Analogue Holdings Limited
安樂工程集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1977)

UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

Financial Highlights

		2019	2018
		HK$'M	*HK$'M*
		(Unaudited)	(Audited)
Value of outstanding contracts	:	**9,408.5**	7,419.6
Revenue	:	**4,481.9**	5,966.0
Gross profit	:	**786.7**	888.4
Profit attributable to equity holders of the Company	:	**242.6**	315.3
Basic earnings per share	:	**HK$0.20**	HK$0.30

The Board has resolved to pay a second interim dividend of HK5.07 cents per share for the year ended 31 December 2019[(i)].

(i) The second interim dividend for the year ended 31 December 2019 of HK5.07 cents per share, in an aggregate amount of HK$70,980,000, is expected to be paid on or about 29 April 2020. Together with the first interim dividend of HK3.85 cents per share, amounted to HK$53,900,000 in aggregate, paid in October 2019, total distribution of dividends made by the Company for the year ended 31 December 2019 will be HK8.92 cents per share, amounted to HK$124,880,000 in aggregate, representing a dividend payout ratio, based on the unaudited net profit of HK$242.6 million, of 51.5%.

RESULTS

The board of directors (the "Board") of Analogue Holdings Limited (the "Company") is pleased to announce the unaudited annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 ("FY2019").

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak from January 2020 up to the date of this announcement. The publication of the audited financial statements have been postponed, due to the Group's associate (the "Associate"), which is a Shanghai Stock Exchange listed company, had delayed its announcement of its annual results for the year ended 31 December 2019. The Group has included the Associate's financials with reference to the Associate's unaudited financial statements for the 9 months ended 30 September 2019 released on the Shanghai Stock Exchange website. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants, which is expected to be in mid-May 2020.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Revenue	3	**4,481,911**	5,966,046
Cost of sales and services		**(3,695,178)**	(5,077,652)
Gross profit		**786,733**	888,394
Other income		**16,523**	10,213
Other gains and losses	5	**(6,469)**	8,199
Impairment losses under expected credit loss model, net of reversal		**(4,352)**	(27,485)
Selling and distribution expenses		**(4,141)**	(3,525)
Administrative expenses		**(510,425)**	(499,883)
Listing expenses		**(6,992)**	(28,303)
Share of results of associates		**22,435**	27,286
Share of results of a joint venture		**–**	607
Finance costs	6	**(2,385)**	(689)
Profit before tax		**290,927**	374,814
Income tax expense	7	**(48,306)**	(59,532)
Profit for the year	8	**242,621**	315,282
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**–**	72,865
Income tax relating to gain on revaluation of properties		**–**	(12,023)
		–	60,842
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(10,547)**	(27,089)
Reclassification of exchange differences upon disposal of a subsidiary		**–**	(1,622)
Reclassification of exchange differences upon dissolution of an associate		**2,013**	–
Reclassification of exchange differences upon dissolution of a joint venture		**–**	1,564
Reclassification of exchange differences upon dilution of interest in an associate		**20**	(119)
		(8,514)	(27,266)
Other comprehensive (expense) income for the year, net of tax		**(8,514)**	33,576
Total comprehensive income for the year		**234,107**	348,858
		HK cents	*HK cents*
Earnings per share			
Basic	10	**20**	30
Diluted	10	**20**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **HK$'000** **(Unaudited)**	2018 *HK$'000* (Audited)
Non-current assets			
Investment properties		**4,900**	74,300
Property, plant and equipment		**145,980**	44,326
Right-of-use assets		**35,073**	–
Intangible assets		**6,017**	6,592
Deposits paid for acquisition of property, plant and equipment		**908**	22,415
Interests in associates		**226,366**	241,279
Prepaid land use rights		**–**	2,930
Deferred tax assets		**835**	775
		420,079	392,617
Current assets			
Prepaid land use rights		**–**	88
Inventories		**60,806**	62,390
Contract assets	*11*	**915,172**	978,397
Trade receivables	*12*	**947,768**	721,712
Other receivables, deposits and prepayments		**110,030**	80,337
Amount due from an associate		**–**	–
Amounts due from partners of joint operations		**46,631**	4,312
Financial assets at fair value through profit or loss		**17,352**	17,230
Tax recoverable		**1,447**	17,384
Pledged bank deposits		**215,140**	208,553
Bank balances and cash		**686,450**	569,951
		3,000,796	2,660,354
Current liabilities			
Trade and retention payables	*13*	**500,968**	462,922
Other payables and accrued expenses	*14*	**1,045,706**	1,149,081
Contract liabilities		**23,269**	24,693
Dividend payable		**–**	100,000
Amount due to an associate		**–**	12,533
Amounts due to partners of joint operations		**433**	26,526
Derivative financial instruments		**–**	602
Lease liabilities		**12,853**	–
Tax payable		**36,539**	54,667
		1,619,768	1,831,024
Net current assets		**1,381,028**	829,330
Total assets less current liabilities		**1,801,107**	1,221,947

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital and reserves		
Share capital	**14,000**	94
Reserves	**1,745,424**	1,206,513
Total equity	**1,759,424**	1,206,607
Non-current liabilities		
Lease liabilities	**21,276**	–
Deferred tax liabilities	**17,706**	12,371
Deferred income	**2,701**	2,969
	41,683	15,340
	1,801,107	1,221,947

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases* ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.125% per annum.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	31,552
Lease liabilities discounted at relevant incremental borrowing rates	28,162
Add: Extension options reasonably certain to be exercised	15,608
Less: Recognition exemption – short-term leases	(9,096)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	34,674
Analysed as:	
Current	10,627
Non-current	24,047
	34,674

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	**Right-of-use assets** *HK$'000*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		34,674
Add: Reclassified from prepaid land use rights	*(a)*	3,018
Less: Accrued lease liabilities relating to rent free period at 1 January 2019	*(b)*	(941)
		36,751
By class:		
Leasehold lands		3,018
Leased properties		33,733
		36,751

Notes:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land use rights amounting to approximately HK$88,000 and approximately HK$2,930,000 respectively were reclassified to right-of-use assets.

(b) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. As at 1 January 2019, no material impact is noted for the Group.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018 *HK$'000*	Adjustments *HK$'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***HK$'000***
Non-current assets			
Prepaid land use rights	2,930	(2,930)	**–**
Right-of-use assets	–	36,751	**36,751**
Current assets			
Prepaid land use rights	88	(88)	**–**
Current liabilities			
Other payables and accrued expenses #	1,149,081	(941)	**1,148,140**
Lease liabilities	–	10,627	**10,627**
Non-current liabilities			
Lease liabilities	–	24,047	**24,047**

\# To comfort with current year presentation, contract liabilities that were previously included in other payables and accrued expenses as at 31 December 2018, were presented separately in consolidation statement of financial position.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual periods beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**3,580,020**	5,220,719
Maintenance work	**679,071**	551,381
	4,259,091	5,772,100
Recognised at a point in time and short-term contracts		
Sales of goods	**222,820**	193,946
	4,481,911	5,966,046

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2018 and the expected timing of recognising revenue are as follows:

	Contracting work	Maintenance work	Sales of goods
	HK$'000	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	(Audited)
Within one year	3,758,184	529,028	207,607
More than one year but not more than two years	1,098,835	385,459	–
More than two years	405,007	1,035,524	–
	5,262,026	1,950,011	207,607

4. SEGMENT INFORMATION

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

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

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, 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 ii) repair and maintenance services for lifts and escalators

Reconciliation of segment revenue

For the year ended 31 December 2019 (Unaudited)

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

For the year ended 31 December 2018 (Audited)

	Building services *HK$'000*	Environmental engineering *HK$'000*	ICBT *HK$'000*	Lifts & escalators *HK$'000*	Total *HK$'000*
Revenue					
– Contracting work	4,257,711	550,505	330,892	81,611	5,220,719
– Maintenance work	152,234	181,583	86,278	131,286	551,381
– Sales of goods	16,575	133,708	7,303	36,360	193,946
Total revenue	4,426,520	865,796	424,473	249,257	5,966,046

Segment revenue and results

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

For the year ended 31 December 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	2,676,315	1,086,886	444,382	274,328	–	4,481,911
– inter-segment	4,625	–	52,209	367	(57,201)	–
Total revenue	2,680,940	1,086,886	496,591	274,695	(57,201)	4,481,911
Segment profit	141,024	67,535	64,700	26,022	–	299,281
Share of results of certain associates						22,435
Bank interest income						6,161
Finance costs						(2,385)
Unallocated income						7,140
Unallocated expenses						(41,705)
Profit before tax						290,927
Income tax expense						(48,306)
Profit for the year						242,621
Other segment information						
Depreciation of property, plant and equipment	2,832	1,261	1,148	3,771	11,197	20,209
Depreciation of right-of-use of assets	8,275	354	4,361	1,288	385	14,663
Impairment losses under expected credit loss model, net of reversal	(6,801)	10,742	210	201	–	4,352
Loss on disposals of property, plant and equipment	–	–	–	6	–	6
Amortisation of intangible assets	–	–	20	555	–	575

For the year ended 31 December 2018 (Audited)

	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	4,426,520	865,796	424,473	249,257	–	5,966,046
– inter-segment	4,813	655	106,378	439	(112,285)	–
Total revenue	4,431,333	866,451	530,851	249,696	(112,285)	5,966,046
Segment profit	252,169	4,176	72,935	16,952	–	346,232
Share of results of certain associates						34,130
Share of results of a joint venture						607
Bank interest income						3,880
Finance costs						(689)
Unallocated income						21,073
Unallocated expenses						(30,419)
Profit before tax						374,814
Income tax expense						(59,532)
Profit for the year						315,282
Other segment information						
Depreciation of property, plant and equipment	2,791	1,213	517	3,804	6,754	15,079
Impairment losses recognised under expected credit loss model, net of reversal	26,269	775	1,335	(894)	–	27,485
(Gain) loss on disposal/written off of property, plant and equipment	(57)	46	8	160	579	736
Amortisation of intangible assets	–	–	26	556	–	582
Amortisation of prepaid land use rights	–	–	–	–	92	92

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 and share of results of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Segment assets and liabilities

No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the CODM for review.

5. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Gain from change in fair value of investment properties	**2,200**	14,190
Gain from change in fair value of financial assets at fair value through profit and loss ("FVTPL")	**122**	2,233
Loss on disposals/written off of property, plant and equipment	**(6)**	(736)
Net exchange losses	**(1,490)**	(3,734)
Loss on dilution in interest in an associate	**(5,282)**	(3,812)
Gain on liquidation of a subsidiary	**–**	1,622
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of an associate *(Note i)*	**(2,013)**	–
Cumulative loss on exchange differences from translation of foreign operations reclassified to profit or loss on dissolution of a joint venture *(Note ii)*	**–**	(1,564)
	(6,469)	8,199

Notes:

(i) During the year ended 31 December 2019, the Group's associate, Hunan Prisma Electrical Co. Ltd ("HPEC"), a company incorporated in the PRC, was dissolved. HPEC will return capital of approximately HK$11,355,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$2,013,000 in the translation reserve was reclassified to profit or loss upon the dissolution. The Group subsequently received the return of capital of approximately HK$11,355,000 from HPEC after the end of the reporting period.

(ii) During the year ended 31 December 2018, the Group's joint venture, Hunan Anlev Hiro Elevator Company Limited ("HN Anlev Hiro"), a company incorporated in the PRC, was dissolved. HN Anlev Hiro returned capital of approximately HK$14,258,000 to the Group, no gain or loss was resulted from the dissolution. However, cumulative loss of approximately HK$1,564,000 in the translation reserve was reclassified to profit or loss upon the dissolution.

6. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Interest expenses on bank borrowings	**73**	99
Interest on lease liabilities	**1,780**	–
Ancillary costs in respect of banking facilities	**532**	590
	2,385	689

7. INCOME TAX EXPENSE

	2019 *HK$'000* (Unaudited)	2018 *HK$'000* (Audited)
Current tax		
Hong Kong	**39,359**	54,528
Macau	**4,829**	6,347
PRC Enterprise Income Tax	**814**	3,135
	45,002	64,010
Overprovision in prior years		
Hong Kong	**(1,947)**	(196)
	43,055	63,814
Deferred tax	**5,251**	(4,282)
	48,306	59,532

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 gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of 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 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 profit 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 600,000 for both years.

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

The Company's subsidiaries, associates and joint ventures of the Group that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the mainland company, 5% dividend withholding tax rate is applicable, 5% withholding tax rate was used for the years ended 31 December 2019 and 2018. A provision for dividend withholding tax of approximately HK$1,014,000 (unaudited) was recognised for the year ended 31 December 2019 (2018: a provision for dividend withholding tax of approximately HK$3,591,000 (audited) was reversed). During the year ended 31 December 2019, withholding tax of approximately HK$814,000 (unaudited) (2018: HK$274,000 (audited)) was paid by the Group. The above resulted in a provision for dividend withholding tax of approximately HK$200,000 (unaudited) charged to profit or loss for the year ended 31 December 2019 (2018: a net reversal of provision of approximately HK$3,317,000 (audited) was credited to profit or loss).

8. PROFIT FOR THE YEAR

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
– Directors' remuneration	**26,401**	27,879
– Salaries and other benefits	**962,317**	935,917
– Retirement benefit scheme contributions (excluding directors)	**44,123**	41,534
	1,032,841	1,005,330
Cost of inventories recognised as expenses (included in cost of sales and services)	**263,989**	291,461
Depreciation of property, plant and equipment	**20,209**	15,079
Depreciation of right-of-use assets	**14,663**	–
Amortisation of prepaid land use rights	**–**	92
Amortisation of intangible assets	**575**	582
Write-down of inventories, net	**1,108**	728
Inventories written off	**142**	9
(Gain) loss from change in fair value of derivative financial instruments	**(602)**	1,347
Rental income from investment properties	**(2,037)**	(2,092)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**303**	276
	(1,734)	(1,816)
Auditor's remuneration	**4,270**	4,399

9. DIVIDEND

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

During the year ended 31 December 2019, the Company declared an interim dividend of HK3.85 cents per share, amounted to HK$53,900,000 in aggregate, calculated based on HK3.85 cents multiplied by 1,400,000,000 shares.

During the year ended 31 December 2018, the Company declared a total dividend of HK$1,037,044,000 (equivalent to approximately HK$86,420 per share multiplied by 12,000 shares), which included Distribution in Specie of HK$255,297,000 and a cash dividend of HK$281,747,000 which was settled through the current accounts due from Wise Eagle Holdings Limited and its subsidiary to the Group and a cash dividend of HK$500,000,000, to its shareholders.

10. EARNINGS PER SHARE

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

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Earnings		
Earnings for the purposes of calculating basic earnings per share (profit for the year attributable to the equity holders of the Company)	**242,621**	315,282
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,215,890,411**	1,050,000,000
Effect of dilutive potential ordinary shares – Over – allotment option	**79,047**	N/A
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,215,969,458**	N/A

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share has been determined on the assumption that the Capitalisation Issue had been effective on 1 January 2018.

No diluted earnings per share was presented for the year ended 31 December 2018 as there were no potential ordinary shares in issue for the prior year.

11. CONTRACT ASSETS

	2019 ***HK$'000*** **(Unaudited)**	2018 *HK$'000* (Audited)
Contract assets	**915,172**	978,397

As at 1 January 2018, contract assets amounted to approximately HK$949,384,000 (audited).

As at 31 December 2019, contract assets include retention receivables of approximately HK$368,566,000 (unaudited) (2018: HK$375,456,000 (audited)). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

Retention receivables are interest-free and repayable at the end of retention period of the respective construction contract. The Group did not have any retention receivables that were past due but not impaired at the end of the reporting period.

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

12. TRADE RECEIVABLES

	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
Trade receivables	**953,961**	708,362
Less: Allowance for credit losses	**(53,542)**	(49,839)
	900,419	658,523
Unbilled revenue *(Note)*	**42,853**	63,189
Bills receivables	**4,496**	–
	947,768	721,712

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 1 January 2018, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$811,213,000 (audited).

As at 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. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances.

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

	2019 HK$'000 (Unaudited)	2018 HK$'000 (Audited)
0 – 30 days	**587,087**	350,885
31 – 90 days	**224,085**	232,827
91 – 360 days	**84,677**	72,674
Over 1 year	**4,570**	2,137
Total	**900,419**	658,523

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$466,240,000 (unaudited) (2018: HK$323,139,000 (audited)) which are past due as at the reporting date. Out of the past due balances, approximately HK$56,196,000 (unaudited) (2018: HK$50,935,000 (audited)) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship and good repayment record from these customers.

13. TRADE AND RETENTION PAYABLES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**311,640**	298,400
Trade accruals	**58,039**	37,588
Retention payables	**127,479**	126,934
Bills payables	**3,810**	–
	500,968	462,922

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

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 30 days	**188,793**	160,395
31 – 90 days	**55,566**	59,460
91 – 360 days	**27,233**	37,819
Over 1 year	**40,048**	40,726
	311,640	298,400

14. OTHER PAYABLES AND ACCRUED EXPENSES

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Accrued staff costs	**129,052**	155,657
Accrued contract costs	**873,365**	965,593
Accrued issue costs and listing expenses	**–**	7,382
Others *(Note)*	**43,289**	20,449
	1,045,706	1,149,081

Note: Accrued lease liabilities as at 31 December 2018 were adjusted upon the initial application of HKFRS 16 on 1 January 2019. Details of the adjustments are set out in Note 2.

15. PLEDGE OF ASSETS

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

	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Properties	**71,600**	–
Investment properties	**4,900**	74,300
Bank deposits	**215,140**	208,553
Financial assets at FVTPL	**16,293**	17,230
	307,933	300,083

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

2019 was a very busy year for us during which the Group put in great efforts to replenish and build our order book, following a year of record high business turnover in 2018. High levels of tendering activities continued from the first half of 2019 into the second half of 2019 and the result also turned out to be rewarding. During the reporting period, the Group submitted a total of approximately 1,332 tenders or quotations each with an individual value of over HK$1 million. In the reporting period, approximately 316 tenders and quotations each with an individual value of over HK$1 million were awarded, the total value of which amounted to approximately HK$5.5 billion. The total value of tenders and quotations awarded in year ended 31 December 2019 ("FY2019") was approximately HK$6.5 billion, an increase of 13.3% compared to HK$5.7 billion in the year ended 31 December 2018 ("FY2018").

During the reporting period, we paid particular attention to growing our maintenance business of providing repair, servicing, operation, and associated minor alteration and fitting out works to customers. We believe that the maintenance market is growing steadily and is less susceptible to fluctuations in economic cycle and construction cycle of large contracting projects and hence will facilitate providing a steadier stream of income to the Group. Maintenance business also helps to maintain a continuing and close working relationship with our customers after the completion of a new construction project. In FY2019, 15.1% of our revenue was contributed by maintenance contracts which amounted to HK$679 million, an increase of 23.2% over that of FY2018. Moreover, in the reporting period, approximately HK$988 million of maintenance contracts was awarded, representing 15.3% of the value of contracts awarded by work nature, alongside 81.4% and 3.3% of contracting work and sales of goods respectively.

As at 31 December 2019, the Group saw a record high value of outstanding contracts in hand of approximately HK$9.4 billion (including contracting work, maintenance work and sales of goods), representing an increase of approximately HK$2.0 billion over that at 31 December 2018, and approximately HK$0.5 billion over that at 30 June 2019.

The Group recorded a total revenue of HK$4,482 million in FY2019, which was 24.9% lower compared to the FY2018, (the year 2018 being a year of record high business turnover). The decrease in revenue in FY2019 was mainly attributable to a few factors in building services contracting, including the substantial completion of a number of large contracting projects in 2018, as well as the delay in progress of some of the contracting projects in Hong Kong resulting in a decrease in project billing for the reporting period compared to the corresponding period in 2018 (such delay being caused by, among a number of factors, delay by other parties). Following the factors mentioned above, the Group recorded a consolidated net profit for the year of HK$242.6 million, which represents a decrease of 23.0% compared to FY2018.

Notwithstanding the drop in revenue and profit in amounts, the gross profit margin was improved to 17.6% in FY2019, compared to 14.9% in FY2018. The improvement in the Group's gross profit margin was due to improved gross profit margin of each of its four business segments, namely, Building Services from 12.6% (2018) to 12.9% (2019), Environmental Engineering from 11.0% (2018) to 17.7% (2019), ICBT from 26.4% (2018) to 27.6% (2019), and Lifts and Escalators from 38.2% (2018) to 40.9% (2019). The increased proportions of maintenance work and sales of goods awarded, which contributed a higher gross profit margin than contracting work to the overall revenue stream in FY2019, compared to their proportions in FY2018, also contributed to the improvement in the Group's gross profit margin. The revenue ratio of contracting work, maintenance work and sales of goods was 79.9%, 15.1% and 5.0% respectively in FY2019, compared to the revenue ratio of 87.5%, 9.2% and 3.3% respectively in FY2018. The net profit margin of the Group in FY2019 was also improved to 5.4%, compared to 5.3% in FY2018.

Building Services

Our building services segment continued to be the largest business segment of the Group in terms of revenue in the reporting period. Our capability 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 services electrical and mechanical (E&M) engineering contracts. We serve customers in Hong Kong, Macau and mainland China for a wide range of buildings and premises including residential, commercial, industrial, institutional, data centre, hospital and healthcare, as well as infrastructure facilities such as airport, public transportation, road and tunnel, etc.

In FY2019, our building services segment expended special effort to replenish the order book and we are pleased to report that the effort proved to pay off. For contracting operation, we were able to, while maintaining our existing rich client base, enlist some major new customers. We were also successful in leveraging our competitive edge in multi-disciplinary capability and secured a number of large package projects. The major contracting projects of awarded value over HK$100 million secured in FY2019 include:

- A package project including HVAC, EL, FS, P&D, Building Management System (BMS) & ELV for the mixed commercial development in Kai Tak area of a new developer client

- A package project including HVAC, EL, FS, P&D & BMS for a commercial office development in Kai Tak area of an existing developer client

- A HVAC installation project for a commercial office development in Cheung Sha Wan of an existing developer client

- A HVAC installation project for a hotel development in Cheung Sha Wan of an existing developer client

- A package project including HVAC, EL, FS, P&D & BMS for a residential project in Tai Po of an existing developer client adopting Modular Integrated Construction (MiC) technology

- A package project including HVAC, EL, P&D and seawater pumping system for a transfer terminal building in Chek Lap Kok

- A P&D installation project for a commercial office development at Chek Lap Kok of an existing developer client

- A building services package installation project at Hong Kong-Zhuhai-Macao Bridge

- An EL and P&D installation project for the renovation of a service apartment in Cotai, Macau

- An EL installation project for a commercial development in Shanghai of an existing developer client

Mindful of the long term importance of maintenance projects to the Group, our building services team spared no effort in bidding maintenance tenders during the reporting period. We are pleased to report that the outcome was fruitful and we were awarded a number of major maintenance projects the value of each of which was over HK$10 million, including:

- A 5-year maintenance contract for the building services equipment in 5 stations of a mass transit railway company

- An electrical and mechanical maintenance services contract for a radio television organisation in Kowloon

- A building services maintenance contract for a data centre in Tseung Kwan O

- A quadrennial term contract for the maintenance of HVAC installations at Hong Kong-Zhuhai-Macao Bridge

- A quadrennial term contract for the maintenance of electrical installations at Hong Kong-Zhuhai-Macao Bridge

- A triennial term contract for the maintenance of mechanical installations at Hong Kong-Zhuhai-Macao Bridge

To maintain our leading position in the market, we have stepped up our impetus in investing in, developing and implementing innovative construction technologies. We have resolved a series of technical, logistical and cross-border administration and statutory approval issues related to the adoption of the latest construction technology of Modular Integrated Construction (MiC) for the InnoCell residential project in Pak Shek Kok of the Hong Kong Science & Technology Park, one of the first construction project of its kind in Hong Kong. The project which started in 2019 was making good progress and a number of building modules with building services provisions fully furnished in a MiC factory in mainland China were duly inspected and delivered to site for final assembly and connections, with an expected completion in 2020. In other government, private development, data centre, healthcare and infrastructure projects, we are developing our ATAL Building Services Prefabrication & Modularisation Construction Technology (ABSPM) to adopt off-site prefabrication and modularisation of building services components in a systematic approach and on a wider scale in order to enhance quality, safety and productivity, and to mitigate the acute problems of aging and shortage of site workers.

As at 31 December 2019, the value of outstanding contracts of the Group in our Building Services segment amounted to HK$5,804 million, representing an increase of HK$2,188 million over that at 31 December 2018.

Environmental Engineering

Our environmental engineering segment provides total solutions for the design, construction, maintenance and operation of environmental engineering systems and treatment plants for water, wastewater, sludge, solid wastes and gas projects. Our strong technological expertise and proven track records in project delivery set us apart from our competitors, and firmly place us in the market leading position in environmental engineering segment in Hong Kong.

Through our in-house research and development (R&D) team and in collaboration with reputable universities, research institutes and technological partners in Hong Kong, mainland China and overseas, we have developed and adopted a number of advanced technologies on water, wastewater and solid waste treatment processes, including:

- ATAL Multistage Flocculation System (AMSFS I & II) for suspended solid removal in wastewater treatment
- ATAL Multistage Flocculation Magnetic (AMSFM), a containerised high rate clarifier system for black stream water treatment
- ATAL Biological Aerated Filter (ABAF), a high discharge quality, small foot-print filter for sewage treatment
- ATAL High Power Ultrasound (AHPUS) reactor used in sludge digestion
- ATAL Nano-bubble (ANANO) technology for wastewater treatment plant
- ATAL Electrocoagulation (AEC) process for high concentrated wastewater
- ATAL Extra-deep-bed Denitrification Filter (AEDNF) for wastewater tertiary treatment

These in-house advanced treatment processes give us the competitive edge not only for bidding tenders in Hong Kong but also tapping into the vast market of mainland China, which has set very stringent environmental control standards and ambitious national environmental targets under the current five years plan. During the reporting period, 13 contracts in mainland China were awarded to upgrade the existing plants adopting our own technologies AMSFSII & ABAF in order to meet the new environmental standards. Up to 31 December 2019, we have already had project references in most of the 34 province level administrative regions in mainland China.

Leveraging our strong technological expertise and proven track records in Hong Kong and mainland China, we are also exploring opportunities to provide environmental engineering service overseas, particularly to relevant belt and road countries. In 2019, by working with a large China state-owned enterprise, we secured a contract for the supply of technologies and equipment, including 5 years' operation, for a wastewater treatment plant project of capacity 50,000m^3/day in Nepal.

Operation and Maintenance (O&M) contracts have become an increasingly important income stream for our environmental engineering segment. With the completion of the organic waste treatment facility in Siu Ho Wan in the end of FY2018, the plant was under our operation and maintenance in FY2019, adding the total number of O&M contracts in this business segment to 13, of which 11 are in Hong Kong, 1 in mainland China and 1 in Nepal. These O&M contracts typically have a duration of 10 to 15 years, together with other maintenance contracts with a typical duration of 3 to 5 years, they can provide steady and recurrent income to the business segment for a relatively long time span.

As at 31 December 2019, the value of outstanding contracts of the Group in this business segment amounted to HK$2,335 million, representing a decrease of HK$330 million from that of 2018.

ICBT

The mission of our Information Communications and Building Technologies (ICBT) segment is to offer solutions to help build green and intelligent buildings and facilitate Hong Kong to become a smart city through integrating a wide range of information and communication technologies with building energy and management technologies. Through in-house R&D as well as in collaboration with many leading hardware and software business partners, universities and research institutes, we provide customised software and one-stop engineering solutions to meet diverse needs of our customers.

Building Management System (BMS), Extra Low Voltage (ELV) & Security Systems and Automatic Vehicles and Passengers Clearance Systems (e-Channels) are the three largest of the existing business sub-segments in our ICBT segment. With the escalating global effort to cope with climate change and the mega trend of smart city, we see new, rising business opportunities in providing advanced technological solutions in building energy optimisation and management, Internet of things (IoT) infrastructure and analytics, and Intelligent Transport.

Our award-winning Cloud-based Chiller Plant Energy Management Platform was commercialised in 2019. This in-house developed software works on a monthly subscription business model and has attracted the interests of many reputable clients of commercial buildings, with a number of orders received and more under negotiation during the reporting period. We have further developed a Fault Detection & Diagnostic (FDD) software and an Energy Management Visualisation (EMV) software which help better monitor the working conditions of building services equipment and building energy consumption pattern. FDD and EMV are ready for official launch in 2020.

Retro-commissioning of building services systems in offices, commercial and government buildings to bring them back to the most energy efficient and optimal operation condition after such systems' operations for a number of years was another new technological service we were keen to promote in 2019. With 85% of the approximately 42,000 buildings in Hong Kong being over 20 years old (65% being over 10 years old), we see good business opportunities in our retro-commissioning services as well as the supply of other green and energy efficient equipment and energy saving retrofit installations.

Equipping office, commercial and government buildings with IoT infrastructure was a new stream of income in our ICBT segment in FY2019. Apart from IoT infrastructure orders for individual buildings, we also received orders for providing integrated IoT infrastructure from some leading developers for their cluster of buildings in Central and in Quarry Bay, as well as from Government for cluster of government buildings. To further enhance our service, we are going to launch the ATAL IoT Platform as well as more powerful analytical functions in 2020.

In Intelligent Transport, we secured an Automated Guided Vehicular (AGV) Parking System contract for the Hong Kong Science and Technology Park last year, the first commercialised smart parking system of its kind in Hong Kong, and are in the process of bidding for the second one. We are also embarking on other Intelligent Transport business opportunities including Free Flow Tolling system and Traffic Control Surveillance System, as well as EV Charging System, both the wired and wireless types, to help transform Hong Kong to an Asia's smart city.

As at 31 December 2019, the value of outstanding contracts of the Group in this business segment amounted to HK$834 million, representing an increase of HK$117 million over that at 31 December 2018.

Lifts & Escalators

Our lifts and escalators segment encompasses the design, manufacturing (under the trade name "Anlev"), sale, installation and maintenance of a wide range of lifts, escalators and moving walkways for different uses and meeting different requirements, including heavy duty escalators for public transport and large cargo and vehicular lifts. Anlev Elex Elevator Limited ("AnlevElex"), our wholly owned subsidiary, has obtained the highest rating in safety and quality performance for both the Lift Contractors' Performance Rating and Escalator Contractors' Performance Rating systems of the Hong Kong Electrical and Mechanical Services Department for 7 years or 28 consecutive quarters from the commencement of the quarterly rating systems in January 2013 up to the last quarter of 2019.

To further enhance safety and cope with the problem of shortage of skilful workers in the industry, we are embracing innovation and technologies. In lift installation, we were increasingly adopting the use of scaffold-less installation method for improved safety and efficiency. In maintenance service, with the Anlev Predictive Maintenance & Remote Monitoring System (APMRMS) that we have developed and applied to the lifts we installed or under our maintenance contracts, we are able to monitor and analysis the performance of the lifts meticulously, taking timely and effective maintenance actions before a breakdown occurs, leading to improved performance reliability and reduced manpower requirement. In FY2019, we received our first order of APMRMS from a client for 35 lifts which are being installed now. With the APMRMS in place, routine maintenance frequency can be reduced from weekly to biweekly as agreed with client.

Capitalising on our outstanding performance ratings in safety and quality, the steady growth in order intake, revenue and gross profit continued in the segment in FY2019. On top of our normal projects of new lift installation and maintenance, we received many enquiries for modernisation of aged lifts in the reporting period primarily due to the increasing safety concern for lifts in society. In FY2019, we secured contracts for modernisation of lifts of total value HK$83.8 million and completed contracts of value of HK$44.5 million. Moreover, as the HKSAR Chief Executive announced in the 2018 Policy Address to launch a HK$2.5 billion "Lift Modernisation Subsidy Scheme" ("LIMSS") and subsequently in 2019 announced an additional funding allocation of HK$2.0 billion over the seven years starting from 2019-20 to promote lift modernisation in the community through provision of financial incentive to building owners in need, our outstanding performance rating and project track record put us in a good position to capture these forthcoming business opportunities.

Hong Kong Housing Authority ("HKHA") is the single largest customer in the lift market in Hong Kong. Subsequent to our admission to the HKHA approved contractor list for lift installations in March 2018, we were awarded our first HKHA lift contract for Fu Shan Estate in FY2019. We are prepared to pursue more lift tenders from HKHA in the coming years.

Among projects in progress, one of the signature projects of AnlevElex is the replacement of the twenty-one escalators and moving walkways between Central and Mid Levels. The elevators and moving walkway system connects the commercial and transportation hubs in Central to the schools and residential buildings at the Mid Levels of Hong Kong Island as well as provides convenient transportations for local people and tourists to explore many international restaurants, cultural attractions and heritage spots alongside it. To replace long escalators and moving walkways in a built up environment calls for special engineering skills as well as demanding logistical and phase completion planning. We overcome this social and technical challenge by working closing with the community groups and government agencies to minimise inconvenience to the local residents and tourists alike. Eight of the twenty-one units have been completed and put in operation as of end 2019, with the overall project completion expected to be in 2022. The Group takes pride in being the supplier and contractor of this iconic project for the community.

To the export market initially as an unknown name, Nanjing Anlev Elevator Limited ("Anlev"), our wholly owned subsidiary, has now built up its reputation as a manufacturer of safe, reliable and energy efficient lifts and escalators. Anlev equipment are sold to five continents through its distributor network and the business is growing.

We actively support our oversea distributors in bidding projects, such as metro/railway tenders in South Korea, Australia, Mexico and Egypt. During the reporting period, we were awarded our first order in Mexico and Portugal respectively and signed new distributorship agreements in Eurasia and Eastern Europe regions. We will put in extra effort to boost our business growth overseas, targeting on areas with large market size and higher price level, such as the USA and East and South Pacific Rim countries. Moreover, we are looking for ways to work more closely with our oversea partners, and in addition to being a manufacturer and supplier, get ourselves involved in the maintenance business overseas as well as in mainland China.

To cope with the new manufacturing licence requirement in mainland China and to meet our anticipated production needs for the next few years, we are working on an expansion plan of our factory in Nanjing. Our present plan of the expansion encompasses increasing the production area by 4,650 square metres, increasing the height of the test tower to 90 metres and installing a number of automatic production lines to enhance our production capacity and to streamline our production process. A letter of intent together with the expansion proposal were submitted to the local Government in end of last year and the consultation and approval process is now in progress. The pace of expansion will be suitably adjusted according to market conditions.

As at 31 December 2019, the value of outstanding contracts of the Group in the Lifts and Escalators segment amounted to HK$436 million, representing an increase of HK$15 million over that at 31 December 2018.

Innovation, Resources Management and Other Operation Issues

Building Information Modelling (BIM) is a multi-dimensional digital tool enabling us to add significant values to projects throughout the project life cycle from design, planning, construction, operation and maintenance and assets management. It is also key to successful prefabrication, modular construction and Modular Integrated Construction (MiC). From 2017 to 2019, the number of BIM Suite software of the Group has increased from 14 to 88, with a corresponding increase in the number of competent BIM modellers and qualified BIM professionals, as well as the much wider population of engineering staff conversant in applying BIM in projects. Our Innovation Committee has been spearheading various centrally funded innovation projects to pursue digitisation of our construction and maintenance processes to pursue more effective communication, safer operation, more efficient use of resources and the generation of useful data for continuous improvement of various processes.

In February 2019, we successfully launched phase 1 of our new Enterprise Resources Planning (ERP) system. Phase 1 of the ERP system not only enhances the capacity and efficiency of our accounting and financial operation but also provides a powerful central platform for monitoring and managing the contracting, maintenance and sales of goods business activities of our business units throughput the projects' life cycle from the initial business leads/customer enquiries stage, through tendering, order/contract confirmation and construction, to contract final completion, improving traceability and our ability to identify and manage any risks early. Phase 2 of the ERP is expected to be completed in the second half of 2020 and will include management reports, business intelligence, business planning and monitoring as well as more management tools for informed business decision making in tendering, procurement, project management and business planning.

In December 2019, phase 1 of our new Human Resources Information System (HRIS) went live which includes staff data base and payroll, employee self-service, recruitment and other functions. Phase 2 is expected to be completed in 2020, which will include more advanced employee self-service, manager self-service and other analytical functions as well as staff performance goal setting, appraisal and performance-based salary review functions. The new HRIS will provide a useful platform for better planning and monitoring of staff training and development as well as effective human resources deployment and management.

On 5 December 2019, an announcement (the "Announcement") was made by the Company to inform the shareholders and investors that one of its wholly owned subsidiaries ATAL Building Services Engineering Ltd ("ABS") was being investigated by the Competition Commission ("HKCC") as well as the resumption of trading of the Company's shares. The Announcement and the voluntary trading halt of the Company's shares were made in accordance with the relevant Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance in order to protect the interests of all stakeholders. Trading in the shares of the Company was resumed at 9 a.m. on 6 December 2019. All our Group companies' operations remain normal and our services and commitments to customers have not been affected materially. Please refer to the Announcement for further details.

As at the date of this announcement, the investigation on ABS by the HKCC is in progress. ABS has sought legal advice on the matter and will co-operate with any inquiry that the HKCC may have under the Competition Ordinance. The Company will make further announcement(s) on this matter as and when appropriate.

The Group has internal guidelines and trainings on legal compliance by employees as well as tender submission procedures, and does not condone or tolerate any misbehaviors. We have further enhanced the awareness and understanding of the Competition Law of the employees involved in tendering and procurement processes by providing them training enhancement classes with case studies conducted by the Company's legal advisers. The refresher training class was held on 20 December 2019 and attended by about 100 senior and managerial staff. An updated Competition Law Compliance Manual prepared by the Company's legal advisers was provided to our employees after the refresher training. More refresher training classes have been arranged to cover all staff including front line staff involved in tendering and procurement process. We have also taken the initiation to temporarily suspend the commercial duties including tender preparation and procurement of some staff members and implemented additional review and authorisation procedures in some other areas in order to maintain the very high governance standard of the Group.

FINANCIAL REVIEW

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of mainland China to combat the COVID-19 coronavirus outbreak from January 2020 up to the date of this announcement. The publication of the audited financial statements have been postponed, due to the Associate, which is a Shanghai Stock Exchange listed company, had delayed its announcement of its annual results for the year ended 31 December 2019. The Group has included the Associate's financials with reference to the Associate's unaudited financial statements for the 9 months ended 30 September 2019 released on the Shanghai Stock Exchange website. The unaudited results contained herein have not been agreed by the Company's auditors. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors.

Revenue

In FY2019, the Group recorded total revenue of HK$4,481.9 million, decreased by HK$1,484.1 million or 24.9% as compared with that in FY2018. The following table sets forth a breakdown of our total revenue by nature and business segment:

	For the year ended 31 December			
	2019	**% of total**	2018	% of total
	HK$'M	**revenue**	*HK$'M*	revenue
Contracting work	**3,580.0**	**79.9%**	5,220.7	87.5%
Maintenance work	**679.1**	**15.1%**	551.4	9.2%
Sales of goods	**222.8**	**5.0%**	193.9	3.3%
Total	**4,481.9**	**100.0%**	5,966.0	100.0%

	For the year ended 31 December			
	2019	**% of total**	2018	% of total
	HK$'M	**revenue**	*HK$'M*	revenue
Building Services	**2,680.9**	**59.8%**	4,431.3	74.3%
Environmental Engineering	**1,086.9**	**24.3%**	866.4	14.5%
ICBT	**496.6**	**11.1%**	530.9	8.9%
Lifts and Escalators	**274.7**	**6.1%**	249.7	4.2%
	4,539.1	**101.3%**	6,078.3	101.9%
Less: Inter-segment	**(57.2)**	**(1.3%)**	(112.3)	(1.9%)
	4,481.9	**100.0%**	5,966.0	100.0%

The decrease in revenue in FY2019 was mainly attributable to a few factors in building services contracting, including the substantial completion of a number of large contracting projects in 2018, as well as the delay in progress of some of the contracting projects in Hong Kong resulting in a decrease in project billing for the reporting period compared to the corresponding period in 2018 (such delay being caused by, among a number of factors, delay by other parties).

Gross profit

The Group's gross profit in FY2019 decreased by HK$101.7 million or 11.4% to HK$786.7 million as compared with that in FY2018. Nevertheless, the gross profit margin in FY2019 was 17.6%, representing an increase of 2.7% over the gross profit margin in FY2018 of 14.9%.

Other income

The Group recorded other income of HK$16.5 million (FY2018: HK$10.2 million) during the reporting period, mainly included bank interest income and rental income.

Administrative expenses

Administrative expenses of the Group slightly increased by approximately HK$10.5 million or 2.1% compared with that in 2018.

Listing expenses

Listing expenses comprise professional fees and other expenses in relation to the listing of the shares of the Company on the Stock Exchange (the "Listing"). Our listing expenses amounted to HK$7.0 million and HK$28.3 million, respectively, in FY2019 and FY2018.

Liquidity and Financial resources

As at 31 December 2019, the Group had total cash and bank balances (excluding pledged bank deposits) of HK$686.5 million (31 December 2018: HK$570.0 million), of which 87.5%, 10.5% and 2.0% (31 December 2018: 74.8%, 23.9%, 1.3%) were denominated in Hong Kong dollars or Macau Pataca, RMB and other currencies, respectively.

The Group maintained a healthy liquidity position throughout the reporting period. Additionally, as at 31 December 2019, the Group had banking facilities in respect of bond, bank overdraft and loans, and other trade finance of approximately HK$1,570.2 million (31 December 2018: HK$1,761.8 million), of which approximately HK$332.4 million had been utilised (31 December 2018: HK$412.8 million).

Use of proceeds from listing

The aggregate net proceeds raised by the Company from the Listing through the issue of an aggregate of 350,000,000 new shares (the "Offer Shares") of HK$0.01 each in the Company at the final offer price of HK$1.2 per Offer Share pursuant to the global offering (the "Global Offering") referred to in the prospectus issued by the Company on 28 June 2019 (the "Prospectus") were approximately HK$335.7 million.

During the period from 12 July 2019, the date of Listing (the "Listing Date"), to 31 December 2019, the net proceeds received from the Global Offering were used as follows:

	Net proceeds from Global Offering *HK$'M*	Utilised amount up to 31 December 2019 *HK$'M*	Unutilised amount as at 31 December 2019 *HK$'M*
Supporting the expansion and development of building services segment			
– building services for data centres	33.55	2.7	30.85
– building services for healthcare and infrastructure facilities	33.55	3.1	30.45
Enhancing engineering capabilities in environmental engineering segment			
– acquisition of, investment in, cooperating or forming joint ventures	59.3	–	59.3
– additional investment in development of advanced environmental process technologies	41.4	0.4	41.0
Enhancing engineering capabilities of ICBT segment			
– setting up dedicated research and development teams	19.3	2.5	16.8
– acquisition of, or investment in, companies which possess innovative technology	47.8	–	47.8
Expansion and development of lifts and escalators segment			
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	54.1
– setting up export sales office and sales and service centres in mainland China	13.0	–	13.0
General working capital	33.7	11.2	22.5
Total	335.7	19.9	315.8

Gearing ratio and Indebtedness

As at 31 December 2019, the gearing ratio (being gross borrowings divided by total equity) was not applicable to the Group as the Group did not have any bank borrowings (31 December 2018: Nil).

Charges on group assets

The Group had pledged assets of HK$307.9 million as at 31 December 2019. These represented bank deposits, financial assets at fair value through profit or loss, and properties and investment properties pledged to banks to secure general short-term banking facilities granted to certain of the Company's subsidiaries. The pledged deposits are classified as current assets and will be released upon the release of relevant banking facilities.

Capital commitment

As at 31 December 2019, the Group had capital commitment contracted but not provided for in the consolidated financial statements for office renovation, upgrading human resources management system and ERP system of approximately HK$5.1 million (31 December 2018: HK$18.2 million).

Contingent liabilities

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$308.1 million (2018: HK$368.8 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.

Key Financials

	2019	2018
	HK$'M	*HK$'M*
Current assets	**3,000.8**	2,660.3
Current liabilities	**1,619.8**	1,831.0
Bank balances and cash	**686.5**	570.0
Net current assets	**1,381.0**	829.3
Total assets less current liabilities	**1,801.1**	1,221.9
Current ratio (Note i)	**1.9 times**	1.5 times
Gearing ratio (Note ii)	**N/A**	N/A
Return on equity (Note iii)	**16.4%**	20.6%

Notes:

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

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

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

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Venture

During FY2019, the Group had not made any significant acquisition or disposal of subsidiaries, associates or joint venture.

Human Resources

As at 31 December 2019, a total of 2,412 employees, including 78 contract staff and 214 term contract staff, were employed by the Group in Hong Kong, Macau and mainland China. This represents an increase of 246 employees over that at 31 December 2018.

The Group believes in staff development and commits to creating an environment in which our employees will take pride in their work. We aim to compete in the market for the best people available by providing competitive remuneration to attract and retain staff. Quality and committed staff are valuable assets contributing to satisfactory customer service and the success of the Group. The Group's remuneration policy is also performance-linked to motivate staff to achieve the Group's strategic business goals, and to share the fruits of success of the Group with its staff. We have a comprehensive system of goals setting and performance appraisal which provides a robust framework to serve the purpose. Remuneration of directors and senior management is recommended by the remuneration committee of the Board and approved by the Board, which is subject to periodic review.

The Group's vision is to be an innovative, leading and sustainable multi-disciplinary E&M engineering group. We quest for continuous improvement and development, encourage life-long learning, and foster an innovation culture within the Group. To support staff development, we make great effort and invest ample resources in staff training, in managerial, engineering and technician levels, through people development programme, structured and recognised training schemes for engineering graduates and technicians, technical seminars, safety training courses, BIM training, part-time degree sponsorship and staff sponsorship for self-selected external training programme. 4,691 person-times of specific training were recorded in FY2019.

We are an equal opportunity employer and treat our staff on a fair basis. We require our staff to act with integrity at work, and we uphold a high standard of business ethics when working with our customers and business partners. The full set of Code of Conduct of the Group which sets out the standard of ethics and conducts expected of the Group and its staff is readily accessible by all staff via the Group's intranet.

We constantly endeavour to enhance the well-being, welfare and benefit of our staff. To promote work-life balance, other than staff who are required to be on duty on weekends or pubic holidays to ensure safety and reliability of our installations or to maintain essential operations, we have implemented 5-day work week in FY2019, with staff's total working hours remaining unchanged. The ATAL Recreation and Welfare Affairs Club works in collaboration with our Human Resources Department to organise various kinds of sports and recreational activities, interest classes, family events and volunteer services throughout the year for our staff and their family members.

Corporate Recognition

During the reporting period, the Group received numerous awards from various organisations including Construction Industry Council, Development Bureau, Electrical and Mechanical Services Department, Labour Department, and the Office of the Government Chief Information Officer, recognising our outstanding performances and achievements on innovation, environment, occupational health and safety.

The Group will continue to strive for innovation and adhere to stringent quality, safety and environmental standards in order to deliver high quality services and products and upkeep workplace safety for all stakeholders.

OUTLOOK

FY2019 was an eventful year not short of challenges, nor FY2020 will be. Externally, while the trade conflict between China and the United States of America ("U.S.") prevailing over last year might have reached a first stage agreement at the turn of the year, it is unlikely to be fully resolvable in the near future. Locally, Hong Kong has not yet recovered from the social unrest which started in early June last year. According to the forecast estimate released by the Census and Statistics Department in February 2020, Hong Kong GDP ("GDP") grew at a negative annual rate of 2.9% in the fourth quarter of 2019, the second consecutive quarter of contraction. For the whole of 2019, GDP is expected to contract by 1.2% in real terms, the first annual decline since 2009. Within the construction industry, the filibustering in the HKSAR Legislative Council has delayed the award of new public works contracts, while on the other hand, the problems of aging and shortage of construction labour continue to impose big challenge on productivity to construction companies. As 2020 begins, the Coronavirus outbreak that started in January has not yet receded at the date of this announcement and the progress of some construction tenders and projects in Hong Kong, Macau and mainland China have been affected to some extent inevitably.

Due to the abovementioned volatile economic atmosphere globally and locally, we expect market competition to become increasingly fierce in the short term, exerting pressure on profit margins of tenders and projects in the industry.

On the other hand, we see plenty of growth opportunities for the Group ahead.

Hong Kong:

- In its Construction Expenditure Forecast report (28 March 2019 update), the Construction Industry Council forecasted that the construction expenditure in Hong Kong is on a rising trend, from HK$245 – 305 billion in FY 2019 – 2020 to HK$275 – 340 billion in FY 2027 – 2028 (in September 2018 prices).

- In 2016, the Government announced its HK$200 billion 10-year Hospital Development Plan to build a new acute hospital at Kai Tak Development Areas as well as to redevelop and expand various other public hospitals. In the FY 2018 – 2019 Government Budget, it further committed HK$300 billion to a second 10-year Hospital Development Plan starting in 2027.

- In the 2018 Policy Address, the Hong Kong Government committed to providing 450,000 residential flats in the next decade, with a 7:3 public – private housing ratio. Also in 2018, the Airport Authority Hong Kong (AA) responded enthusiastically to the Government's call for developing an Aerotropolis at Lantau with its Airport City Strategy plan, which included the Three-runway System, SkyCity the largest commercial development in Hong Kong, further development of AsiaWorld- Expo and a premium logistics centre.

- The Kai Tak Development in progress is a huge development project spanning a total planning area of over 320 hectares with a mix of community, housing, business, tourism and infrastructure uses, as well as home to the HK$30 billion Kai Tak Sports Park.

- The hi-tech development Lok Ma Chau Loop Innovation and Technology Park at the border between Hong Kong and Shenzhen was announced in 2017 and when completed will provide 1.2 million square meters of office space. In an era of explosive growth of digital information, requirements for data centre infrastructures are expected to grow continuously; the Hong Kong data centre colocation market size is forecast to grow at a 5-year CAGR of 12.7% up to 2024 according to industry survey report.

- On environmental infrastructures, the Government will be inviting tenders for North East New Territories Landfill Site, Co-digestion of Organic and Sewage Sludge Treatment, Organic Waste Treatment Facilities III and projects of the upgrading and extension of various refuse transfer stations soon.

Macau:

- Macau in the national strategic plan of the Guangdong-Hong Kong-Macao Greater Bay Area is to take forward its development as a global tourism and leisure centre, establish an economic and trade cooperation platform between China and Portuguese-speaking countries, and foster the appropriately diversified and sustainable development of the economy in Macau. The Macau Government has continued to invest in infrastructure projects, such as the Macao Light Rapid Transit System (MLRT), the 4th Macao-Taipa Bridge, Islands District Medical Complex as well as to increase the supply of land and housing.

- Since the six existing gambling licences held by casino operators in Macau will expire between 2020 and 2022, in order to pass the stringent thresholds set by the Macau SAR Government, casino operators are encouraged by the authorities to move away from being too dependent on gambling revenue. In response, casino operators tend to upgrade or remodel their existing premises by introducing innovative technology, leisure, culture and recreation elements to demonstrate their contributions to Macau. This will create a stream of projects in renovation, alterations & additions works, remodelling and improvement works in the coming 2-3 years. In addition, new gaming and hotel development projects such as Galaxy Macau Phase 4, Studio City Phase 2 and Wynn Cotai Phase 2 are forthcoming.

Mainland China:

- The "Plan for the Construction of Urban Sewage Treatment and Recycling Facilities in the 13th Five-Year Plan Period" stipulates that the national sewage treatment capacity will increase from 217 million m^3/d to 268 million m^3/d within five years. The investment required for the new facilities to meet this requirement is estimated to be approximately RMB150 billion. Based on the statistics of the Ministry of Housing and Urban-Rural Development (MOHURD), there are 3,900 urban sewage treatment plants in mainland China, and more than 3,000 of which do not reach Grade 1A Discharge Standard. The cost for building a typical plant of an average treatment capacity of 40,000 m^3/d is about RMB30 million. The total market size of upgrading all these plants to meet Grade 1A standard alone is expected to be over RMB100 billion. Furthermore, the Government has mandated different sewage discharge standards for different cities and counties according for to the conditions of different regions and different river basins. Cities and counties that are required to meet the most stringent standard of "Fourth Category of Surface Water" covers more than half of the area in mainland China. To upgrade these sewage treatment plants to meet the prescribed stringent standard requires switching to advanced treatment process, which is underpinned by a lot of technical expertise and investments.

- The number of elevators produced in mainland China in 2019 is approximately 1 million units according to government statistics, 60% – 70% of which are for local consumption. The total number of elevators registered in use is approximately 6.3 million units. With its continuing urbanisation trend coupled with rising safety standards and quality expectation, mainland China is not only the largest manufacturing base of lifts and escalators globally but also the largest market for the supply, installation and maintenance of lifts and escalators in the world that we have started to grow locally since early 2019.

- For the building services contracting business in mainland China, we will focus on high end development projects of major Hong Kong developers.

- The national strategic development plan of the Greater Bay Area will further drive the demand for quality E&M services in its 9 major mainland cities and Hong Kong and Macau.

We also wish to report that, soon after the Group's successful Listing on 12 July 2019, we have started actively pursuing mergers and acquisitions opportunities which will facilitate our business growth horizontally, vertically and/or geographically. We have conducted preliminary enquiries to companies in South East Asia, North America and Europe in building services and lifts and escalators segments respectively. As disclosed in the section headed "Business – Our Business Strategies" of the Prospectus, the Company has been looking out for opportunities to expand our various business segments, and may therefore enter into value-enhancing transactions (such as acquisition and formation of joint venture) in the future using internal resources of the Group and/or external financing if necessary.

Against the backdrop of the multitude of external factors intertwining with the strategic actions we are undertaking as mentioned above, we foresee that there is still a healthy pipeline of tenders and business opportunities for us to capture in 2020 and beyond. Moreover, notwithstanding the satisfactory value of order intake of HK$6.5 billion and a record high outstanding contracts in hand of approximately HK$9.4 billion as at 31 December 2019 achieved by the Group, there are a number of valuable tenders and quotations submitted in the FY2019 which are still under active negotiation. Despite the recent modest slowdown of business activities which may dampen the rate of growth of revenue in short term, we remain cautiously optimistic about the business outlook in the FY2020 and further, bigger improvement in the coming few years.

With our strong commitment and continuous investment in innovation, technology, process improvement, people development, and sustainable business growth, we are confident in harvesting material benefits of improved efficiency, productivity and competitiveness in our operation, and opening of new business opportunities to continue to strengthen our market leadership position and increasing shareholder value in this new decade.

SECOND INTERIM DIVIDEND

The Board has resolved to pay a second interim dividend of HK5.07 cents per share (the "Share") of the Company for the year ended 31 December 2019 (the "Second Interim Dividend") to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Thursday, 16 April 2020. The Second Interim Dividend is expected to be paid to the shareholders of the Company (the "Shareholders") on or about Wednesday, 29 April 2020. Together with the first interim dividend of HK3.85 cents per share paid on 18 October 2019, the total distribution of dividend by the Company for the year ended 31 December 2019 will thus be HK8.92 cents per share, representing a dividend payout ratio of 51.5%.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Second Interim Dividend, the Register of Members will be closed from Wednesday, 15 April 2020 to Thursday,16 April 2020, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Thursday, 9 April 2020. In order to be entitled to the Second Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 14 April 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from 12 July 2019, the Listing Date.

During the period from the Listing Date up to 31 December 2019 (the "Reporting Period"), the Company has complied with all applicable code provisions set out in the CG Code.

REVIEW OF UNAUDITED ANNUAL RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed the Group's unaudited annual results for the year ended 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PUBLICATION OF THE ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This unaudited annual results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.atal.com).

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of Shareholders will be closed in order to ascertain Shareholders' eligibility to attend and vote at the said meeting. In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

The Company's 2019 annual report containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course following the completion of the auditing process.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2020

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