, hospitals and health care establishments, and infrastructure facilities such as airports, public transportation, roads and tunnels.

In the reporting period, the segment made special efforts in executing projects on hand to reduce the impact of the pandemic. The major contracting projects in-progress each of awarded value over HK$100 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 complex development in Kai Tak
- A package project including HVAC, EL, FS, P&D, and BMS for a public mortuary
- A package project including HVAC, EL, FS, and P&D installation for the guestroom renovation of a hotel in Admiralty
- A EL installation project at a commercial development of a railway station in Tai Wai
- A P&D installation project for a mixed-use development in Chek Lap Kok
- A FS installation project for a mixed-use development in Chek Lap Kok
- A HVAC & EL installation project for a hotel development in Macau
- A EL installation project for a commercial development in Shanghai
- A package project including HVAC, EL, FS, P&D, BMS, cum ELV for a government data centre complex in Cheung Sha Wan
- A package project including HVAC, EL, P&D, and interior fit-out for a data centre in Fotan
- A package of HVAC, EL, P&D, and Sea Water Pumping System for an infrastructure facility in Chek Lap Kok

As evidenced by a steady increase in its maintenance revenue, the building services segment has continued to develop the related capability and expertise. During the reporting period, maintenance, associated minor alteration and fitting out works were undertaken for a wide range of residential, commercial, industrial, and institutional buildings and premises, data centres, hospitals, as well as infrastructures.

As at 30 June 2020, the building services segment had HK$6,028.5 million worth of outstanding contracts in hand, which represented HK$994.1 million or 19.7% more than that amount at 30 June 2019.

Environmental Engineering

The environmental engineering segment provides total solutions that cover the design, construction, maintenance and operation of environmental engineering systems and treatment plants for water, sewage, sludge, solid wastes and gas projects.

With unmatched technical expertise and a proven track record in project delivery, the segment has been a leader in the environmental engineering market in Hong Kong. In the reporting period, the major contracting projects in progress each valued over HK$100 million included:

- Advance works for re-provisioning of a water treatment plant in Shatin
- A design and build project for a leachate treatment plant at the landfill in Tseung Kwan O
- A design and build project for a sewage treatment plant at San Wai
- Expansion of a water treatment plant in Tai Po

In addition, six contracts were won in Mainland China to upgrade existing plants, which are already using the Group's technologies to comply with the new environmental standards in Mainland China. A sewage treatment project was also secured in Vietnam, the second of such projects undertaken outside Hong Kong and Mainland China.

Equipped with advanced proprietary technologies and a strong track record in Hong Kong and Mainland China, the Group will continue to bolster its competitive edges and explore business opportunities in overseas markets, particularly in relevant Belt and Road countries, by collaborating with local partners. During the reporting period, the Group participated in establishing a new standard of advanced sewage treatment called "Fenton Oxidation Process for wastewater treatment (芬頓氧化法廢水處理工程技術規範)". The new standard has been included in the environmental protection standards of the People's Republic of China ("PRC") (中華人民共和國國家環境保護標準) which were announced in January 2020. This achievement will open the Group to more business opportunities for providing services to high concentration organic wastewater treatment facilities.

In the reporting period, the segment also rendered maintenance and operation services to existing environmental facilities of clients from government departments, utility companies and public organisations in Hong Kong, generating a stream of stable revenue for the Group.

For the environmental engineering segment, more projects with high contract sums were completed in this reporting period which led to a lower amount of outstanding contracts. As at 30 June 2020, the value of outstanding contract of the segment was in the sum of HK$2,068.1 million, representing a decrease of HK$706.8 million or 25.5% relative to that amount at 30 June 2019.

ICBT

The Information, Communications and Building Technologies ("ICBT") segment is dedicated to offering green and intelligent building solutions. It endeavours to facilitate Hong Kong's evolution into a smart city by integrating a wide range of information and communication technologies with building energy and management technologies. With dedicated in-house research and development capability and through collaboration with market-leading hardware and software partners, universities and research institutes, the ICBT segment customises software and one-stop engineering solutions to meet the diverse needs of customers.

Management Discussion and Analysis

Intelligent building system technologies such as BMS, ELV & Security Systems are evolving rapidly. There are increasing business opportunities for existing buildings to upgrade existing systems with the latest technologies to better optimise energy use and overall operational efficiency. In the reporting period, the major contracting projects in progress each valued over HK$35 million included:

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

In the reporting period, the Group actively promoted a self-developed Cloud-based AI Energy Management Platform to the market. This platform, which works on a monthly subscription model, has caught the eyes of many reputable clients, some of whom have already placed orders while others are discussing 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 government and commercial sectors.

In the Intelligent Transport realm, the Group has already received its first order on Automated Guided Vehicular ("AGV") smart parking systems and has progressed to the installation stage. More business opportunities in AGV are expected in the coming years. The Group is also pursuing Free Flow Tolling, Electronic Road Pricing and other Intelligent Transport business opportunities.

During the reporting period, the ICBT segment continued to grow the related maintenance services backed by the Group's proven work experience and expertise. 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 30 June 2020, the value of outstanding contracts of the segment amounted to HK$887.8 million, representing an increase of HK$232.6 million or 35.5% over that amount at 30 June 2019.

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, meeting different user requirements. By the second quarter of 2020, Anlev Elex Elevator Limited ("Anlev Elex"), the Group's wholly-owned subsidiary, has achieved for 30 consecutive quarters the highest safety and quality performance rating in the Lift Contractors' Performance Rating and Escalator Contractors' Performance Rating systems of the Hong Kong Electrical and Mechanical Services Department, since the launch of the rating systems in January 2013.

With this outstanding performance rating in safety and quality, this segment continued to see steady growth in order intake, revenue and gross profit in the first half of 2020. In the reporting period, the major contracting projects in progress in Hong Kong each valued over HK$10 million included:

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

The Group landed the first order from the Hong Kong Housing Authority ("HKHA") in 2019 and the second order 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 building up a share of this important market.

Highly rated by clients, the maintenance services of the lifts and escalators segment continued to develop during the reporting period, catering to the needs of government clients, offices, residential buildings, amusement parks and public organisations in Hong Kong.

The Group acquired in March 2020 51% equity interests in TEI, which was originally one of the Group's distributors in the U.S. On 10 August 2020, the Group disposed of 2% equity interests in TEI and continued to hold 49% equity interests in TEI upon completion of the disposal.

The Group will continue to actively pursue overseas markets and support its overseas distributors in bidding for projects, including metro/railway tenders in South Korea, Australia and Mexico. New agreements were signed with distributors in Eurasia and Eastern Europe regions. On top of growing its distributor network, the Group will explore other promising overseas acquisition opportunities.

As at 30 June 2020, the value of outstanding contracts of the lifts and escalators segment amounted to HK$1,784.4 million, representing an increase of HK$1,384.0 million or 345.6% over that amount at 30 June 2019.

Innovation, Resources Management and Other Operation Issues

The Group's innovation committee has been spearheading with internal funding support development initiatives in different business segments as well as digitisation of its construction and maintenance processes to achieve more effective communication, safer operation, more efficient use of resources and generation of useful data.

Modular Integrated Construction ("MiC"), for example, is used for the first time in the InnoCell project under the building services segment for the Hong Kong Science and Technology Park. The project is expected to be completed by the end of 2020. The ATAL Building Services Prefabrication & Modularisation Construction Technology ("ABSPM"), adopted in the Fu Shan Public Mortuary project, is making good progress with prefabrication and modular units in the production stage. Such innovative construction methods will be applied in other similar contracts to enhance safety, quality and productivity, and to mitigate the acute problems of shortage and ageing of site workers expected in Hong Kong in the coming years.

Management Discussion and Analysis

Advanced processes developed in the environmental engineering segment include the 3rd generation high rate clarifier for mobile sewage treatment plant, and the advanced treatment process for treating high ammonia loading sewage. The solid waste treatment process in sludge/organic waste co-digestion developed in collaboration with a university aims to maximise the operational efficiency.

The proprietary "IoT Platform", under the ICBT segment has been implemented in several prestigious grade-A premises and shopping malls, gaining recognition and giving the Group credentials. All building systems and IoT devices are integrated on a centralised control platform, thus transforming the ways facilities can be managed. The technology offers wide range of analytics applications to enhance and optimise building performance. In particular, the energy analytics module of IoT Platform is an award-winning application at the American Society of Heating, Refrigerating and Air-Conditioning Engineers ("ASHRAE") Hong Kong Chapter Technology Award 2020 and Hong Kong ICT Awards 2019.

The Anlev Predictive Maintenance & Remote Monitoring System, developed by the lifts and escalators segment, provides real-time lift monitoring, enabling more scientific gauging of lift performance, thereby reducing markedly site manpower cost. In addition, scaffold-less lift installation and Automatic Wire Rope Breakage Laser Detector are developed to enhance work safety respectively through innovative processes and equipment.

Integrated Building Information Modelling ("BIM") is another focus of the Group's development, providing multi-dimensional digital tools to add value to projects throughout their life-cycle of design, planning, construction, operation and maintenance, and assets management. BIM is crucial for prefabrication and MiC. The Group has been strengthening its engineering team with more experienced and competent BIM modellers, qualified BIM professionals and engineers well-versed in applying BIM in projects.

In addition, a new Director (Training and Development) was recruited in April 2020. During the reporting period, over 230 training courses of around 6,000 training hours (external and internal) were organised for employees. More investment in training will be made in the coming years to groom a team of talent for succession purpose.

The Group maintained the main thrust of its operation notwithstanding COVID-19 in the first half of 2020. It has in place a system of precautionary measures including protective masks and sanitiser for staffs and site workers. The Group will continue to stay alert and take timely necessary actions to mitigate risks.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2020, the Group recorded revenue of HK$2,441.1 million, representing an increase of HK$361.8 million or 17.4% when compared with the same period last year.

Gross Profit

In the first six months ended 30 June 2020, the Group made an overall gross profit of HK$407.4 million, representing an increase of HK$42.5 million or 11.6% as compared with the same period last year (six months ended 30 June 2019: HK$364.9 million).

The gross profit margin was 16.7% in the six months ended 30 June 2020, representing a decrease of 0.8% against the 17.5% margin in the same period last year.

Other Income

The Group recorded other income of HK$9.3 million during the first six months of 2020, representing an increase of HK$2.5 million or 36.8% as compared to the same period last year (six months ended 30 June 2019: HK$6.8 million). The main contributing factor in the first 6 months of 2020 was an increase in bank interest income.

Administrative Expenses

Compared with the first six months of 2019, administrative expenses of the Group in the reporting period increased by approximately HK$74.7 million, of which HK$11.9 million was related to provision for annual leave and long service payment and HK$44 million was related to the operating costs of TEI, which became part of the Group's administrative expenses on 1 April 2020. Since 10 August 2020, the Group disposed of 2% interest in TEI. The remaining variances increased by approximately 8.1%.

Liquidity and Financial Resources

The Group's overall liquidity remained healthy.

As at 30 June 2020, the Group had a total cash and bank balances (excluding pledged bank deposits) of HK$989.9 million, representing an increase of HK$303.4 million or 44.2% from HK$686.5 million as at 31 December 2019.

As at 30 June 2020, the total cash and bank balances were denominated as to 73.6% in HK$ or MOP, 12.3% in RMB, 11.1% in USD and 3.0% in other currencies (31 December 2019: 87.5%, 10.5% and 2.0% respectively in HK$ or MOP, RMB and other currencies).

As at 30 June 2020, the Group had banking facilities in respect of bonds, bank overdraft and loans, and other trade finance of approximately HK$1,705.1 million (31 December 2019: HK$1,570.2 million), of which approximately HK$647.3 million (31 December 2019: HK$332.4 million) had been utilised.

Management Discussion and Analysis

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 July 2019 (the "Global Offering") were approximately HK$335.7 million.

The following table sets out the proposed application of the net proceeds and the actual usage up to 30 June 2020:

	Net proceeds from the Global Offering HK$'M	Utilised amount up to 30 June 2020 HK$'M	Unutilised amount as at 30 June 2020 (the "Remaining Proceeds") HK$'M	Expected timeline for utilising the Remaining Proceeds
Supporting the expansion and development of the building services segment (Note)				
– building services for data centres	**33.55**	18.83	**14.72**	On or before 31 December 2021
– building services for healthcare and infrastructure facilities	**33.55**	4.62	**28.93**	On or before 31 December 2021
Enhancing engineering capabilities in the environmental engineering segment				
– acquisition of, investment in, cooperating or forming joint ventures	**59.3**	–	**59.3**	On or before 31 December 2021
– additional investment in development of advanced environmental process technologies	**41.4**	0.5	**40.9**	On or before 31 December 2021
Enhancing engineering capabilities of the ICBT segment (Note)				
– setting up dedicated research and development teams	**19.3**	5.1	**14.2**	On or before 31 December 2021
– acquisition of, or investment in, companies which possess innovative technology	**47.8**	–	**47.8**	On or before 31 December 2021
Expansion and development of the lifts and escalators segment				
– expanding existing manufacturing facilities and construction of a new production plant	**54.1**	–	**54.1**	On or before 31 December 2021
– setting up export sales office and sales and service centres in Mainland China	**13**	–	**13**	On or before 31 December 2021
General working capital	**33.7**	22.4	**11.3**	On or before 31 December 2020
Total	**335.7**	51.45	**284.25**	

Note: The expected timeline for full utilisation of the Remaining Proceeds has been extended for one more year as compared to the initial plan. During the first half in 2020, a certain number of business opportunities have been delayed in both the public sector (e.g. large-scale healthcare and infrastructure projects) and the private sector. Additionally, the timeline of exploring research and development and partnership opportunities has also been delayed due to the pandemic lockdown in many countries and the closure of some research institutions' premises over a period of time.

The Board had closely monitored the use of net proceeds with reference to those disclosed in the prospectus of the Company dated 28 June 2019 (the "Prospectus"). Since 2020, the corporate and commercial environment has changed significantly due to (i) the pandemic outbreak and the corresponding lockdown measures that have been strictly enforced in many countries and (ii) the fast-changing China-U.S. relationship. The uncertain economic and market conditions make the identification, negotiation and completion of some of the Group's corporate transactions and investments more challenging. The Group has managed to minimize the impact and delays on the day-to-day business caused by the above factors.

The Board will continue to assess the plans for utilisation of the Remaining Proceeds as set out above in this report, and may further revise or amend such plans, where necessary, to cope with the changing market conditions and strive for better business performance for the Group.

The expected timeline of full utilisation of the Remaining Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of market conditions. Should there be any material change in the intended use of the Remaining Proceeds, the Company will make appropriate announcement(s) in due course.

Gearing Ratio and Indebtedness

As at 30 June 2020, the Group's gearing ratio (being gross borrowings divided by total equity) stood at 4.1% (31 December 2019: Nil). All the gross borrowings at end June 2020 were made by TEI. The loans are unsecured and interest bearing.

Charges on Group Assets

The Group had pledged assets of HK$88.3 million as at 30 June 2020, representing a reduction of HK$219.6 million or 71.3% compared against the end of last year (pledged assets amounted to HK$307.9 million as at 31 December 2019). These included bank deposits denominated in RMB, properties and investment properties pledged to banks to secure general short-term banking facilities for certain subsidiaries of the Company.

Capital Commitment

As at 30 June 2020, the Group had capital commitment of HK$2.3 million contracted but not provided for in the condensed consolidated financial statements for upgrading its human resources management system and ERP system (31 December 2019: HK$5.1 million).

Contingent Liabilities

As at 30 June 2020, the Group had outstanding performance bonds of HK$438.3 million (31 December 2019: HK$308.1 million), given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

Human Resources

As at 30 June 2020, the Group had 2,728 employees, including 77 contract and 222 term contract hires, in Hong Kong, Macau, Mainland China and U.S.

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.

Management Discussion and Analysis

The Group aspires 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, the Group invests ample resources in training its managers, engineers and technicians.

Corporate Recognition

Many awards from organisations including the ASHRAE and the Hong Kong Professional Building Inspection Academy were received in the reporting period, recognising the Group's outstanding performances and achievements in innovation and quality areas.

The Group will continue to innovate and diligently adhere to the required quality, safety and environmental standards in delivering services and products and assuring workplace safety for all stakeholders.

OUTLOOK

The China-U.S. trade conflicts and the COVID-19 pandemic have impacted the performance and outlook of economies around the world, including Hong Kong, Macau and Mainland China, which are the Group's three major business regions.

Nonetheless, the Group sees plenty of growth opportunities for it ahead which are summarised below:

Hong Kong:

- The government earmarked HK$200 billion for the 10-year Hospital Development Plan
- The government investing in environmental infrastructures like the landfill sites, co-digestion of organic and sewage sludge treatment facilities and upgrading of various sewage treatment plants and water treatment plants
- The commitment to developing the Third Runway of the Hong Kong International Airport and the SkyCity
- The Kai-Tak Development and the Lok Ma Chau Loop Innovation and Technology Park at the border, which will support growth of the digital information sector and demand for data centre infrastructures
- The government has continued to expend on public works to around HK$100 billion per annum in the coming few years, taking the overall construction-related spending to HK$300 billion per annum

Macau:

- The Macau Government has continued to invest in infrastructure projects, including the Macao Light Rapid Transit System, Islands District Medical Complex, an organic waste treatment plant and re-location of a sewage treatment plant
- New gambling and hotel development projects, such as Galaxy Macau Phase 4, Studio City Phase 2 and Wynn Cotai Phase 2, are forthcoming

Mainland China:

- Upgrading of existing wastewater treatment plants to meet new discharge standard requires switching to advanced treatment processes, underpinned by advanced technical expertise and considerable investment

- The national strategic development plan of the Greater Bay Area will drive demand for quality E&M services of the nine major mainland cities, Hong Kong and Macau therein

- Continuing urbanisation coupled with tightening safety standards and rising quality expectation in Mainland China will make her the largest market in the world for the supply, installation and maintenance of lifts and escalators, which the Group has started to nurture since early 2019

With the abovementioned factors working in the Group's favour, the Group managed to secure a total order intake of HK$2.60 billion in the first half of 2020 as compared to HK$3.52 billion in the same period of 2019. It maintained a record high value of outstanding contracts in hand of approximately HK$10.77 billion as at 30 June 2020, compared to HK$8.87 billion as at 30 June 2019 and HK$9.41 billion as at 31 December 2019. As at the date of this report, active negotiation was underway for a number of tenders and quotations submitted in the first half of 2020. Moreover, a healthy pipeline of tenders is anticipated for the second half of 2020 and beyond. Therefore, the Group remains cautiously optimistic about its business outlook in the second half of 2020 and in the next few years.

On top of striving for organic growth by constantly taking its technologies and skills to higher levels, the Group sees merger and acquisition of businesses with strengths complementary to its own as an effective way to quickly grow its business. This together with identifying partners and joint venture opportunities for the different business segments, they will enable the Group to widen the scope and geographical footprint of its business. It will use internal resources and/or, if appropriate, seek external financing to fund these initiatives. The Group would make applicable disclosures should there be definitive legal agreements made for such transactions, as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

With eyes set on fortifying its market leadership and maximising reward to shareholders, the Group continues to invest in innovation, technology, process improvement and people, to heighten productivity and competitiveness for seizing new business opportunities.

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$35.70 million (equivalent to approximately HK$278.46 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, the Company has reassessed the regulatory, operating and business environment in the U.S. and has determined with the board of TEI that it is in the best interest for TEI to have TEI's local management increase their equity stakes in TEI due to latest changing China – U.S. tension. Accordingly, the Group has disposed of 2% equity interests in TEI on 10 August 2020 (Eastern Time Zone). The Directors consider that the disposal of 2% equity shares of TEI would serve the best commercial interests as a whole of the Company, its shareholders and investors, TEI and its shareholders, and other stakeholders and business partners of TEI including its customers and suppliers, after taking into account the business and customer base of TEI. The disposal was completed on 10 August 2020. For further details of the disposal, please refer to the announcement of the Company dated 11 August 2020.

Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries set out on pages 17 to 53, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
28 August 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Revenue	3	**2,441,050**	2,079,310
Cost of sales and services		**(2,033,696)**	(1,714,440)
Gross profit		**407,354**	364,870
Other income		**9,319**	6,817
Other gains and losses	4	**6,915**	(1,516)
Impairment losses under expected credit loss model, net of reversal	14	**5,258**	(12,113)
Selling and distribution expenses		**(1,441)**	(1,952)
Administrative expenses		**(307,365)**	(232,623)
Listing expenses		**–**	(6,992)
Share of results of associates		**4,842**	15,542
Finance costs	5	**(1,976)**	(1,174)
Profit before tax		**122,906**	130,859
Income tax expense	6	**(18,126)**	(23,066)
Profit for the period	7	**104,780**	107,793
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Loss on revaluation of properties		**(736)**	–
Income tax relating to loss on revaluation of properties		**121**	–
		(615)	–
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(8,366)**	(993)
Reclassification of exchange differences upon disposal of interest in an associate		**228**	–
Reclassification of exchange differences upon dilution of interest in an associate		**–**	20
		(8,138)	(973)
Other comprehensive expense for the period, net of tax		**(8,753)**	(973)
Total comprehensive income for the period		**96,027**	106,820

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Profit for the period attributable to:			
Owners of the Company		**106,878**	107,793
Non-controlling interests		**(2,098)**	–
		104,780	107,793
Total comprehensive income for the period attributable to:			
Owners of the Company		**98,125**	106,820
Non-controlling interests		**(2,098)**	–
		96,027	106,820
		HK cents	HK cents
Earnings per share			
Basic	9	**8**	10

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Non-current assets			
Investment properties	10	**4,860**	4,900
Property, plant and equipment	11A	**143,612**	145,980
Right-of-use assets		**63,606**	35,073
Goodwill	24	**130,629**	–
Intangible assets	11B	**117,750**	6,017
Deposits paid for acquisition of property, plant and equipment		**2,782**	908
Interests in associates	12	**217,136**	228,746
Restricted cash		**1,132**	–
Deferred tax assets		**1,411**	835
		682,918	422,459
Current assets			
Inventories		**72,946**	60,806
Contract assets	13	**1,167,390**	915,172
Trade receivables	14	**972,760**	947,768
Other receivables, deposits and prepayments		**110,272**	110,030
Amount due from an associate	12	**–**	–
Amounts due from partners of joint operations		**13,226**	46,631
Financial assets at fair value through profit or loss		**14,224**	17,352
Tax recoverable		**19,751**	1,447
Pledged bank deposits		**13,167**	215,140
Bank balances and cash		**989,861**	686,450
		3,373,597	3,000,796
Current liabilities			
Trade and retention payables	15	**490,956**	500,968
Other payables and accrued expenses	16	**1,119,840**	1,045,706
Contract liabilities		**206,397**	23,269
Obligations in excess of interest in an associate	12	**4,103**	–
Amount due to a former shareholder of a subsidiary		**661**	–
Amounts due to non-controlling interests		**8,769**	–
Amounts due to partners of joint operations		**175**	433
Derivative financial instruments		**203**	–
Lease liabilities		**21,831**	12,853
Bank borrowings		**1,066**	–
Tax payable		**31,367**	36,539
		1,885,368	1,619,768
Net current assets		**1,488,229**	1,381,028
Total assets less current liabilities		**2,171,147**	1,803,487

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	NOTES	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Capital and reserves			
Share capital	18	**14,000**	14,000
Reserves		**1,774,949**	1,747,804
Equity attributable to owners of the Company		**1,788,949**	1,761,804
Non-controlling interests		**104,106**	–
Total equity		**1,893,055**	1,761,804
Non-current liabilities			
Bank borrowings		**553**	–
Other loan	17	**76,816**	–
Amount due to a former shareholder of a subsidiary		**4,037**	–
Lease liabilities		**46,933**	21,276
Deferred tax liabilities		**40,289**	17,706
Deferred income		**2,567**	2,701
Contingent consideration payables	24	**106,897**	–
		278,092	41,683
		2,171,147	1,803,487

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note)	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2019 (audited)	94	–	5	32,272	(20,399)	16,589	1,178,046	1,206,607	–	1,206,607
Profit for the period	–	–	–	–	–	–	107,793	107,793	–	107,793
Other comprehensive expense for the period	–	–	–	–	(973)	–	–	(973)	–	(973)
Total comprehensive income for the period	–	–	–	–	(973)	–	107,793	106,820	–	106,820
Transfer to other reserves	–	–	–	–	–	1	(1)	–	–	–
At 30 June 2019 (unaudited)	94	–	5	32,272	(21,372)	16,590	1,285,838	1,313,427	–	1,313,427
At 1 January 2020 (audited)	**14,000**	**358,704**	**5**	**32,272**	**(28,913)**	**17,049**	**1,368,687**	**1,761,804**	**–**	**1,761,804**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**106,878**	**106,878**	**(2,098)**	**104,780**
Other comprehensive expense for the period	**–**	**–**	**–**	**(615)**	**(8,138)**	**–**	**–**	**(8,753)**	**–**	**(8,753)**
Total comprehensive income for the period	**–**	**–**	**–**	**(615)**	**(8,138)**	**–**	**106,878**	**98,125**	**(2,098)**	**96,027**
Acquisition of a subsidiary (Note 24)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**106,204**	**106,204**
Transfer to other reserves	**–**	**–**	**–**	**–**	**–**	**1**	**(1)**	**–**	**–**	**–**
Dividends recognised as distribution (Note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**(70,980)**	**(70,980)**	**–**	**(70,980)**
At 30 June 2020 (unaudited)	**14,000**	**358,704**	**5**	**31,657**	**(37,051)**	**17,050**	**1,404,584**	**1,788,949**	**104,106**	**1,893,055**

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

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

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	NOTES	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
Operating cash flows before movements in working capital		**144,622**	145,328
Increase in inventories		**(12,863)**	(29,296)
Increase in contract assets		**(158,387)**	(57,125)
Decrease in trade receivables		**277,840**	1,294
Decrease (increase) in other receivables, deposits and prepayments		**4,149**	(16,514)
Decrease in trade and retention payables		**(112,684)**	(29,057)
Increase (decrease) in other payables and accrued expenses		**39,080**	(56,261)
Increase in contract liabilities		**44,361**	11,595
Decrease in deferred income		**(134)**	(133)
Cash generated from (used in) operations		**225,984**	(30,169)
Tax paid		**(42,084)**	(31,916)
Net cash generated from (used in) operating activities		**183,900**	(62,085)
Bank interest income received		**4,051**	1,581
Investment income received from financial assets at fair value through profit or loss		**290**	271
Proceeds on disposals of property, plant and equipment		**283**	–
Payments for rental deposits		**(134)**	–
Additions of property, plant and equipment		**(11,602)**	(6,057)
Deposits paid for acquisition of property, plant and equipment		**(1,874)**	(2,378)
Placement of pledged bank deposits		**–**	(180)
Release of pledged bank deposits		**201,730**	727
Proceeds on disposal of interest in an associate	12(i)	**17,385**	–
Proceeds on dissolution of an associate		**11,166**	–
Advance to an associate		**(1,696)**	–
Payment for acquisition of a subsidiary	24	**(70,606)**	–
Advances to partners of joint operations		**–**	(7,815)
Repayments from parties of joint operations		**33,405**	–
Dividend received from an associate		**–**	16,286
Net cash generated from investing activities		**182,398**	2,435

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance costs paid	**(1,976)**	(1,174)
Repayment of lease liabilities	**(10,502)**	(6,328)
Repayment of bank borrowings	**(54,858)**	–
New bank borrowings raised	**–**	95,000
Other loan raised	**76,816**	–
Repayment to a former shareholder of a subsidiary	**(162)**	–
Dividends paid to owners of the Company	**(70,980)**	(100,000)
Issue costs paid	**–**	(652)
Repayments to partners of joint operations	**(258)**	(21,145)
Net cash used in financing activities	**(61,920)**	(34,299)
Net increase (decrease) in cash and cash equivalents	**304,378**	(93,949)
Cash and cash equivalents at the beginning of the period	**686,450**	569,951
Effect of foreign exchange rate changes	**(967)**	(316)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**989,861**	475,686

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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").

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group has temporarily delayed the works in different construction sites in an effort to contain the spread of the pandemic. On the other hand, the governments in Hong Kong, Macau, the PRC and the United States of America ("USA") have announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects, including increase in governments grants and other loan in respect of COVID-19-related subsidies.

During the current interim period, the Group acquired a non-wholly owned subsidiary in the USA. Details are set out in Note 24.

During the current interim period, the Group recognised government grants of approximately HK$11,813,000 (unaudited) in respect of COVID-19 related subsidies, of which approximately HK$8,817,000 (unaudited) relates to Employment Support Scheme provided by the Hong Kong and Macau governments and was credited to cost of sales and services and administrative expenses.

During the current interim period, the Group obtained a government loan from USA government amounted to approximately US$9,848,000 (unaudited) (equivalent to HK$76,816,000 (unaudited)). Details are set out in Note 17.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties 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") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the 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 condensed consolidated financial statements:

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Application of amendments to HKFRSs (Continued)

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

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 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.

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

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 period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Basis of consolidation

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

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

Business combinations

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Accounting policies newly applied by the Group (Continued)

Business combinations (Continued)

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

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Accounting policies newly applied by the Group (Continued)

Business combinations (Continued)

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

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Accounting policies newly applied by the Group (Continued)

Revenue from contracts with customers

Provision of contracting services

Recognition

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

Intangible assets

Intangible assets acquired in a business combination

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

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

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

Government grants

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

Financial liabilities at fair value through profit or loss ("FVTPL")

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**1,915,432**	1,661,048
Maintenance work	**474,794**	341,326
	2,390,226	2,002,374
Recognised at a point in time and short-term contracts		
Sales of goods	**50,824**	76,936
	2,441,050	2,079,310
Geographical information		
Hong Kong	**1,870,783**	1,885,122
Mainland China	**52,484**	73,891
Macau	**313,948**	104,987
USA	**195,977**	888
Others	**7,858**	14,422
	2,441,050	2,079,310

(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 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Contracting work	**8,276,007**	6,951,985
Maintenance work	**2,268,820**	2,258,393
Sales of goods	**223,973**	198,107
	10,768,800	9,408,485

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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, communication and building technology ("ICBT"):	Provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex" and "TEI"; and ii) repair and maintenance services for lifts and escalators

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue

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	**1,350,461**	**498,766**	**241,265**	**350,558**	**2,441,050**

For the six months ended 30 June 2019 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts & escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	1,198,579	248,666	164,001	49,802	1,661,048
– Maintenance work	77,792	151,875	47,671	63,988	341,326
– Sales of goods	13,752	49,491	3,945	9,748	76,936
Total revenue	1,290,123	450,032	215,617	123,538	2,079,310

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the six months ended 30 June 2020 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	1,350,461	498,766	241,265	350,558	–	2,441,050
– inter-segment	1,844	–	16,763	598	(19,205)	–
Total revenue	1,352,305	498,766	258,028	351,156	(19,205)	2,441,050
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						(21,414)
Profit before tax						122,906
Income tax expense						(18,126)
Profit for the period						104,780
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 asset and lease liabilities	(154)	–	–	–	–	(154)
Amortisation of intangible assets	–	–	–	14,128	–	14,128

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2019 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	1,290,123	450,032	215,617	123,538	–	2,079,310
– inter-segment	1,080	–	18,575	31	(19,686)	–
Total revenue	1,291,203	450,032	234,192	123,569	(19,686)	2,079,310
Segment profit	64,172	25,064	36,240	12,964	–	138,440
Share of results of associates						15,542
Bank interest income						1,581
Finance costs						(1,174)
Unallocated income						7,500
Unallocated expenses						(31,030)
Profit before tax						130,859
Income tax expense						(23,066)
Profit for the period						107,793
Other segment information						
Depreciation of property, plant and equipment	1,324	620	560	1,852	4,791	9,147
Depreciation of right-of-use assets	3,889	95	2,020	548	124	6,676
Impairment losses under expected credit loss model, net of reversal	3,262	8,970	(349)	230	–	12,113
Amortisation of intangible assets	–	–	13	278	–	291

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 certain associates. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue is 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss) gain from change in fair value of investment properties	**(40)**	2,200
(Loss) gain from change in fair value of financial assets at FVTPL	**(3,128)**	2,184
Loss from change in fair value of contingent consideration payables	**(4,960)**	–
Gain on disposals of property, plant and equipment	**158**	–
Gain on derecognition of right-of-use asset and lease liabilities	**154**	–
Net exchange gains (losses)	**757**	(618)
Gain on disposal of interest in an associate	**13,974**	–
Loss on dilution of interest in an associate	**–**	(5,282)
	6,915	(1,516)

5. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**23**	62
Interest expenses on lease liabilities	**1,504**	841
Interest expenses on other loan	**190**	–
Interest expenses on amount due to a former shareholder of a subsidiary	**33**	–
Ancillary costs in respect of banking facilities	**226**	271
	1,976	1,174

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	**17,328**	16,997
Macau	**3,399**	1,619
PRC Enterprise Income Tax	**1,736**	710
USA Federal Income Tax	**1,358**	–
USA State Income Tax	**429**	–
	24,250	19,326
(Over) under provision in prior years		
Hong Kong	**(2,476)**	–
Macau	**51**	–
	(2,425)	–
Deferred tax	**(3,699)**	3,740
	18,126	23,066

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

6. INCOME TAX EXPENSE (CONTINUED)

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

The Company's subsidiaries and 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 both periods. A net provision for dividend withholding tax of approximately HK$59,000 (unaudited) (six months ended 30 June 2019: HK$662,000 (unaudited)) was charged to profit or loss for the six months ended 30 June 2020.

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 8.12% for State of New York, State of New Jersey and New York City jurisdictions for the six months ended 30 June 2020 for their operations in the USA.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
– Directors' remuneration	**16,210**	18,858
– Salaries and other benefits	**580,175**	434,793
– Retirement benefit scheme contributions (excluding directors)	**22,833**	21,154
	619,218	474,805
Cost of inventories recognised as expenses (included in cost of sales and services)	**108,562**	116,931
Depreciation of property, plant and equipment	**14,044**	9,147
Depreciation of right-of-use assets	**10,947**	6,676
Amortisation of intangible assets	**14,128**	291
Write-down of inventories, net	**1,410**	1,602
Loss from change in fair value of derivative financial instruments	**203**	504
Rental income from investment properties	**(68)**	(1,052)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**8**	133
	(60)	(919)
Auditor's remuneration	**2,127**	2,023

8. DIVIDENDS

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK3.82 cents per share amounting to HK$53,480,000 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 16 September 2020.

During the current interim period, a second interim dividend of HK5.07 cents per share in respect of the year ended 31 December 2019 (six months ended 30 June 2019: Nil) was declared and paid to owners of the Company. The aggregate amount of the second interim dividend declared and paid in the current interim period amounted to HK$70,980,000 (six months ended 30 June 2019: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	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)	**106,878**	107,793
Number of ordinary shares		
Number of ordinary shares for the purpose of calculating basic earnings per share	**1,400,000,000**	1,050,000,000

The number of ordinary shares issued and fully paid as at 30 June 2020 and 31 December 2019 are 1,400,000,000.

For the six months ended 30 June 2019, the number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that 1,050,000,000 ordinary shares of the Company were in issue and issuable for period ended 30 June 2019, comprising an aggregate of 9,360,000 ordinary shares in issue and adjusted for the effect of capitalisation issue of 1,040,640,000 ordinary shares as if the capitalisation issue had been effective on 1 January 2019.

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both periods.

10. INVESTMENT PROPERTIES

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	**4,900**	74,300
Change in fair value	**(40)**	2,200
Transfers to property, plant and equipment (Note)	**–**	(71,600)
At end of the period/year	**4,860**	4,900

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

10. INVESTMENT PROPERTIES (CONTINUED)

The fair value of the Group's investment properties as at 30 June 2020 and 31 December 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use.

The Group's investment properties held under long lease term in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. The rental income earned by the Group from the investment properties for the six months ended 30 June 2020 amounted to approximately HK$68,000 (unaudited) (six months ended 30 June 2019: HK$1,052,000 (unaudited)). The investment properties have been pledged to secure general banking facilities granted to certain subsidiaries of the Company for both periods.

11A. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred approximately HK$7,240,000 (unaudited) (six months ended 30 June 2019: HK$30,023,000 (unaudited)) on the acquisition of property, plant and equipment.

11B. INTANGIBLE ASSETS

During the current interim period, backlog contracts and brand name amounted to approximately HK$73,866,000 and HK$51,994,000, respectively, were acquired in a business combination as set out in Note 24.

The backlog contracts have finite useful lives and amortised on a straight-line basis over 16 months. The brand name is considered by the management of the Group as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE/OBLIGATIONS IN EXCESS OF INTEREST IN AN ASSOCIATE

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Investment cost		
Listed outside Hong Kong (Note i)	**116,607**	118,453
Unlisted	**–**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**100,529**	110,293
Interests in associates	**217,136**	228,746
Fair value of listed investment	**1,290,734**	859,012
Amount due from an associate (Note ii)	**85,271**	83,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(89,374)**	(83,575)
Obligations in excess of interest in an associate	**(4,103)**	–

Notes:

(i) During the current interim period, the Group disposed of 0.37% of its shareholding in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("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.

(ii) As at 30 June 2020, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$85,271,000 (unaudited) (31 December 2019: HK$83,575,000 (audited)), is non-trade nature, unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the amount due from OBJV are unlikely to be repaid in the foreseeable future and forms part of the net investment in OBJV as at 30 June 2020 and 31 December 2019. OBJV is in the form of unincorporated and the Group has obligation to share its losses and therefore, the Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK$89,374,000 (unaudited) (31 December 2019: HK$83,575,000 (audited)) as at 30 June 2020.

As at 30 June 2020, the amount due from OBJV of approximately of HK$13,852,000 (unaudited) (31 December 2019: HK$13,852,000 (audited)) is trading in nature, unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the amount is unlikely to be repaid in the foreseeable future and full impairment allowance has been made as at 30 June 2020 and 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

13. CONTRACT ASSETS

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Contract assets	**1,183,136**	915,172
Less: allowance for credit losses	**(15,746)**	–
	1,167,390	915,172

As at 30 June 2020, contract assets include retention receivables of approximately HK$401,372,000 (unaudited) (31 December 2019: HK$368,566,000 (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, ii) reclassification to trade receivables when the Company has unconditional right to the consideration or iii) addition arising from acquisition of a subsidiary as set out in Note 24.

Details of the allowance for credit losses are set out in Note 14.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14. TRADE RECEIVABLES

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Trade receivables	**931,643**	953,961
Less: allowances for credit losses	**(39,951)**	(53,542)
	891,692	900,419
Unbilled revenue (Note)	**79,009**	42,853
Bills receivables	**2,059**	4,496
	972,760	947,768

Note: Unbilled revenue represents accrued revenue for works performed by the Group but yet to bill. The Group has unconditional right to the payment of 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 2020 and 31 December 2019, the Group's bills receivables are of age within six months.

The Group generally allows credit period ranging from 14 to 90 days. The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer.

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

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
0 – 30 days	**422,389**	587,087
31 – 90 days	**204,430**	224,085
91 – 360 days	**239,034**	84,677
Over 1 year	**25,839**	4,570
Total	**891,692**	900,419

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14. TRADE RECEIVABLES (CONTINUED)

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 2020, the Group recognised a net impairment allowance for trade receivables of approximately HK$3,106,000 (unaudited) (six months ended 30 June 2019: HK$3,122,000 (unaudited)), based on the provision matrix. A net reversal of impairment allowance of approximately HK$22,007,000 (unaudited) (six months ended 30 June 2019: a net impairment allowance of approximately HK$8,991,000 (unaudited)) was made on debtors with significant balances and credit impaired debtors.

During the six months ended 30 June 2020, the Group recognised a net impairment allowance for contract assets of approximately HK$13,643,000 (unaudited) (six months ended 30 June 2019: Nil (unaudited)), based on the provision matrix. Impairment allowance for contract assets as at 31 December 2019 was not material.

15. TRADE AND RETENTION PAYABLES

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Trade payables	**309,649**	311,640
Trade accruals	**55,048**	58,039
Retention payables	**126,259**	127,479
Bills payables	**–**	3,810
	490,956	500,968

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. TRADE AND RETENTION PAYABLES (CONTINUED)

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

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
0 – 30 days	**162,225**	188,793
31 – 90 days	**62,559**	55,566
91 – 360 days	**49,152**	27,233
Over 1 year	**35,713**	40,048
	309,649	311,640

16. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Accrued staff costs	**146,798**	129,052
Accrued contract costs	**918,984**	873,365
Receipt in advance – government grants in relation to Employment Support Scheme	**16,710**	–
Others	**37,348**	43,289
	1,119,840	1,045,706

17. OTHER LOAN

During the current interim period, the Group's USA subsidiary obtained a government loan from USA government amounted to approximately US$9,848,000 (unaudited) (equivalent to HK$76,816,000 (unaudited)) (31 December 2019: Nil). The loan is unsecured, carries interest at fixed rate of 1% per annum and due in two years from the date of the loan advanced. The proceeds were used to finance its daily operation.

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For the six months ended 30 June 2020

18. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2019 and 30 June 2019	9,360,000	HK$0.01	HK$93,600	94
Issue of shares under Capitalisation Issue (Note i)	1,040,640,000	HK$0.01	HK$10,406,400	
Issue of shares (Note ii)	350,000,000	HK$0.01	HK$3,500,000	
At 31 December 2019 and 30 June 2020	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Notes:

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

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

19. 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 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Properties	**70,300**	71,600
Investment properties	**4,860**	4,900
Bank deposits	**13,167**	215,140
Financial assets at FVTPL	**–**	16,293
	88,327	307,933

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

	Fair value			
Financial assets/liabilities	**As at 30 June 2020 HK$'000 (Unaudited)**	As at 31 December 2019 HK$'000 (Audited)	**Fair value hierarchy**	**Valuation technique and key input**
Financial assets at FVTPL	**14,224**	17,352	Level 1	Quoted bid prices in an active market.
Derivative financial liabilities	**203**	–	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Contingent consideration payables	**106,897**	–	Level 3	Discounted cash flow. Discounted cash flow method was used to capture the present value of the expected future economic benefits will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate (Note).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Note: Significant unobservable inputs

(i) Discount rate of 21%

An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration payables and vice versa. If discount rate increased from 21% to 22%, while all other variables keep constant, would decrease the fair value of contingent consideration payables by approximately HK$1,387,000.

(ii) Probability-adjusted profits, with a range from approximately US$5,712,000 (equivalent to approximately HK$44,554,000) to US$12,852,000 (equivalent to approximately HK$100,246,000)

An increase in the probability-adjusted profits used in isolation would result in an increase in the fair value measurement of the contingent consideration payables and vice versa. A 5% increase in the probability-adjusted profits, while all other variables keep constant, would increase the fair value of contingent consideration payables by approximately HK$5,086,000.

There were no transfers between Level 1 or 2 during both periods.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

21. PERFORMANCE BONDS

As at 30 June 2020, the Group had outstanding performance bonds of approximately HK$438,267,000 (unaudited) (31 December 2019: HK$308,059,000 (audited)), given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

22. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the condensed consolidated statement of financial position on pages 19 to 20. The Group entered into the following transactions with related parties during the respective reporting period:

Name of related company	Relationship	Nature of transactions	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
OBJV	Associate	Sales	**4,155**	6,537
Perfect Motive Limited ("Perfect Motive")	Related party	Short-term lease expenses	**8,722**	8,722
Perfect Motive	Related party	Services expense	**–**	406
Perfect Motive	Related party	Direct expenses recharge	**301**	314

Note: Perfect Motive is controlled by Dr. Poon Lok To, Otto, chairman and executive director of the Company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 June 2020 and 2019 are set out in Note 7.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

23. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following commitments contracted but not provided in the condensed consolidated financial statements.

	As at 30 June 2020 HK$'000 (Unaudited)	As at 31 December 2019 HK$'000 (Audited)
Enterprise resources planning system	**915**	672
Human resources management system	**1,351**	2,140
Office renovation	**–**	2,290
	2,266	5,102

24. 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 Transel Elevator & Electric Inc., ("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.

As of the date of approval of these condensed consolidated financial statements, the process of allocating the purchase price for the acquisition of TEI was still on-going by the directors of the Company with the assistance of an independent professional valuation firm. The preliminary purchase price allocation as set out below is also based on preliminary appraisals and other estimates by management and is subject to change, pending finalisation of the valuation of the assets acquired and liabilities assumed. The difference between the purchase price and the value of the assets acquired and the liabilities assumed of approximately HK$130,629,000 was provisionally recognised as goodwill.

Consideration (determining on a provisional basis)

	HK$'000
Cash	**139,230**
Contingent consideration arrangement (Note)	**101,937**
	241,167

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Consideration (determining on a provisional basis) (Continued)

Note: Based on the Agreement, 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) will be deferred and payable as follows:

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

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

Approximately HK$101,937,000 represents the estimated fair value of the First Deferral Payment and Second Deferral Payment. The fair value of such contingent arrangement amounted to approximately HK$106,897,000 as at the end of current interim period and has been included in contingent consideration payables on the condensed consolidated statement of financial position.

Acquisition-related costs amounting to approximately HK$9,138,000 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 interim period. The remaining amounts of approximately HK$3,593,000 have been recognised in the current interim period within the "administrative expenses" line item in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Assets and liabilities recognised at the date of acquisition (determining on a provisional basis)

	HK$'000
Non-current assets	
Property, plant and equipment	5,692
Right-of-use assets	35,509
Intangible assets	125,860
Restricted cash	1,132
Deferred tax assets	460
Current assets	
Inventories	1,412
Contract assets	108,502
Trade receivables	286,445
Other receivables, deposits and prepayments	1,004
Tax recoverable	3,054
Bank balances and cash	68,624
Current liabilities	
Trade and retention payables	(104,495)
Other payables and accrued expenses	(45,641)
Contract liabilities	(138,770)
Lease liabilities	(6,568)
Bank borrowings	(55,652)
Amount due to a former shareholder	(656)
Amounts due to shareholders	(8,769)
Non-current liabilities	
Bank borrowings	(825)
Amount due to a former shareholder	(4,204)
Lease liabilities	(28,941)
Deferred tax liabilities	(26,431)
	216,742

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, the best estimate at acquisition date of the contractual cash flows of the receivables expected to be collected.

Non-controlling interests (determining on a provisional basis)

The non-controlling interest (49%) in TEI recognised at the acquisition date was measured by reference to the proportionate share of recognised amounts of net assets of TEI and amounted to approximately HK$106,204,000.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

24. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition (determining on a provisional basis)

	HK$'000
Consideration transferred	**241,167**
Plus: non-controlling interests (49% in TEI)	**106,204**
Less: recognised amounts of net assets acquired	**(216,742)**
Goodwill arising on acquisition	**130,629**

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

Net cash outflows arising on acquisition of TEI

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

Goodwill arising on this acquisition is deductible for tax purpose.

Impact of acquisition on the results of the Group

Included in the profit for the current interim period is loss of approximately HK$4,281,000 contributed by TEI's operation. Revenue for the current interim period includes approximately HK$195,940,000 generated from TEI.

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, 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 interim period of the Group would have been approximately HK$2,691,052,000, and the profit for the current interim period would have been approximately HK$123,294,000.

In determining the 'pro-forma' revenue and profit of the Group had TEI been acquired at the beginning of the interim 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

25. EVENT AFTER THE REPORTING PERIOD

Major transaction involving the disposal of 2% of 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 interest 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.

The directors of the Company are still assessing the financial impact of the above disposal to the Group at the date of the issuance of these condensed consolidated financial statements.

For details, please refer to the announcement of the Company dated 11 August 2020.

Interim Dividend

The Board has declared an interim dividend of HK3.82 cents per share of the Company (the "Share(s)") 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, 16 September 2020. The Interim Dividend is expected to be paid to the shareholders of the Company (the "Shareholders") on or about Tuesday, 29 September 2020.

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, 15 September 2020 to Wednesday, 16 September 2020, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Friday, 11 September 2020. 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, 14 September 2020.

Other Information

BUSINESS ACTIVITIES IN COUNTRIES SUBJECT TO INTERNATIONAL SANCTIONS

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

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

- The Board has established the Risk Management Committee (Sanctions Risks), comprising, the chairman; the chief financial officer and company secretary and legal counsel as initial members, with written policy adopted with effect from 12 July 2019, the date on which the Shares first listed on the Stock Exchange (the "Listing Date"). The responsibilities of the Risk Management Committee (Sanctions Risks) include, among other things, monitoring our exposure to sanctions risks.

- The Risk Management Committee (Sanctions Risks) will hold at least two meetings each year to monitor our exposure to sanctions risks. Further, the Risk Management Committee (Sanctions Risks) has written procedures that it has followed and will continue to follow whenever any business opportunity or transaction is presented that may pose any sanctions risk to the Company. If any potential sanctions risk is identified, the Company will seek advice from reputable external international legal counsel with necessary expertise and experience in International Sanctions matters. As and when the Risk Management Committee (Sanctions Risks) considers necessary, the Company will retain external international legal counsel with necessary expertise and experience in sanctions matters for recommendations and advice; and

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

Other Information

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

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. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 and this report, 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 2020 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.

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 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.

DIRECTORS' DEALINGS IN THE COMPANY'S SECURITIES

The Company adopted the securities dealing code on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code").

In response to specific enquiries made by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code and the securities dealing code adopted by the Company during the reporting period.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors since the last published annual report up to the date of this report are set out below.

Mr. Chan Fu Keung retired as the Trustee of Hospital Authority Provident Fund Scheme on 1 July 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

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

Notes:

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

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

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2020.

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

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

Notes:

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

Other Information

2. As at 30 June 2020, Arling Investment Limited owned approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited also owned 8,463 shares of Wise Eagle Holdings Limited, representing 84.63% of the total issued share capital of Wise Eagle Holdings Limited, which in turn owned 1 share of Perfect Motive Limited, representing 100% of the issued share capital of Perfect Motive Limited. Accordingly, Arling Investment Limited, being the holding company of the Company; and Wise Eagle Holdings Limited and Perfect Motive Limited, being subsidiaries of Arling Investment Limited, are therefore associated corporations of the Company within the meaning of Part XV of the SFO. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, Dr. Poon Lok To, Otto is deemed to be interested in (i) the shares of Arling Investment Limited; and (ii) the shares of Wise Eagle Holdings Limited and Perfect Motive Limited in which Arling Investment Limited is deemed to be interested, under Part XV of the SFO.

Save as disclosed above, as at 30 June 2020, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated associations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the following persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Notes:

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

2. Arling Investment Limited directly held 888,650,000 Shares. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, each of Ardik Investment Limited, HSBC International Trustee Limited and Dr. Poon Lok To, Otto is deemed to be interested in the 888,650,000 Shares held by Arling Investment Limited under Part XV of the SFO. As Ms. Cheng is the spouse of Dr. Poon Lok To, Otto, Ms. Cheng is deemed to be interested in the same number of Shares that Dr. Poon Lok To, Otto is interested in under Part XV of the SFO. According to section 316(1)(a) of the SFO, Ms. Cheng is deemed to be interested in any voting shares in a Hong Kong listed company in which her spouse is interested. Accordingly, Ms. Cheng is taken to be interested in 888,650,000 Shares, while Ms. Cheng does not have any legal or beneficial ownership or financial interests in any of the Shares, directly or indirectly. It follows that Ms. Cheng does not have any rights to the Shares, has no rights to dividend, has no right to vote and has no right to deal in respect of the Shares.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares which would fall to be disclosed in the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by written resolutions of shareholders on 14 September 2018 and came into effect on the Listing Date. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as defined in the Share Option Scheme as incentives or rewards for their contribution to the Group. No share option were granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period nor remained outstanding as at 30 June 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.

Corporate Information

BOARD OF DIRECTORS

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

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

PRINCIPAL BANKERS

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Hong Kong

Bank of China (Hong Kong) Limited
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Central
Hong Kong

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31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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510 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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