ATAL

Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1977)

2023

Annual Report

About Analogue Holdings Limited

Established in 1977, Analogue Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") (stock code: 1977) is a leading electrical and mechanical ("E&M") engineering and technology service provider, with headquarters in Hong Kong and operations in Macau, Mainland China, the United States and the United Kingdom. Serving a wide spectrum of customers from public and private sectors, the Group provides multi-disciplinary and comprehensive E&M engineering and technology services in four major segments, including Building Services, Environmental Engineering, Information, Communications and Building Technologies ("ICBT") and Lifts & Escalators.

The Group also manufactures and sells Anlev lifts and escalators internationally and has entered into an alliance with Transel Elevator & Electric Inc., one of the largest independent lifts and escalators companies in New York, the United States. The Group's associate partner, Nanjing Canatal Data Centre Environmental Tech Company Limited (603912.SS), specialises in manufacturing of precision air conditioners.

Highlights of 2023 financial year

Gross profit margin
13.6%

Revenue
HK$6.1 bn

Contracts-in-hand
HK$11.5 bn

Profit attributable to owners of the Company
HK$251.5 mn

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Milestones of 2023

Group Re-organisation and Senior Appointments to Enhance Corporate Structure and Support Core Business Units

Achievement of am730 a
"ListCo Excellence Awar

Signing of the "Racial Div
Charter for Employers" to
and Diverse Workplace

ANLEV
Anlev Elevator Group

Anlev Elevator Group's Acquisition of Two Lift Companies in the United Kingdom

Launch of ATAL's AI-Driven ESG Digital

and Phoenix New Media
d”

Achievement of HKEJ “Listed Company Award of Excellence” for Four Consecutive Years

Achievement of IFAPC and Metro Finance “Outstanding Listed Companies Award” for Four Consecutive Years

versity and Inclusion
Promote an Inclusive

Entering into a non-legally binding Preliminary Letter of Intent with Nanjing Jiangning Economic & Technological Development Zone Management Committee to Explore Potential Development

Twin

Completion of AIRSIDE Project, a Smart and Sustainable New Landmark at the Kai Tak Area

ALGO WATER

Launch of AlgoWater - ATAL’s Digital Twin Solution for Water and Wastewater Treatment

Awards Gallery

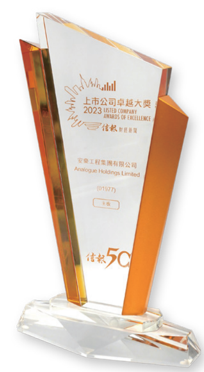
CORPORATE & INVESTOR RELATIONS

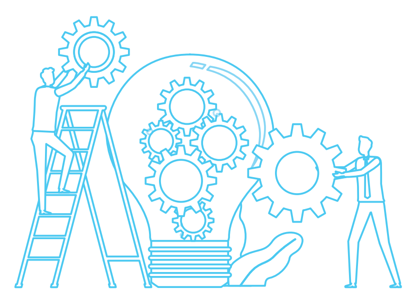
am730 and Phoenix New Media ListCo Excellence Award 2023

HKEJ Listed Company Award of Excellence 2023 (Main Board)

HKIRA 9th Investor Relations Awards
- Certificate of Excellence

IFAPC and Metro Finance Outstanding Listed Companies Award 2023





INNOVATION

CIWEM HK 2023 Innovation Awards
- Merit
  - AlgoWater

IMechE Hong Kong Branch Mechanical Innovation and Implementation Award 2023
- Appreciation Certificate

ISUI Smart City Technology Innovation Award
- Silver Medal
  - AlgoWater

WISDP 2023 Hong Kong Sustainable Development Innovation and Technology Award
- Certificate - Congratulations of Jury
- Ecological Conservation Innovation and Technology - Outstanding Award
  - AMSFS III x AlgoWater
- Resource Recycling Innovation and Technology - Outstanding Award
  - AMSFS III x AlgoWater

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

HKCSS Caring Company Scheme

- 15 years+ Caring Company
- Caring Company

HKGBC and CIC Hong Kong Green Building Week 2023 4-Colour Biz-Green Outfits Social Challenge

- Most Engaged Award - Merit

HKIHRM HR Excellence Awards 2023/24

- Green Achievement Award - Excellent Award

HKMA Hong Kong Sustainability Award 2023

- Certificate of Excellence (Large Organisation Category)

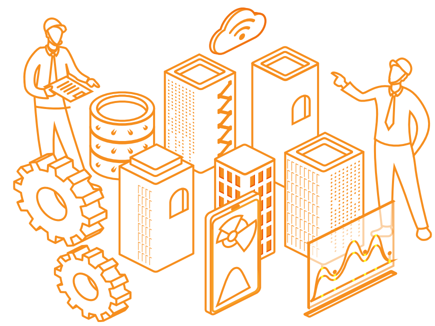
HKQAA Hong Kong Green and Sustainability Contribution Awards 2023

- Gold Seals for Livable City Construction
- Outstanding Award for Excellent Contribution to Livable City Construction (Subcontractor) - Promote Eco-friendly Construction
- Outstanding Award for Excellent Contribution to Livable City Construction (Subcontractor) - Promote MiC Adoption
- Outstanding Award for Excellent Contribution to Livable City Construction (Subcontractor) - Promote Safe Construction

IESGB ESG Achievement Award 2022/2023

- Outstanding ESG Awards (Listed Company) - Platinum
- Criteria set by Funds Manager - Distinguished ESG Company - Merit
- ESG Innovative Project Award - Merit

Awards Gallery



PROJECTS

HKHA Quality Public Housing Construction and Maintenance Awards 2023

- Outstanding Contractor (Maintenance & Improvement Project)
  Wage Monitoring System (WMS) (Building Services Term Maintenance Contract)
- Outstanding Maintenance & Improvement Project (Gold Award)
  - Project: Pok Hong Market Improvement Works

HKIE Building Services Division The Excellent Building Award 2023

- Grand Award - Existing Building
  - Project: Central Market
- Grand Award - New Building
  - Project: Building 17W & 19W Hong Kong Science Park Expansion (SPX1)
  - Project: InnoCell
- Special Award - New Building - Innovation Project Award
  - Project: InnoCell

Labour Affairs Bureau of Macao SAR 2022 Construction Industry Safety Award Scheme

- Best Refurbishment Contractor - Grand Award and Silver Award
  - ATAL Building Services (Macao) Limited
    Project: Galaxy Resort & Casino, Phase 3D VIP West Hotel

NEC Martin Barnes Awards 2023

- Energy Contract of the Year
  - Provision of Integrated Maintenance Services for Balance of Plant, Electrical, Control and Instrumentation in Castle Peak Power Station - 5 Years Term Services Contract (Package C)

HUMAN RESOURCES

HKIHRM HR Excellence Awards 2023/24

- Management Trainee Programme Award - Elite Award
- Learning & Development Award - Merit Award
- Talent Acquisition Award - Merit Award

Vocational Training Council 2022 Outstanding Apprentice Award

- 2022 Outstanding Apprentice Award
  - Cheung Kin Lung

Vision, Mission and Core Values

Our Vision, Mission and Core Values ("VMV") shape our culture and guide us to keep promises to our stakeholders. They drive a commitment to excellence and innovation to achieve our goals.

Vision

To be an innovative, leading and sustainable multi-disciplinary E&M engineering and ICT[i] service Group

Mission

To create shared value and attain full customer satisfaction through engineering excellence and talent development

(i) ICT is defined as Information and Communications Technology

Core Values

- **Trust**
  We build trust and respect between our internal and external stakeholders through fulfilling our commitment to staff and customers.
- **Integrity**
  We uphold integrity, fair play, and business ethics in everything we do.
- **Innovation**
  We encourage innovative ideas to pioneer new approaches to achieve breakthroughs.
- **Customer Focus**
  We respond to the needs of our customers to attain full customer satisfaction and long-term goodwill.
- **Drive for Results**
  We strive for long-term growth by working collaboratively with our stakeholders to create shared value.
- **Safety**
  We put the health and safety of our staff and workers as our priority through providing a safe working environment.
- **Sustainability**
  We conduct our business in an environmentally and socially responsible manner whilst intensifying our support to customers on transitioning to a smart and low-carbon future.

Financial Highlights

	2023 HK$'M	2022 HK$'M
Value of outstanding contracts	**11,459.6**	11,656.3
Revenue	**6,132.9**	6,474.7
Gross profit	**833.3**	1,011.5
Profit attributable to owners of the Company	**251.5**	114.6
Basic earnings per share	**HK$0.18**	HK$0.08

The Board has resolved to pay a second interim dividend of HK1 cent per share for the year ended 31 December 2023.[i]

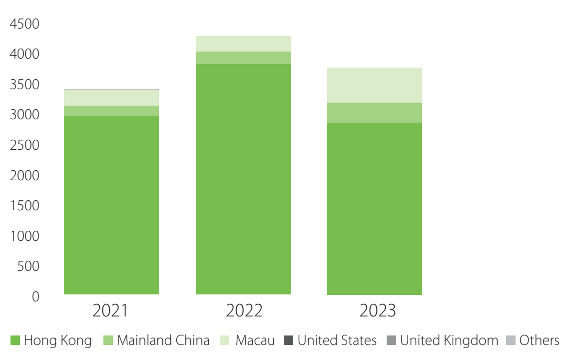
[i] The second interim dividend for the year ended 31 December 2023 of HK1 cent per share, in an aggregate amount of approximately HK$13.9 million, is expected to be paid on or around 29 April 2024. Together with the first interim dividend of HK8.52 cents per share, paid in September 2023, total distribution of dividends made by the Company for the year ended 31 December 2023 will be HK9.52 cents per share, amounting to approximately HK$132.4 million in aggregate, based on the profit attributable to owners of the Company of HK$251.5 million.

REVENUE BY GEOGRAPHICAL LOCATION – BY SEGMENT

Building Services

For the year ended 31 December

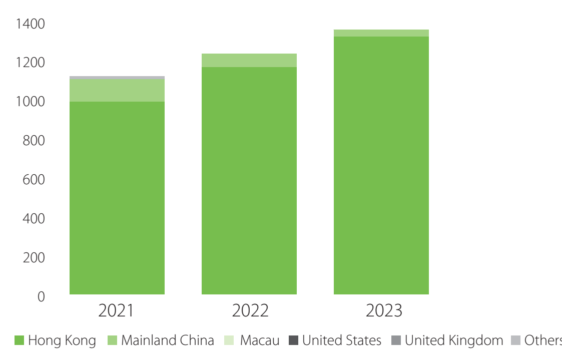
HK$'M



Environmental Engineering

For the year ended 31 December

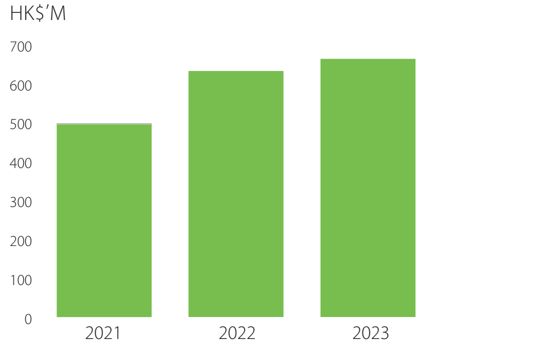
HK$'M



ICBT

For the year ended 31 December

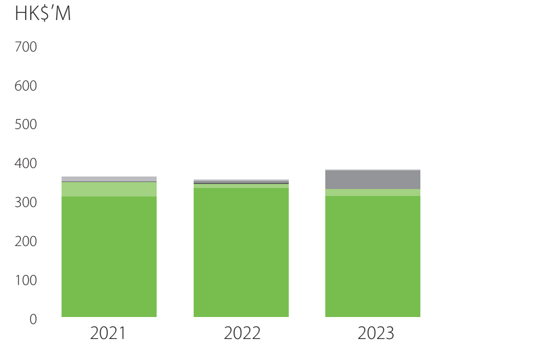
HK$'M



Lifts and Escalators

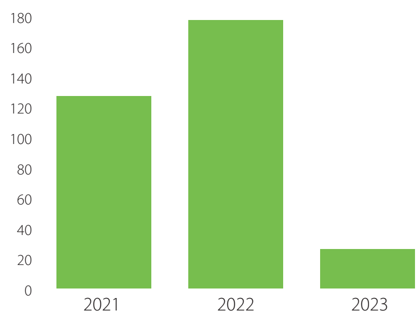
For the year ended 31 December

HK$'M

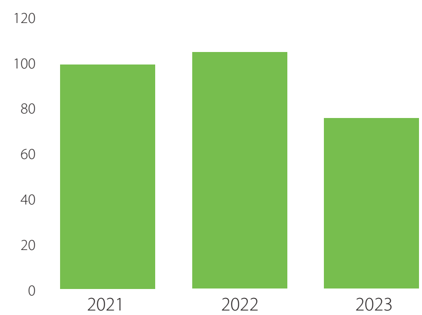


SEGMENT PROFIT

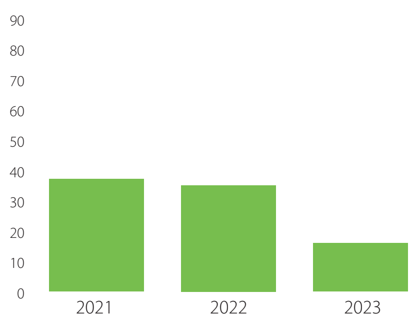
Building Services
For the year ended 31 December
HK$'M



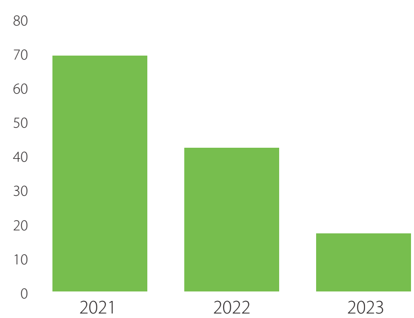
Environmental Engineering
For the year ended 31 December
HK$'M



ICBT
For the year ended 31 December
HK$'M

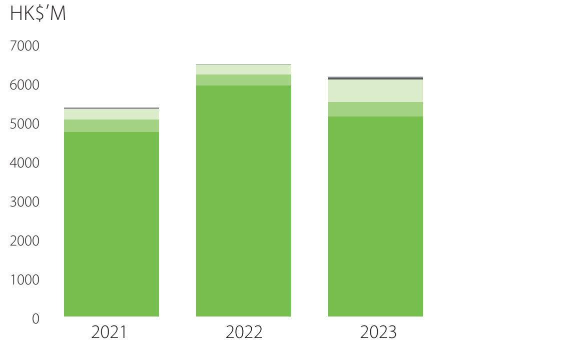


Lifts and Escalators
For the year ended 31 December
HK$'M

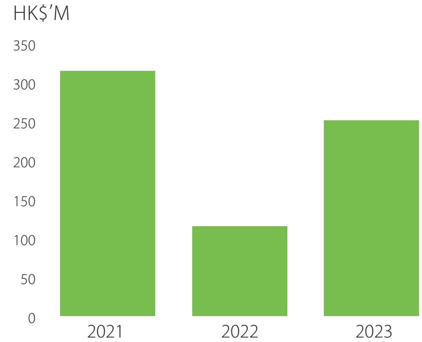


ANALOGUE HOLDINGS – CONSOLIDATED

Revenue by geographical location
For the year ended 31 December
HK$'M



Profit for the year
For the year ended 31 December
HK$'M



Founder's Statement

"Drawing strength from our motto 'We Commit. We Perform. We Deliver.', we will introduce our expertise to more markets to further expand our global footprint. We will closely monitor the macro environment and tackle challenges prudently and resolutely, taking necessary measures to sustain our development."

Creating Harmony Amid Imbalances

Unprecedented Times

In the past year, we have witnessed the complexity of our times, with economic, geopolitical, and environmental concerns. Amidst global challenges, Mainland China has performed relatively well, achieving a higher GDP growth compared with the rest of the world. Hong Kong, supported by the motherland and benefiting from opportunities in the Greater Bay Area, has managed to withstand the challenging global conditions and continues to be a world-class financial and services hub.

As for the Hong Kong construction industry, it has been facing stiff headwinds created in part by three major imbalances that have led to manpower, quality, efficiency and safety issues, among others. Such issues have resulted in delays, disputes and construction costs that are some of the highest among developed economies.

Firstly, there is an imbalance in human resources, the result of a shortage of young people opting to join the construction workforce. Secondly, an imbalance exists between works and manpower, with the volume of public works often exceeding available human resources; and thirdly, imbalance in responsibilities is evident in the form of excess layers of bureaucracy in the workplace. Having already created industry-wide bottlenecks affecting its ecology and governance, these imbalances will have lasting consequences on the construction industry if unattended by the stakeholders.

In our commitment to be the preferred electrical and mechanical ("E&M") engineering and technology service provider, we are addressing these imbalances pragmatically and dynamically, supported by our development strategy comprising the three pillars of "**New Technology**", "**New Market**", and "**New Business Model**".

Presence Near and Far

We are determined to strengthen the Group's presence in existing markets and establish beachheads in new ones. While Hong Kong remains our major market, we plan to diversify our scope of services offered to customers in Mainland China, going beyond lifts and escalators, environmental engineering and building services projects to include Information, Communications and Building Technologies ("ICBT") and data centres, which have been our core strengths.

Having established footholds in the United States ("US") and the United Kingdom ("UK"), followed by our acquisition of two lift companies in the UK in the financial year of 2023, the Group is able to provide comprehensive one-stop lift and escalator services and fortify its position in Europe. In achieving the latter and bolstering our presence in the US, we will seek to offer our Group's full range of E&M engineering and technology services in these markets incrementally to broaden our income streams and expand our footprint.

Passionate about developing new markets to establish a global presence, we plan to explore the Middle East given its tremendous potential. As governments in the region aspire to grow and diversify their energy-based economies, the Middle East welcomes companies that possess innovative engineering solutions as what we are offering to our customers in other parts of the world.

Culture of Innovation

As we strive to expand the breadth and depth of our business, it is imperative for us to continuously innovate. Our talented innovation team will be tasked with fostering and sustaining a corporate culture of innovation.

Testifying to the value of their hard work are the various technological applications that have been developed for environmental engineering, ICBT, lift and escalator products. Such achievements have resulted in greater efficiencies and higher quality of work, consolidating our market leadership position and allowing us to better seize market opportunities.

In our ability to innovate, we will also be able to assist the development of our industry, especially since its future is shadowed by labour, safety and sustainability concerns, among others. Our expertise in Multi-Trade Integrated Mechanical, Electrical, and Plumbing ("MiMEP"), Building Information Modelling ("BIM") and our proprietary ATAL Building Services Prefabrication and Modularisation ("ABSPM") construction technology will support the industry in embracing the challenges and opportunities ahead.

Unwavering Leadership

As we enter 2024, our priority lies in directing greater energy and resources toward creating pathways for the Group's sustainable development. Drawing strength from our motto "**We Commit. We Perform. We Deliver.**", we will introduce our expertise to more markets to further expand our global footprint. We will closely monitor the macro environment and tackle challenges prudently and resolutely, taking necessary measures to sustain our development.

The new financial year will also be a time of change at our Group as we have welcomed Dr. Mak Kin Wah as our new Chairman of the Board. Going forward, I will serve as an Executive Director of the Company, principally involved in exploring new avenues for driving the Group's development.

This is my last report as Chairman of the Board for the year 2023. I would like to take this opportunity to express my sincere gratitude and respect to our staff for their contributions made over the past four decades, which have allowed the Group to scale tremendous heights. I also wish to extend my appreciation to the Group's business partners, associates and customers for their encouragement and unwavering support over these years. I am confident that through the dedication and hard work of the entire Analogue family and support from our many partners, we will achieve even greater success in the years to come.

Dr. POON Lok To, Otto
Founder

Hong Kong, 25 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Overview

For the year ended 31 December 2023 ("FY2023"), the Group achieved a profit attributable to owners of the Company of HK$251.5 million despite the challenges faced globally. Overall, this represents a year-on-year growth of 119.5% compared with the profit attributable to owners of the Company of HK$114.6 million recorded for the year ended 31 December 2022 ("FY2022"). The Group's profitability is underpinned by our wide portfolio, which comprises four business segments spanning construction and operation and maintenance ("O&M") in different regions of the world, based on the business pillars of "New Technology", "New Market", and "New Business Model".

The Group's profit attributable to owners of the Company in FY2023 took into account, among others, (i) the dilution gain of HK$124.1 million, which was first announced on 29 March 2023; and (ii) a provision of HK$122.0 million made relating to certain contracts in the healthcare sector as announced on 9 November 2023. The aforementioned items, one being positive (HK$124.1 million) and the other being negative (HK$122.0 million), had a more or less neutral impact on the Group's FY2023 results. Hence, excluding such items, the adjusted FY2023 profit attributable to owners of the Company would have been HK$249.4 million.

In comparison to FY2022, the profit attributable to owners of the Company was reported as HK$114.6 million. However, excluding the litigation provision of HK$150.0 million recognised in FY2022, the adjusted FY2022 profit attributable to owners of the Company would have been HK$264.6 million.

The Group's contracts-in-hand remained at a high level of HK$11,460 million, providing a solid foundation for the business going forward. The Group has also been proactive in its tendering activities, with a total of 1,079 tenders or quotations each valued over HK$1 million during the reporting period (FY2022: 1,409 tenders or quotations each valued over HK$1 million).

Reaching a milestone in its strategy, Anlev Elevator Group, the Group's global brand for lifts, escalators and moving walkways, completed the acquisition of two lift companies in the United Kingdom. With the Anlev lift and escalator factory in Nanjing, China, the Group's business presence in Hong Kong, a joint venture in the United States (the "US"), and the new acquisitions in the United Kingdom, our lifts and escalators business is well positioned for expansion in the global market.

Human resources are critical to the success of companies in Hong Kong and around the world. Our company has the strength of a long-established training programme offering a wide range of opportunities, including graduate traineeships and apprenticeships. We recognise that in this highly competitive and knowledge-based world, skilled people proficient in design, contracting, services, and management are the cornerstones of the Company's success.

ATAL Tower, our new headquarters designed to enhance synergies between segments and operational efficiency, has achieved a Provisional Platinum rating under the Building Environmental Assessment Method (BEAM) Plus New Buildings (V2.0). This achievement symbolises our commitment to sustainable building practices to reduce environmental impact, and improve the environmental quality and user satisfaction of our buildings by integrating environmental considerations with an appropriate range of best practices and technologies. The integrated headquarters is scheduled to become operational around the second quarter of 2024.

Building Services

As at 31 December 2023, the Building Services segment had contracts-in-hand amounting to HK$5,815 million (31 December 2022: HK$5,438 million). The total value of new contracts awarded in FY2023 reached HK$4,113 million (FY2022: HK$4,803 million).

Delivering on the order book throughout 2023, the Building Services segment generated revenue of HK$3,736 million in 2023 (FY2022: HK$4,257 million).

The recurring revenue was strengthened with new maintenance contracts of HK$600 million secured in 2023 (FY2022: HK$415 million).

The Group has maintained its leadership position in this industry segment, including infrastructure operations, data centres, and housing programmes, with a significant market share and a solid reputation among prestigious customers.

We won a major Mechanical, Electrical and Plumbing ("MEP") package contract of a prime commercial project in Causeway Bay with our innovative commercial building solutions, demonstrating our outstanding expertise in Building Information Modelling ("BIM") and Multi-trade Integrated Mechanical, Electrical and Plumbing ("MiMEP"). Quality, safety, cost and project management are improved through the adoption of ATAL Building Services Prefabrication and Modularisation ("ABSPM") construction technology and digitalisation. Efficiency is improved through prefabrication and modularisation. With our focus on innovation and sustainability, this high-quality project will excel in meeting the demands of the commercial sector in Causeway Bay.

Management Discussion and Analysis

Hong Kong's attractive location for data centres, coupled with our leadership in the sector, positions us well for future growth. Our data centre project team secured and commenced a number of large-scale data centre projects for a major data centre service provider in Hong Kong. The data centre services team also secured one of its largest Management, Operation and Maintenance (MOM) service contracts for the government data centre that our data centre project team successfully completed at the end of 2022. Our infrastructure and healthcare teams also made good contributions to our revenue.

In Macau, we are currently executing a major contract for a sizeable hotel development, leveraging the Group's extensive experience and track record in large-scale projects.

Environmental Engineering

As at 31 December 2023, the Environmental Engineering segment had contracts-in-hand amounting to HK$4,165 million (31 December 2022: HK$4,791 million). The total value of new contracts awarded in FY2023 reached HK$730 million (FY2022: HK$1,048 million), including seven major new contracts or significant variation orders that underscore our expertise in quality water, wastewater, and solid waste infrastructure project management services. These projects, which cover environmental protection, water supply and waste management, support the sustainable development of Hong Kong.

Delivering on the order book throughout 2023, the Environmental Engineering segment achieved revenue of HK$1,356 million in FY2023 (FY2022: HK$1,234 million).

The Group has introduced innovative models for the reinforcement, protection, and operation and maintenance of wastewater treatment plants to extend their lifespan and ensure that they provide optimal service to Hong Kong. Our environmental engineering team also offers Engineering, Procurement, and Construction (EPC) and turnkey solutions to enhance the Group's competitiveness. In addition, the Group has been involved in operation and maintenance projects for electrical and mechanical works to enhance water, sewage, and solid waste management.

The major operation and maintenance project for electrical and mechanical works at the water recycling and solid waste management facility in Shatin commenced in November 2023.

Our first project in Nepal is scheduled for completion in the third quarter of 2024, with testing and commissioning scheduled to begin in 2024. During the reporting period, tendering and quotation activities outside Hong Kong and Mainland China included water and wastewater treatment projects in Batangas and Pasig in the Philippines, and wastewater treatment plants in Sallaghari, Kodku and Dhobighat in Nepal.

Information, Communications and Building Technologies (ICBT)

As at 31 December 2023, the Information, Communications and Building Technologies ("ICBT") segment had contracts-in-hand amounting to HK$843 million (31 December 2022: HK$888 million). The total value of new contracts awarded in FY2023 reached HK$618 million (FY2022: HK$642 million).

Delivering on the order book throughout 2023, the ICBT segment achieved revenue of HK$663 million in FY2023 (FY2022: HK$631 million).

The Group is committed to driving Hong Kong's transformation into a "Smart City" and "Smart Economy". The green and intelligent building solutions offered by the ICBT segment integrate a wide range of information and communications technologies, including AI-enabled Digital Twin, energy management technologies, ESG dashboards, Indoor Environment Quality ("IEQ") Management, robotic solutions, and Smart Lampposts. Our solutions and services cover all industries and market segments in both the public and private sectors, including but not limited to data centres, healthcare, and infrastructure in Hong Kong.

The Group's cutting-edge technologies continue to make waves in Hong Kong's prestigious buildings in prime business districts. Our integrated Building Management System ("BMS"), Internet of Things ("IoT"), Extra Low Voltage ("ELV") and Information and Communications Technology ("ICT") systems have been adopted in a world-class smart office and commercial building currently under construction in Causeway Bay. This is a significant achievement for our Group and showcases our commitment to providing innovative solutions to our customers.

In addition, we secured our second IoT-based smart hostel solution at one of the Hong Kong's universities, solidifying our position as a leading provider of smart solutions in the education sector.

Our BMS and energy optimisation solution was also selected for two prestigious commercial buildings above West Kowloon Station, as well as two commercial buildings and a laboratory focused on innovation and technology in the Lok Ma Chau Loop area.

The focus on service quality remains key to sustaining our business, and we receive letters of appreciation from clients every year for our quality, safety, technical merit, and customer service. Letters received in 2023 included appreciation for our services at the tallest building in Central and the largest shopping mall in Austin Road West, Tsim Sha Tsui. We also received letters of appreciation from one of the largest developers in Hong Kong, which operates shopping centres adjacent to railway stations, for our installation of CCTV with AI Video Analytics technology for 17 shopping malls.

Lifts & Escalators

As at 31 December 2023, Anlev Elevator Group ("Anlev") had contracts-in-hand amounting to HK$637 million (31 December 2022: HK$540 million). The total value of new contracts awarded in FY2023 reached HK$369 million (FY2022: HK$329 million).

Maintenance contracts for both commercial and government buildings were major profit contributors during the reporting period. Delivering on the order book throughout 2023, the Lifts & Escalators segment achieved revenue of HK$378 million in FY2023 (FY2022: HK$353 million).

The Group's renowned Anlev brand serves millions of users in Asia, the Americas and Europe through its lifts, escalators and moving walkways, while its Hong Kong arm is one of the leading lifts and escalators contractors in the region.

Renowned for its safety and service quality, Anlev has received the "Safety Star" and five "Service Quality Stars" for 44 consecutive quarters in the Lift and Escalator Contractors' Performance Ratings launched by the Electrical and Mechanical Services Department of the Hong Kong Government as a certification of the highest level of safety and quality.

Management Discussion and Analysis

Strategic orders secured by Anlev in 2023 included a wide range of mixed-use residential buildings in Canada, public transportation in Mexico, private housing in Singapore, prestigious government offices in Hong Kong, and orders in Mainland China. During the reporting period, the Group's wholly owned subsidiary Anlev (UK) Limited finalised the order for the iconic and prestigious projects in Manchester, Birmingham and London. To expand its global network, Anlev will seek new distributors in the US, Europe, the Middle East and Southeast Asia.

Anlev's alliances outside Hong Kong began in 2019 with the equity acquisition of Transel Elevator & Electric Inc. ("TEI"), one of the largest independent lift and escalator companies in New York. TEI has widened its focus in commercial properties to include residential market, and has expanded its operations to the Southern States of the US, because in this area the property development is showing a greater growth. This was followed by the establishment of Anlev (UK) Limited in 2020 to gain a foothold in Europe. Today, Anlev products are exported from its own manufacturing facilities in Nanjing, China to over 20 countries on six continents, serving millions of users and customers and earning their long-term trust and support. To further its strategy, Anlev has recently completed two acquisitions – JCW Lifts Ltd ("JCW") and Precision Lift Services Limited ("Precision") – both successful lift businesses in the United Kingdom.

Innovation, Resources Management and Other Operations Initiatives

The Group fosters a culture of innovation by providing customers with solutions for a wide range of applications, including AI, robotics solutions, energy optimisation, energy storage, renewable energy, digitalisation and environmental protection solutions that ultimately benefit society. We continuously explore additional innovative solutions, including smart options for the E&M system and a comprehensive crane and hoisting system. This commitment helps us maintain our market-leading position in the industry and contributes to our long-term business growth.

Pioneering advanced construction technologies, we have successfully implemented BIM, Design for Manufacture and Assembly (DfMA), and MiMEP in over 50% of our building services projects. These technologies have significantly improved project management efficiency, quality and safety, and facilitated the industry's digital transformation.

It is our priority to enhance the professionism and professional development of our talents through a range of high-quality education and training opportunities. Our goal is for staff to achieve the industry-recognised qualifications of CIC-Certified BIM Manager/CIC-Certified BIM Coordinator (BIM CCBM/CCBC). Leveraging our strengths in data analytics and programming, we have also developed automated calculation algorithms for MEP disciplines that improve accuracy and speed while eliminating manual calculations. In addition, we actively participate in industry events and continually seek innovative solutions for our projects.

Our in-house developed all-in-one wastewater treatment system ATAL Multi-Stages Flocculation Sedimentation III (AMSFS III), which incorporates BIM, Modular Integrated Construction (MiC) and MiMEP, has received the "Certificate of Merit" in the "Hong Kong Green Innovations Awards". This recognition highlights our commitment to green innovation and our ability to deliver environmentally beneficial solutions.

COVID-19 Impact

After three years, the lifting of all COVID-19 restrictions in the first quarter of 2023 marked a new chapter for Hong Kong. The full reopening of the border between Hong Kong and Mainland China is expected to have a gradual positive impact on the city's economic recovery. The impact of COVID-19 on the US economy and New York City resulted in a decrease in the commercial occupancy rate in New York City by 50%. Nevertheless, TEI's experience in navigating these challenging times has allowed them to slowly turn the corner, which is worth noting. As the commercial occupancy rate in New York City gradually returns to normal and the business environment improves, TEI's business outlook and opportunities are expected to improve.

In parallel, responding to the dynamic market situations, TEI has widened its focus in commercial properties to include residential market, and has expanded its operations to the Southern States of the US, because in this area the property development is showing a greater growth.

FINANCIAL REVIEW

The Group's profit attributable to owners of the Company in FY2023 took into account, among others, (i) the dilution gain of HK$124.1 million, which was first announced on 29 March 2023; and (ii) a provision of HK$122.0 million made relating to certain contracts in the healthcare sector as announced on 9 November 2023. The aforementioned items, one being positive (HK$124.1 million) and the other being negative (HK$122.0 million), had a more or less neutral impact on the Group's FY2023 results. Hence, excluding such items, the adjusted FY2023 profit attributable to owners of the Company would have been HK$249.4 million.

In comparison to FY2022, the profit attributable to owners of the Company was reported as HK$114.6 million. However, excluding the litigation provision of HK$150.0 million recognised in FY2022, the adjusted FY2022 profit attributable to owners of the Company would have been HK$264.6 million.

The Group maintained a strong cash position and sufficient committed banking facilities to finance its growth and development. The Group's bank balances and cash amounted to HK$906.4 million as at 31 December 2023 (31 December 2022: HK$976.0 million). As at 31 December 2023, the Group's bank borrowing balance was HK$320.0 million (31 December 2022: HK$277.9 million), mainly relating to the mortgage loan for the purchase of ATAL Tower (as the Group's office tower after revitalisation and renovation) in December 2021 of HK$263.3 million, a tax loan of HK$45.5 million and a loan of HK$11.0 million for the Group's PRC operation. Within the total bank borrowing, HK$248.8 million (31 December 2022: HK$263.3 million) was non-current liabilities.

Non-Generally Accepted Accounting Principles ("GAAP") Financial Measures

To supplement the Group's consolidated results prepared in accordance with HKFRSs, a certain non-GAAP financial measure, namely profit attributable to owners of the Company before (i) the dilution gain upon private placement of an associate in Mainland China, (ii) the provision on certain healthcare sector contracts and (iii) the provision for litigation liabilities is presented. The Company's management believes that the non-GAAP financial measure provides investors with a more meaningful view of the Group's financial results. However, there are limitations to the use of this non-GAAP financial measure as an analytical tool. Non-GAAP financial measure should be viewed as supplement to, and not a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRSs.

Management Discussion and Analysis

Revenue

For FY2023, the Group reported a total revenue of HK$6,132.9 million, representing a decrease of HK$341.8 million or 5.3% compared with FY2022. The decrease in revenue in the Building Services segment was HK$521.4 million, which was partly offset by the increase in revenue in the Environmental Engineering segment of HK$122.2 million.

	For the year ended 31 December			
	2023 HK$'M	**% of total Revenue**	2022 HK$'M	% of total Revenue
Contracting work	**4,926.9**	**80.3%**	5,394.5	83.3%
Maintenance work	**1,069.8**	**17.5%**	947.3	14.6%
Sales of goods	**136.2**	**2.2%**	132.9	2.1%
Total	**6,132.9**	**100.0%**	6,474.7	100.0%

Gross Profit

The Group's gross profit was HK$833.3 million (FY2022: HK$1,011.5 million). Compared with FY2022, the gross profit decreased by HK$178.2 million, and such decrease was mainly due to the decrease in profit for the Building Service segment by HK$181.4 million, which is partly attributed to provision on certain healthcare sector contracts and lower revenue.

Other Income

The Group's other income in FY2023 was HK$25.1 million (FY2022: HK$30.7 million), mainly comprising bank interest income and government subsidies. The decrease was mainly attributable to the fact that there was no more rental income from ATAL Tower in FY2023 as the leases expired in December 2022 and the building was in the process of revitalisation. Excluding the rental income of ATAL Tower of HK$6.7 million in FY2022, there was a slight increase by HK$1.1 million in other income in FY2023.

Other Gains and Losses

The Group recorded a net gain of HK$128.4 million in FY2023 (FY2022: net loss of HK$33.3 million), the increase was mainly attributable to the dilution gain of HK$124.1 million upon the completion of a private placement by an associate of the Company in Mainland China.

Administrative Expenses

The Group recorded administrative expenses of HK$682.6 million in FY2023 (FY2022 HK$677.0 million), which was close to FY2022. Excluding impact of the lower share-based payment of HK$41.7 million in FY2023 (HK$12.8 million) compared to FY2022 (HK$54.5 million), the year-on-year increase in total administrative expenses was HK$47.3 million or 7.6%, which mainly represent annual salary increment, more business trips as well as professional fees for business development opportunities.

Share of Results of Associates

The share of results of associates attributable to the Group decreased by HK$22.7 million compared with FY2022. The decrease was mainly due to the share of loss of HK$3.2 million (FY2022: share of profit of HK$8.9 million) in a US associate and HK$8 million (FY2022: Nil) provision made for the loan to a Hong Kong associate.

Liquidity and Financial Resources

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

As at 31 December 2023, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK$906.4 million (31 December 2022: HK$976.0 million), of which 68.4%, 29.0%, 1.3%, and 1.3% (31 December 2022: 74.6%, 24.1%, 0.9%, and 0.4%) were denominated in Hong Kong dollars or Macau Pataca, Renminbi, US dollars, and other currencies, respectively.

As at 31 December 2023, the Group had bank borrowings of HK$320.0 million (31 December 2022: HK$277.9 million), mainly representing mortgage loan of ATAL Tower in an amount of HK$263.3 million, tax loan of HK$45.5 million and loan of RMB10.0 million (equivalent to approximately HK$11.0 million) used for the Group's PRC operation. The repayment of mortgage loan is scheduled to be completed by the end of 2041 and other bank loans will be repaid in 2024. The loans are mainly denominated in Hong Kong dollars and Renminbi, and bearing at floating rate.

In addition, as at 31 December 2023, the Group had banking facilities in the form of bonds, bank overdraft and loans, and trade financing of approximately HK$2,673.4 million (31 December 2022: HK$2,589.4 million), of which approximately HK$949.8 million had been utilised (31 December 2022: HK$898.6 million).

Management Discussion and Analysis

Foreign Exchange Risk

The Group operates primarily in Hong Kong, Macau, Mainland China and the United Kingdom and is not exposed to significant foreign exchange risk. The Group will continue to closely monitor its exposure to currency risk by reviewing fluctuations in foreign exchange rates.

The Group has entered into foreign currency forward contracts for planned foreign currency transactions in the ordinary course of business. There are no foreign currency net investments hedged by currency borrowings or other hedging instruments.

Use of proceeds from the listing of the Company's shares

The total net proceeds raised by the Company pursuant to the listing of the shares in the Company's global offering in 2019 amounted to approximately HK$335.7 million (the "Net Proceeds"). As at 31 December 2023, the Group had utilised HK$275.9 million of the Net Proceeds. As disclosed in the Company's interim report for the six months ended 30 June 2023, the previous expected timeline for fully utilising the Net Proceeds was on or before 31 December 2023. However, the Net Proceeds were not fully utilised in FY2023 and the unutilised Net Proceeds as at 31 December 2023 was approximately HK$59.8 million, all of which were intended to be used for the acquisition of or investment in companies.

The delay in the use of the unutilised Net Proceeds was due to the fact that the management of the Group has decided to take a cautious approach when identifying business acquisitions and investment opportunities due to the macroeconomic and geopolitical uncertainties. In view such uncertainties, multiple factors will need to be taken into consideration before making decisions on acquisitions and investments. In the circumstances, the Group will continue to cautiously but proactively pursue suitable new business ventures and investment opportunities with the intention of fully utilising the Net Proceeds on or before 31 December 2025. The board of directors of the Company (the "Board") is of the view that such delay is non-material and there is no change in the intended use of the unutilised Net Proceeds.

As stated in the Company's announcement dated 27 November 2020, the Board resolved to change the use of the unutilised Net Proceeds as of 31 October 2020.

The following table sets forth the original allocation, the revised allocation as of 31 October 2020, and the actual use as of 31 December 2023:

	Original allocation of Net Proceeds HK$'M	Utilised amount of Net Proceeds up to 31 October 2020 HK$'M	Revised allocation of the unutilised Net Proceeds as at 31 October 2020 HK$'M	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2022 HK$'M	Unutilised amount of Net Proceeds as at 31 December 2022 HK$'M	**Utilised amount of Net Proceeds from 1 January 2023 to 31 December 2023 HK$'M**	**Unutilised amount of Net Proceeds as at 31 December 2023 HK$'M**
Supporting the expansion and development of building services segment	67.1	34.6	42.4	42.4	–	**–**	**–**
Enhancing engineering capabilities in environmental engineering segment							
– Acquisition of, investment in, cooperating or forming joint ventures	59.3	17.1	5.6	5.6	–	**–**	**–**
– Support the expansion and development of environmental engineering segment, including project working capital needs and additional investment in development of advanced environmental process technologies	41.4	0.5	40.9	40.9	–	**–**	**–**
Enhancing engineering capabilities of ICBT segment							
– Setting up dedicated research and development teams	19.3	6.0	13.3	13.3	–	**–**	**–**
– Acquisition of, or investment in, companies which possess innovative technology	47.8	–	–	–	–	**–**	**–**
Expansion and development of lifts and escalators segment							
– Expanding existing manufacturing facilities and construction of a new production plant	54.1	–	–	–	–	**–**	**–**
– Setting up export sales office and sales and service centres in Mainland China	13.0	–	–	–	–	**–**	**–**
– Expanding existing manufacturing facilities	–	–	67.1	46.3	20.8	**20.8**	**–**
Acquisition of, or investment in, companies	–	–	68.0	–	68.0	**8.2**	**59.8**
General working capital	33.7	31.8	8.4	8.4	–	**–**	**–**
Total	335.7	90.0	245.7	156.9	88.8	**29.0**	**59.8**

During the year 2023, we have identified and assessed a number of targets, as a result, we have successfully acquired two companies in the United Kingdom. After the acquisition, JCW and Precision became a majority-controlled subsidiary and a wholly owned subsidiary of the Company, respectively.

Management Discussion and Analysis

Future Plans for Material Investment or Capital Assets

While the Group will continue to target suitable new business ventures and investment opportunities, there are no concrete future plans for material investments or capital assets as at the date of this report.

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

The Group did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures during the reporting period.

Gearing Ratio and Indebtedness

As of 31 December 2023, the gearing ratio of the Group (being gross bank borrowings divided by equity attributable to owners of the Company) increased to 15.1% (31 December 2022: 13.5%).

Charges on Group Assets

The Group had pledged assets as security for general short-term banking facilities, mortgage loan as well as loan facilities for revitalisation and renovation of ATAL Tower, totalling HK$854.0 million as at 31 December 2023 (31 December 2022: HK$699.8 million). Part of the Group's properties and the bank deposits were denominated in Renminbi. The increase mainly represented the revitalisation cost incurred.

Capital Commitments

As at 31 December 2023, the Group has capital commitments of HK$96.5 million contracted but not provided for in the consolidated financial statements for the revitalisation of ATAL Tower of HK$92.0 million and the expansion of the existing lift and escalator manufacturing facilities in Nanjing of HK$4.5 million. Saved as disclosed in Liquidity and Financial Resources, apart from the Group's certain banking facilities, approximate of HK$180 million is designated on the purpose of revitalisation and yet to be utilised as at 31 December 2023 (31 December 2022: HK$200 million).

Contingent Liabilities

As at 31 December 2023, the Group had outstanding performance bonds of approximately HK$586.6 million (31 December 2022: HK$584.9 million), which were given by banks in favour of the Group's customers as security for the proper performance and observance of the Group's contractual obligations to its customers. If the Group fails to provide satisfactory services to these customers, the customers may request the banks to pay them the sum or sums stipulated in the performance bond and the Group will be liable to compensate these banks accordingly. The performance bonds will be released upon completion of the relevant contracted work.

The Group is involved in lawsuits during its normal course of operations. As at 31 December 2023, there were a few legal proceedings related to these lawsuits outstanding against the Group. The Group has made adequate provision for any probable losses based on the current facts and circumstances.

FINANCIAL HIGHLIGHTS

Key Financials

	2023 **HK$'M**	2022 HK$'M
Current assets	**3,721.4**	3,519.8
Current liabilities	**2,730.1**	2,413.5
Bank balances and cash	**906.4**	976.0
Net current assets	**991.3**	1,106.3
Total assets less current liabilities	**2,409.2**	2,398.8
Current ratio *(Note i)*	**1.4 times**	1.5 times
Gearing ratio *(Note ii)*	**15.1%**	13.5%
Return on equity *(Note iii)*	**12.0%**	5.5%

Notes:

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

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

(iii) Return on equity: Profit attributable to the owners of the Company/average of opening and closing balances on equity attributable to owners of the Company as shown in the consolidated statement of financial position x 100%

Human Resources

As at 31 December 2023, the Group had 3,010 employees (2022: 2,701) in Hong Kong, Macau, Mainland China, and the United Kingdom.

The Group invests in training for its employees at various levels to enhance their competence, knowledge, skills as well as integrity, customer centricity and leadership of its workforce. The Group has maintained the Hong Kong Institution of Engineers ("HKIE") Graduate Training Scheme and the Vocational Training Council ("VTC") Apprenticeship Programme since the 1980s and has nurtured over 1,000 young engineers and technicians who have successfully completed their training. Applications for the new disciplines of Control, Automation and Instrumentation (CAI) and Electronics (ENS) under the HKIE Graduate Training Scheme have progressed well. In line with the changing business environment and needs, our Staff Development Programmes have been upgraded, attracting an overwhelming response from the relevant staff.

The Group prioritises the continuous development of its employees to foster a positive and productive work environment that encourages the realisation of individual potential. We value diversity, teamwork, and employee well-being, and recognise that attracting and retaining talent is vital to our long-term success. To support this objective, we offer competitive remuneration, benefits, and career development opportunities. Our remuneration policy incentivises strong and sustained performance, with remuneration for directors and senior executives recommended by the Remuneration Committee and approved by the Board, and aligned with business objectives.

Management Discussion and Analysis

A comprehensive goal-setting and performance appraisal system has been enhanced to drive performance and accountability. In parallel, project management and safety management are continuously reviewed and strengthened as appropriate.

We prioritised employee safety by updating internal procedures and work instructions, focusing on heat stress risk assessment and control measures. Our dedicated "Task Force on Smart Site Safety System" developed a comprehensive system integrating advanced technology for optimal safety and efficiency. Examples include a smart safety harness system with AI and IoT technology for workers at height, and robotic welding for enhanced safety, efficiency, and sustainability. Advanced construction reality capture enables dynamic risk assessment, ensuring safe work practices. Our commitment to employee safety and technological advancements positions us as industry leaders.

Our commitment to craftsmanship and professionalism in work is a fundamental aspect of our company culture. Additionally, we have the ATAL Recreational and Welfare Affairs Club ("ARWA Club") to strengthen a sense of belonging and promote a happy and healthy workplace. The ARWA Club has actively organised a number of sports and welfare activities to promote healthy lifestyles and team bonding. Various sports teams have been formed, such as bowling, badminton, basketball, and football.

The Group maintains high ethical standards in serving its customers and working with partners. Employees must comply with the Group's Code of Conduct, which is regularly reviewed and updated. Regular training programmes are organised to ensure that staff are fully aware of and compliant with business-related statutory requirements, including the Competition Ordinance, Construction Workers Registration Ordinance, Equal Opportunities Ordinance, Personal Data Privacy Ordinance, and the Prevention of Bribery Ordinance, etc.

OUTLOOK

Looking ahead to 2024, the global strategic landscape presents a set of geopolitical concerns that extend beyond geographical boundaries, impacting individuals and businesses worldwide. Despite the challenges posed by a complex environment, the Mainland China's economy continues to make steady progress. Our headquarters in Hong Kong are strategically positioned for greater business opportunities in the Greater Bay Area, while we also diversify our operations with offices in Europe and Americas, as well as distributors around the world. This diversified approach helps us overcome challenges with a positive outlook.

Notwithstanding the geopolitical and economic situation of the world, the Group's positive business outlook for the year ahead is driven by high market demand and growth opportunities in our various market segments, as reflected in our strong tender activity throughout 2023. Our continued success in securing new business opportunities and winning contract tenders provides a good foundation for us to remain competitive in the industry and expand our revenue, customer base and market reach. With healthy liquidity, low debt levels and strong recurring operating cash flows, the Group has the financial flexibility to take on new projects and invest in the long-term future of the business.

The construction industry in Hong Kong is expected to see an increase in works, particularly in the public sector, with annual construction output projected to reach approximately HK$300 billion every year over the next ten years. The government's plans to increase annual capital works expenditure to over HK$100 billion, particularly in housing and infrastructure, present significant opportunities for us. We also see potential in advanced food waste treatment technology and aim to contribute to sustainable urban development.

The government's commitment to implementing digital initiatives and increasing the use of open data presents opportunities for us. We are at the forefront of cutting-edge technologies such as Digital Twin, AI, robotic solutions, IoT, big data, and data analytics.

Our focus on innovation and sustainability allows us to deliver significant benefits to our customers and the community. Through partnerships and our strategic pillars of "New Technology", "New Market" and "New Business Model", we are expanding our operation and maintenance capacity, setting new standards of excellence, and continuously improving our services across various business segments. Our investments in new technologies, construction methods, and robotic solutions improve productivity, safety, and quality.

In preparation for the future and further business growth and development, operating units have been re-organised, and new appointments and procedures have been put in place to strengthen governance and business development in promoting new technologies and new market segments.

Going forward, the Group will continue to explore potential synergistic business opportunities and equity partnerships, including expansion into East Asia, Southeast Asia, and the Middle East. We will leverage our recent expansion in the US and European markets in order to maximise growth and market presence.

To further drive growth, we have recently expanded our business operations by engaging in business development activities and in new potential markets. We remain steadfast in our commitment to meeting our customers' expectations by providing quality, timely and cost-effective services. In the coming years, we will continue to work closely with our customers to create shared value for all stakeholders. Our focus on sustainability and innovation will enable us to stay ahead of the curve and provide optimal solutions that benefit both our customers and the wider community.

Our commitment to craftsmanship and professionalism is deeply ingrained in our company culture, inspiring our employees to consistently strive for excellence and uphold the highest standards of integrity and professionalism. By adhering to these principles on our promising and solid contract-in-hand and pipelines, we establish trust, build strong relationships with our stakeholders, and maintain our position as a leader in the market. We are confident that by adhering to these principles and working closely with our stakeholders, we will continue to deliver business growth.

Board of Directors and Senior Management

1

2

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1
Dr. Poon Lok To, Otto
Founder and
Executive Director

2
Dr. Mak Kin Wah
Executive Director and
Chairman

3
Mr. Chan Hoi Ming
Executive Director and
Chief Executive Officer

4

5

6


4
Mr. Cheng Wai Lung
Executive Director

5
Mr. Cheng Wai Keung, Peter
Executive Director and
Chief Financial Officer

6
Ms. Or Siu Ching, Rerina
Non-executive Director

7

8

9


7
Mr. Chan Fu Keung
Independent
Non-executive Director

8
Mr. Lam Kin Fung, Jeffrey
Independent
Non-executive Director

9
Ms. Shing Mo Han, Yvonne
Independent
Non-executive Director

Executive Directors

Dr. Poon Lok To, Otto (潘樂陶博士), aged 83, was appointed as a director of Analogue Holdings Limited (the "Company") (the "Director") on 27 September 1995 and re-designated as an executive Director on 13 April 2018. He has acted as Chairman of the board of Directors since July 2010. Dr. Poon is a director of certain subsidiaries of the Company. He stepped down as the Chairman with effect from 1 March 2024 and continues to serve as the Founder of the Company and its subsidiaries (the "Group") and an executive Director.

As the Group's Founder and a key member of the Board, Dr. Poon will continue to provide invaluable advice and support to the Group after stepping down as Chairman and will continue to contribute to the overall strategic planning and major decision making for the Group with special responsibility for the Lifts & Escalators business of the Group. Prior to 1 March 2024, Dr. Poon was in charge of developing, monitoring and evaluating the Group's business, and is primarily responsible for the leadership, overall strategic planning and major decision making for the Group.

Dr. Poon has approximately 60 years of experience in the engineering business. He founded the Group in 1977. Prior to forming the Group, Dr. Poon worked in United Kingdom from 1964 to 1969 as a Design Engineer at English Electric Ltd.. He returned to Hong Kong and had served as the chief engineer at Electra Instruments, Limited and Integrated Electronics Limited of the Integrated Electronic Group from August 1969 to August 1973, as a director at Eurotherm (Far East) Limited from 1973 to June 1975 and as the senior local staff at John Swire & Sons (H.K.) Limited in 1975.

Dr. Poon obtained an honorary degree of doctor of technology from the Coventry University in the United Kingdom in November 2011. He had passed Part III of the institution examination of the Institution of Electrical Engineers and Part I and II of the institution examination of the Institution of Mechanical Engineers ("IMechE") in 1965 and 1966 respectively.

Dr. Poon is a chartered engineer of the Engineering Council. He is a fellow of the Hong Kong Institution of Engineers ("HKIE"), the Hong Kong Academy of Engineering Sciences and the Institution of Engineering and Technology and the IMechE. Dr. Poon is also a member of the Chartered Institution of Water and Environmental Management and a senior member of the Chinese Mechanical Engineering Society ("CMES"). He was a founding fellow member of the Hong Kong Institute of Qualified Environmental Professionals.

Board of Directors and Senior Management

Dr. Poon participated in public services both to the community and the engineering profession including, among others, Advisory Council on the Environment, Energy Advisory Committee, Council for Sustainable Development, Solicitors Disciplinary Tribunal Panel, Lift and Escalator Safety Advisory Committee, Hong Kong Quality Assurance Agency, Hong Kong Green Building Council, Trustee Board of the IMechE and Council of the CMES. He was the past president of the HKIE, Hong Kong Association of Energy Engineers, Hong Kong Chapter of the Association of Energy Engineers and the Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC"), the immediate past president of the Hong Kong Academy of Engineering Sciences, as well as the past chairman of Hong Kong Branch of the IMechE, Hong Kong Climate Change Forum and the School Advisory Committee of School of Energy and Environment of City University of Hong Kong. He was also an advisor to the Bauhinia Foundation Research Centre and an advisor to the Hong Kong Alliance of Technology and Innovation.

Currently, Dr. Poon is a member of the Election Committee – Engineering Subsector and the life president of HKFEMC. He is the honorary president of Hong Kong Fire Services Officers Association. He also serves as a member of the International Advisory Committee of Research Institute for Sustainable Urban Development of Hong Kong Polytechnic University, a member of the International Advisory Committee of Smart Cities Research Institute of Hong Kong Polytechnic University, a member of the Advisory Committee of Department of Electrical & Electronic Engineering of the University of Hong Kong, a member of the Hong Kong Section of Hong Kong-France Business Council of Hong Kong Trade Development Council, a school manager of the Shun Tak Fraternal Association Cheng Yu Tung Secondary School, a school manager of the Shun Tak Fraternal Association Lee Shau Kee College and a Honorary Advisor of the Institution of Public Private Partnerships. He is also the Business Attraction Ambassador of Jiangning District* (江寧區招商大使).

Since August 2003, Dr. Poon has been a director of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 15.7% by the Company.

Dr. Poon is the sole director of Arling Investment Limited which is the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") of the Company. For further details of the relationship between Arling Investment Limited and Dr. Poon, please refer to the section headed "Substantial shareholders/other person's interests in securities" in the Report of the Directors of this annual report. In addition, Dr. Poon is the brother-in-law of Mr. Cheng Wai Keung, Peter, an executive Director and the chief financial officer of the Company.

* *for identification purpose only*

Dr. Mak Kin Wah (麥建華博士), aged 67, was appointed as a Director and the deputy chairman on 1 September 2017. Dr. Mak was re-designated as non-executive Director on 13 April 2018, acting in an advisory role in respect of overall strategic planning for the Group and serving as a member of each of the audit committee, the nomination committee and the remuneration committee of the Board as well as a director of a subsidiary of the Company.

On 1 March 2024, Dr. Mak was redesignated as an executive Director and was appointed as Chairman of the Board and on the same date, he ceased to be a member of each of the audit committee, the nomination committee and the remuneration committee of the Board. After his appointment as Chairman, he is responsible for developing, monitoring and evaluating the Group's business, and for the leadership, overall strategic planning and major decision making for the Group.

Dr. Mak began his career as an engineer at Clough Engineering Group in Perth, Australia and has over 30 years of experience in business management. During his employment at Maunsell Consultants Asia in Hong Kong and before his departure in September 1980, he was involved in various development projects, including Hong Kong Island Eastern Corridor and mass transit escalators in Ocean Park. Dr. Mak joined The Hong Kong Jockey Club in March 1993 and later became Executive Director of Corporate Affairs until January 2017. Dr. Mak's prior experience included serving as the president of the Caritas Institute of Higher Education ("CIHE") and concurrently the principal of Caritas Bianchi College of Careers from 2017 to 29 February 2024, and leading the transformation of CIHE to become Saint Francis University. Dr. Mak was appointed as a member of the Board of Governors and a member of the Council of Saint Francis University in March 2024. He won the director of the year award of the Hong Kong Institute of Directors in 2009 and the 2013 excellent HR leader award of the Hong Kong Institute of Human Resource Management.

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

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

Board of Directors and Senior Management

Mr. Chan Hoi Ming (陳海明先生), aged 63, was appointed as a Director on 25 November 2015 and redesignated as an executive Director on 13 April 2018. He was appointed as the chief executive officer of the Company with effect from 1 January 2023. Mr. Chan also serves as a director of various subsidiaries of the Company.

With his recent appointment as the chief executive officer, he oversees the operation of the corporate units and all the business units of the Group and is responsible for devising business strategies, driving innovations and fostering partnership with all stakeholders. Mr. Chan also serves as a director of various subsidiaries of the Company. Mr. Chan joined the Group as a project manager in August 1991. He was appointed as a manager of the Environmental Engineering segment of the Group in January 1997, and was mainly responsible for the design, construction and testing and commissioning of the water, wastewater and solid waste treatment plants projects. In January 2001, Mr. Chan was promoted as an associate director of ATAL Engineering Limited, a wholly owned subsidiary of the Company and was primarily responsible for overseeing the electrical and mechanical ("E&M") engineering design, project management and commissioning for wastewater and sewage treatment plant projects awarded to the Group. He was subsequently appointed as a director of various major operating subsidiaries of the Company during the period from February 2005 to July 2010. He was also appointed as the deputy chief executive of the Environmental Engineering segment of the Group in April 2015, and has since been overseeing the Environmental Engineering operations of the Group in Hong Kong, Mainland China and Macau, including the design, supply, construction, installation, testing and commissioning, operation and maintenance of municipal and industrial water, wastewater and solid waste treatment plants and related infrastructure projects.

Since January 2016, Mr. Chan has been acting as the chief executive of the Environmental Engineering segment of the Group and has been actively involved in devising business strategies for the development and expansion of the Environmental Engineering operations of the Group in Hong Kong, Mainland China and Macau, overseeing the project management and project execution for the Environmental Engineering segment, and leading the overall development and implementation of operational methodologies, guidelines and policies for the Group. Currently, Mr. Chan also leads the Environmental Engineering, and Information, Communications and Building Technologies businesses of the Group.

Mr. Chan had previously worked as a project engineer at Chevalier (Envirotech) Limited, a company principally engaged in water and wastewater business in Hong Kong, from July 1986 to February 1988, where he was mainly responsible for tendering, product design, site installation and commissioning for sewage treatment projects. He joined Construction & Production Systems Limited, a construction company in Hong Kong, as a project manager from April 1988 to August 1989, and was in charge of the execution of contracts and commissioning of machinery and equipment. Mr. Chan also worked as a project engineer of the mechanical projects division at The General Electric Company of Hong Kong Limited, a supplier of electrical, mechanical and lighting products in Hong Kong, from September 1989 to January 1990 where his scope of works included tendering, project supervision and site co-ordination.

Mr. Chan graduated from The Hong Kong Polytechnic University with a higher diploma in electrical engineering in November 1984. Mr. Chan was certified by the Engineering Council of the United Kingdom on 29 July 1987 to have satisfied the academic requirements for stage 1 of the professional engineer section of The Engineering Council Register (commonly known as "EC Part II"). He also obtained a postgraduate diploma in environment management from the University of London in December 2001 as an external student.

Mr. Chan is a chartered engineer of The Engineering Council since 1998, a registered professional engineer of the Engineers Registration Board and a class 1 & 2 authorised signatory and qualified person of the Fire Services Department since 2016. Mr. Chan has also been a member of the Institution of Engineering and Technology since 1998, The Chartered Institution of Water and Environmental Management since 1998, a member of the Chartered Institution of Building Service Engineers since 1999, and a fellow of The Hong Kong Institution of Engineers since 2015.

Mr. Chan was a supervisor of Nanjing Canatal Data Centre Environmental Tech Company Limited ("Nanjing Canatal"), a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 15.7% by the Company, from January 2016 to November 2023. Mr. Chan was appointed as a director and the deputy chairman of Nanjing Canatal on 21 December 2023 and 26 December 2023 respectively.

Mr. Cheng Wai Lung (鄭偉能), aged 51, has been appointed as an executive Director of the Company with effect from 1 January 2023. Mr. Cheng is also the managing director leading the Group's businesses relating to the Building Services segment and the Building Information Modelling segment with effect from 1 January 2023. Mr. Cheng also serves as a director of various subsidiaries of the Company. Prior to his appointment as an executive Director, he had been serving as chief executive of the Building Services segment of the Group since November 2018.

Mr. Cheng started his career as a graduate trainee with the Group in 1995 and rejoined the Group in November 2018. In between, he had served in China Overseas Group companies for 16 years, having taken up the roles of deputy general manager in China State Mechanical and Electrical Engineering Limited and general manager of Transcendence Company Limited. With over 28 years of experience in building services industry and a wealth of management and engineering expertise, he is currently responsible for the operation and business development of the building services business of the Group.

Mr. Cheng holds a bachelor degree of Engineering (Hons) in Building Services Engineering, a master degree in Construction and Real Estate from The Hong Kong Polytechnic University and a master of business administration degree from The Open University of Hong Kong.

Board of Directors and Senior Management

Mr. Cheng is a chartered engineer of the Engineering Council in the United Kingdom, a Registered Professional Engineer (Building Services and Energy Disciplines) of the Engineers Registration Board, a Chartered Environmentalist of the Society of the Environment, a BEAM Professional, a RCx Professional, a Registered Energy Assessor, a CIC-Certified BIM Manager and BIM Coordinator, a NEC ECC Project Manager and NEC4: DBO Service Manager, and a Certified ESG Planner. He is also a fellow member of The Hong Kong Institution of Engineers; The Chartered Institution of Building Services Engineers; The Society of Engineer; The Chartered Institute of Plumbing and Heating Engineering; and the Building Services Operation and Maintenance Executives Society. He also possesses the registered professional qualifications of registered public facility engineer (HVAC), registered public facility engineer (water supply and drainage), and Class 1 constructor (limited to engaging in engineering projects corresponding to the business of companies registered in Hong Kong) issued by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of China* (中國前海深港現代服務業合作區管理局) and he is a registered public facility engineer and registered constructor within the registered business scope published by the Urban Planning and Construction Bureau of Guangdong-Macao In-depth Cooperation Zone in Hengqin, China* (中國橫琴粵澳深度合作區城市規劃和建設局). Mr. Cheng was granted as a HKIE – Engineering BIM Professional (Eng BIM Pro) and Engineering BIM Coordinator (Eng BIM Coord) and was appointed as an assessor in such profession in January 2024.

Mr. Cheng was also the chairman of the Building Services Division and was a member of Learned Society Board of The Hong Kong Institution of Engineers (2018-2019). He is currently the Deputy Chairman and appointed member of Building Services Discipline Advisory Panel and appointed member of Professional Assessment Committee of The Hong Kong Institution of Engineers, the Honorary Technical Advisor of The Chartered Institute of Plumbing and Heating Engineering – Hong Kong Branch, a member of the Departmental Advisory Committee of the Department of Building Environment and Energy Engineering of The Hong Kong Polytechnic University, a member of the Electrical and Mechanical Services Training Board of the Vocational Training Council, a member of Industry Liaison Committee for the University of Central Lancashire, UK, BEng (Hons) in Building Services and Sustainable Engineering Top Up Degree Programme of the Hong Kong Institute of Vocational Education, a member of assessment panels of the CIC BIM Certification and Accreditation Schemes, a member of Trade Advisory Panel on Fire Service System under Construction Industry Training Board, a member of the Appeal Tribunal Panel (Buildings) under the Building Ordinance (Chapter 123 of the Laws of Hong Kong), a member of the Municipal Services Appeals Board, a member of the Appeal Board Panel under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), a member of the Examination Committee for Registration as a Grade C Electrical Worker, and a member of the RCx Training Registration Committee. Mr. Cheng was appointed as a member of Programme Industry Advisory Committee (PIAC) of Applied Degree programme on BEng (Hons) in Building Services Engineering of Technological and Higher Education Institute of Hong Kong ("THEi") and external examiner of Professional Diploma Meister in Power Electrical Engineering of THEi in the second half of year 2023. He was appointed by Hong Kong Institute of Construction as a member of Trade Advisory Panel on Refrigeration/Airconditioning/Ventilation under Construction Industry Training Board since January 2024. Mr. Cheng ceased to be a member of the Building Energy Efficiency Appeal Board Panel under the Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong) in the second half of year 2023.

* *for identification purpose only*

Mr. Cheng Wai Keung, Peter (鄭偉強先生), aged 60, was appointed as the chief financial officer (designate) of the Company on 16 September 2019 and took up the role of chief financial officer on 1 January 2020. Mr. Cheng was appointed as an executive Director on 1 March 2024. He is also a director of certain subsidiaries of the Company.

Mr. Cheng has extensive experience working as chief financial officer in overseas markets such as Europe, the Middle East, Africa and Latin America. Prior to joining the Group, Mr. Cheng served as the chief financial officer of Hutchison Ports (Panama) and Hutchison Ports (Tanzania) within Hutchison Ports from 2013 to 2018. From 2011 to 2012, Mr. Cheng served as the finance director of PCCW Cascade Middle East Ltd.. For over 10 years before 2011, Mr. Cheng held various roles as chief financial officer or finance director in the United Kingdom for various companies, namely Virgin Media Business (previously known as ntl: business), Aqiva (previously known as ntl: Broadcast), Multitone Electronics plc, i3 Group, etc.

Mr. Cheng graduated from the University of Liverpool with a bachelor degree in Mechanical Engineering in 1986. Mr. Cheng is also a fellow of the Chartered Institute of Management Accountants in the United Kingdom.

Mr. Cheng is the brother–in–law of Dr. Poon Lok To, Otto, the Founder of the Group, an executive Director and the controlling shareholder (as defined in the Listing Rules) of the Company.

Non-executive Director

Ms. Or Siu Ching, Rerina (柯小菁), aged 54, has been appointed as a non-executive Director with effect from 1 April 2023. Ms. Or was appointed as a member of each of the audit committee, the nomination committee and the remuneration committee of the Board with effect from 1 March 2024.

Ms. Or was a senior vice-president of Schneider Electric SE (collectively with its subsidiaries "Schneider Electric"), a company listed on the Euronext Paris Stock Exchange (Stock Code: SU), between 2019 and 2021. She joined Schneider Electric in 1994 and retired after 27 years of services. She held various senior management positions with Schneider Electric, including the director and president of Schneider Electric (Hong Kong) Limited, a wholly owned subsidiary of Schneider Electric, between 2015 and 2019, a vice president of global purchasing of Schneider Electric between 2012 and 2014, the president of Schneider Electric Taiwan Co., Ltd. between 2008 and 2011 and the director of certain subsidiaries of Schneider Electric.

Ms. Or was appointed as a member of Energy Advisory Committee of Environment Bureau of The Government of Hong Kong Special Administrative Region between 2016 to 2022. She has more than 20 years' management experience in energy management and automation industry.

Ms. Or is currently an independent non-executive director and a member of the audit committee and the remuneration committee of Automated Systems Holdings Limited, a company listed on Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (Stock Code: 771).

Ms. Or holds an Executive Master's Degree in Business Administrative from the Kellogg School of Management at Northwestern University in the United States of America and the Hong Kong University of Science and Technology, and a Master's degree of Science in Management from ESSEC Business School of Management in France.

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. Chan Fu Keung (陳富強先生), aged 75, was appointed as an independent non-executive Director on 1 August 2015. He is also the chairman of the remuneration committee of the Board and a member of each of the nomination committee and the audit committee of the Board.

Since his appointment as an independent non-executive Director on 1 August 2015, Mr. Chan has been providing independent advice to the Group on various areas, particularly on the Group's employee incentive scheme, remuneration policies and organisation structure.

Mr. Chan joined the MTR Corporation Limited (Hong Kong stock code: 66) (the "MTR Corporation") in 1989. He was the human resources director of the MTR Corporation from 1998 to 2012 and a member of its executive directorate from 1996 to 2012. He retired after 23 years of service at the MTR Corporation in July 2012. Prior to joining the MTR Corporation, Mr. Chan held senior management positions in various commercial, utility and public sectors in Hong Kong, including the Hong Kong Government, the Hong Kong Productivity Council, Hutchison Whampoa Limited and Hong Kong Telephone Company Limited. In early 1976, he joined Hutchison Whampoa Limited and became its remuneration manager in May 1981. Mr. Chan subsequently joined Hong Kong Telephone Company Limited in April 1983, where he was involved in a wide spectrum of human resources functions, including development and review on human resources policies, remuneration, employee incentive and benefits schemes.

Mr. Chan was a council member of the Hong Kong Institute of Human Resource Management and has been its fellow member since 1985. He served the Hospital Authority Board from December 2012 to November 2018 and was the chairman of the Hospital Governing Committee of Tuen Mun Hospital from April 2014 to March 2020. He retired from his position as the Trustee of the Hospital Authority Provident Fund Scheme on 1 July 2020.

Mr. Chan is a member of the Grantham Hospital Governing Committee and is a director of CUHK Medical Centre Limited. Currently, he is a member of Human Resources and remuneration committee of the Urban Renewal Authority. He was appointed as a non-executive director of the Urban Renewal Authority Board for 3 years from 1 December 2020 to 30 November 2023 and has been re-appointed for another term of three years from 1 December 2023 to 30 November 2026. Mr. Chan retired as a member of the remuneration committee of the board of the West Kowloon Cultural District Authority on 31 December 2023 after serving the committee for nine years.

Mr. Chan received a bachelor of social sciences degree from The University of Hong Kong in October 1971.

Mr. Chan currently holds the following position in the following company listed on Main Board of the Stock Exchange:

Company Name	Stock code	Period	Role(s)
Stella International Holdings Limited	1836	Since September 2012	Independent non-executive Director
			Chairman of remuneration committee, member of each of the audit committee, the corporate governance committee and the nomination committee

Mr. Lam Kin Fung, Jeffrey (林健鋒先生), aged 72, was appointed as an independent non-executive Director on 1 May 2018. He is also the chairman of the nomination committee of the Board.

Mr. Lam obtained a bachelor degree in mechanical engineering from Tufts University in the United States in June 1974. He has over 30 years of experience in the manufacturing industry and is currently the managing director of Forward Winsome Industries Limited, which is engaged in toy manufacturing.

Mr. Lam is a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong. He also holds a number of other public and community service positions including being a general committee member of the Hong Kong General Chamber of Commerce and a member of the board of directors of Heifer International-Hong Kong. Mr. Lam was a member of the 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC").

Mr. Lam currently holds the following positions in the following companies listed on the Main Board of the Stock Exchange:

Company Name	Stock code	Period	Role(s)
CC Land Holdings Limited	1224	Since June 1998	Independent non-executive director
			Chairman of the audit committee, member of each of the nomination committee and remuneration committee
China Overseas Grand Oceans Group Limited	81	Since May 2010	Independent non-executive director
			Chairman of the remuneration committee, member of each of the audit committee and the nomination committee

Board of Directors and Senior Management

Company Name	Stock code	Period	Role(s)
CSC Holdings Limited	235	Since December 2020	Independent non-executive director
			Member of audit committee
Chow Tai Fook Jewellery Group Limited	1929	Since November 2011	Independent non-executive director
			Chairman of the nomination committee and member of each of the audit committee and the remuneration committee
CWT International Limited	521	Since October 2013	Independent non-executive director
			Member of each of the audit committee, nomination committee and remuneration committee
i-CABLE Communications Limited	1097	Since September 2017	Independent non-executive director
			Chairman of the compensation committee and member of the nomination committee
Wing Tai Properties Limited	369	Since June 2018	Independent non-executive director
Wynn Macau, Limited	1128	Since September 2009	Independent non-executive director
			Chairman of the nomination and corporate governance committee and member of the remuneration committee

Note: Mr. Lam Kin Fung, Jeffrey resigned as an executive director of Hong Kong Aerospace Technology Group Limited (Stock Code: 1725) with effect from 28 November 2023.

Ms. Shing Mo Han, Yvonne (盛慕嫻女士) (alias Mrs. Yvonne Law), aged 68, was appointed as an independent non-executive Director immediately after the conclusion of the annual general meeting of the Company held on 27 June 2023.

Ms. Shing was appointed as a Justice of Peace of the Hong Kong Special Administrative Region of the People's Republic of China (the "HKSAR") in 2013 and awarded the Bronze Bauhinia Star by the HKSAR government in 2017. Ms. Shing was a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Ms. Shing's current appointments include a member of the Hong Kong Deposit Protection Board; a member of the Board of Governors of EXCEL (Extension and Continuing Education for Life) of The Hong Kong Academy for Performing Arts ("HKAPA"); a court member of the Hong Kong Polytechnic University; and an advisor and member of the Finance Committee of Our Hong Kong Foundation.

Ms. Shing was a partner at Deloitte Touche Tohmatsu/Deloitte China for over 26 years until May 2016. She is currently the chairman of Yinn Advisory Services Limited. Her professional qualifications include fellow member of the Hong Kong Institute of Certified Public Accountants, Association of Chartered Certified Accountants and the Hong Kong Chartered Governance Institute (formerly known as Institute of Chartered Secretaries and Administrators). Ms. Shing graduated from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and obtained a Higher Diploma in Accountancy, recognized as an PolyU Outstanding Alumni and was awarded of the Honorary University Fellow of the Hong Kong Polytechnic University since 2016/2017. Ms. Shing has sat on a number of the HKSAR statutory committees, including, a council member of the Hong Kong Polytechnic University; a council member and Treasurer of the HKAPA; and a member of the Hospital Authority.

Ms. Shing's past appointments included being a member of the Citizens Advisory Committee on Community Relations and Corruption Prevention Advisory Committee of the Independent Commission Against Corruption; and a member of the Antiquities Advisory Board and Advisory Committee of Revitalization of Historic Buildings.

In 2006, Ms. Shing was named as one of the China's National Hundred Outstanding Women Entrepreneurs by China Association of Women Entrepreneurs (中國女企業家協會). Ms. Shing has been consecutively named from 2001 to 2015 in International Tax Review as one of the World's Leading Tax Advisors in Hong Kong and Mainland China. She is also a founding member and former president of the Association of Women Accountants (Hong Kong) Limited.

Ms. Shing is currently an independent non-executive director of China Resources Pharmaceutical Group Limited (listed on the Stock Exchange, stock code: 3320), CSSC (Hong Kong) Shipping Company Limited (listed on the Stock Exchange, stock code: 3877), AEON Credit Service (Asia) Company Limited (listed on the Stock Exchange, stock code: 900) and Sirnaomics Ltd. (listed on the Stock Exchange, stock code: 2257) and an independent director of China Merchants Energy Shipping Co., Ltd. (listed on Shanghai Stock Exchange, stock code: 601872).

Board of Directors and Senior Management

Senior Management

Mr. Chan Chi Hung (陳志雄先生), aged 58, has been appointed as the chief executive of the Information, Communications and Building Technologies segment of the Group since April 2020, and is primarily responsible for overseeing the information and communications technology ("ICT") , energy management, intelligent and green building business of the Group.

Mr. Chan has more than 30 years of experience in building technologies specialising in building management system, security system, ICT system, Extra Low Voltage ("ELV") system, energy management, lighting system and air-conditioning system. He has also been responsible for the design, installation, engineering and maintenance of large scale intelligent building systems contracts in Hong Kong and Macau.

Mr. Chan started his career in the control and building automation business in the Group in 1989. He was promoted as a manager of the intelligent building systems division of the Information, Communications and Building Technologies (ICBT) segment of the Group in 1996, and was primarily responsible for overseeing its sales, installation, engineering and maintenance operations of the intelligent building systems division. He was further promoted as a director of the intelligent building systems division of the Group in 2010, and was primarily responsible for overseeing the intelligent systems, ELV, energy saving and green technologies business of the Group. He was then appointed as a director of the Information, Communications and Buildings Technologies segment in March 2017.

Mr. Chan graduated with a master of business administration in general management degree from the Hong Kong Polytechnic University in December 2007. He also obtained a bachelor of science degree in engineering from The University of Hong Kong in December 1989 and a diploma in marketing and international business from The Chinese University of Hong Kong in November 1993.

Mr. Chan is a member of the Hong Kong Institution of Engineers and the American Society of Heating, Refrigerating and Air-conditioning Engineers (ASHRAE). He is currently a registered professional engineer of the Engineers Registration Board. He is also a BEAM (Building Environmental Assessment Method) professional in Hong Kong.

Mr. Chan is currently a council member and was the past president of Hong Kong Air-conditioning and Refrigeration Association Limited (HKACRA) and is also currently a council member of Hong Kong Federation of Electrical & Mechanical Contractors Limited (HKFEMC). Mr. Chan is currently a board member of the Employee's Compensation Insurance Levies Management Board and a member of the Appeal Panel (Housing). He is also the advisor to the board of the Pneumoconiosis Compensation Fund Board (PCFB).

Mr. Cheung Ha Ming (張夏明先生), aged 55, has been a chief executive, Lifts and Escalators (Greater China) of Anlev Elex Elevator Limited, a wholly owned subsidiary of the Company, since April 2021, and oversees the Greater China operations of the Lifts and Escalators segment of the Group.

Mr. Cheung started his career as an assistant engineer in the maintenance department of Goldstar Industrial Systems (HK) Limited during 1993 to 1995. He served Otis Elevator Company (H.K.) Limited from 1995 to 2004 and his last position with this company was senior engineer-field support of the new equipment department. Later in 2004, he joined Kone Elevator (HK) Limited as a technical sales manager, and his last position with this company was senior sales operations manager. He joined ThyssenKrupp Elevator (HK) Limited in 2010 as the head of new installation and modernisation until joining the Group in June 2015 as an associate director of Anlev Elex Elevator Limited. He became a director of Anlev Elex Elevator Limited in June 2016 and was promoted as chief executive, Lifts & Escalators (Greater China) in April 2021.

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

Mr. Cheung is a chartered engineer of the Engineering Council in the United Kingdom, a registered lift engineer, a registered escalator engineer in Hong Kong and a member of each of the Hong Kong Institution of Engineers, the Institution of Mechanical Engineers and The International Association of Elevator Engineers.

Mr. Hong Chi Man (康志民先生), aged 63, has been a director of ATAL Engineering Limited, a wholly owned subsidiary of the Company, since 1 April 2015. He oversees the sewage treatment operations of the Environmental Engineering segment of the Group, and is primarily responsible for the overall management of the projects which involve design, procurement, contract management and administration, program planning and quality assurance system.

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

Board of Directors and Senior Management

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

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

Mr. LAI Kam Hung (黎錦雄先生)*(Note)*, aged 55, joined as chief executive of the Environmental Engineering segment of the Group in July 2020. He is mainly responsible for devising business strategies for the development and expansion of the Environmental Engineering operations of the Group in Hong Kong, Mainland China, Macau and overseas. He is also responsible for overseeing the management and execution of projects in the Environmental Engineering operations of the Group, including the design, procurement, construction, installation, testing and commissioning, operation and maintenance of the municipal and industrial water, wastewater, solid waste, waste-to-energy treatment plants and related infrastructure. Since 2023, he has led a team to apply Artificial Intelligence (AI) and big data to different types of infrastructure projects and has monitored a team to develop new business related to lifting appliance, automatic transportation and storage system.

Since April 2022, Mr. Lai also serves as a director of various subsidiaries of the Company. He currently acts as a director of ATAL Engineering Limited, ATAL Engineering (Macao) Limited, Analogue Technical Agencies (Shanghai) Limited and ATAL Engineering (Shanghai) Limited.

Mr. Lai worked in WSP (Asia) Limited for 30 years before he joined the ATAL Engineering Limited. He had actively participated in large-scale infrastructure projects in Asia, Middle East, Australia, New Zealand, USA, Basil, etc. From 2007 to 2009, he was the Manager of the WSP Chongqing office to overseeing the office operation and develop the consultancy business in mainland China. From 2013 to 2016, he was stationed in Singapore as a project manager in WSP for LTA contract E1006 mechanical and electrical (M&E) consultancy services for proposed Eastern Region Line Stations to oversee the project management and the design of the M&E system for 10 stations and their associated tunnels or elevated structures. Since 2017, he was a director of the infrastructure business segment and was responsible for the contractors' designer during the tender stage and/or post-tender stage for the Tseung Kwan O desalination plant (phase 1), organic waste treatment plant (phase 2) and integrated waste management facilities (phase 1).

Mr. Lai obtained a bachelor of science in engineering degree (mechanical engineering) in 1990 and a master of science in environment management in January 1995 from The University of Hong Kong. He is a fellow member of The Hong Kong Institution of Engineers and The Institution of Mechanical Engineers in United Kingdom, he is a life senior member of The Chinese Mechanical Engineering Society. Mr. Lai is a Registered Professional Engineer (Mechanical Discipline) (under the Engineers Registration Board), a chartered engineer of the Engineering Council in the United Kingdom. He obtained his NEC4: ECC Project Manager Accreditation in 2019.

Mr. Lai is currently the Chairman of Accreditation Committee for Higher Diploma Programmes of the Hong Kong Institution of Engineers, Vice Chairman of the Institution of Public Private Partnerships in Hong Kong. He was also the Chairman of Mechanical, Marine, Naval Architecture and Chemical Division of the Hong Kong Institution of Engineers (2010-2011).

Mr. Liu Wing Hong, Benny (廖永康先生)(*Note*), aged 61, has been appointed as the Chief Operating Officer of the Group since 1 January 2023.

Mr. Liu assists in overseeing business operation, including all matters relating to quality, safety and Environmental, Social and Governance as well as corporate governance of operation across business units to ensure that they are in line with the overall business direction of the Group.

Prior to his appointment as Chief Operating Officer, Mr. Liu had served the Group for 27 years and was a director of ATAL Building Services Engineering Limited before he left our Group in 2019. At that time, Mr. Liu was primarily responsible for overseeing the Mainland China building services business of the Group.

Mr. Liu started his career as a design draftsman, and was later promoted as a designer at Parsons Brinckerhoff (Asia) Limited between 1981 and 1985. From 1986 to 1988, he worked as a senior engineer at Reliance Engineering & Trading Company Limited. He then served as a project manager, and later became a department manager at Yee Hong Kee (Plumbing) Company, Limited between 1988 and 1992.

Mr. Liu first joined our Group in 1992 as an assistant manager in the plumbing and drainage department of Analogue Technical Agencies Limited (now known as ATAL Engineering Limited) and was later promoted as a manager in the plumbing and drainage department in 1994. Mr. Liu became an associate director of ATAL Engineering Limited in 2001 and subsequently held the position of director of ATAL Building Services Engineering Limited from July 2010 to December 2019.

Mr. Liu obtained a bachelor of engineering-electrical degree from West Coast Institute of Management & Technology, Australia in March 2003 through distance learning. He graduated from Morrison Hill Technical Institute, Hong Kong with a certificate in building engineering services (plumbing) in June 1988 and a short course certificate in plumbing services (Hong Kong) in October 1991. He also obtained an attendance certificate in engineered plumbing design from the Hong Kong Polytechnic in September 1990.

Mr. Liu is a grade 1 licensed plumber in Hong Kong. He is also a member of the Chartered Institute of Plumbing and Heating Engineering in the United Kingdom, and a fellow of each of the Society of Operations Engineers and the Institute of Plants Engineers in the United Kingdom.

Note: Mr. Lai Kam Hung and Mr. Liu Hong Wing Benny were determined as senior management of the Company with effect from 1 March 2024.

Corporate Governance Report

The board (the "Board") of Directors (the "Directors") of Analogue Holdings Limited (the "Company" together with its subsidiaries, the "Group")) is pleased to report to the shareholders of the Company (the "Shareholders") on the corporate governance of the Company for the year ended 31 December 2023 (the "Reporting Year").

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance practices and procedures. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") as the basis of the Company's corporate governance practices.

During the Reporting Year, the Company has complied with all applicable code provisions set out in the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the securities dealing code (the "Securities Dealing Code") on terms no less exacting than those set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules (the "Model Code"). In response to specific enquiries made to all the Directors by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code and the Securities Dealing Code adopted by the Company throughout the Reporting Year.

BOARD OF DIRECTORS

The composition of the Board during the Reporting Year was as follows:

Executive Directors:
Dr. Poon Lok To, Otto *(Chairman)*
Mr. Chan Hoi Ming *(Chief Executive Officer) (appointed as Chief Executive Officer with effect from 1 January 2023)*
Mr. Law Wei Tak
Mr. Cheng Wai Lung *(appointed with effect from 1 January 2023)*

Non-executive Directors:
Dr. Mak Kin Wah *(Deputy Chairman)*
Ms. Or Siu Ching, Rerina *(appointed with effect from 1 April 2023)*

Independent Non-executive Directors:
Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Ms. Shing Mo Han, Yvonne *(appointed with effect immediately after the conclusion of the annual general meeting of the Company held on 27 June 2023 ("2023 AGM"))*
Mr. Wong King On, Samuel *(retired upon conclusion of the 2023 AGM)*

Subsequent to the end of the Reporting Year, the following changes to the Board of Directors were effected:

(1) Mr. Law Wei Tak retired as an executive Director of the Company with effect from 1 January 2024;

(2) Dr. Mak Kin Wah was re-designated as an executive Director and appointed as the Chairman of the Board with effect from 1 March 2024;

(3) Dr. Poon Lok To, Otto stepped down as the Chairman of the Board with effect from 1 March 2024 but continues to serve as an executive Director and the founder of the Group; and

(4) Mr. Cheng Wai Keung, Peter was appointed as an executive Director with effect from 1 March 2024.

Mr. Cheng Wai Keung, Peter is the brother-in-law of Dr. Poon Lok To, Otto. Save as disclosed above, there is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Board Meetings

Code provision of the CG Code stipulates that Board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. The Directors may attend meetings in person, by phone or through means of electronic communication facilities in accordance with the Company's Bye-laws. During the Reporting Year, the Company convened four Board meetings. The Board also approved numerous matters by way of resolutions in writing. For all board meetings, the agendas and accompanying board papers were sent to the Directors at least three days before the intended date of the board meetings. In addition to the regular Board meetings, the Chairman of the Board also held meetings with the independent non-executive Directors without the presence of other Directors during the Reporting Year.

Chairman and Chief Executive Officer

During the Reporting Year, the position of Chairman of the Board was held by Dr. Poon Lok To, Otto who provided leadership, overall strategic planning and major decision making for the Group. Subsequent to the end of the Reporting Year, with effect from 1 March 2024, Dr. Mak Kin Wah was appointed as the Chairman of the Board in place of Dr. Poon, and Dr. Poon continues to serve as an executive Director and the founder of the Group.

Mr. Chan Hoi Ming was appointed as the Chief Executive Officer of the Company on 1 January 2023. Mr. Chan is primarily responsible for, among others, advising on the overall strategic planning for the Group. He oversees the operation of all the business units of the Group and is also responsible for devising business strategies, driving innovations and fostering partnership with all stakeholders.

Corporate Governance Report

Non-executive Directors

All non-executive Directors are appointed for a specific term of three years, and are subject to retirement by rotation under the Company's bye-laws.

Each of the independent non-executive Directors has given an annual confirmation of independence to the Company pursuant to rule 3.13 of the Listing Rules. The independent non-executive Director appointed during the Reporting Year had also given confirmation of independence to the Company. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in rule 3.13 of the Listing Rules and are independent in accordance with the terms of the guidelines. The nomination committee of the Board (the "Nomination Committee") is responsible for assessing the independence of the independent non-executive Directors.

During the Reporting Year, the Company has reviewed the implementation and effectiveness of the mechanism to ensure independent views and input are available to the Board. The Board is satisfied with the implementation and effectiveness of the mechanism and methods in place to ensure independent views and inputs are available to the Board after having noted and reviewed that the following measures are already in place and are being put into practice.

- The Board have at all times met the requirements of the Listing Rules, relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise in order to provide independent views to the Board.

- The audit committee of the Board (the "Audit Committee"), the remuneration committee of the Board (the "Remuneration Committee") and the Nomination Committee with composition of a majority of INEDs would meet on a regular basis or on a need to basis to discuss matters and would make recommendations to the Board as appropriate.

- The Nomination Committee has assessed the independency of the independent non-executive Directors as required in the nomination policy adopted by the Board and in accordance with the duties as set out in the Terms of Reference of the Nomination Committee relating to the nomination and appointment of independent non-executive Directors to ensure independent views and input are available to these committees and to the Board.

- The Nomination Committee is mandated to assess annually the independence of all independent non-executive Directors by reference to the independence criteria as set out in the nomination policy and the Listing Rules to ensure that they can continually exercise independent judgement.

- Independent non-executive Directors and other Directors are entitled to seek further information and documentation from the management on matters to be discussed at meetings of the Board and/or any Board committee. They are also entitled to obtain independent professional advice, upon reasonable request, to perform their duties, at the Company's expense.

- Independent non-executive Directors and other Directors have not voted on any Board resolution and their presence have not been counted in the quorum of any Board meeting approving any transactions or arrangements in which such Director or any of his/her close associates has a material interest or when there are actual or potential conflict of interest.

- The Chairman of the Board shall at least annually hold meetings with the independent non-executive Directors without the presence of other Directors.

Appointment and Re-election of Directors

Executive Directors and the non-executive Director appointed prior to the Reporting Year had signed letters of appointment with the Company in 2022 to renew their term of appointment for 3 years upon expiry of their term in 2022. The executive Director and non-executive Director newly appointed in the Reporting Year had each signed a letter of appointment for a term of 3 years. For all the abovementioned renewals of the 3-year term, each of their appointment shall thereafter continue on a month to month basis unless otherwise agreed between the Director and the Company or terminated in accordance with the terms thereof.

Except Mr. Wong King On, Samuel who retired as an independent non-executive Director in June 2023, each independent non-executive Director had signed a letter of appointment with the Company in 2023 to renew his term of appointment for another 3 years upon expiry of his term in 2024. The independent non-executive Director newly appointed in 2023, had also signed a letter of appointment with the Company for a term of 3 years.

All Directors are subject to retirement by rotation and re-election at annual general meeting at least once every 3 years in accordance with the bye-laws of the Company. Any Director appointed by the Board to fill a casual vacancy or as an addition member to the existing Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at such meeting.

Mr. Cheng Wai Keung, Peter, who was appointed as an executive Director with effect from 1 March 2024, has obtained a letter of advice from Deacons, our legal advisers as to Hong Kong law, on 21 February 2024 (a) enclosing therewith a memorandum which gives an overview of the main requirements relating to a listed issuer and/or its directors; and (b) setting out therein the possible consequences of making a false declaration or giving false information to the Stock Exchange for the purpose of complying with Rule 3.09D of the Listing Rules which came into effect on 31 December 2023. He has also obtained details for accessing and viewing a directors training video prepared by Deacons on 21 February 2024. On 23 February 2024, he confirmed to the Company that he understood his obligations as a director of a listed issuer.

Nomination Policy

According to the nomination policy of the Company adopted by the Board, the Board as a whole is responsible for the procedure of agreeing to the appointment of its own members and for nominating them for election by the Shareholders on first appointment and thereafter at regular intervals by rotation. A Nomination Committee has been established to identify individuals suitably qualified to become Directors and make recommendations to the Board on the appointment or re-appointment of Directors and the succession planning of the Directors.

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The Nomination Committee reviews the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and makes recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The appointment of a new Director shall first be considered by the Nomination Committee and then recommended by the Nomination Committee to the Board. When identifying and selecting suitably qualified candidates, the Nomination Committee will give consideration to their skill, knowledge, experience and other criteria as set out in the board diversity policy of the Company, whereby selection of candidates will be based on merit against objective criteria as the Nomination Committee may consider appropriate from time to time.

The proposed candidates will be asked to submit the necessary personal information, together with their written consent to be appointed as a Director, and will be asked to consent to the public disclosure of certain of their personal data on any documents or the relevant websites for the purpose of or in relation to their standing for election or appointment as a Director. The Company may request candidates to provide additional information and documents, if considered necessary for their election or appointment as a Director.

Candidates recommended to the Board for appointment or re-appointment as independent non-executive Directors must comply with the independence requirements set out in rule 3.13 of the Listing Rules. In addition, the Board believes that independence is a matter of judgement; and a major criterion for selecting candidates for appointment or re-appointment as independent non-executive Directors is that the relevant candidates should not engage in any business or any other arrangement which might potentially interfere with the exercise of judgement in their capacity as independent non-executive Directors in respect of any matter of the Company and/or its subsidiaries.

Board Diversity Policy

The Board adopted the board diversity policy of the Company. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The policy aims to set out the approach to achieve diversity relating to the Board. With a view to achieve sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

In designing the composition of the Board, Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and years of working experience. Selection of candidates will be based on a range of diversity perspectives, including but not limited to the abovementioned criteria. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will report annually, in the Corporate Governance Report section of the Company's annual report, on the Board's composition under diversified perspectives, and monitor the implementation of this board diversity policy. The Nomination Committee will review the board diversity policy, as appropriate and from time to time, to ensure the effectiveness of this policy. The Nomination Committee will discuss any revisions to the board diversity policy that may be required, and recommend any such revisions to the Board for consideration and approval.

During the Reporting Year, the Nomination Committee has reviewed the implementation and the effectiveness of the board diversity policy and the policy is considered to have been effectively implemented. The Nomination Committee has reviewed and considered that the Board is characterised by sufficient diversity, in terms of the abovementioned perspectives.

With the Company's latest business strategies and objectives in mind, the Nomination Committee will continue to monitor and assess how greater board diversity can add value to the Company and to the stakeholders. The Nomination Committee will give due consideration to the board diversity policy of the Company when recommending candidates to the Board. All Board appointments will be based on merit, and candidates will be considered against objective criteria with due regard for the benefits of diversity each candidate can bring to the overall Board composition.

The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. Initially, the Nomination Committee recognised that gender diversity at the Board level could be improved given its composition of all-male Directors and a target was set to appoint one female Director by 31 December 2024. The Company was committed to improving gender diversity and took initiatives to identify suitable candidates to meet the target. During the Reporting Year, two new female directors were appointed to the Board. Accordingly, the Company's target as regards Board gender diversity has been achieved well within the expected timeline.

The biography for each of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 27 to 41 of this annual report.

As at 31 December 2023, we maintained a 16.4:83.6 ratio of women to men in the workplace, while the composition of the Group's senior management is currently all-male. Due to the industry and nature of the Group's business, fewer female staff were employed by the Group. The Company recognises that gender diversity at the senior management level can be improved by taking initiative to identify suitable female candidates as senior management to enhance gender diversity. In striving to take active actions to improve gender diversity, similar considerations are used by the Group when recruiting and selecting key management and other personnel across the Group's operations with a view to develop a pipeline of potential successors to the Board to improve gender diversity.

Responsibilities, Accountabilities and Contributions of the Board and Management

While the Board is collectively responsible for directing and supervising the Company's affairs, the Chairman of the Board provides leadership to the Board. The Board directly and indirectly through its Board committees and other committees, leads and provides direction to management by laying down strategies; monitors the Group's overall operational and financial performance; and ensures that sound internal control and risk management systems are in place. All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for providing a balance in the Board for bringing effective independent judgement on corporate actions and operations. The Board reserves for its decision on all major matters including annual and interim period financial reporting of the Group, equity fund raising of the Company, recommendation or approval of dividends, notifiable transaction and/or connected transaction of the Company under Chapter 14 and Chapter 14A of the Listing Rules, disclosure of inside information under Part XIVA of the Securities and Futures Ordinance, recommendation for capital reorganisation, and scheme of arrangement or winding up of the Company. Responsibilities relating to implementing decisions of the Board; directing and coordinating the daily operations and management of the Company are delegated to the executive Directors and the management.

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An executive committee comprising executive Directors from time to time is delegated with the authority to handle certain operational matters, including the opening of bank accounts; provision of guarantee to wholly owned subsidiaries for the due performance of contracts in the ordinary course of business of the subsidiaries; the obtaining of banking facilities and the provision of guarantee to banks for obtaining banking facilities by the wholly owned subsidiaries. The resolutions approved by the executive committee were periodically reported to all Board members for their information. Board committees as set out under the heading of "Board Committees" below have also been delegated specific duties and authority as more particularly set out in the terms of reference of these committees.

The Company established a sustainability committee (the "Sustainability Committee") in 2020, which is led by an executive Director and supported by three sustainability working groups, namely the Decarbonisation and Smart City Working Group, the Sustainable Value Chain Working Group, and the Championing Our People Working Group, and an Environmental, Social and Governance ("ESG") Report Preparation Task Force. As at 31 December 2023, the members of the Sustainability Committee comprise of an executive Director and management staff from various business units and corporate units with adequate knowledge, expertise and experience who can contribute positively to the relevant subject areas. Delegated by the Board, the Sustainability Committee is responsible for advising and making recommendations on formulating sustainability strategy, and integrating sustainability into our strategic plan and daily operations. This Sustainability Committee assesses the materiality of sustainability issues, oversees preparation of the annual ESG Report and reports to the management committee of the Company which in turn reports to the Board. During the Reporting Year, the Sustainability Committee held three meetings.

During the Reporting Year, the Board, through the Sustainability Committee, has reviewed and was satisfied with the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's ESG performance and reporting and considered the same to be adequate.

BOARD COMMITTEES

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

Changes in composition of Board committees

During the Reporting Year and up to the date of this annual report, the following changes in the composition of the Board committees were effected:

(1) Mr. Wong King On, Samuel retired as an independent non-executive Director upon conclusion of the 2023 AGM held on 27 June 2023 and therefore ceased to be the chairman of the Audit Committee, each of a member of the Nomination Committee and the Remuneration Committee. Ms. Shing Mo Han, Yvonne was appointed as an independent non-executive Director immediately after the conclusion of the 2023 AGM and took up the roles of Mr. Wong in the aforesaid Board committees.

(2) Dr. Mak Kin Wah was re-designated as an executive Director on 1 March 2024 and therefore ceased to be a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee. On the same date, Ms. Or Siu Ching, Rerina took up the roles of Dr. Mak in the aforesaid Board committees.

Audit Committee

As at the date of this annual report, the audit committee of the Board (the "Audit Committee") consists of two independent non-executive Directors, namely Ms. Shing Mo Han, Yvonne and Mr. Chan Fu Keung, and one non-executive Director, namely Ms. Or Siu Ching, Rerina. The Audit Committee is chaired by Ms. Shing Mo Yan, Yvonne, who is a qualified accountant with extensive accounting and finance experience.

The principal duties of the Audit Committee include reviewing the Company's financial controls, internal control and risk management systems, reviewing the financial information of the Company, reviewing the relationship with the external auditors and overseeing the Company's corporate governance functions as set out in the CG Code (including, among others, reviewing the Company's policies and practices on corporate governance, reviewing the Company's compliance with the CG Code and disclosure in Corporate Governance Report). The terms of reference of the Audit Committee, which set out in more detail the duties and functions of the Audit Committee, have been posted on the websites of the Stock Exchange and the Company.

A risk management committee is set up to assist the Audit Committee in overseeing the risk management system, ensuring that the risk management culture is fostered and systems are implemented effectively in the daily operations. During the Reporting Year, the risk management committee comprises the Directors, the chief financial officer and other senior member of the management. During the Reporting Year, the risk management committee held two meetings.

The risk management committee (sanctions risks), which reports to the risk management committee, comprises the Chairman of the Board, the chief financial officer of the Company and the legal counsel and is chaired by the Chairman of the Board. The role of the committee can be referred to the section headed "International Sanctions" under the Report of the Directors of this annual report. During the Reporting Year, the risk management committee (sanctions risks) held two meetings.

During the Reporting Year, the Audit Committee held three meetings. The work performed by the Audit Committee in the Reporting Year included:

- reviewed the annual results announcement and the Company's annual report and the ESG Report for the year ended 31 December 2022 and recommended to the Board the approval of these documents;

- recommended to the Board to put forward the re-appointment of Deloitte Touche Tohmatsu as the external auditor of the Company for approval at the annual general meeting of the Company;

- reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 covering all material controls, including financial, operational and compliance controls;

- reviewed the adequacy of resources, qualifications and experience of the staff of the Company's accounting, internal audit and financial reporting functions;

- reviewed the training attended by the Directors and the senior management of the Company for the year ended 31 December 2022;

- reviewed the compliance of CG Code for the year ended 31 December 2022 and reviewed the disclosure on the Corporate Governance Report in the Company's annual report for the year ended 31 December 2022;

Corporate Governance Report

- reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2023;
- reviewed the compliance of CG Code for the six months ended 30 June 2023;
- reviewed the external auditor's fee on reviewing the interim results of the Company for the six months ended 30 June 2023 and the fee charged by the external auditor in relation to the annual audit of the Group for the year ended 31 December 2023;
- discussed with the external auditor the audit plan of the annual audit of the Group for the year ended 31 December 2023; and
- reviewed the amendments to the corporate governance policy and recommended the same to the Board for approval.

Nomination Committee

As at the date of this annual report, the Nomination Committee consists of three independent non-executive Directors, namely Mr. Lam Kin Fung, Jeffrey, Mr. Chan Fu Keung and Ms. Shing Mo Han, Yvonne and one non-executive Director, namely Ms. Or Siu Ching, Rerina. The Nomination Committee is chaired by Mr. Lam Kin Fung, Jeffrey.

The principal duties include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors; and reviewing the board diversity policy and reviewing the measurable objectives that the Board has set for implementing such policy. The terms of reference of the Nomination Committee have been posted on the websites of the Company and the Stock Exchange.

During the Reporting Year, the Nomination Committee held three meetings. The work performed by the Nomination Committee in the Reporting Year included:

- reviewed the structure, size and composition (including skills, knowledge and experience) of the Board;
- assessed the independence of the existing and newly appointed independent non-executive Directors;
- recommended the Board to put forward the retiring Directors, Mr. Chan Hoi Ming, Mr. Lam Kin Fung, Jeffrey, Mr. Cheng Wai Lung and Ms. Or Siu Ching, Rerina, for re-appointment at the annual general meeting held in 2023;
- reviewed the measurable objectives (which have been set out in the board diversity policy) the Board has set for implementing the board diversity policy of the Company and the progress on achieving the objectives;
- identified a suitable individual to be appointed as a non-executive Director and identified a suitable individual to be appointed as an independent non-executive Director and made recommendation to the Board on the appointment of the new Directors and the change of composition of the Chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nomination Committee;

- recommended to the Board to issue an appointment letter and/or an employment letter to appoint each of the new non-executive Director and the new independent non-executive Director;

- recommended to the Board to issue appointment letters to renew the term of the independent non-executive Directors; and

- reviewed the implementation and effectiveness of the board diversity policy of the Company.

Remuneration Committee

As at the date of this annual report, the remuneration committee of the Board (the "Remuneration Committee") consists of two independent non-executive Directors, namely Mr. Chan Fu Keung and Ms. Shing Mo Han, Yvonne and one non-executive Director, namely Ms. Or Siu Ching, Rerina. The Remuneration Committee is chaired by Mr. Chan Fu Keung.

The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and the senior management. One of the duties of the Remuneration Committee is to make recommendations to the Board on the remuneration of non-executive Directors; and to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including, among others, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). The terms of reference of the Remuneration Committee have been posted on the websites of the Company and the Stock Exchange.

During the Reporting Year, the Remuneration Committee held four meetings. The work performed by the Remuneration Committee in the Reporting Year included:

- recommended to the Board to put forward for the shareholders' approval the authorization of the Board to fix the Directors' remuneration at the annual general meeting of the Company held in 2023;

- recommended to the Board the increase of salary of the executive Directors, the non-executive Director and senior management of the Company;

- approved the increase of salary of the full time permanent employees of the Group;

- recommended to the Board the terms of the appointment of the new non-executive Director;

- recommended to the Board the increase of directors' fee of independent non-executive Directors;

- recommended to the Board the special remuneration to an independent non-executive Director for his additional services and responsibilities for acting as the chairman of the risk management committee;

- recommended to the Board the letter of appointment of the new independent non-executive Director;

- recommended to the Board the discretionary incentive bonus for the executive Directors, non-executive Director and the senior management of the Company;

- approved the payment of the discretionary incentive bonus of the full time permanent employees of the Group;

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– recommend to the Board the directors' fee of the independent non-executive directors as set out in the appointment letters for renewal of their term of office; and

– approved/recommended to the Board the revamped discretionary incentive bonus scheme.

Remuneration Policy

The Board adopted the remuneration policy of the Company. The policy is to provide competitive remuneration to attract and retain staff. The Company aims to compete in the market for the best skills available.

Quality and committed staff are valuable assets contributing to the success of the Company. The remunerating objective of the Company is to ensure that there is an appropriate level of remuneration to attract, motivate and retain high calibre staff to support and oversee the Company's business and development. To ensure the ability to attract and retain talents, the Company's remuneration policy is built upon the principles of providing equitable and market-competitive remuneration package.

The Company provides competitive packages including pay, allowances, incentives, benefits and employment conditions in the industry and the regions in which the Company operates. The Company's remuneration policy is performance linked which enables the achievement of the Company's strategic business goals, and to share the success of the Company with staff.

The above remuneration policy is also applicable to Directors. Remuneration of Directors and senior management is recommended by the Remuneration Committee and approved by the Board. Remuneration is subject to periodic review.

Remuneration of Directors and Senior Management

Information on emoluments of the Directors for the year ended 31 December 2023 is set out in Note 12 to the consolidated financial statements. The Company has adopted share award schemes and certain awarded shares of the Company were granted in 2022. The award of shares under these schemes can be referred to Note 46 to the consolidated financial statements.

During the Reporting Year, no Director or any of his associate(s) (as defined in the Listing Rules) was involved in deciding his own remuneration.

The remuneration paid to members of the senior management by band for the year ended 31 December 2023 is set out below:

Remuneration Bands (HK$)	Number of Senior Management
Nil – 1,000,000	1
HK$2,000,001 up to HK$3,000,000	2
HK$3,000,001 up to HK$4,000,000	3
Total*	6

* 2 members of senior management of the Company have resigned during the Reporting Year. As at 31 December 2023, the total number of members of senior management of the Company is 4.

Attendance of meetings of Board and Board Committees

During the Reporting Year, the Company held four Board meetings, three Audit Committee meetings, four Remuneration Committee meetings and three Nomination Committee meetings. The annual general meeting of the Company was held on 27 June 2023.

The attendance records of the Directors during the Reporting Year are as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders
Executive Directors					
Dr. Poon Lok To, Otto *(Chairman) (Note 1)*	4/4	N/A	N/A	N/A	1/1
Mr. Chan Hoi Ming *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	1/1
Mr. Law Wei Tak *(Note 2)*	4/4	N/A	N/A	N/A	1/1
Mr. Cheng Wai Lung	4/4	N/A	N/A	N/A	1/1
Non-executive Directors					
Dr. Mak Kin Wah *(Deputy Chairman) (Note 3)*	4/4	3/3	4/4	3/3	1/1
Ms. Or Siu Ching, Rerina *(Note 4)*	3/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Chan Fu Keung	3/4	2/3	4/4	3/3	1/1
Mr. Lam Kin Fung, Jeffrey	4/4	N/A	N/A	3/3	1/1
Ms. Shing Mo Han, Yvonne *(Note 5)*	2/2	2/2	2/2	1/1	N/A
Mr. Wong King On, Samuel *(Note 6)*	2/2	1/1	2/2	2/2	1/1

Notes:

1. Dr. Poon Lok To, Otto stepped down as the Chairman of the Board and continued to serve as the Founder of the Group and an executive Director with effect from 1 March 2024.

2. Mr. Law Wei Tak retired as an executive Director with effect from 1 January 2024.

3. Dr. Mak Kin Wah was redesignated as an executive Director and was appointed as the Chairman of the Board with effect from 1 March 2024.

4. Ms. Or Siu Ching, Rerina was appointed as a non-executive Director with effect from 1 April 2023.

5. Ms. Shing Mo Han, Yvonne was appointed as an independent non-executive director immediately after the conclusion of the 2023 AGM.

6. Mr. Wong King On, Samuel retired upon the conclusion of the 2023 AGM.

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UPDATE ON DIRECTORS' INFORMATION

The salaries of the following Directors have been changed as follows:

Name of Directors	Amount of new salary per month (HK$)	Effective Date
Dr. Poon Lok To, Otto	160,000	1 March 2024
Dr. Mak Kin Wah	220,000	1 March 2024

Save as disclosed above and in this annual report, there are no other changes in information on the Directors that are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Company arranges and provides continuous professional development training to Directors to ensure that the Directors have sufficient understanding of the Group's businesses and awareness of duties under the Listing Rules and other relevant statutory and regulatory requirements. During the Reporting Year, the Company organised training sessions conducted by an external qualified lawyer and by an ESG consultant for the Directors relating to their duties, responsibilities and obligations under the Listing Rules and other law and regulations. The e-training session launched by the Stock Exchange also gave the Directors an opportunity to receive guidance on the Listing Rules. In addition, relevant reading materials including legal and regulatory updates and training handouts have been provided to the Directors for their reference and reading, to ensure that the Directors understand the updates on the relevant rules, laws and regulations relevant to the Directors in performing their duties.

A summary of the trainings received by the Directors during the Reporting Year based on the training records provided to the Company is set out as follows:

	Reading Material	Seminar(s)/e-training
Executive Directors		
Dr. Poon Lok To, Otto *(Chairman) (Note 1)*	✓	✓
Mr. Chan Hoi Ming *(Chief Executive Officer)*	✓	✓
Mr. Law Wei Tak *(Note 2)*	✓	✓
Mr. Cheng Wai Lung	✓	✓
Non-executive Directors		
Dr. Mak Kin Wah *(Deputy Chairman) (Note 3)*	✓	✓
Ms. Or Siu Ching, Rerina *(Note 4)*	✓	✓
Independent Non-executive Directors		
Mr. Chan Fu Keung	✓	✓
Mr. Lam Kin Fung, Jeffrey	✓	✓
Ms. Shing Mo Han, Yvonne *(Note 5)*	✓	✓

Remarks: Mr. Wong King On, Samuel retired upon the conclusion of the 2023 AGM.

Notes:

1. Dr. Poon Lok To, Otto stepped down as the Chairman of the Board and continued to serve as the Founder of the Group and an executive Director with effect from 1 March 2024.

2. Mr. Law Wei Tak retired as an executive Director with effect from 1 January 2024.

3. Dr. Mak Kin Wah was redesignated as an executive Director and was appointed as the Chairman of the Board with effect from 1 March 2024.

4. Ms. Or Siu Ching, Rerina was appointed as a non-executive Director with effect from 1 April 2023.

5. Ms. Shing Mo Han, Yvonne was appointed as an independent non-executive director immediately after the conclusion of the 2023 AGM.

The Audit Committee reviewed the trainings attended by the Directors and senior management of the Company for the year ended 31 December 2023 and considered the same to be adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The annual and interim results announcements of the Company should be reported in a timely manner, in accordance with the Listing Rules, namely within 3 months and 2 months after the end of the reporting periods respectively.

The Directors' responsibilities should be reviewed together with the Auditor's Responsibilities in the Independent Auditor's Report as set out in pages 72 to 76 in this annual report.

The Annual Report and Accounts

The Directors are responsible for the preparation of the annual report and acknowledge their responsibility for preparing the financial statements of the Company. They are responsible in ensuring that the financial statements represent a true and fair view in accordance with the Listing Rules and Hong Kong Financial Reporting Standards. The statement of the external auditor of the Company regarding the Directors' reporting responsibilities on the financial statements of the Group is set out in the paragraph headed "Responsibilities of directors and those charged with governance for the consolidated financial statements" on page 74 of the "Independent Auditor's Report".

The Accounting Records and Accounting Policy

The Directors are responsible for keeping good accounting records which represent the financial positions of the Company and that the accounting records are prepared under the basis of the relevant accounting policy and in compliance with Hong Kong Financial Reporting Standards.

Going Concern

The Directors have reviewed, queried, and ascertained that the Company has adequate resources to continue its operations for the foreseeable future and hence it is appropriate for the Company to adopt the going concern approach for the preparation of its financial statements.

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AUDITOR'S REMUNERATION

During the Reporting Year, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor is set out below:

	2023 HK$'000	2022 HK$'000
Audit Services	**5,200**	4,858
Non-audit services		
Interim review fee	**2,455**	2,400
Advisory service	**400**	–
Tax services and disbursement	**98**	616
Total	**8,153**	7,874

RISK MANAGEMENT AND INTERNAL CONTROLS

In order to better integrate risk management and internal control with the Group's business strategies and business, the Board has overall responsibility for maintaining sound and effective systems of risk management and internal control with focus and key controls on finance, operations and compliance through risk management assessment. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and aim to provide a reasonable, as opposed to an absolute, assurance against material misstatement or loss.

The Board oversees the Group's risk management process which comprises the identification and assessment of the key risks exposure (including ESG risks) of the Group based on their estimated impact and likelihood of occurrence and the formulation of corresponding mitigating measures by management. The Group's identified risks and associated mitigating measures are recorded and are reviewed at least annually in light of internal and external changes. An open and interactive communication channel is maintained to enable timely reporting and ongoing supervision of the identified risks within the Group. The risk management policy of the Company has been developed with a primary objective of providing a direction to all management personnel in applying a consistent risk management system in which the significant risks concerning business processes and functions of the Group are identified, considered and addressed in approval, review and control processes. It also serves as a continuity of the Group's risk management process and facilitates transition during time of management personnel changes.

The main features of the Group's risk management and internal control systems incorporated a well-established enterprise risk management structure and risk management methodology which includes risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting in respect of operation, financial function and compliance of all the businesses of the Group. At tender and project level under the enterprise risk management structure, our Tender and Project Risk Management System identifies and evaluates a range of risks for current and prospective projects. This System helps in developing appropriate mitigation measures for minimising the potential for unforeseen challenges that could arise before tender submission and during various stages of contract execution. During the Reporting Year, the System was strengthened by increasing several risk dimensions and adjusting the risk class escalation mechanism. In addition, a Chief Operating Officer was appointed to provide separate oversight to the day-to-day operations of all business units and align them with risk management strategies.

The internal audit function of the Group is an independent function that reports directly to the Audit Committee. The internal audit function reviews from time to time the Group's business operations, risk management and internal control systems in accordance with the risk-based internal audit work plans as approved by the Audit Committee. The Board is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems on an ongoing basis and a cyclical review has been conducted on their effectiveness. Furthermore, the Board has ensured that adequate resources have been spent on the Company's accounting, internal audit and compliance functions as well as those relating to the Group's ESG performance and reporting which are run by professional staff with appropriate qualifications, experience and training. During the Reporting Year, no significant irregularity or deficiency in risk management and internal control systems was required to be drawn to the attention of the Audit Committee. During the Reporting Year, the significant risks on ESG have been reviewed by the Sustainability Committee and no significant irregularity or deficiency on the significant ESG risk have been identified. For more details of the works performed by the Sustainability Committee during the Reporting Year, please refer to the "Sustainability Governance" section of the ESG Report, which is a stand-alone report published on the websites of the Company and the Stock Exchange on the same date on which this Annual Report is published.

A whistleblowing policy was adopted by the Board and updated from time to time and is uploaded to the Company's intranet, which allows the Group's employees to raise concerns, in confidence, about any suspected misconduct, malpractice within the Company.

Policy on anti-corruption was also included in the Company's code of conduct, which is uploaded to the Company's intranet, to promote and support anti-corruption laws and regulations.

A Manual on Disclosure on Inside Information is in place and has also been uploaded to the Company's intranet, giving guidance on the management, protection and proper disclosure of inside information. The Directors adhere strictly to the statutory requirement relating to their responsibilities of keeping inside information confidential. If Directors or management consider that inside information of the Company may arise, they can seek advice from external legal advisor. During the Reporting Year, inside Information was disclosed by the Company as soon as reasonably practicable in accordance with the Listing Rules and Part XIVA of the Securities and Futures Ordinance.

Monthly updates had been provided to all members of the Board, for the purpose of providing a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail and to enable the Board as a whole and each Director to discharge their duties.

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2023 covering all material controls, including financial, operational and compliance controls, and was satisfied that such systems are effective and adequate. Such review will be conducted annually for each financial year of the Group. In addition, the Audit Committee has reviewed and was satisfied with the adequacy of resources, staff qualifications, experience and training programme of the Group's accounting, internal audit and financial reporting functions and considered the same to be adequate.

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona was appointed as the secretary of the Company (the "Company Secretary") on 14 September 2018. Ms. Li joined the Group since 11 November 2015 as legal counsel, providing legal support to the Group's various businesses. She is a solicitor in Hong Kong and has over 30 years of legal experience. Ms. Li is an employee of the Group. She confirmed that she has complied with all the qualifications and experience requirements as required by the Listing Rules.

Corporate Governance Report

For the year ended 31 December 2023, Ms. Li has undertaken not less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

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

Putting forward Proposals at General Meetings

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

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

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders' Communication Policy

The Company has adopted shareholders' communication policy, which promotes effective communication with its individual and institutional shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. The Company is committed to maintaining effective and timely dissemination of the Company's information to its shareholders. The Company believes that providing regular communication to its shareholders and the market is important to ensure they have the available information reasonably required to make informed assessments of the Company's strategy, operations and financial performance.

1. Communication Channel

   Shareholders' meetings

   – The annual general meetings and other general meetings of the Company are the primary forum for communication by the Company with its shareholders and for shareholders' participation.

   – The Company encourages shareholders participation in shareholders' meetings. Shareholders are encouraged to participate physically or to appoint proxies to attend and vote at shareholders' meetings for and on their behalf if they are unable to attend such meetings.

   – Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual general meetings to answer questions from the shareholders.

   Company's website

   – The Company's website (www.atal.com) provides information on the Company, including corporate communication, e.g. annual report, interim report, announcement, notice of meeting, circular and proxy form.

   Shareholders' enquiries

   – Shareholders should direct their questions about their shareholdings to Tricor Investor Services Limited for share registration and related matters.

   – Shareholders and the public may at any time make a request for the Company's information to the extent such information is publicly available and provide comments and suggestions to the Directors. Shareholders may direct their queries, requests and comments to the Company's principal place of business in Hong Kong for the attention of the Company Secretary.

2. Investment market communication

   – To facilitate communication between the Company, Shareholders and the investment community, results briefings and meetings with analysts may be arranged from time to time.

The shareholders' communication policy is subject to regular review by the Board and will be amended (as appropriate) from time to time.

Corporate Governance Report

In accordance with the shareholders' communication policy and the relevant rules and regulations:–

- The Company has published annual reports, interim reports, circulars and announcements in a timely manner on websites of the Stock Exchange and the Company and the Shareholders can subscribe for email alerts on these corporate communication documents using the above websites;

- The Company has published terms of reference of the Audit Committee, the Nomination Committee and the Remuneration Committee, press release and newsletters on the Company's website;

- Apart from the Company's website, the Company's business and updates can also be accessed using social media platforms, like LinkedIn and Wechat;

- The Directors and senior management have presented the annual and interim results through webcasts, the Company's website, and face-to-face meetings in order to better communicate with Shareholders, investors and analysts;

- Shareholders are given opportunities to meet the Directors, the Chief Executive Officer and the chief financial officer at the Company's annual general meeting each year and they can raise questions and share their views with the Directors of the Company, and the Chairman of the Board, members of the Board committees and the external auditor of the Company, who will attend the annual general meetings to answer questions and meet with the Shareholders;

- Shareholders may put forward proposals for consideration at general meetings. Please refer to the section headed "Shareholders Rights" of this report.

- All Shareholders are welcome at all times to give feedback to and communicate with the Directors or management through the Company Secretary by post to the Company's principal place of business in Hong Kong;

- All Shareholders may direct their questions about their shareholdings to Tricor Investor Services Limited, the Company's branch share registrar in Hong Kong, for share registration and related matters; and

- All Shareholders are entitled to receive dividends according to the Company's Dividend Policy.

During the Reporting Year, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy. With the above measures in place, the Board is satisfied with the implementation and effectiveness of the shareholders' communication policy.

DIVIDEND POLICY

The dividend policy of the Company can be referred to section headed "Report of the Directors" on page 62.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the websites of the Stock Exchange and that of the Company an up-to-date consolidated version of the memorandum of association and the bye-laws of the Company. During the Reporting Year, the Shareholders have approved the amendments of bye-laws at the annual general meeting held on 27 June 2023. The bye-laws were amended to, amongst others, (i) reflect certain amendments in the Listing Rules and the applicable laws of Hong Kong and Bermuda; (ii) allow general meetings to be held as electronic meetings or hybrid meetings where Shareholders may attend by means of electronic facilities in addition to physical meetings where Shareholders attend in person; (iii) set out the powers of the Board and the chairman of the general meetings relating to the arrangements for attendance as well as security and orderly conduct of such meetings, and other related powers, and (iv) make other minor consequential and tidying-up amendments for house-keeping purposes.

Report of the Directors

The directors of the Company (the "Directors") have pleasure to submit their report together with the audited consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2023 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 45 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Schedule 5") comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Founder's Statement" on pages 10 and 11 and "Management Discussion and Analysis" on pages 12 to 25. The description of the principal risks and uncertainties facing the Group; and how the COVID-19 pandemic has affected the business prospects of the Group, can be found in the sections headed "Management Discussion and Analysis" on pages 12 to 25, and Notes 36 and 37 to the consolidated financial statements as set out in pages 148 to 159 and the Environmental, Social and Governance Report. For the development, performance or position of the Group as required under Schedule 5; and an analysis of the performance of the business of the Group using financial key performance indicators, please refer to the sections headed "Management Discussion and Analysis" and "Financial Highlights" on pages 8 and 9. The discussion on the Company's environmental policies and performance; an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends; and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Environmental, Social and Governance Report.

A stand-alone Environmental, Social and Governance Report is published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the same date when this Annual Report is published.

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2023 are set out in the consolidated financial statements on pages 77 to 185.

The board of Directors (the "Board") has resolved to pay a second interim dividend of HK1 cent per share of the Company (the "Share") for the Year. (the "Second Interim Dividend") to the shareholders of the Company (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, 18 April 2024. The Second Interim Dividend is expected to be paid to the Shareholders on or around Monday, 29 April 2024.

Report of the Directors

Any declaration and payment of dividends by the Company shall be made in accordance with the constitutional documents of the Company and the relevant laws and regulations, including the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time (the "Bermuda Companies Act"). Pursuant to Section 54 of the Bermuda Companies Act, the Company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities. Any declaration and payment of dividends by the Company, including the amount of any dividends to be declared, is subject to the discretion of the Board and, where required under the constitutional documents of the Company and the Bermuda Companies Act, the approval of the Shareholders. The Directors may recommend a declaration and payment of dividends after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. The Directors shall consider to, subject to the constitutional documents of the Company, the applicable laws and regulations and the approval by the Shareholders, if required, and taking into account the financial conditions of the Group and the other factors set out above, distribute to the Shareholders no less than 50% of the profits available for distribution of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Second Interim Dividend, the Register of Members will be closed from Wednesday, 17 April 2024 to Thursday, 18 April 2024, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Monday, 15 April 2024. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 16 April 2024.

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company, which will be held on Tuesday, 25 June 2024, the Register of Members will be closed from Wednesday, 19 June 2024 to Tuesday, 25 June 2024, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting of the Company, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the aforesaid branch share registrar and transfer office of the Company in Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 18 June 2024.

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 48 to the consolidated financial statements respectively.

DISTRIBUTABLE RESERVES

At 31 December 2023, the Company's reserves available for distribution amounted to approximately HK$140.1 million (31 December 2022: HK$148.7 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$459,000 (2022: HK$705,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in Note 16 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the Year are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company, including issuance of Shares, during the Year are set out in Note 33 to the consolidated financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 186 and 187.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 50.3% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 19.4%. During the year, the aggregate amount of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's total purchases.

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

MANAGEMENT CONTRACTS

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

Report of the Directors

DIRECTORS

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

Executive Directors

Dr. Poon Lok To, Otto *(Founder)*	*(stepped down as the Chairman of the Board and continued to serve as the Founder of the Group and an executive Director with effect from 1 March 2024)*
Dr. Mak Kin Wah *(Chairman)*	*(redesignated from non-executive Director to executive Director and was appointed as the Chairman of the Board with effect from 1 March 2024)*
Mr. Chan Hoi Ming *(Chief Executive Officer)*	*(appointed as Chief Executive Officer with effect from 1 January 2023)*
Mr. Cheng Wai Lung	*(appointed with effect from 1 January 2023)*
Mr. Cheng Wai Keung, Peter *(Chief Financial Officer)*	*(appointed with effect from 1 March 2024)*

Non-executive Director

Ms. Or Siu Ching, Rerina	*(appointed with effect from 1 April 2023)*

Independent Non-executive Directors

Mr. Chan Fu Keung	
Mr. Lam Kin Fung, Jeffrey	
Ms. Shing Mo Han, Yvonne	*(appointed with effect immediately after the conclusion of the annual general meeting of the Company held on 27 June 2023)*

During the Year and up to the date of this report, the following directors retired as directors of the Company:

(a) Mr Wong King On, Samuel retired as an independent non-executive Director upon conclusion of annual general meeting of the Company held on 27 June 2023; and

(b) Mr. Law Wei Tak retired as an executive Director with effect from 1 January 2024.

In accordance with bye-law 99 of the Company's bye-laws (the "Bye-laws"), Dr. Poon Lok To, Otto, Dr. Mak Kin Wah and Mr. Chan Fu Keung will retire as Directors by rotation at the forthcoming annual general meeting. Dr. Poon Lok To, Otto, Dr. Mak Kin Wah and Mr. Chan Fu Keung, being eligible, offer themselves for re-election as Directors at such meeting.

In accordance with bye-law 102(B) of the Bye-laws, Mr. Cheng Wai Keung, Peter and Ms. Shing Mo Han, Yvonne who were appointed as Directors by the Board after the last annual general meeting of the Company, will hold office until the forthcoming annual general meeting and, being eligible, be subject to re-election as Directors at such meeting.

The Company has received an annual confirmation from each of the independent non-executive Directors of his/her independence pursuant to rule 3.13 of the Listing Rules. The Company considered all the independent non-executive Directors to be independent.

The Directors' biographical details are set out under the section headed "Board of Directors and Senior Management" on pages 27 to 41.

DIRECTORS' SERVICE CONTRACTS

No Director has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" on pages 69 and 70 and the related party transactions as set out in Note 43 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" on pages 69 and 70 and the related party transactions as set out in Note 43 to the consolidated financial statements, as far as the Directors are aware, at no time during the Year had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significance or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors have an interest in any business which competes or is likely to compete either directly or indirectly, with the business of the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share award schemes of the Company (the "Share Award Schemes") and share option scheme of the Company (the "Share Option Scheme"), at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Details of the grant of share awards to the Directors are set out in Note 46 to the consolidated financial statements. Details of the Share Award Schemes and the Share Option Scheme are set out in Note 46 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, and subject to the applicable laws and regulations, every Director for the time being acting in relation to any affairs of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of his duty or supposed duty in his office, except such (if any) as he shall incur or sustain through his own wilful neglect or default, fraud and dishonesty respectively. Such provision has been in force during the Year and continues to remain in force as at the date of this report. Further details of this provision is set out in bye-law 178 of the Bye-laws which are uploaded on the respective websites of the Company and the Stock Exchange. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

Report of the Directors

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2023, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix C3 to the Listing Rules were as follows:

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

Name of Director	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 5)*
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	888,650,000	–	63.48%
Dr. Poon Lok To, Otto	Beneficial owner	3,672,000	–	0.26%
Mr. Law Wei Tak *(Note 6)*	Beneficial owner	52,504,500	–	3.75%
Mr. Chan Hoi Ming	Beneficial owner	4,200,000 *(Note 3)*	–	0.30%
Mr. Chan Hoi Ming	Beneficial owner	–	5,600,000 *(Note 3)*	0.40%
Mr. Cheng Wai Lung	Beneficial owner	244,500 *(Note 4)*	–	0.02%
Mr. Cheng Wai Lung	Beneficial owner	–	320,000 *(Note 4)*	0.02%

Notes:

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

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

3. Mr. Chan Hoi Ming was awarded with 14,000,000 Shares on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 14,000,000 awarded Shares, (i) 4,200,000 Shares were vested on 30 June 2022; (ii) 4,200,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled. Assuming all the vesting criteria and conditions have been fulfilled, the remaining 5,600,000 Shares will be vested on 30 June 2024.

4. Mr. Cheng Wai Lung was awarded with 800,000 Shares on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 800,000 awarded Shares, (i) 240,000 Shares were vested on 30 June 2022; (ii) 240,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled. Assuming all the vesting criteria and conditions have been fulfilled, the remaining 320,000 Shares will be vested on 30 June 2024.

5. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2023.

6. Mr. Law Wei Tak retired as an executive Director with effect from 1 January 2024.

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

Name of Director	Capacity/ Nature of Interest	Name of associated corporations *(Note 2)*	Number of Shares held *(Note 1)*	Percentage of shareholding
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Arling Investment Limited	2	100.00%
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Wise Eagle Holdings Limited	8,463	84.63%
Mr. Law Wei Tak *(Note 3)*	Beneficial owner	Wise Eagle Holdings Limited	500	5.00%
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	Perfect Motive Limited	1	100.00%

Notes:

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

2. As at 31 December 2023, Arling Investment Limited owned approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited also owned 8,463 shares of Wise Eagle Holdings Limited, representing 84.63% of the total issued share capital of Wise Eagle Holdings Limited, which in turn owned 1 share of Perfect Motive Limited, representing 100% of the issued share capital of Perfect Motive Limited. Accordingly, Arling Investment Limited, being the holding company of the Company; and Wise Eagle Holdings Limited and Perfect Motive Limited, being subsidiaries of Arling Investment Limited, are therefore associated corporations of the Company within the meaning of Part XV of the SFO. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, Dr. Poon Lok To, Otto is deemed to be interested in (i) the shares of Arling Investment Limited; and (ii) the shares of Wise Eagle Holdings Limited and Perfect Motive Limited (in which Arling Investment Limited is deemed to be interested, under Part XV of the SFO).

3. Mr. Law Wei Tak retired as an executive Director with effect from 1 January 2024.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated associations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of the Directors

SUBSTANTIAL SHAREHOLDERS/OTHER PERSON'S INTERESTS IN SECURITIES

As at 31 December 2023, the following persons (other than the Directors) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

(i) Substantial Shareholders' (as defined in the Listing Rules) interests in securities

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 3)*
HSBC International Trustee Limited	Trustee of a discretionary trust *(Note 2)*	888,650,000	63.48%
Ardik Investment Limited	Interest of controlled corporation *(Note 2)*	888,650,000	63.48%
Arling Investment Limited	Beneficial owner	888,650,000	63.48%
Ms. Cheng Teresa Yeuk Wah ("Ms. Cheng")	Interest of Spouse *(Note 2)*	892,322,000	63.74%

Notes:

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

2. Arling Investment Limited directly held 888,650,000 Shares, representing approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, each of Ardik Investment Limited, HSBC International Trustee Limited and Dr. Poon Lok To, Otto is deemed to be interested in the 888,650,000 Shares held by Arling Investment Limited under Part XV of the SFO. Dr. Poon Lok To, Otto owns 3,672,000 Shares as beneficial owner. As Ms. Cheng is the spouse of Dr. Poon Lok To, Otto, Ms. Cheng is deemed to be interested in the same number of Shares that Dr. Poon Lok To, Otto is interested in under Part XV of the SFO. According to section 316(1)(a) of the SFO, Ms. Cheng is deemed to be interested in any voting shares in a Hong Kong listed company in which her spouse is interested. Accordingly, Ms. Cheng is taken to be interested in 892,322,000 Shares, while Ms. Cheng does not have any legal or beneficial ownership or financial interests in any of the Shares, directly or indirectly. It follows that Ms. Cheng does not have any rights to the Shares, has no rights to dividend, has no rights to vote and has no rights to deal in respect of the Shares.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2023.

(ii) Other person's interests in securities

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 3)*
Mr. Webb David Michael ("Mr. Webb")	Interest of controlled corporation *(Note 2)*	112,084,000	8.00%

Notes:

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

2. Mr. Webb is personally interested in 46,300,200 Shares. Preferable Situation Assets Limited (a company 100% controlled by Mr. Webb) is interested in 65,783,800 Shares. Accordingly, Mr. Webb is deemed to be interested in the 65,783,800 Shares owned by Preferable Situation Assets Limited by virtue of Part XV of the SFO.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed in the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

Details of the Share Award Schemes and the Share Option Scheme are set out in Note 46 to the consolidated financial statements. No share option was granted, exercised, cancelled or lapsed/forfeited under the Share Option Scheme during the Year. Details of the share awards granted under the Share Award Schemes are set out in Note 46 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Other than the Share Award Schemes and the Share Option Scheme adopted by the Company as mentioned above, no equity-linked agreements were entered into by the Company during the Year or subsisted at the end of the Year.

CONNECTED TRANSACTIONS

On 5 December 2022, ATAL Management Services Limited ("AMSL"), a wholly owned subsidiary of the Company, entered into a tenancy agreement ("Tenancy Agreement") with Perfect Motive Limited ("Perfect Motive") to lease the 12th Floor and 13th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong as office premises from 1 January 2023 to 31 December 2024, both dates inclusive (the "Term"), at a monthly rent of HK$1,326,000 and the aggregate rent of the Tenancy Agreement for its entire term is HK$31,824,000. AMSL shall be entitled to terminate the Tenancy Agreement earlier by serving not less than 6 months' written notice or by paying 6 months' rent in lieu to Perfect Motive provided that the Tenancy Agreement shall not be terminated earlier than a date which shall be 18 months from the commencement date of the Term. Further details of the Tenancy Agreement have been disclosed in the announcement of the Company dated 5 December 2022.

Report of the Directors

Perfect Motive is a wholly owned subsidiary of Wise Eagle Holdings Limited, which in turn is owned as to 84.63% by Arling Investment Limited and as to 5% by Mr. Law Wei Tak, who had retired as an executive Director with effect from 1 January 2024. As Perfect Motive is a controlled entity of Arling Investment Limited, the holding company of the Company, it is a connected person of the Company. Accordingly, the Tenancy Agreement is a connected transaction of the Company. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust (the "Trust"). Dr. Poon Lok To, Otto is the settlor and protector of the Trust. Dr. Poon stepped down as the chairman of the Board with effect from 1 March 2024 and continues to serve as an executive Director and the founder of the Group.

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 43 to the consolidated financial statements. Except the connected transaction mentioned above, none of the related party transactions during the Year constitutes a disclosable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions mentioned above.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF

The Company is not aware of any relief on taxation available to the Shareholders by reason of their holdings of the Shares. If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

INTERNATIONAL SANCTIONS

During the Year, the Group did not enter into any transactions with persons or entities that are currently subject to applicable laws and regulations related to economic sanctions, export controls, and trade embargoes, including those adopted, administered and enforced by the U. S. Government, the European Union and its member states, United Nations or the Government of Australia (the "International Sanctions"). Specifically, the Group did not enter into any transactions with: (i) persons or entities listed on the Office of Foreign Assets Control ("OFAC")'s Specially Designated Nationals and Blocked Persons List (the SDN List); (ii) entities on the U.S. Bureau of Industry and Security's Entity List (the "Entity List"), or (iii) person(s) or entities on other restricted party lists maintained by the United States, the European Union, the United Nations or Australia (the "Sanctioned Persons"). The risks management committee (sanctions risks) of the Company (the "Risk Management Committee (Sanctions Risks)"), which was established by the Board, will continue to monitor and evaluate the Group's exposure to economic sanctions risks and take measures to comply with the Group's continuing undertakings to the Stock Exchange. The Group has implemented, among others, the following measures upon listing of the Shares on the Stock Exchange:

- The Directors will continuously monitor the use of any remaining proceeds from the global offering of the Company in 2019 to ensure that such funds will not be used to finance or facilitate, directly or indirectly, activities or business with, or for the benefit of, countries subject to International Sanctions or Sanctioned Persons where this would be in breach of International Sanctions; and

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

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors at the date of this report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITOR

The consolidated financial statements for the Year have been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for reappointment.

On behalf of the Board

Dr. Poon Lok To, Otto
Founder and Executive Director

Hong Kong, 25 March 2024

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ANALOGUE HOLDINGS LIMITED
安樂工程集團有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 185, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Accounting for construction contracts</td></tr>
<tr><td>We identified the accounting for construction contracts as a key audit matter due to its significant impact to the consolidated financial statements and the involvement of significant management estimations in determining the outcome of the construction projects.

The Group provides contracting services under long-term contracts with customers. As set out in Note 4 to the consolidated financial statements, the Group recognised contract revenue of a construction contract according to the management's estimation of the outcome of the project as well as the stage of completion of construction works. The Group has recognised revenue from contracting work of approximately HK$4,926,890,000 for the year ended 31 December 2023 as disclosed in Note 5 to the consolidated financial statements.</td><td>Our procedures in relation to the accounting for construction contracts included:

• Obtaining an understanding of the key controls over the preparation and revision of budgets for construction contracts and their revenue recognition process;

• Checking the estimated stage of completion at year end by tracing to certificates issued by architects, surveyors or other representatives appointed by the customer or progress payment application submitted by the Group to the customer, on a sample basis;

• Evaluating the accuracy of the construction costs incurred during the year by agreeing to supplier invoices or payment applications from sub-contractors or other supporting documents, on a sample basis;

• Assessing the reasonableness of the Group's assumptions on progress of completion of the contracts and ability to deliver contracts with budgeted timescales by discussing with project directors and project managers to understand the progress of significant construction projects and evaluating whether their progress was consistent with the stage of completion of construction projects estimated by the management; and

• Assessing the reliability of the management's estimation by comparing the actual progress of completed construction contracts against their budgets, on a sample basis.</td></tr>
</table>

Independent Auditor's Report

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chan Ka Sing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	5	**6,132,944**	6,474,650
Cost of sales and services		**(5,299,654)**	(5,463,104)
Gross profit		**833,290**	1,011,546
Other income	7	**25,080**	30,668
Other gains and losses	8	**128,449**	(33,266)
Provision for litigation liabilities	28	**–**	(150,000)
Impairment losses under expected credit loss model, net	37	**(16,784)**	(9,247)
Selling and distribution expenses		**(3,020)**	(2,204)
Administrative expenses		**(682,561)**	(677,020)
Share of results of associates		**(4,650)**	18,079
Finance costs	9	**(17,185)**	(12,095)
Profit before tax		**262,619**	176,461
Income tax expense	10	**(11,213)**	(61,903)
Profit for the year	11	**251,406**	114,558
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Loss on revaluation of properties		**(2,266)**	(1,935)
Income tax relating to loss on revaluation of properties	10	**374**	319
Remeasurement of long service payment obligation		**5,022**	–
		3,130	(1,616)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(13,328)**	(54,107)
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**1,596**	(500)
Reclassification of cumulative translation reserve upon dilution of interest in an associate		**1,504**	–
		(10,228)	(54,607)
Other comprehensive expense for the year, net of tax		**(7,098)**	(56,223)
Total comprehensive income for the year		**244,308**	58,335

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Note	**2023 HK$'000**	2022 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**251,500**	114,558
Non-controlling interests		**(94)**	–
		251,406	114,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**244,275**	58,335
Non-controlling interests		**33**	–
		244,308	58,335
		HK cents	HK cents
Earnings per share			
Basic	14	**18**	8
Diluted	14	**18**	8

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Investment properties	15	**4,480**	589,720
Property, plant and equipment	16	**851,147**	147,902
Right-of-use assets	17	**48,616**	87,713
Intangible assets	18	**1,965**	–
Interests in associates	19	**484,056**	440,651
Deposits	24	**6,113**	13,274
Pledged bank deposits	26	**4,280**	–
Deferred tax assets	34	**17,306**	13,154
		1,417,963	1,292,414
Current assets			
Inventories	21	**88,808**	69,474
Contract assets	22	**1,346,713**	1,244,364
Trade receivables	23	**1,178,218**	1,047,197
Other receivables, deposits and prepayments	24	**148,163**	145,309
Amount due from an associate	19	**–**	–
Amounts due from partners of joint operations	25	**5,746**	7,142
Derivative financial instruments	30	**1,468**	–
Tax recoverable		**27,429**	4,468
Pledged bank deposits	26	**18,418**	25,818
Bank balances and cash	26	**906,424**	976,028
		3,721,387	3,519,800
Current liabilities			
Trade and retention payables	27	**775,641**	724,380
Other payables and accrued expenses	28	**1,743,574**	1,494,963
Contract liabilities	29	**78,643**	123,978
Amounts due to partners of joint operations	25	**9,165**	5,108
Bank borrowings – due within one year	31	**71,280**	14,625
Derivative financial instruments	30	**–**	2,776
Lease liabilities	32	**37,758**	31,717
Tax payable		**14,058**	15,911
		2,730,119	2,413,458
Net current assets		**991,268**	1,106,342
Total assets less current liabilities		**2,409,231**	2,398,756

Consolidated Statement of Financial Position

As at 31 December 2023

	Notes	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**2,112,376**	2,048,906
Equity attributable to owners of the Company		**2,126,376**	2,062,906
Non-controlling interests		**2,786**	–
Total equity		**2,129,162**	2,062,906
Non-current liabilities			
Long service payment obligation	47	**6,776**	–
Bank borrowings – due after one year	31	**248,766**	263,250
Lease liabilities	32	**8,482**	52,762
Deferred tax liabilities	34	**14,420**	17,944
Deferred income	35	**1,625**	1,894
		280,069	335,850
		2,409,231	2,398,756

The consolidated financial statements on pages 77 to 185 were approved and authorised for issue by the Board of Directors on 25 March 2024 and are signed on its behalf by:

Dr. Poon Lok To, Otto	**Mr. Chan Hoi Ming**
Director	*Director*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interest HK$'000	Total HK$'000
			(Note b)					(Note a)				
At 1 January 2022	14,000	358,704	(26,210)	–	5	33,922	26,633	19,163	1,703,482	2,129,699	–	2,129,699
Profit for the year	–	–	–	–	–	–	–	–	114,558	114,558	–	114,558
Other comprehensive expense for the year	–	–	–	–	–	(1,616)	(54,607)	–	–	(56,223)	–	(56,223)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,616)	(54,607)	–	114,558	58,335	–	58,335
Transfer to other reserves	–	–	–	–	–	–	–	861	(861)	–	–	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	–	(160,035)	(160,035)	–	(160,035)
Recognition of equity-settled share-based payment expense (Note 46)	–	–	–	54,493	–	–	–	–	–	54,493	–	54,493
Shares vested under share award schemes	–	–	37,440	(34,273)	–	–	–	–	(3,167)	–	–	–
Purchase of shares under share award schemes (Note 33)	–	–	(19,586)	–	–	–	–	–	–	(19,586)	–	(19,586)
At 31 December 2022 and 1 January 2023	14,000	358,704	(8,356)	20,220	5	32,306	(27,974)	20,024	1,653,977	2,062,906	–	2,062,906
Profit (loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**251,500**	**251,500**	**(94)**	**251,406**
Other comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(1,892)**	**(10,355)**	**5,022**	**–**	**(7,225)**	**127**	**(7,098)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(1,892)**	**(10,355)**	**5,022**	**251,500**	**244,275**	**33**	**244,308**
Acquisition of a subsidiary (Note 39(a))	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,753**	**2,753**
Dividends recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(181,357)**	**(181,357)**	**–**	**(181,357)**
Recognition of equity-settled share-based payment expense (Note 46)	**–**	**–**	**–**	**12,764**	**–**	**–**	**–**	**–**	**–**	**12,764**	**–**	**12,764**
Cancellation under share award schemes (Note 46)	**–**	**–**	**–**	**(16,876)**	**–**	**–**	**–**	**–**	**16,876**	**–**	**–**	**–**
Purchase of shares under share award schemes (Note 33)	**–**	**–**	**(12,212)**	**–**	**–**	**–**	**–**	**–**	**–**	**(12,212)**	**–**	**(12,212)**
At 31 December 2023	**14,000**	**358,704**	**(20,568)**	**16,108**	**5**	**30,414**	**(38,329)**	**25,046**	**1,740,996**	**2,126,376**	**2,786**	**2,129,162**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

Notes:

(a) Other reserves represent legal reserves of subsidiaries in Macau Special Administrative Region ("Macau"), statutory reserves of subsidiaries in the People's Republic of China ("PRC") and reserve on remeasurement of long service payment obligation.

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

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

(b) During the year ended 31 December 2023, the Company purchased its own ordinary shares of an aggregate of 8,728,000 (2022: 10,800,000) shares in the market through the trustees of the Company's share award schemes. Details of the treasury shares and the share award schemes are set out in Notes 33 and 46, respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**262,619**	176,461
Adjustments for:		
Bank interest income	**(15,232)**	(9,762)
Amortisation of intangible asset	**415**	–
Depreciation of property, plant and equipment	**27,184**	22,826
Depreciation of right-of-use assets	**41,377**	37,723
Write-down of inventories, net	**5,250**	3,797
Trade receivables directly written-off	**9**	–
Impairment losses under expected credit loss model, net	**16,784**	9,247
Impairment loss on interest in an associate	**49,000**	75,600
Provision for litigation liabilities	**–**	150,000
Loss from change in fair value of investment properties	**240**	210
Gain from change in fair value of contingent consideration payables	**–**	(19,290)
Gain from change in fair value of derivative financial instruments	**(904)**	(1,510)
Loss on disposals of property, plant and equipment	**834**	26
Net unrealised exchange (gains) losses	**(732)**	5,310
Share-based payment expense	**12,764**	54,493
Share of results of associates	**4,650**	(18,079)
Finance costs	**17,185**	12,095
Gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration	**(8,581)**	–
Gain on disposal of interest in an associate	**(42,463)**	(31,717)
Deemed gain on dilution in interest in an associate	**(124,125)**	(626)
Gain on lease remeasurement	**(3,366)**	–
Loss (gain) on derecognition of right-of-use assets and lease liabilities under early termination	**3**	(15)
COVID-19-related rent concessions	**–**	(2)
Operating cash flows before movements in working capital	**242,911**	466,787
(Increase) decrease in inventories	**(17,338)**	8,117
Increase in contract assets	**(95,943)**	(275,425)
(Increase) decrease in trade receivables	**(112,009)**	198
Decrease (increase) in other receivables, deposits and prepayments	**1,220**	(45,895)
Increase in trade and retention payables	**37,644**	131,275
Increase in other payables and accrued expenses	**229,716**	181,176
(Decrease) increase in contract liabilities	**(61,388)**	46,890
Decrease in deferred income	**(269)**	(269)
Cash generated from operations	**224,544**	512,854
Hong Kong Profits Tax paid	**(41,916)**	(55,423)
PRC Enterprise Income Tax paid	**(152)**	(10,589)
Macau Complementary Tax paid	**(1,059)**	(3,729)
UK Corporation Tax paid	**190**	–
PRC dividend withholding tax paid	**(714)**	(1,365)
Payments arising from net settlement of derivative financial instruments	**(3,340)**	–
NET CASH GENERATED FROM OPERATING ACTIVITIES	**177,553**	441,748

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	Note	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES			
Bank interest income received		**15,232**	9,762
Proceeds on disposals of property, plant and equipment		**389**	96
Government grant received for property, plant and equipment		**197**	842
Additions of property, plant and equipment		**(120,523)**	(22,348)
Payments for rental deposits		**(3,705)**	(441)
Refund of rental deposits		**1,497**	–
Deposits paid for acquisition of property, plant and equipment		**–**	(5,037)
Placement of pledged bank deposits		**(1,370)**	(23,009)
Release of pledged bank deposits		**4,120**	13,424
Proceeds on disposal of interest in an associate		**65,264**	42,243
Payment for contingent consideration payables		**–**	(33,416)
Net cash outflow on acquisition of subsidiaries	39	**(3,097)**	–
Repayments from partners of joint operations		**1,396**	3,212
Advance to an associate		**(8,000)**	–
Dividend received from an associate		**7,144**	13,654
NET CASH USED IN INVESTING ACTIVITIES		**(41,456)**	(1,018)
FINANCING ACTIVITIES			
Finance costs paid		**(17,052)**	(11,814)
Purchase of shares under share award schemes		**(12,212)**	(19,586)
Repayment of bank borrowings		**(214,897)**	(234,625)
New bank borrowings raised		**255,698**	220,000
Dividend paid to owners of the Company		**(181,357)**	(160,035)
Repayment of lease liabilities		**(37,992)**	(33,419)
Advances from partners of joint operations		**4,057**	–
Repayments to partners of joint operations		**–**	(6,004)
NET CASH USED IN FINANCING ACTIVITIES		**(203,755)**	(245,483)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(67,658)**	195,247
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**976,028**	801,738
Effect of foreign exchange rate changes		**(1,946)**	(20,957)
TOTAL CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**906,424**	976,028

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL

Analogue Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and the shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 July 2019. Its immediate holding company is Arling Investment Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Ardik Investment Limited, a company incorporated in the British Virgin Islands. Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto ("Dr. Poon"), who is also the executive director of the Company, is the settlor and protector of the trust. Accordingly, Dr. Poon is deemed to be interested in the same number of Shares held by Arling Investment Limited under Part XV of the Securities and Futures Ordinance and is the controlling shareholder of the Company.

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

The Company acts as an investment holding company. The principal businesses of its major subsidiaries are encompassing (1) provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system; (2) provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas; (3) provision of total solution for the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems; and (4) provision of i) total solution for design, supply and installation of a wide range lifts and escalators offered under the trade name of "Anlev Elex" and ii) repair and maintenance services for lifts and escalators.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

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.

Impacts on application of HKFRS 17 (including the October 2020 and February 2022 Amendments) Insurance Contracts ("HKFRS 17")

The Group has applied the new standard and the relevant amendments for the first time in the current year.

HKFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4 *Insurance Contracts*.

HKFRS 17 defines an insurance contract as a contract under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Certain contracts entered into by the Group, e.g. performance bonds (Note 41), meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17 and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current year had no material impact on the consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Polices

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") – Long Service Payment ("LSP") offsetting mechanism in Hong Kong

As disclosed in Note 47, the Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory and voluntary MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the Hong Kong Special Administrative Region ("HKSAR Government") gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "Abolition"). The Abolition will officially take effect on 1 May 2025 (the "Transition Date"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 *Employee Benefits* ("HKAS 19") to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. Accordingly, the Group should recognise a cumulative catch-up adjustment in profit or loss , if material, for the service cost, interest expense and remeasurement effect from changes in actuarial assumptions for the year ended 31 December 2022, with corresponding adjustment to the LSP obligation. The cumulative catch-up adjustment is immaterial for the year ended 31 December 2022.

The details of the impacts on each financial statement line item and earnings per share are set out under "Impact of application of change in accounting policy on the consolidated financial statements" in this note. This change in accounting policy did not have any impact on the balance of equity at 1 January 2022 and 31 December 2022, and the results and cash flows amounts for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impact of application of change in accounting policy on the consolidated financial statements

The effects of the changes in accounting policies as a result of the changes in accounting policy for the abolition of the MPF-LSP offsetting mechanism in Hong Kong on the consolidated statement of profit or loss and other comprehensive income and earnings per share, are as follows:

For the year ended 31 December 2023

	HK$'000
Impact on profit for the year	
Increase in cost of sales and services	(1,047)
Increase in administrative expenses	(867)
Decrease in income tax expense	309
Net decrease in profit for the year	(1,605)
Impact on other comprehensive income (expense) for the year	
Remeasurement of LSP obligation and increase in other comprehensive income for the year	5,022
Decrease in profit for the year attributable to:	
– Owners of the Company	(1,605)
– Non-controlling interests	–
	(1,605)
Increase in total comprehensive income for the year attributable to:	
– Owners of the Company	3,417
– Non-controlling interests	–
	3,417

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

New and amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impact of application of change in accounting policy on the consolidated financial statements (Continued)

The effects of the change in accounting policy on the basic and diluted earnings per share, are as follows:

	Year ended 31 December 2023 HK cents
Impact on basic and diluted earnings per share	
Basic and diluted earnings per share before adjustments	**18**
Net adjustments arising from change in accounting policy in relation to:	
– Abolition of the MPF-LSP offsetting mechanism	**–**
Reported basic and diluted earnings per share	**18**

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND CHANGES IN OTHER ACCOUNTING POLICIES (CONTINUED)

Amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within twelve months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by the primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period.

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Interests in associates

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* ("HKAS 36") as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

Interests in joint operations

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Interests in joint operations (Continued)

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

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

Revenue from contracts with customers

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

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

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue from the following major sources: 1) provision of contracting services, 2) provision of maintenance services and 3) sales of goods.

Provision of contracting services

Recognition

The Group provides contracting services under long-term contracts with customers. Such contracts are entered into before the contracting services begin. Under the terms of the contracts, the Group's customers control the properties during the course of construction by the Group. Revenue from provision of contracting services is therefore recognised over time using output method, i.e. based on surveys of contracting work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by the Group to the customer in relation to the work completed by the Group relative to the remaining goods or services promised under the contract. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of the performance obligation under HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15").

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Provision of contracting services (Continued)

Recognition (Continued)

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled. The Group used the most likely amount method for the estimation of variable consideration.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

Provision of maintenance services

Recognition

The Group provides maintenance services, including operation and maintenance services to customers. Income is recognised using output method based on time elapsed over the contract period when the relevant services are provided by the Group and the customers simultaneously receive and consume the benefits provided by the Group's performance.

Sales of goods

Recognition

The Group sells goods, including environmental engineering systems, lifts and escalators to customers. Revenue is recognised when control of the goods has transferred according to respective agreed terms of delivery. Revenue is recognised at a point in time when the customer obtains control of the distinct good.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Revenue from contracts with customers (Continued)

Contract assets for contracting services and maintenance services

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

Contract liabilities for contracting services, maintenance services and sales of goods

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Property, plant and equipment

Property, plant and equipment including buildings are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than assets under construction) as described below. Property, plant and equipment are stated in the consolidated statement of financial position at cost or fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Any revaluation increase arising on revaluation of land and commercial buildings located in Hong Kong is recognised in other comprehensive income and accumulated in the property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of property, plant and equipment is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Depreciation is recognised so as to write off the cost or valuation of assets other than assets under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Leases

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes the amount of the initial measurement of the lease liability and an estimate of costs to be incurred by the Group in restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date.

The lease payments include fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme, state-managed retirement benefit schemes, the Social Security Fund Contribution in Macau and 401(k) Plan in USA are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plan including the LSP under the Hong Kong Employment Ordinance, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. In determining the present value of the Group's defined benefit obligations and the related current service cost and, where applicable, past service cost, the Group attributes benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than earlier years, the Group attributes the benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service) until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Remeasurement, comprising actuarial gains and losses is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss in the period of a plan amendment or curtailment and a gain or loss on settlement is recognised when settlement occurs.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability. However, if the Group remeasures the net defined benefit liability before plan amendment, curtailment or settlement, the Group determines net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement using the benefits offered under the plan after the plan amendment, curtailment or settlement and the discount rate used to remeasure such net defined benefit liability, taking into account any changes in the net defined benefit liability during the period resulting from contributions or benefit payments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Retirement benefit costs (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offset as a deemed employee contribution towards the LSP obligation in terms of HKAS 19.93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period when the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income" line item.

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

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains or losses" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, other receivables and deposits, amounts due from an associate and partners of joint operations, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at the reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, twelve-month ECL ("12-month ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within twelve months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information as described above. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- nature of financial instruments;
- past-due status; and
- nature, size and industry of debtors.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

Financial liabilities (including bank borrowing, trade and retention payables, other payables and amounts due to partners of joint operations) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. No such indication existed at 31 December 2023 and 2022.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Awarded shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve/share award reserve).

For grants of awarded shares that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of awarded shares at the grant date and is expensed on a straight-line basis over the vesting period, based on the Group's estimate of awarded shares that will eventually vest, with a corresponding increase in equity (share award reserve).

At the end of each reporting period, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity (share award reserve).

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is deducted from total equity and is presented as treasury share reserve. No gain or loss is recognised on the transactions of the Company's own shares.

When the trustee transfers the Company's granted shares to grantees upon vesting, the related costs of the granted shares vested are transferred from share award reserve to treasury share reserve. The difference between the amount transferred from share award reserve and the cost of acquiring the treasury shares is debited/credited to retained profits.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Revenue recognition of construction contracts

The Group recognises contract revenue of a construction contract according to the management's estimation of the outcome of the project as well as the stage of completion of construction works, which is determined by output method. The stage of completion is determined based on surveys of contracting work completed by the Group to date as certified by architects, surveyors or other representatives appointed by the customer or estimated with reference to the progress payment application submitted by the Group to the customer in relation to the work completed by the Group relative to the remaining goods or services promised under the contract. The management also estimates the outcome of the project with reference to the progress of construction costs. Estimated construction revenue is determined in accordance with the terms set out in the relevant contract. Construction cost which mainly comprises sub-contracting charges and costs of materials are estimated by the management on the basis of quotations from time to time provided by the major contractors/suppliers/vendors involved and the experience of the management. Notwithstanding that management reviews and revises the estimates of the contract progresses, the actual outcome may be higher or lower and this may have significant impact on the revenue and profit recognised.

Estimated impairment of interest in an associate

Determining whether interest in Transel Elevator & Electric Inc. ("TEI") is impaired requires an estimation of the recoverable amount of the cash-generating unit, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise. Furthermore, the estimated cash flows and discount rate are subject to higher degree of estimation uncertainties due to uncertainty on volatility in macro and microeconomic factors of the operation of TEI.

As at 31 December 2023, the carrying amount of interest in TEI is approximately HK$179,750,000 (2022: HK$231,982,000) (net of accumulated impairment loss of HK$124,600,000 (2022: HK$75,600,000)). Details of the recoverable amount calculation are disclosed in Note 19 (iii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables and contract assets

Trade receivables and contract assets with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group estimates ECL on trade receivables and contract assets which are not assessed individually based on a collective assessment. The ECL rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 37b(ii), 23 and 22.

Change in accounting estimate on the depreciation of leasehold improvements and judgement in determination of relevant leases terms

During the year ended 31 December 2023, the Group changed the estimated useful lives of certain of its leasehold improvements associated with leased offices upon management's decision to (i) commence the revitalisation work of a building located in Kwai Chung ("ATAL Tower"), which was an investment property of the Group, and (ii) relocate all of the major offices to ATAL Tower, as the headquarter of the Group, upon completion of revitalisation work in 2024. ATAL Tower previously classified under investment property has been transferred into assets under construction under property, plant and equipment in April 2023 accordingly.

Based on such relocation plan, the directors of the Company determined that changes to the estimated useful lives of the leasehold improvements associated with leased offices were appropriate. As a result, the Company shortened the estimated useful lives of the leasehold improvements in alignment of the revised enforceable lease period of leased offices to 10 and 21 months to better reflect the estimated periods of which these assets are expected to be remained in service.

The change in estimated useful lives was accounted for as a change in accounting estimate effective on 1 April 2023, which is the date of commencement of the revitalisation work with the expectations of useful lives formed based on the relocation plan. The impact of this change for the year ended 31 December 2023, was an increase in depreciation expense of approximately HK$5,513,000.

As a result of the relocation plan in 2024, the Group has also remeasured lease period of its leased offices. During the year ended 31 December 2023, right-of-use assets of approximately HK$25,348,000 and lease liabilities of approximately HK$28,714,000 were reversed, gain on the lease remeasurement of approximately HK$3,366,000 was recognised.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

5. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

	2023 **HK$'000**	2022 HK$'000
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**4,926,890**	5,394,415
Maintenance work	**1,069,811**	947,335
	5,996,701	6,341,750
Recognised at a point of time and short-term contracts		
Sales of goods	**136,243**	132,900
	6,132,944	6,474,650

(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 2023 and the expected timing of recognising revenue are as follows:

	Contracting work **HK$'000**	**Maintenance work** **HK$'000**	**Sales of goods** **HK$'000**
Within one year	**5,210,891**	**1,119,080**	**122,483**
More than one year but not more than two years	**2,550,199**	**638,648**	**–**
More than two years	**1,191,549**	**626,711**	**–**
	8,952,639	**2,384,439**	**122,483**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

5. REVENUE (CONTINUED)

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and the expected timing of recognising revenue are as follows:

	Contracting work HK$'000	Maintenance work HK$'000	Sales of goods HK$'000
Within one year	4,295,160	851,395	153,314
More than one year but not more than two years	2,254,352	536,372	–
More than two years	2,685,019	880,728	–
	9,234,531	2,268,495	153,314

6. SEGMENT INFORMATION

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

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

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, communications and building technologies ("ICBT"):	Provision for design, installation and servicing of a wide range of intelligent systems, information and communications technology ("ICT") systems and building technology systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range of lifts and escalators offered under the trade name of "Anlev Elex" and ii) repair and maintenance services for lifts and escalators

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For the year ended 31 December 2023

6. SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue

For the year ended 31 December 2023

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	**3,430,647**	**860,476**	**465,617**	**170,150**	**4,926,890**
– Maintenance work	**300,444**	**450,160**	**130,185**	**189,022**	**1,069,811**
– Sales of goods	**4,672**	**45,102**	**67,635**	**18,834**	**136,243**
Total revenue	**3,735,763**	**1,355,738**	**663,437**	**378,006**	**6,132,944**

For the year ended 31 December 2022

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	3,975,792	790,425	452,991	175,207	5,394,415
– Maintenance work	274,780	383,659	126,073	162,823	947,335
– Sales of goods	6,566	59,425	52,324	14,585	132,900
Total revenue	4,257,138	1,233,509	631,388	352,615	6,474,650

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For the year ended 31 December 2023

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2023

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	3,735,763	1,355,738	663,437	378,006	–	6,132,944
– inter-segment	46,182	–	57,014	4,623	(107,819)	–
Total revenue	3,781,945	1,355,738	720,451	382,629	(107,819)	6,132,944
Segment profit	26,113	74,696	16,411	17,104	–	134,324
Share of result of an associate						6,582
Deemed gain on dilution in interest in an associate						124,125
Impairment loss on interest in an associate						(49,000)
Bank interest income						15,232
Finance costs						(17,135)
Unallocated income/gains						57,271
Unallocated expenses/losses						(8,780)
Profit before tax						262,619
Income tax expense						(11,213)
Profit for the year						251,406
Other segment information						
Depreciation of property, plant and equipment	1,413	1,915	773	6,113	16,970	27,184
Depreciation of right-of-use assets	6,800	3,672	4,629	1,789	24,487	41,377
Amortisation of intangible assets	–	–	–	–	415	415
Impairment losses recognised (reversed) under expected credit loss model, net	5,325	13,547	1,058	(3,120)	(26)	16,784
Loss (gain) on disposals of property, plant and equipment	400	(53)	(4)	496	(5)	834
Loss on derecognition of right-of-use assets and lease liabilities under early termination	–	–	–	3	–	3
Share of results of associates	–	8,000	–	3,232	(6,582)	4,650
Write-down of inventories, net	334	285	3,006	1,625	–	5,250

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For the year ended 31 December 2023

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2022

	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	4,257,138	1,233,509	631,388	352,615	–	6,474,650
– inter-segment	3,476	16	81,609	132	(85,233)	–
Total revenue	4,260,614	1,233,525	712,997	352,747	(85,233)	6,474,650
Segment profit	178,020	103,082	35,290	42,071	–	358,463
Share of result of an associate						9,180
Deemed gain on dilution in interest in an associate						626
Impairment loss on interest in an associate						(75,600)
Provision for litigation liabilities						(150,000)
Bank interest income						9,762
Finance costs						(12,095)
Unallocated income/gains						59,336
Unallocated expenses/losses						(23,211)
Profit before tax						176,461
Income tax expense						(61,903)
Profit for the year						114,558
Other segment information						
Depreciation of property, plant and equipment	2,007	1,951	931	4,092	13,845	22,826
Depreciation of right-of-use assets	5,677	1,377	5,045	1,451	24,173	37,723
Impairment losses recognised under expected credit loss model, net	3,688	218	3,473	1,843	25	9,247
Loss (gain) on disposals of property, plant and equipment	24	5	(1)	(2)	–	26
Gain on derecognition of right-of-use assets and lease liabilities under early termination	(15)	–	–	–	–	(15)
Share of results of associates	–	–	–	(8,899)	(9,180)	(18,079)
Write-down of inventories, net	303	–	877	2,617	–	3,797

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, certain other income, certain other gains and losses, share of result of an associate, deemed gain on dilution in interest in an associate, impairment loss on interest in an associate, provision for litigation liabilities and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

Information about major customers

Revenue from customers that individually contributing over 10% of the total revenue of the Group of the corresponding years are as follows:

	2023 HK$'000	2022 HK$'000
Customer A*	**1,188,079**	1,206,524
Customer B*	**N/A#**	990,668
Customer C*	**682,423**	N/A#

* Revenue from all four segments.

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

Geographical information

The Group's operations are located in Hong Kong, Mainland China, Macau, United Kingdom ("UK"), United States of America ("USA") and others.

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

	2023 HK$'000	2022 HK$'000
Revenue		
Hong Kong	**5,123,788**	5,906,458
Mainland China	**376,476**	291,595
Macau	**581,205**	251,118
UK	**47,787**	5,198
USA	**116**	2,705
Others	**3,572**	17,576
Total	**6,132,944**	6,474,650

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For the year ended 31 December 2023

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Information about the Group's non-current assets other than financial instruments and deferred tax assets is presented based on the geographical location of the assets/operation of associates.

	2023 HK$'000	2022 HK$'000
Non-current assets		
Hong Kong	**839,156**	785,446
Mainland China	**363,224**	260,460
Macau	**270**	1,349
UK	**7,864**	23
USA	**179,750**	231,982
Total	**1,390,264**	1,279,260

7. OTHER INCOME

	2023 HK$'000	2022 HK$'000
Bank interest income	**15,232**	9,762
Government subsidies	**6,920**	10,532
Rental income	**129**	6,807
Sundry income	**2,799**	3,567
	25,080	30,668

8. OTHER GAINS AND LOSSES

	2023 HK$'000	2022 HK$'000
Deemed gain on dilution in interest in an associate (Note 19)	**124,125**	626
Gain on disposal of interest in an associate (Note 19)	**42,463**	31,717
Impairment loss on interest in an associate (Note 19)	**(49,000)**	(75,600)
Gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration (Note 39(b))	**8,581**	–
Loss on disposals of property, plant and equipment	**(834)**	(26)
Net exchange losses	**(9)**	(9,078)
Gain on lease remeasurement	**3,366**	–
(Loss) gain on derecognition of right-of-use assets and lease liabilities under early termination	**(3)**	15
Gain from change in fair value of contingent consideration payables (Note)	**–**	19,290
Loss from change in fair value of investment properties	**(240)**	(210)
	128,449	(33,266)

Note: The amount represents gain from change in fair value of contingent consideration payables related to the acquisition of an associate in 2020. Such contingent consideration payables were fully settled during the year ended 31 December 2022.

Notes to the Consolidated Financial Statements

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9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest expenses on bank borrowings	**12,105**	8,154
Interest on lease liabilities	**2,853**	3,293
Ancillary costs in respect of banking facilities	**2,227**	648
	17,185	12,095

10. INCOME TAX EXPENSE

	2023 HK$'000	2022 HK$'000
Current tax		
Hong Kong	**28,812**	58,203
Macau	**6,191**	1,059
PRC Enterprise Income Tax	**715**	7,343
UK	**124**	–
	35,842	66,605
(Over)underprovision in prior years		
Hong Kong	**(17,120)**	13
PRC Enterprise Income Tax	**46**	192
	(17,074)	205
	18,768	66,810
Deferred tax (Note 34)	**(7,555)**	(4,907)
	11,213	61,903

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

During the year ended 31 December 2023, the Hong Kong Inland Revenue Department allowed a Hong Kong subsidiary of the Group in Hong Kong to share and utilise the tax loss of approximately HK$102,402,000 from its associate in Hong Kong under section 19C(5) of the Inland Revenue Ordinance for the year ended 31 December 2022. Therefore, overprovision of income tax expense in prior year of approximately HK$16,896,000 is recognised by such Hong Kong subsidiary during the year ended 31 December 2023.

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

Notes to the Consolidated Financial Statements

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10. INCOME TAX EXPENSE (CONTINUED)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both years. A subsidiary of the Company is qualified as advanced technology enterprise and has obtained approval from the relevant tax authority for the applicable tax rate reduced to 15% for a period of three years up to 2024.

The Company's subsidiaries and an associate of the Group that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. Whereas the Hong Kong resident company directly owns less than 25% of the capital of the Mainland company, 10% dividend withholding tax rate is applicable. During the year ended 31 December 2023, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (2022: 5% and 10%, respectively).

A provision for dividend withholding tax of approximately HK$979,000 was credited to profit or loss for the year ended 31 December 2023 (2022: a provision for dividend withholding tax of approximately HK$399,000 was charged). During the year ended 31 December 2023, withholding tax of approximately HK$714,000 (2022: HK$1,365,000) was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK$1,693,000 (2022: HK$966,000) credited to profit or loss for the year ended 31 December 2023.

The main rate of UK Corporation Tax is 25% for the financial year beginning on 1 April 2023 (previously 19% in the financial year beginning on 1 April 2022). This main rate applies to companies with profits in excess of GBP250,000. For UK resident companies with augmented profits below GBP50,000, a lower rate of 19% is generally applicable. For companies with augmented profits between GBP50,000 and GBP250,000, there is a sliding scale of tax rates. During the year ended 31 December 2023, the UK Corporation Tax of 19% was applied by the Group's subsidiaries as the assessable profits were below GBP50,000.

The income tax expense for the year can be reconciled to profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 HK$'000	2022 HK$'000
Profit before tax	**262,619**	176,461
Tax at Hong Kong Profits Tax rate of 16.5%	**43,332**	29,116
Tax effect of share of results of associates	**767**	(2,983)
Tax effect of expenses not deductible for tax purpose	**16,665**	47,395
Tax effect of income not taxable for tax purpose	**(30,682)**	(14,822)
Tax effect of super deduction for research and development expenses (Note)	**(1,099)**	(2,717)
Tax effect of tax losses not recognised	**3,086**	7,641
Utilisation of tax losses not recognised in prior years	**(150)**	(1,961)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(3,164)**	(481)
Withholding tax on distributable profits of subsidiaries and an associate	**(979)**	399
Income tax at concessionary rate	**(330)**	(423)
(Over)under provision in prior years	**(17,074)**	205
Others	**841**	534
Income tax expense for the year	**11,213**	61,903

Note: In Hong Kong, the qualifying research and development expenditures classified as Type B expenditure under section 16B of the Inland Revenue Ordinance are eligible for 300% tax deduction for the first HK$2 million and 200% deduction for the remainder.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

10. INCOME TAX EXPENSE (CONTINUED)

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

	2023			2022		
	Before-tax amount HK$'000	Tax credit HK$'000	Net-of-tax amount HK$'000	Before-tax amount HK$'000	Tax credit HK$'000	Net-of-tax amount HK$'000
Loss on revaluation of properties	**(2,266)**	**374**	**(1,892)**	(1,935)	319	(1,616)

11. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note):		
– Directors' remuneration (Note 12)	**30,998**	37,290
– Salaries and other benefits	**1,241,658**	1,137,692
– Retirement benefit scheme contributions (excluding directors)	**58,626**	53,504
– Share-based payment expense (excluding directors)	**6,714**	39,109
	1,337,996	1,267,595
Cost of inventories recognised as expenses (included in cost of sales and services)	**302,966**	266,265
Amortisation of intangible assets	**415**	–
Depreciation of property, plant and equipment	**27,184**	22,826
Depreciation of right-of-use assets	**41,377**	37,723
Write-down of inventories, net	**5,250**	3,797
Gain from change in fair value of derivative financial instruments	**(4,244)**	(1,510)
Rental income from investment properties	**(129)**	(6,807)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**19**	2,874
	(110)	(3,933)
Auditors' remuneration	**5,668**	5,169

Note: During the year ended 31 December 2022, the Group recognised government grants of approximately HK$45,407,000 in respect of COVID-19 related subsidies, of which approximately HK$42,195,000 relates to Employment Support Scheme provided by the HKSAR Government and was credited to cost of sales and services and administrative expenses.

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12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

(a) Directors and chief executive

Directors' and chief executives' remuneration for the year, disclosed pursuant to the applicable Listing Rules and the Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2023

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
			(Note i)			
Executive directors:						
Dr. Poon (Note ii)	–	2,823	1,503	93	–	4,419
Mr. Chan Hoi Ming (Note iii)	–	2,704	2,496	123	5,723	11,046
Mr. Law Wei Tak (Note iv)	–	2,838	2,507	129	–	5,474
Mr. Cheng Wai Lung (Note v)	–	2,238	1,310	99	327	3,974
Non-executive directors:						
Dr. Mak Kin Wah (Note ii)	–	1,853	1,575	18	–	3,446
Ms. Or Siu Ching, Rerina (Note vi)	–	900	–	14	–	914
Independent non-executive directors:						
Mr. Chan Fu Keung	440	–	–	–	–	440
Mr. Lam Kin Fung, Jeffrey	440	–	–	–	–	440
Ms. Shing Mo Han, Yvonne (Note vii)	245	–	–	–	–	245
Mr. Wong King On, Samuel (Note vii)	200	400	–	–	–	600
	1,325	13,756	9,391	476	6,050	30,998

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For the year ended 31 December 2023

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2022

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related bonus HK$'000	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
			(Note i)			
Executive directors:						
Dr. Poon (Note ii)	–	2,794	2,009	93	–	4,896
Mr. Chan Hoi Ming (Note iii)	–	2,412	3,288	110	15,377	21,187
Mr. Law Wei Tak (Note iv)	–	2,685	3,311	123	7	6,126
Non-executive director:						
Dr. Mak Kin Wah (Note ii)	–	1,778	2,085	18	–	3,881
Independent non-executive directors:						
Mr. Chan Fu Keung	400	–	–	–	–	400
Mr. Lam Kin Fung, Jeffrey	400	–	–	–	–	400
Mr. Wong King On, Samuel (Note vii)	400	–	–	–	–	400
	1,200	9,669	10,693	344	15,384	37,290

Notes:

(i) The performance related bonus is determined by reference to the Group's performance for respective years.

(ii) Dr. Mak Kin Wah was redesignated from non-executive director to executive director and was appointed as the Chairman of the board of directors in place of Dr. Poon, and Dr. Poon continues to serve as the founder of the Group and an executive director with effect from 1 March 2024.

(iii) Mr. Chan Hoi Ming was appointed as the Chief Executive Officer with effect from 1 January 2023. There was no Chief Executive Officer appointed during the year ended 31 December 2022.

(iv) Mr. Law Wei Tak has retired from the executive director with effect from 1 January 2024.

(v) Mr. Cheng Wai Lung was appointed as executive director with effect from 1 January 2023.

(vi) Ms. Or Siu Ching, Rerina was appointed as non-executive director with effect from 1 April 2023.

(vii) Ms. Shing Mo Han, Yvonne was appointed as independent non-executive director immediately after the conclusion of the annual general meeting of the Company held on 27 June 2023 and Mr. Wong King On, Samuel retired from the independent non-executive director upon conclusion of the annual general meeting of the Company held on 27 June 2023.

(viii) Mr. Cheng Wai Keung, Peter was appointed as executive director with effect from 1 March 2024.

The emoluments of the executive directors shown above were for their services in connection with the management affairs of the Group and the Company. The emoluments of the non-executive director and the independent non-executive directors shown above were for their services as directors of the Company.

None of the directors of the Company has waived or agreed to waive any remuneration during the year (2022: Nil).

During the year ended 31 December 2022, certain directors were granted share awards, in respect of their services to the Group under the share award schemes of the Company. Details of the share award schemes are set out in the Note 46 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

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

(b) Five highest paid employees

The five highest paid individuals of the Group included four directors (2022: four), whose emoluments are included in the disclosures above. The emoluments of the remaining one (2022: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2023	2022
	HK$'000	HK$'000
Salaries and other benefits	**2,462**	2,316
Performance related bonus	**1,331**	1,729
Retirement benefit scheme contributions	**110**	105
	3,903	4,150

The number of the highest paid employees who are not the director of the Company whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	1

No amount was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2022: Nil).

13. DIVIDENDS

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

	2023	2022
	HK$'000	HK$'000
2023 interim dividend – HK8.52 cents (2022: 2022 interim dividend – HK4.27 cents) per share	**118,562**	59,586
2022 special dividend – HK4.5 cents (2022: 2021 second interim dividend – HK7.25 cents) per share	**62,795**	100,449
	181,357	160,035

Subsequent to the end of the reporting period, a second interim dividend in respect of the year ended 31 December 2023 of HK1 cent per ordinary share in an aggregate amount of approximately HK$13,867,000 (2022: a special dividend of HK4.5 cents per ordinary share in an aggregate amount of approximately HK$62,795,000 for the year ended 31 December 2022), has been resolved by the board of directors of the Company to pay to the shareholders of the Company.

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14. EARNINGS PER SHARE

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

	2023 HK$'000	2022 HK$'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**251,500**	114,558
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,392,445,682**	1,389,172,877
Effect of dilutive potential ordinary shares	**3,016,329**	146,240
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,395,462,011**	1,389,319,117

During the years ended 31 December 2023 and 2022, the weighted average numbers of ordinary shares for the calculation of basic and diluted earnings per share have been adjusted for the effect of shares held by the trustees pursuant to the share award schemes.

The computation of diluted earnings per share assumed the effect of certain Company's awarded shares for the years ended 31 December 2023 and 2022. Save as the awarded shares mentioned above, there were no other dilutive potential ordinary shares in existence during the years ended 31 December 2023 and 2022.

During the years ended 31 December 2023 and 2022, the earnings for the purpose of calculating diluted earnings per share have not been adjusted for any changes in the Group's share of result of an associate that was attributable to the increase in the number of ordinary shares of the associate as a result of the conversion of convertible bonds issued by the associate as it is anti-dilutive.

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15. INVESTMENT PROPERTIES

	2023 HK$'000	2022 HK$'000
FAIR VALUE		
At beginning of the year	**589,720**	589,930
Transfer to property, plant and equipment (Note 16)	**(585,000)**	–
Change in fair value	**(240)**	(210)
At end of the year	**4,480**	589,720

The fair value of the Group's investment properties as at 31 December 2023 and 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used in prior year.

On 1 April 2023, ATAL Tower which was classified under investment property has been transferred into assets under construction under property, plant and equipment at commencement of revitalisation work. ATAL Tower will be the headquarter of the Group upon the completion of revitalisation work. The fair value of ATAL Tower amounted to HK$585,000,000 as at 1 April 2023 has been arrived at on the basis of a valuation carried out by Jones Lang LaSalle Limited. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the similar locations and conditions.

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

	Fair value hierarchy	Fair value 2023 HK$'000	2022 HK$'000
Commercial property units located in Hong Kong	Level 2	**4,480**	4,720
Industrial premise located in Hong Kong	Level 2	**–**	585,000
		4,480	589,720

The Group's investment properties in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. In the opinion of the directors of the Company, the quoted prices (unadjusted) for similar properties that the Group can access at the measurement dates are not transacted in active market, and thus the fair value hierarchy is classified as Level 2. The rental income earned by the Group from the investment properties for the year ended 31 December 2023 amounted to approximately HK$129,000 (2022: HK$6,807,000).

The investment property has been pledged to secure the general banking facilities granted to certain subsidiaries of the Company at 31 December 2023 (Note 42i).

The investment properties have been pledged to secure the bank borrowing of the Company and the general banking facilities granted to certain subsidiaries of the Company at 31 December 2022.

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For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Commercial buildings in Hong Kong HK$'000	Building in the PRC HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Assets under construction HK$'000	Total HK$'000
COST OR VALUATION									
At 1 January 2022	71,400	37,317	24,702	6,586	121,484	20,144	395	23,667	305,695
Additions	–	403	–	78	8,413	1,764	–	9,182	19,840
Disposals	–	–	–	–	(1,619)	(372)	–	–	(1,991)
Loss on revaluation	(3,100)	–	–	–	–	–	–	–	(3,100)
Transfers	–	–	–	–	25,580	–	–	(25,580)	–
Exchange realignment	–	(3,203)	(214)	(176)	(3,071)	(279)	–	(1,332)	(8,275)
At 31 December 2022 and 1 January 2023	**68,300**	**34,517**	**24,488**	**6,488**	**150,787**	**21,257**	**395**	**5,937**	**312,169**
Additions	**–**	**–**	**–**	**468**	**11,543**	**5,363**	**–**	**130,803**	**148,177**
Disposals	**–**	**–**	**(251)**	**(377)**	**(9,046)**	**(2,425)**	**–**	**–**	**(12,099)**
Acquisition of subsidiaries	**–**	**–**	**819**	**24**	**494**	**80**	**–**	**–**	**1,417**
Transfers	**–**	**–**	**–**	**242**	**3,147**	**–**	**–**	**(3,389)**	**–**
Transfers from investment properties (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**585,000**	**585,000**
Loss on revaluation	**(3,400)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,400)**
Exchange realignment	**–**	**(506)**	**5**	**(27)**	**(645)**	**(42)**	**–**	**(119)**	**(1,334)**
At 31 December 2023	**64,900**	**34,011**	**25,061**	**6,818**	**156,280**	**24,233**	**395**	**718,232**	**1,029,930**
Comprising									
At cost	**–**	**34,011**	**25,061**	**6,818**	**156,280**	**24,233**	**395**	**718,232**	**965,030**
At valuation	**64,900**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**64,900**
	64,900	**34,011**	**25,061**	**6,818**	**156,280**	**24,233**	**395**	**718,232**	**1,029,930**
DEPRECIATION									
At 1 January 2022	–	25,753	7,094	3,642	98,245	13,530	395	–	148,659
Charged for the year	1,165	1,364	4,139	648	12,936	2,574	–	–	22,826
Eliminated on disposals	–	–	–	–	(1,539)	(330)	–	–	(1,869)
Eliminated on revaluation	(1,165)	–	–	–	–	–	–	–	(1,165)
Exchange realignment	–	(2,256)	(118)	(122)	(1,507)	(181)	–	–	(4,184)
At 31 December 2022 and 1 January 2023	**–**	**24,861**	**11,115**	**4,168**	**108,135**	**15,593**	**395**	**–**	**164,267**
Charged for the year	**1,134**	**1,306**	**10,008**	**651**	**11,098**	**2,987**	**–**	**–**	**27,184**
Elimination on disposals	**–**	**–**	**(199)**	**(308)**	**(8,044)**	**(2,325)**	**–**	**–**	**(10,876)**
Elimination on revaluation	**(1,134)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,134)**
Exchange realignment	**–**	**(369)**	**(15)**	**(19)**	**(228)**	**(27)**	**–**	**–**	**(658)**
At 31 December 2023	**–**	**25,798**	**20,909**	**4,492**	**110,961**	**16,228**	**395**	**–**	**178,783**
CARRYING VALUES									
At 31 December 2023	**64,900**	**8,213**	**4,152**	**2,326**	**45,319**	**8,005**	**–**	**718,232**	**851,147**
At 31 December 2022	68,300	9,656	13,373	2,320	42,652	5,664	–	5,937	147,902

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above property, plant and equipment, except assets under construction, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Commercial buildings in Hong Kong	Over the lease term of the land lease
Building in the PRC	2.6% – 5%
Leasehold improvements	Over the shorter of lease term, or 15% – $33^1/_3$%
Furniture and fixtures	15% – $33^1/_3$%
Machinery and equipment	9% – $33^1/_3$%
Motor vehicles	18% – 25%
Moulds	15%

Fair value measurement of the Group's commercial buildings in Hong Kong

The fair value of the Group's commercial buildings (including the land and building elements) in Hong Kong, which is used as office premises and under revaluation model, as at 31 December 2023 and 2022 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its buildings in Hong Kong is at its highest and best use. There has been no changes from the valuation technique used in prior year.

Details of the Group's commercial buildings located in Hong Kong and information about the fair value hierarchy are as follows:

	Fair value hierarchy	Fair value 2023 HK$'000	2022 HK$'000
Commercial buildings located in Hong Kong	Level 2	**64,900**	68,300

In the opinion of the directors of the Company, the quoted prices (unadjusted) for similar properties that the Group can access at the measurement dates are not transacted in active market and thus the fair value hierarchy is classified as Level 2.

As at 31 December 2023, if commercial buildings in Hong Kong had not been revalued, they would have been included in the consolidated financial statements at historical cost less accumulated depreciation and accumulated impairment losses with a carrying value of approximately HK$67,090,000 (2022: HK$68,258,000).

The commercial buildings in Hong Kong and ATAL Tower under asset under construction have been pledged to secure the bank borrowing of the Company and the general banking facilities granted to certain subsidiaries of the Company.

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17. RIGHT-OF-USE ASSETS

	Leasehold lands in the PRC HK$'000	Leased properties HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2023					
Carrying amount	**2,494**	**43,519**	**1,548**	**1,055**	**48,616**
As at 31 December 2022					
Carrying amount	2,618	83,405	33	1,657	87,713
For the year ended 31 December 2023					
Depreciation charge	**85**	**40,375**	**314**	**603**	**41,377**
For the year ended 31 December 2022					
Depreciation charge	90	36,888	142	603	37,723

	2023 HK$'000	2022 HK$'000
Expense relating to short-term leases	**6,769**	7,289
Total cash outflow for leases	**47,614**	44,001
Additions to right-of-use assets	**23,139**	49,139

The Group leases various offices, warehouses, motor vehicles and office equipment for its operations. Lease contracts are entered into for fixed term of one to eight and a half years (2022: one to five years) with fixed lease payments, but may have extension options as described below. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has extension options in a number of leases for its offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. In addition, the Group reassesses whether it is reasonable certain to exercise an extension upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2023 and 2022, there is no such triggering event.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

17. RIGHT-OF-USE ASSETS (CONTINUED)

The Group has extension options in a number of leases for 15 (2022: 8). These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise is summarised below:

	Lease liabilities recognised as at 31 December 2023 HK$'000	Potential future lease payments not included in lease liabilities (Undiscounted) 31 December 2023 HK$'000	Lease liabilities recognised as at 31 December 2022 HK$'000	Potential future lease payments not included in lease liabilities (Undiscounted) 31 December 2022 HK$'000
Offices	**41,391**	**22,641**	78,300	3,259
Warehouses	**2,125**	**1,332**	4,330	1,332
Others	**2,724**	**–**	1,849	168
	46,240	**23,973**	84,479	4,759

The following table summarised the additional lease liabilities recognised during the year as a result exercising extension option that the Group was not reasonably certain to exercise:

	Extension option exercisable No. of leases 31 December 2023	Extension option exercised No. of leases 31 December 2023	Extension option exercisable No. of leases 31 December 2022	Extension option exercised No. of leases 31 December 2022
Offices	**14**	**–**	6	–
Warehouses	**1**	**–**	1	–
Others	**–**	**–**	1	–
	15	**–**	8	–
Additional lease liabilities recognised (HK$'000)		**–**		–

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2023, the Group has reassessed lease period of its leased offices as a result of the relocation plan in 2024. During the year ended 31 December 2022, there was no such triggering event.

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For the year ended 31 December 2023

18. INTANGIBLE ASSETS

	Backlog contracts HK$'000	Customer relationship HK$'000	Patents HK$'000	Total HK$'000
COST				
At 1 January 2022	–	–	9,622	9,622
Write-off	–	–	(180)	(180)
At 31 December 2022	–	–	9,442	9,442
Acquisition of a subsidiary	**523**	**1,759**	**–**	**2,282**
Exchange realignment	**24**	**82**	**–**	**106**
At 31 December 2023	**547**	**1,841**	**9,442**	**11,830**
AMORTISATION AND IMPAIRMENT				
At 1 January 2022	–	–	9,622	9,622
Eliminated on write-off	–	–	(180)	(180)
At 31 December 2022	–	–	9,442	9,442
Amortisation	**335**	**80**	**–**	**415**
Exchange realignment	**7**	**1**	**–**	**8**
At 31 December 2023	**342**	**81**	**9,442**	**9,865**
CARRYING VALUES				
At 31 December 2023	**205**	**1,760**	**–**	**1,965**
At 31 December 2022	–	–	–	–

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Backlog contracts	8 months
Customer relationship	9.4 years
Patents	Over 17 years

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For the year ended 31 December 2023

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2023 HK$'000	2022 HK$'000
Investment cost		
Listed outside Hong Kong (Note i)	**91,817**	98,393
Unlisted (Notes ii and iii)	**240,840**	240,840
Impairment loss recognised (Note iii)	**(124,600)**	(75,600)
Share of post-acquisition profits and other comprehensive income, net of dividends received	**275,999**	177,018
Interests in associates	**484,056**	440,651
Fair value of listed investment (Note iv)	**827,944**	914,873
Amount due from an associate (Note v)	**118,427**	96,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(118,427)**	(96,575)
	–	–

Notes:

(i) As at 31 December 2023, included in the investment cost, there is a goodwill of approximately HK$11,872,000 (2022: HK$16,209,000) arising from the investment in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA").

(ii) As at 31 December 2023, included in the investment cost, there is a goodwill of approximately HK$137,245,000 (2022: HK$137,245,000) arising from the investment in TEI. During the year ended 31 December 2023, an impairment loss of HK$49,000,000 (2022: HK$75,600,000) has been recognised in respect of the Company's investment in TEI and details are set out in Note 19(iii) below.

(iii) The Group performed impairment assessment on the interest in TEI, an associate of the Group, for the years ended 31 December 2023 and 2022. The Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in TEI has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and the estimated cash flows. The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period with a pre-tax discount rate of 25% (2022: 23%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2.1% (2022: 2%) growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry in which the business of TEI operates.

Cash flow projections during the forecast period for TEI are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the forecast period. The assumptions and estimations are based on TEI's past performance, management's expectations of the market development. Due to the continuing unfavourable market conditions in the USA, TEI faced a lower than expected demand during the year ended 31 December 2023, its financial performance is less satisfactory than expected. As a result, an impairment loss of HK$49,000,000 (2022: HK$75,600,000) has been recognised in respect of the Group's interest in TEI during the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

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

Notes: (Continued)

(iv) As at 31 December 2023, the fair value of the Group's interest in NCA, of which shares are listed on the Shanghai Stock Exchange since 1 November 2017, was approximately HK$827,944,000 (2022: HK$914,873,000) based on the quoted market price available on the Shanghai Stock Exchange multiplied by the quantity of shares held by the Group, which is a Level 1 input under of HKFRS 13 *Fair Value Measurement*.

(v) As at 31 December 2023, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$118,427,000 which is non-interest bearing, non-trade nature, unsecured and repayable on demand.

As at 31 December 2022, the amount due from OBJV, before the Group's share of post-acquisition losses, of approximately HK$96,575,000, in which approximately HK$13,000,000 carried interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1% per annum, non-trade nature, unsecured and repayable on demand. The remaining balance of approximately HK$83,575,000 was non-interest bearing, non-trade nature, unsecured and repayable on demand.

The directors of the Company consider the amount due from OBJV forms part of the net investment in OBJV as at 31 December 2023 and 2022. The Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK$118,427,000 (2022: HK$96,575,000) as at 31 December 2023.

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Percentage of interest held by the Group		Percentage of voting rights held by the Group		Nature of business
			2023	2022	**2023**	2022	
OBJV	Unincorporated	Hong Kong	**40%**	40%	**40%**	40%	Engineering contractor for construction and operation projects
NCA (Note i)	Incorporated	The PRC	**15.70%**	21.44%	**15.70%**	21.44%	Manufacturing and sale of precision air-conditioners
TEI (Note ii)	Incorporated	The USA	**49%**	49%	**49%**	49%	Providing new construction, modernisation, repair and maintenance services in the vertical transportation

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

Details of the Group's associates at the end of the reporting period are as follows: (Continued)

Notes:

(i) During the year ended 31 December 2023, NCA issued an aggregate of approximately 83,221,000 new ordinary shares to 15 new investors, and resulted in the decrease of the Group's interest in NCA from 21.44% as at 31 December 2022 to 16.83%. A deemed gain on dilution of approximately HK$124,125,000 was recognised for the year ended 31 December 2023.

During the year ended 31 December 2023, the Group disposed of 1.13% of its shareholding in NCA at an aggregate consideration of approximately RMB62,625,000 (equivalent to approximately HK$67,914,000). The net proceeds from the disposal amounted to approximately RMB60,182,000 (equivalent to approximately HK$65,264,000), net of transaction cost of approximately RMB2,443,000 (equivalent to approximately HK$2,650,000). As a result of the disposal, the Group's interest in NCA decreased from 16.83% to 15.83% as at 30 June 2023 and from 15.83% to 15.70% as at 31 July 2023, and a gain on disposal of approximately HK$42,463,000 was recognised for the year ended 31 December 2023.

During the year ended 31 December 2022, the number of ordinary shares of NCA increased as a result of the conversion of the convertible bonds issued by NCA and a deemed gain on dilution of approximately HK$626,000 was recognised.

During the year ended 31 December 2022, the Group disposed of 1% of its shareholding in NCA at an aggregate consideration of approximately RMB35,672,000 (equivalent to approximately HK$43,681,000). The net proceeds from the disposal amounted to approximately RMB34,499,000 (equivalent to approximately HK$42,243,000), net of transaction cost of approximately RMB1,173,000 (equivalent to approximately HK$1,438,000). As a result of the disposal, the Group's interest in NCA decreased from 22.44% as at 31 December 2021 to 21.44% as at 31 December 2022, and a gain on disposal of approximately HK$31,717,000 was recognised for the year ended 31 December 2022.

The Group is able to exercise significant influence over NCA because the Company owns 15.70% and 21.44% of NCA as at 31 December 2023 and 2022 respectively, and appointed two directors out of nine directors.

(ii) The Group has right to appoint two directors out of the four directors but the Group has no sufficiently dominant voting rights to direct the relevant activities of TEI unilaterally, the directors of the Company conclude that the Group has significant influence over TEI and therefore it is classified as an associate of the Group.

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

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

	OBJV		NCA		TEI	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Revenue	**74,575**	86,529	**702,713**	729,400	**898,880**	881,101
(Loss) profit for the year	**(21,125)**	(7,371)	**39,021**	42,616	**(6,596)**	18,163
Other comprehensive expense for the year	**–**	–	**(52,486)**	(105,078)	**–**	–
Total comprehensive (expense) income for the year	**(21,125)**	(7,371)	**(13,465)**	(62,462)	**(6,596)**	18,163
Dividends from the associate during the year	**–**	–	**7,144**	13,654	**–**	–
Non-current assets	**1,844**	1,681	**761,800**	690,959	**140,851**	83,017
Current assets	**42,238**	37,631	**2,513,719**	1,568,555	**458,183**	450,959
Total assets	**44,082**	39,312	**3,275,519**	2,259,514	**599,034**	533,976
Current liabilities	**(327,392)**	(302,124)	**(854,015)**	(807,941)	**(176,633)**	(153,708)
Non-current liabilities	**(627)**	–	**(335,441)**	(331,432)	**(81,370)**	(32,641)
Net (liabilities) assets	**(283,937)**	(262,812)	**2,086,063**	1,120,141	**341,031**	347,627

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	OBJV		NCA		TEI	
	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000	2023 HK$'000	2022 HK$'000
Net (liabilities) assets	**(283,937)**	(262,812)	**2,086,063**	1,120,141	**341,031**	347,627
Less: non-controlling interests of NCA's subsidiary	**N/A**	N/A	**(570)**	N/A	**N/A**	N/A
	(283,937)	(262,812)	**2,085,493**	1,120,141	**341,031**	347,627
Proportion of the Group's interest	**40%**	40%	**15.70%**	21.44%	**49%**	49%
Goodwill	**–**	–	**11,872**	16,209	**137,245**	137,245
Impairment loss recognised	**–**	–	**–**	–	**(124,600)**	(75,600)
Others	**–**	–	**(35,067)**	(47,700)	**–**	–
Carrying amount of the Group's interests in associates	**–**	–	**304,305**	208,669	**179,751**	231,982

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20. JOINT ARRANGEMENTS

Joint operations

The Group has joint arrangements carrying out construction projects in the form of joint operations. Details of the Group's principal joint operations at the end of the reporting period are as follows:

Name of project	Form of business structure	Place of operation	Percentage of interest held by the Group		Nature of business
			2023	2022	
ATAL – Degremont Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
Veolia – ATAL Joint Venture (formerly known as SITA – ATAL Joint Venture)*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**48.7%**	48.7%	Engineering contractor for construction projects
ATAL – Degremont - China State Joint Venture*	Unincorporated	Hong Kong	**27.2%**	27.2%	Engineering contractor for construction projects
ATAL – Suez Infrastructure Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**49.8%**	49.8%	Engineering contractor for construction projects
ATAL – Degremont - China Harbour Joint Venture*	Unincorporated	Hong Kong	**31.3%**	31.3%	Engineering contractor for construction projects
Suez – ATAL San Wai Joint Venture*	Unincorporated	Hong Kong	**35%**	35%	Engineering contractor for maintenance projects
ATAL – CW – MH Joint Venture*	Unincorporated	Hong Kong	**51.96%**	51.96%	Engineering contractor for construction projects
ATAL – BEOD Joint Venture	Unincorporated	Hong Kong	**73.2%**	73.2%	Engineering contractor for construction projects

* The project was awarded from the HKSAR Government.

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21. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials, consumable stores and spare parts	**70,244**	58,962
Work in progress	**11,013**	8,817
Finished goods	**7,551**	1,695
	88,808	69,474

22. CONTRACT ASSETS

	2023 HK$'000	2022 HK$'000
Contract assets	**1,368,359**	1,260,232
Less: allowances for credit losses	**(21,646)**	(15,868)
	1,346,713	1,244,364

As at 1 January 2022, contract assets amounted to approximately HK$986,895,000.

As at 31 December 2023, contract assets include retention receivables of approximately HK$489,459,000 (2022: HK$394,171,000). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

Retention receivables are interest-free and repayable at the end of the retention period of the respective construction contract.

Details of the impairment assessment are set out in Note 37b(ii).

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23. TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	**1,068,590**	859,266
Less: allowances for credit losses	**(65,504)**	(51,097)
	1,003,086	808,169
Unbilled revenue (Note)	**173,732**	238,692
Bills receivables	**1,400**	336
	1,178,218	1,047,197

Note: Unbilled revenue represents accrued revenue for works performed by the Group but yet to bill. The Group has unconditional right to the payment of unbilled revenue which is expected to be billed within 90 days and settled within twelve months from the end of the reporting period.

As at 1 January 2022, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$1,116,614,000.

As at 31 December 2023, the Group's bills receivables are of age within one year (2022: within one year).

The Group generally allows credit period ranging from 14 to 90 days (2022: 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. The Group does not hold any collateral over these balances.

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

	2023 HK$'000	2022 HK$'000
0 – 30 days	**533,985**	481,296
31 – 90 days	**355,195**	258,568
91 – 360 days	**113,249**	61,342
Over 1 year	**657**	6,963
Total	**1,003,086**	808,169

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$466,256,000 (2022: HK$394,000,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$59,961,000 (2022: HK$50,403,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship, good repayment record and continuous repayment from these customers.

Details of the impairment assessment are set out in Note 37b(ii).

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24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2023 HK$'000	2022 HK$'000
Other receivables	**18,593**	14,382
Deposits and prepayments (Note)	**135,683**	144,201
	154,276	158,583
Less: Deposits paid for acquisition of property, plant and equipment (classified as non-current assets)	**–**	(6,147)
Less: Rental deposits (classified as non-current assets)	**(6,113)**	(7,127)
	148,163	145,309

Note: Balance mainly includes prepayments to suppliers, tendering deposits, rental deposits and miscellaneous deposits and prepayments.

25. AMOUNTS DUE FROM (TO) PARTNERS OF JOINT OPERATIONS

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest rates from 0.25% to 2.85% (2022: 1.35% to 2.85%) per annum representing deposits pledged to banks to secure general banking facilities granted to certain of the Company's subsidiaries. Deposits amounting to approximately HK$18,418,000 (2022: HK$25,818,000) have been pledged to secure short-term banking facilities and are therefore classified as current assets. The remaining deposits amounting to approximately HK$4,280,000 (2022: Nil) have been pledged to secure long-term banking facilities and are therefore classified as non-current assets. The pledged bank deposits will be released upon the release of relevant banking facilities.

Bank balances carry interest at market rates from 0% to 5.05% (2022: 0% to 5.65%) per annum.

27. TRADE AND RETENTION PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**537,801**	496,420
Trade payables (unbilled)	**52,099**	54,602
Retention payables	**185,741**	173,358
	775,641	724,380

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27. TRADE AND RETENTION PAYABLES (CONTINUED)

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

	2023 HK$'000	2022 HK$'000
0 – 30 days	**273,155**	247,742
31 – 90 days	**202,301**	129,953
91 – 360 days	**39,037**	88,665
Over 1 year	**23,308**	30,060
	537,801	496,420

28. OTHER PAYABLES AND ACCRUED EXPENSES

	2023 HK$'000	2022 HK$'000
Accrued contract costs	**1,379,053**	1,137,127
Accrued staff costs	**129,708**	151,200
Provision for litigation liabilities (Note)	**150,000**	150,000
Others	**84,813**	56,636
	1,743,574	1,494,963

Note: In November 2022, a cooperation agreement was entered into with the Hong Kong Competition Commission in relation to the resolution of certain legal proceedings. As part of the cooperation agreement, a pecuniary penalty of HK$150 million was agreed to be paid by a subsidiary of the Company. The Group has accordingly made a provision of HK$150 million for this litigation settlement during the year ended 31 December 2022. An announcement relating to the cooperation agreement was issued by the Company on 4 November 2022.

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29. CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Contract liabilities	**78,643**	123,978

As at 1 January 2022, contract liabilities amounted to approximately HK$77,174,000.

Revenue recognised during the current year included the amount of contract liabilities at the beginning of the reporting period amounted to approximately HK$84,328,000 (2022: HK$61,381,000).

The decrease in the current year is mainly attributable to decrease in cash advances for the projects.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Construction contracts

When the Group receives a deposit before the construction activity or receives advanced payment during the construction activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit or advanced payment.

Sales of goods

The Group receives 30% of the contract value as deposits from customers when they sign the sales contracts. This will result in contract liabilities being recognised until the customers obtain the control of the goods.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	2023 HK$'000	2022 HK$'000
Foreign-currency forward contracts classified as		
current assets	**1,468**	–
current liabilities	**–**	2,776

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30. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Major terms of the foreign-currency forward contracts which were entered into between the Group and banks (banks to sell) are as follows:

As at 31 December 2023:

Notional approximate amount	Maturity	Exchange rate
Sell European dollars ("EUR") 178,000	9 February 2024	HK$8.6999/EUR
Sell EUR 43,000	21 March 2024	HK$8.6555/EUR
Sell EUR 53,000	24 April 2024	HK$8.8607/EUR
Sell EUR 198,000	2 May 2024	HK$8.6583/EUR
Sell EUR 697,000	2 May 2024	HK$8.6785/EUR
Sell EUR 122,000	28 May 2024	HK$8.568/EUR
Sell EUR 336,000	28 May 2024	HK$8.568/EUR
Sell EUR 19,000	28 May 2024	HK$8.568/EUR
Sell EUR 122,000	28 May 2024	HK$8.568/EUR
Sell EUR 104,000	30 May 2024	HK$8.5835/EUR
Sell EUR 50,000	20 June 2024	HK$8.4215/EUR
Sell EUR 150,000	20 June 2024	HK$8.4215/EUR
Sell EUR 159,000	10 July 2024	HK$8.317/EUR
Sell EUR 460,000	30 July 2024	HK$8.363/EUR
Sell EUR 519,000	9 August 2024	HK$8.424/EUR
Sell EUR 105,000	5 September 2024	HK$8.62/EUR
Sell EUR 235,000	5 September 2024	HK$8.62/EUR
Sell EUR 1,011,000	30 July 2024	HK$8.343/EUR
Sell EUR 45,000	8 January 2024	HK$8.559/EUR
Sell EUR 56,000	8 January 2024	HK$8.559/EUR
Sell EUR 324,000	8 January 2024	HK$8.559/EUR
Sell EUR 164,000	12 March 2024	HK$8.49/EUR
Sell EUR 37,000	12 March 2024	HK$8.49/EUR
Sell Australian dollars ("AUD") 585,000	16 February 2024	HK$5.269/AUD
Sell GBP 41,000	29 April 2024	HK$10.05/GBP
Sell GBP 700,000	10 May 2024	HK$9.5485/GBP
Sell GBP 150,000	10 May 2024	HK$9.5485/GBP
Sell Swedish krona ("SEK") 1,850,000	22 February 2024	HK$0.7545/SEK
Sell SEK 454,000	29 February 2024	HK$0.7455/SEK
Sell SEK 1,715,000	26 July 2024	HK$0.723/SEK
Sell Renminbi ("RMB") 15,892,000	3 April 2024	HK$1.0969/RMB
Sell RMB 736,000	19 February 2024	HK$1.136/RMB
Sell RMB 512,000	15 April 2024	HK$1.1073/RMB
Sell RMB 3,727,000	21 June 2024	HK$1.086/RMB
Sell Singapore dollar ("SGD") 223,000	28 August 2024	HK$5.896/SGD

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30. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2022:

Notional approximate amount	Maturity	Exchange rate
Sell EUR 477,000	1 August 2023	HK$8.013/EUR
Sell EUR 2,285,000	20 January 2023	HK$8.6/EUR
Sell EUR 50,000	29 March 2023	HK$8.4598/EUR
Sell EUR 271,000	3 May 2023	HK$8.2035/EUR
Sell EUR 449,000	25 May 2023	HK$7.963/EUR
Sell EUR 52,000	8 June 2023	HK$7.9648/EUR
Sell EUR 239,000	17 July 2023	HK$7.8/EUR
Sell EUR 56,000	14 August 2023	HK$8.0336/EUR
Sell EUR 43,000	8 September 2023	HK$8.3435/EUR
Sell EUR 205,000	15 September 2023	HK$8.47/EUR
Sell EUR 521,000	22 September 2023	HK$8.433/EUR
Sell EUR 576,000	16 March 2023	HK$8.3396/EUR
Sell EUR 519,000	1 March 2023	HK$8.5825/EUR
Sell EUR 43,000	1 March 2023	HK$8.5735/EUR
Sell EUR 49,000	8 June 2023	HK$7.9654/EUR
Sell EUR 168,000	8 June 2023	HK$7.9658/EUR
Sell AUD 585,000	3 May 2023	HK$5.5156/AUD
Sell AUD 1,979,000	13 February 2023	HK$5.5872/AUD
Sell AUD 257,000	23 June 2023	HK$5.3065/AUD
Sell GBP 17,000	13 February 2023	HK$9.736/GBP
Sell GBP 9,000	11 April 2023	HK$9.4535/GBP
Sell GBP 26,000	8 June 2023	HK$9.146/GBP
Sell GBP 559,000	14 June 2023	HK$9.075/GBP
Sell GBP 271,000	26 June 2023	HK$8.8868/GBP
Sell GBP 1,378,000	23 January 2023	HK$9.8967/GBP
Sell SEK 3,652,000	7 March 2023	HK$0.8031/SEK
Sell SEK 454,000	15 March 2023	HK$0.79395/SEK
Sell RMB 20,632,000	30 May 2023	HK$1.155/RMB
Sell RMB 6,819,000	8 September 2023	HK$1.141/RMB
Sell RMB 172,000	12 January 2023	HK$1.2335/RMB
Sell RMB 392,000	13 March 2023	HK$1.177/RMB
Sell RMB 1,859,000	29 March 2023	HK$1.177/RMB
Sell RMB 512,000	26 June 2023	HK$1.1304/RMB

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31. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured variable-rate bank loan	**274,271**	277,875
Unsecured variable-rate bank loan	**45,535**	–
Unsecured fixed-rate bank loan	**240**	–
Less: amount due within one year shown under current liabilities	**(71,280)**	(14,625)
Amount shown under non-current liabilities	**248,766**	263,250
The carrying amounts of the above loans are repayable as follows:		
– within one year	**71,280**	14,625
– within a period of more than one year but not exceeding two years	**14,725**	14,625
– within a period of more than two years but not exceeding five years	**43,916**	43,875
– more than five years	**190,125**	204,750
	320,046	277,875

At 31 December 2023 and 2022, the Group's bank borrowing is denominated in HK$, RMB and GBP and carries interest rates at HIBOR plus a margin per annum, loan prime rate in Mainland China minus a margin per annum, and fixed rate at 2.5% per annum, respectively.

The effective interest rates of bank borrowing range from 2.440% to 6.035% (2022: 1.278% to 3.525%).

At 31 December 2023, the secured bank borrowing is pledged by (i) ATAL Tower in Hong Kong, (ii) building in Nanjing, (iii) the assignment of rental income from ATAL Tower, (iv) debenture containing fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$15,952,000 (2022: HK$8,619,000), and (v) their issued share capital.

The Group is required to comply with certain restrictive financial and other covenants. The Group has complied with these covenants as of the end of the reporting period.

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32. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**37,758**	31,717
Within a period of more than one year but not more than two years	**5,230**	26,743
Within a period of more than two years but not more than five years	**3,252**	26,019
	46,240	84,479
Less: Amount due for settlement within 12 months shown under current liabilities	**(37,758)**	(31,717)
Amount due for settlement after 12 months shown under non-current liabilities	**8,482**	52,762

The weighted average incremental borrowing rates applied to lease liabilities range from 3.01% to 5.875% per annum (2022: 5% to 5.625%).

33. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Note: During the year, the Company repurchased its own ordinary shares on the Stock Exchange through the trustees of the Company's share award schemes as follows:

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33. SHARE CAPITAL (CONTINUED)

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
July 2023	**2,632,000**	**1.50**	**1.33**	**3,748**
August 2023	**252,000**	**1.43**	**1.41**	**359**
September 2023	**5,048,000**	**1.50**	**1.32**	**7,033**
October 2023	**796,000**	**1.35**	**1.31**	**1,072**
Total repurchase in 2023	**8,728,000**			**12,212**
April 2022	4,400,000	1.78	1.65	7,684
May 2022	6,400,000	1.92	1.76	11,902
Total repurchase in 2022	10,800,000			19,586

As at 31 December 2023, 13,290,000 (2022: 4,562,000) of the Company's own ordinary shares are held by the trustees.

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34. DEFERRED TAX

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 HK$'000	2022 HK$'000
Deferred tax liabilities	**14,420**	17,944
Deferred tax assets	**(17,306)**	(13,154)
	(2,886)	4,790

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the current and prior years are as follows:

	Withholding tax on distributable profits of subsidiaries and associates HK$'000	Temporary difference on tax depreciation HK$'000	Revaluation of properties HK$'000	ECL provision HK$'000	Tax loss HK$'000	Intangible assets HK$'000	Others HK$'000	Total HK$'000
At 1 January 2022	15,009	5,381	326	(8,280)	(227)	–	(1,575)	10,634
Credited to profit or loss	(966)	(968)	–	(1,020)	(68)	–	(1,885)	(4,907)
Income tax relating to loss on revaluation of properties	–	–	(319)	–	–	–	–	(319)
Exchange realignment	(1,197)	–	–	435	–	–	144	(618)
At 31 December 2022 and 1 January 2023	**12,846**	**4,413**	**7**	**(8,865)**	**(295)**	**–**	**(3,316)**	**4,790**
Credited to profit or loss	**(1,693)**	**(442)**	**–**	**(2,713)**	**(1,948)**	**(104)**	**(655)**	**(7,555)**
Income tax relating to loss on revaluation of properties	**–**	**–**	**(374)**	**–**	**–**	**–**	**–**	**(374)**
Acquisition of subsidiaries	**–**	**(38)**	**–**	**(169)**	**–**	**570**	**(9)**	**354**
Exchange realignment	**(206)**	**(1)**	**–**	**70**	**–**	**25**	**11**	**(101)**
At 31 December 2023	**10,947**	**3,932**	**(367)**	**(11,677)**	**(2,243)**	**491**	**(3,969)**	**(2,886)**

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$203,884,000 (2022: HK$140,774,000) available for offset against future profits. Deferred tax assets have been recognised in respect of approximately HK$13,800,000 (2022: HK$1,786,000) of such losses as at 31 December 2023. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

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34. DEFERRED TAX (CONTINUED)

Unrecognised tax losses will be expired as follows:

	2023 HK$'000	2022 HK$'000
– 2024	**362**	788
– 2025	**–**	–
– 2026	**4,863**	4,863
– 2027	**5,878**	5,878
– 2028	**13,015**	9,601
– 2029	**13,512**	13,512
– 2030	**16,614**	16,614
– 2031	**24,502**	24,502
– 2032	**25,133**	21,276
– 2033	**9,242**	–
	113,121	97,034
– Indefinite	**76,963**	41,954
	190,084	138,988

35. DEFERRED INCOME

	2023 HK$'000	2022 HK$'000
At beginning of the year	**2,163**	2,432
Amortised	**(269)**	(269)
At end of the year	**1,894**	2,163
Analysed for reporting purposes as:		
Current (included in other payables and accrued expenses)	**269**	269
Non-current	**1,625**	1,894
	1,894	2,163

In 2015, a joint operation was required to provide a 15-year performance bond to Drainage Services Department of the HKSAR Government for a construction project. The performance bond covers the period from January 2015 to December 2029. Under the arrangement, Drainage Services Department would reimburse bond charges incurred on the performance bond and a lump sum of approximately HK$442,000 was received from Drainage Services Department in 2015. It is amortised on a straight-line basis over 15 years.

In 2016, a joint operation is required to operate a 15-year maintenance workshop for Drainage Services Department for a construction site. The operation of the workshop covers the period from March 2016 to February 2031. Under the arrangement, Drainage Services Department would reimburse the expenses incurred for the workshop and a lump sum of approximately HK$3,595,000 was received from Drainage Services Department in 2016. It is amortised on a straight-line basis over 15 years.

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36. CAPITAL RISK MANAGEMENT

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

The capital structures of the Group consist of net debt, which includes the bank borrowing and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023 **HK$'000**	2022 HK$'000
Financial assets		
Derivative financial instruments	**1,468**	–
Financial assets at amortised cost	**2,144,655**	2,081,702
Financial liabilities		
Derivative financial instruments	**–**	2,776
Financial liabilities at amortised cost	**1,145,148**	1,023,043

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37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from an associate, amounts due from (to) partners of joint operations, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, bank borrowing, lease liabilities and derivative financial instruments. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group has foreign-currency bank balances, trade receivables, other receivables, trade and retention payables and other payables, which expose the Group to foreign currency risk. The Group had entered into foreign-currency forward contracts to mitigate its foreign currency risk exposure.

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

	Assets		**Liabilities**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
EUR	**866**	1,993	**4,025**	4,304
GBP	**241**	1,459	**3,322**	180
RMB	**144,496**	117,760	**596**	59,093
United States dollars ("USD")	**14,564**	14,309	**64,710**	14,419

Sensitivity analysis

The Group is mainly exposed to fluctuation in EUR, GBP, RMB and USD against HK$. As HK$ is pegged to USD under the Hong Kong's linked exchange rate system, the management of the Group is of the opinion that the Group's exposure to the foreign exchange rate risk of USD is minimal.

The following table details the Group's sensitivity to increase and decrease by 0.34%, 2.1% and 2.02% (2022: 4.38%, 3.56% and 0.4%) in HK$ against RMB, GBP and EUR respectively. 0.34% to 2.1% (2022: 0.4% to 4.38%) are the sensitivity rates used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK$ against the relevant foreign currencies during the relevant year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 0.34% to 2.1% (2022: 0.4% to 4.38%).

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37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

A positive number indicates an increase, while a negative number indicates a decrease in post-tax profit for the year below when HK$ is weakened by 0.34% to 2.1% (2022: 0.4% to 4.38%) against the relevant foreign currencies. For a 0.34% to 2.1% (2022: 0.4% to 4.38%) strengthening of HK$ against the relevant foreign currencies, there would be an equal but opposite impact on the post-tax profit for the year.

	Profit for the year	
	2023	2022
	HK$'000	HK$'000
EUR	**(54)**	(8)
GBP	**(54)**	38
RMB	**408**	2,146

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 32 for details) and fixed-rate bank borrowing (see Note 31 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances and variable-rate bank borrowing (see Note 31 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances and HIBOR arising from the Group's HK$ denominated borrowing. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

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

At 31 December 2023, if interest rates on variable-rate bank borrowing had been 100 basis points (2022: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would be decreased/increased by approximately HK$2,706,000 (2022: HK$3,577,000), mainly as a result of higher/lower interest expense on variable-rate bank borrowing.

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37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, amounts due from partners of joint operations, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

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

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt with significant outstanding balances or credit-impaired at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2023 on the trade receivables from one of the Group's major customers amounting to approximately HK$263,612,000 (2022: HK$112,835,000) and accounted for 21% (2022: 10%) of the Group's total trade receivables. The same customer also amounting to approximately HK$150,958,000 (2022: HK$157,946,000) and accounted for 11% (2022: 13%) of the Group's total contract assets. In the opinion of the directors of the Company, this customer is reputable organisation in the market. The directors of the Company consider that the credit risk is limited in this regard.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for debtors with significant outstanding balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped under a collective assessment based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. During the year ended 31 December 2023, net impairment losses of approximately HK$10,996,000 and HK$5,788,000 (2022: HK$5,013,000 and HK$4,234,000) are recognised for trade receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other receivables and deposits and amounts due from partners of joint operations

For other receivables and deposits and amounts due from partners of joint operations, the directors of the Company make periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2023 and 2022, the Group assessed the ECL for other receivables and deposits and amounts due from partners of joint operations were insignificant and thus no loss allowance was recognised.

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on pledged bank deposits and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount HK$'000	2023 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables (Note)	23	N/A	Low risk	Lifetime ECL (not credit-impaired) (collective assessment)	**61,019**		60,484	
			Watch list	Lifetime ECL (not credit-impaired) (collective assessment)	**263,617**		274,226	
			Low risk	Lifetime ECL (not credit-impaired) (individual assessment)	**870,126**		725,772	
			Loss	Lifetime ECL (credit-impaired) (individual assessment)	**48,960**	**1,243,722**	37,812	1,098,294
Other receivables and deposits	24	N/A	Low risk	12-month ECL	**31,569**		25,517	
Amounts due from partners of joint operations	25	N/A	Low risk	12-month ECL	**5,746**		7,142	
Pledged bank deposits	26	AA2 to A2 (2022: AA2 to A2)	N/A	12-month ECL	**22,698**		25,818	
Bank balances	26	AA2 to A2 (2022: AA2 to A2)	N/A	12-month ECL	**906,424**		976,028	
Other item								
Contract assets (Note)	22	N/A	Low risk	Lifetime ECL (not credit-impaired) (collective assessment)	**39,085**		178,997	
			Watch list	Lifetime ECL (not credit-impaired) (collective assessment)	**284,709**		258,026	
			Low risk	Lifetime ECL (not credit-impaired) (individual assessment)	**1,044,565**	**1,368,359**	823,209	1,260,232

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a collective assessment, grouped by internal credit rating.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on collective assessment within lifetime ECL (not credit-impaired). Trade receivables and contract assets with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$919,086,000 and approximately HK$1,044,565,000 respectively as at 31 December 2023 (2022: approximately HK$763,584,000 and approximately HK$823,209,000) were assessed individually. The average loss rates for debtors with significant outstanding balances that are not credit-impaired are assessed to be less than 1% (2022: less than 1%).

Gross carrying amount

Internal credit rating	2023 Average loss rate	2023 Trade receivables HK$'000	2023 Contract assets HK$'000	2022 Average loss rate	2022 Trade receivables HK$'000	2022 Contract assets HK$'000
Low risk	**1.31%**	**61,019**	**39,085**	1.32%	60,484	178,997
Watch list	**4.41%**	**263,617**	**284,709**	2.47%	274,226	258,026
		324,636	**323,794**		334,710	437,023

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may result in debtor ability to make payments) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating (Continued)

During the year ended 31 December 2023, the Group recognised impairment allowance of approximately HK$21,544,000 (2022: HK$15,787,000) and reversed impairment allowance of approximately HK$12,679,000 (2022: HK$11,201,000) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$19,403,000 (2022: HK$13,057,000) was made and approximately HK$17,272,000 (2022: HK$12,630,000) was reversed on credit-impaired trade receivables. During the year ended 31 December 2023, trade debtors with gross carrying amount of approximately HK$8,944,000 (2022: HK$2,892,000) became credit-impaired and therefore, approximately HK$8,944,000 (2022: HK$2,892,000) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the year ended 31 December 2023, impairment allowance of approximately HK$5,788,000 (2022: HK$4,234,000) was recognised on contract assets based on the collective assessment.

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

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2022	11,713	38,341	50,054
Impairment losses recognised	15,787	13,057	28,844
Impairment losses reversed	(11,201)	(12,630)	(23,831)
Transfer	(2,892)	2,892	–
Write-offs	–	(2,188)	(2,188)
Exchange realignment	(122)	(1,660)	(1,782)
As at 31 December 2022 and 1 January 2023	**13,285**	**37,812**	**51,097**
Acquisition of subsidiaries	**3,279**	**1,270**	**4,549**
Impairment losses recognised	**21,544**	**19,403**	**40,947**
Impairment losses reversed	**(12,679)**	**(17,272)**	**(29,951)**
Transfer	**(8,944)**	**8,944**	**–**
Write-offs	**–**	**(1,047)**	**(1,047)**
Exchange realignment	**59**	**(150)**	**(91)**
As at 31 December 2023	**16,544**	**48,960**	**65,504**

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating (Continued)

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

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2022	11,684
Impairment losses recognised	4,234
Exchange realignment	(50)
As at 31 December 2022	**15,868**
Impairment losses recognised	**5,788**
Exchange realignment	**(10)**
As at 31 December 2023	**21,646**

(iii) Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on available cash generated from operations and banking facilities to finance its operation. As at 31 December 2023, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK$1,723,572,000 (2022: HK$1,690,765,000).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that require net settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contractual maturities are essential for understanding of the timing of cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate %	Repayable on demand and less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2023									
Non-derivative financial liabilities									
Trade and retention payables	–	772,587	3,054	–	–	–	–	775,641	775,641
Other payables	–	40,296	–	–	–	–	–	40,296	40,296
Amounts due to partners of joint operations	–	9,165	–	–	–	–	–	9,165	9,165
Bank borrowing	2.44 to 6.035	6,780	6,776	6,719	62,246	91,881	237,098	411,500	320,046
		828,828	9,830	6,719	62,246	91,881	237,098	1,236,602	1,145,148
Lease liabilities	3.01 to 5.875	3,717	3,637	3,727	27,865	8,876	–	47,822	46,240

	Weighted average interest rate %	Repayable on demand and less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2022									
Non-derivative financial liabilities									
Trade and retention payables		716,394	7,923	63	–	–	–	724,380	724,380
Other payables	–	15,680	–	–	–	–	–	15,680	15,680
Amounts due to partners of joint operations	–	5,108	–	–	–	–	–	5,108	5,108
Bank borrowing	1.278 to 3.525	2,035	2,035	2,035	18,315	95,534	280,076	400,030	277,875
		739,217	9,958	2,098	18,315	95,534	280,076	1,145,198	1,023,043
Lease liabilities	5 to 5.625	2,655	2,632	3,204	26,583	57,392	–	92,466	84,479
Derivatives – net settlement									
Foreign-currency forward contracts – outflows net	–	1,354	770	388	264	–	–	2,776	2,776

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments

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

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

Financial assets/(liabilities)	Fair value		Fair value hierarchy	Valuation technique and key input
	2023 HK$'000	2022 HK$'000		
Derivative financial assets (liabilities) (Note 30)	**1,468**	(2,776)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments (Continued)

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

There were no transfers between Level 1 or 2 during the current and prior years.

As at 31 December 2023 and 2022, there is no financial liability subsequently measured at fair value on Level 3 fair value measurement.

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

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

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

38. OPERATING LEASE ARRANGEMENTS

The Group as lessor

All of the properties held by the Group for rental purposes have committed lessees for the next 1 to 2 years.

	2023 HK$'000	2022 HK$'000
Undiscounted lease payments receivable on leases are as follows:		
Within one year	–	297
In the second year	–	47
	–	344

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39. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of JCW Lifts Ltd. ("JCW")

On 24 July 2023, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with two independent individuals, to purchase 51% of the equity interests in JCW for an aggregate consideration of GBP500,000 (equivalent to approximately HK$4,753,000). JCW is a corporation incorporated in England and Wales that is principally engaged in the business of providing installation and maintenance services for lifts. This acquisition was completed on 24 July 2023 and accounted for as acquisition of business using the acquisition method. The non-controlling interests (49%) in JCW of approximately HK$2,753,000 recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of JCW of approximately HK$5,619,000 (including intangible assets of approximately HK$2,282,000, plant and machinery of approximately HK$216,000 and borrowing of approximately HK$294,000).

The consideration of the acquisition also includes deferred consideration based on the actual number of units under the brand name of "Anlev" sold by JCW in second, third and fourth year after the completion of the acquisition ("Sales Targets"). The deferred consideration is payable as below:

- GBP 100,000 if the sales units reach 100 or more units for the period from 24 July 2023 to 24 July 2025;
- GBP 125,000 if the sales units reach 225 or more units for the period from 24 July 2023 to 24 July 2026; and
- GBP 150,000 if sales units reach 400 or more units for the period from 24 July 2023 to 24 July 2027.

During negotiations with the selling shareholders of JCW, the Sales Targets were agreed, and the directors of the Company believed the Sales Targets are remote. Consequently, the fair value of such deferred consideration is assessed to be minimal.

Net cash outflows arising on acquisition of JCW

	HK$'000
Consideration paid in cash	**4,753**
Less: bank balances and cash acquired	**(723)**
	4,030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of Precision Lift Services Limited ("Precision")

On 30 September 2023, a wholly owned subsidiary of the Company entered into a share purchase agreement with an independent third party, to purchase 100% of the equity interests in Precision. The purchase price is the aggregate of completion payment of GBP300,000 (equivalent to approximately HK$2,852,000), as well as GBP64,591 (equivalent to approximately HK$614,000) being the difference of relevant working capital balance of Precision at date of completion and the target working capital as stipulated in the share purchase agreement. Precision is a corporation incorporated in England and Wales that is principally engaged in the business of providing installation and maintenance services for lifts, escalators and travellators. This acquisition was completed on 30 September 2023 and accounted for an acquisition of business using the acquisition method.

Consideration

	HK$'000
Cash	**3,466**

Acquisition-related costs amounting to approximately HK$1,402,000 have been excluded from the consideration transferred and have been recognised directly as an expense when they are incurred. The amounts of approximately HK$1,402,000 have been recognised in the current year within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current assets	
Property, plant and equipment	**1,201**
Right-of-use assets	**5,148**
Deferred tax assets	**231**
Current assets	
Inventories	**6,585**
Contract assets	**12,630**
Trade receivables	**25,895**
Other receivables, deposits and prepayments	**1,039**
Bank balances and cash	**4,399**
Current liabilities	
Trade and retention payables	**(13,818)**
Other payables and accrued expenses	**(10,908)**
Contract liabilities	**(15,120)**
Lease liabilities	**(1,500)**
Tax payable	**(17)**
Non-current liability	
Lease liabilities	**(3,718)**
	12,047

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

39. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Acquisition of Precision Lift Services Limited ("Precision") (Continued)

Assets and liabilities recognised at the date of acquisition (Continued)

In the opinion of the directors of the Company, the fair value of the receivables acquired (which principally comprised of trade and other receivables) approximated to the gross contractual amounts, net of allowances for credit losses, the best estimate at acquisition date of the contractual cash flows of the receivables expected to be collected.

Gain on acquisition of Precision

	HK$'000
Total consideration	3,466
Less: recognised amounts of net assets acquired	(12,047)
Gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration	(8,581)

A gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration of approximately HK$8,581,000 was recognised during the year ended 31 December 2023, it was because the seller publicly announced that Precision was its non-core business and planned for divestment.

Net cash inflows arising on acquisition of Precision

	HK$'000
Consideration paid in cash	3,466
Less: bank balances and cash acquired	(4,399)
	(933)

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40. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

a. Capital commitments

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

	2023 HK$'000	2022 HK$'000
Expanding existing manufacturing facilities	**4,470**	10,622
Human resources management system	**–**	125
Revitalisation of ATAL Tower	**92,044**	6,832
	96,514	17,579

b. Contingent liabilities

The Group is involved in lawsuits during its normal course of operations. As at 31 December 2023, there were few legal proceedings related to these lawsuits outstanding against the Group. The Group will make adequate provision for any probable losses based on the current facts and circumstances.

41. PERFORMANCE BONDS

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$586,620,000 (2022: HK$584,871,000) given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

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42. PLEDGE OF ASSETS

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

	2023 HK$'000	2022 HK$'000
Properties (Note i)	**791,345**	68,300
Investment properties (Note i)	**4,480**	589,720
Bank deposits	**22,698**	25,818
Others (Note ii)	**35,476**	15,979
	853,999	699,817

Notes:

(i) The increase in "Properties" under pledge of assets mainly represents (i) transfer of ATAL Tower from an investment property pledged to properties pledged following the commencement of revitalisation on 1 April 2023, and (ii) the revitalisation cost incurred during the year ended 31 December 2023.

(ii) Included in others, there was the assignment of certain trade receivables of a wholly owned subsidiary of the Company of approximately HK$19,524,000 (2022: HK$7,360,000) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$15,952,000 (2022: HK$8,619,000) (Note 31).

43. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the consolidated statement of financial position on pages 79 and 80 and Notes 19 and 25. The Group entered into the following transactions with related parties during the current and prior years:

Name of related company	Relationship	Nature of transactions	2023 HK$'000	2022 HK$'000
OBJV	Associate	Sales	**4,191**	10,444
OBJV	Associate	Interest income	**–**	191
Perfect Motive Limited ("Perfect Motive")	Related party (Note i & ii)	Repayment of lease liabilities	**15,912**	16,200
Perfect Motive	Related party (Note i)	Direct expense recharge	**550**	568
TEI	Associate	Sales	**138**	2,289

Notes:

(i) Perfect Motive is a subsidiary of Arling Investment Limited, the Company's immediate holding company.

(ii) As at 31 December 2023, lease liabilities related to Prefect Motive amounted to approximately HK$15,527,000 (2022: HK$30,244,000).

(b) Compensation of key management personnel

The remuneration of directors of the Company, being the key management is set out in Note 12.

Notes to the Consolidated Financial Statements

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44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to partners of joint operations HK$'000	Bank borrowing HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
	(Note 25)	(Note 31)	(Note 32)			
At 1 January 2022	11,112	292,500	77,409	–	–	381,021
Financing cash flow	(6,004)	(23,146)	(36,712)	–	(160,035)	(225,897)
Interest accruals	–	8,521	3,293	281	–	12,095
Cash dividend declared (Note 13)	–	–	–	–	160,035	160,035
New leases entered/ lease modification	–	–	40,934	–	–	40,934
Early termination of a lease	–	–	(371)	–	–	(371)
Rent reduction	–	–	(2)	–	–	(2)
Exchange realignment	–	–	(72)	–	–	(72)
At 31 December 2022 and 1 January 2023	**5,108**	**277,875**	**84,479**	**281**	**–**	**367,743**
Financing cash flow	**4,057**	**28,696**	**(40,845)**	**(2,094)**	**(181,357)**	**(191,543)**
Interest accruals	**–**	**12,105**	**2,853**	**2,227**	**–**	**17,185**
Acquisitions of subsidiaries	**–**	**294**	**5,218**	**–**	**–**	**5,512**
Cash dividend declared (Note 13)	**–**	**–**	**–**	**–**	**181,357**	**181,357**
New leases entered/ lease modification	**–**	**–**	**23,139**	**–**	**–**	**23,139**
Early termination of a lease	**–**	**–**	**(110)**	**–**	**–**	**(110)**
Lease remeasurement	**–**	**–**	**(28,714)**	**–**	**–**	**(28,714)**
Exchange realignment	**–**	**1,076**	**220**	**–**	**–**	**1,296**
At 31 December 2023	**9,165**	**320,046**	**46,240**	**414**	**–**	**375,865**

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45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2023	2022	2023	2022	
安樂工程貿易有限公司 Analogue Technical Agencies Limited*	Hong Kong	HK$1,014,973	**100%**	100%	**100%**	100%	Supplying electrical and mechanical materials and equipment and providing associated installation services
安諾電梯有限公司 Anlev (HK) Limited	Hong Kong	HK$4,000,000	**100%**	100%	**100%**	100%	Designing and trading of escalators and moving walkways
安樂工程有限公司 ATAL Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and environmental engineering contractor on construction and infrastructure projects
安樂機電設備工程有限公司 ATAL Building Services Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and building services contractor in design, installation and maintenance of building and infrastructure projects
安樂數據中心基建有限公司 ATAL Data Centre Infrastructure Limited*	Hong Kong	HK$20,000,000	**100%**	100%	**100%**	100%	Providing data centre and critical facilities infrastructure supports
安樂工程(澳門)有限公司 ATAL Engineering (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂設備安裝工程(上海)有限公司 (Note ii)	The PRC	RMB52,000,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

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

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2023	2022	2023	2022	
安樂科技工程有限公司 ATAL Technologies Limited*	Hong Kong	HK$19,000,000	**100%**	100%	**100%**	100%	Provision of solution to the integration of information technology, communications and security systems, and in the development of related technologies and applications
安力電梯有限公司 Anlev Elex Elevator Limited	Hong Kong	HK$55,000,000	**100%**	100%	**100%**	100%	Providing installation and maintenance services for lifts, escalators and travellators
安樂建築工程服務(上海)有限公司* (Note ii)	The PRC	RMB35,569,907	**100%**	100%	**100%**	100%	Supplying electrical, mechanical and environmental materials and equipment and providing associated installation and maintenance services
南京安諾電梯有限公司 (Note ii)	The PRC	RMB161,300,000	**100%**	100%	**100%**	100%	Manufacturing and sale of escalators and moving walkways
南京安樂軟件科技有限公司* (Note ii)	The PRC	USD210,000	**100%**	100%	**100%**	100%	Manufacturing and sale of hardware, software and electronic systems
安諾工業有限公司 Anlev Industrial Limited*	Hong Kong	HK$119,340,001	**100%**	100%	**100%**	100%	Investment holding
安樂屋宇服務(澳門)有限公司 ATAL Building Services (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2023	2022	2023	2022	
安諾屋宇服務(澳門)有限公司 Analogue Building Services (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering
Pedarco International Limited	Hong Kong	HK$203,000	**100%**	100%	**100%**	100%	Development, production and marketing of automated movement system
安樂管理服務有限公司 ATAL Management Services Limited*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Provision of property management services
LATA Limited*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holding
Anlev (US) LLC	Delaware, USA	–	**100%**	100%	**100%**	100%	Investment holding
Anlev (UK) Limited	England and Wales	GBP100,000	**100%**	100%	**100%**	100%	Designing, manufacturing, selling, installing, renovating and providing services of lifts, escalators and parts
Anlev (UK) Holdings Limited	England and Wales	GBP100,000	**100%**	100%	**100%**	100%	Investment holding
Future Chance Developments Limited*	British Virgin Islands	USD100	**100%**	100%	**100%**	100%	Investment holding
Black Tie Holdings Limited	British Virgin Islands	USD100	**100%**	100%	**100%**	100%	Investment holding
榮俊投資有限公司 Fame Smart Investment Limited	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Property investment
Meta Infrastructure Limited*	British Virgin Islands	USD10,000	**100%**	100%	**100%**	100%	Investment holding

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2023	2022	2023	2022	
X-i Data Limited	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Inactive
JCW Lifts Ltd (Note iii)	England and Wales	GBP100	**51%**	N/A	**51%**	N/A	Providing installation and maintenance services for lifts
Precision Lift Services Limited (Note iv)	England and Wales	GBP150,000	**100%**	N/A	**100%**	N/A	Providing installation and maintenance services for lifts, escalators and travellators

Notes:

* Directly held by the Company.

(i) Each of ATAL Engineering (Macao) Limited, Analogue Building Services (Macao) Limited and ATAL Building Services (Macao) Limited is held as to 96% by the Company and 4% by the Company's wholly owned subsidiary, LATA Limited.

(ii) These subsidiaries are wholly foreign-owned enterprises established in the PRC.

(iii) The subsidiary was acquired on 24 July 2023.

(iv) The subsidiary was acquired on 30 September 2023.

The directors of the Company are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the above table lists only the particulars of the subsidiaries which materially affect the results or financial position of the Group.

None of the subsidiary had issued any debt securities during the year or at the end of the year and prior year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS

Share Award Schemes

A. Share Award Schemes of the Company

The Company adopted two share award schemes (the "Share Award Schemes"), with the similar terms except that the eligible participants of one of the Share Award Schemes ("Eligible Participants") shall not be connected persons of the Company. The Share Award Schemes are administered by independent trustees appointed by the Group. The award(s) and vesting period(s) of the awarded shares are determined by the board of directors.

During the year ended 31 December 2023, no awarded shares were granted or vested to awardees under the Share Award Schemes. During the year ended 31 December 2023, 1,260,000 awarded shares lapsed/forfeited and 10,290,000 awarded shares were cancelled. As at 31 December 2023, there were 13,160,000 awarded shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

During the year ended 31 December 2022, 45,594,000 awarded shares were granted to awardees under the Share Award Schemes. During the year ended 31 December 2022, 20,238,000 awarded shares were vested, 646,000 awarded shares lapsed/forfeited and no awarded shares were cancelled. As at 31 December 2022, there were 24,710,000 awarded shares which were yet to be vested subject to the fulfilment of the vesting criteria and conditions.

The tables below set out details of share awards granted to various participants/categories of participants under the Share Award Schemes:

2023

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2023	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Cancelled during the year	Unvested awards as at 31 December 2023
Directors (Note 1)									
– Mr. Chan Hoi Ming	B (Note 2)	21/01/2022	21/01/2022-30/06/2023	4,200,000	–	–	–	(4,200,000)	–
	C (Note 2)	21/01/2022	21/01/2022-30/06/2024	5,600,000	–	–	–	–	5,600,000
– Mr. Cheng Wai Ling	B (Note 2)	21/01/2022	21/01/2022-30/06/2023	240,000	–	–	–	(240,000)	–
	C (Note 2)	21/01/2022	21/01/2022-30/06/2024	320,000	–	–	–	–	320,000
			Subtotal (Note 1)	10,360,000	–	–	–	(4,440,000)	5,920,000
Employees	B (Note 2)	21/01/2022	21/01/2022-30/06/2023	6,150,000	–	–	(300,000)	(5,850,000)	–
	C (Note 2)	21/01/2022	21/01/2022-30/06/2024	8,200,000	–	–	(960,000)	–	7,240,000
			Subtotal	14,350,000	–	–	(1,260,000)	(5,850,000)	7,240,000
			Total	24,710,000	–	–	(1,260,000)	(10,290,000)	13,160,000

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

A. Share Award Schemes of the Company (Continued)

2022

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Unvested awards as at 31 December 2022
					(Notes 4 & 5)	(Note 6)		
Directors (Note 1)								
– Mr. Chan Hoi Ming	A (Note 2)	21/01/2022	21/01/2022-30/06/2022	–	4,200,000	(4,200,000)	–	–
	B (Note 2)	21/01/2022	21/01/2022-30/06/2023	–	4,200,000	–	–	4,200,000
	C (Note 2)	21/01/2022	21/01/2022-30/06/2024	–	5,600,000	–	–	5,600,000
– Mr. Law Wei Tak	D (Note 3)	15/07/2022	15/07/2022-15/08/2022	–	4,500	(4,500)	–	–
			Subtotal (Note 1)	–	14,004,500	(4,204,500)	–	9,800,000
Employees	A (Note 2)	21/01/2022	21/01/2022-30/06/2022	–	6,600,000	(6,570,000)	(30,000)	–
	B (Note 2)	21/01/2022	21/01/2022-30/06/2023	–	6,600,000	–	(210,000)	6,390,000
	C (Note 2)	21/01/2022	21/01/2022-30/06/2024	–	8,800,000	–	(280,000)	8,520,000
	D (Note 3)	15/07/2022	15/07/2022-15/08/2022	–	9,589,500	(9,463,500)	(126,000)	–
			Subtotal	–	31,589,500	(16,033,500)	(646,000)	14,910,000
			Total	–	45,594,000	(20,238,000)	(646,000)	24,710,000

Notes:

1. The two directors named in the tables are amongst the five highest paid individuals during the years ended 31 December 2022 and 2023 respectively. During the years ended 31 December 2022 and 2023, save and except the two directors mentioned above, no share awards were granted, vested, cancelled or lapsed/forfeited in respect of any other person under the category of five highest paid individuals. As such, the sub-totals in the category of "Directors" also represent the totals for the five highest paid individuals during the year, in aggregate.

2. Subject to fulfilment of all the vesting criteria and conditions, the awarded shares granted on 21 January 2022 would be vested in three tranches as follows: (i) 30% of the awarded shares were vested on 30 June 2022 (Batch A); (ii) 30% of the awarded shares would have been vested on 30 June 2023 but were not vested and cancelled during the year ended 31 December 2023 as not all of the vesting conditions were fulfilled (Batch B); and (iii) the remaining 40% of the awarded shares would be vested on 30 June 2024 (Batch C).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

A. *Share Award Schemes of the Company (Continued)*

Notes: (Continued)

3. The awarded shares were legally transferred to the eligible employees on 15 July 2022 (Batch D). Such awards were communicated and the Company and the employees have a shared understanding of the relevant terms and conditions on 28 March 2022.

4. The fair values of the share awards granted during the year ended 31 December 2022 were determined using the Black-Scholes valuation model. The closing price of the shares immediately before the date on which the share awards were granted, other key inputs into the model and the estimated fair value of the share awards at the date of grant are set out below:

	Batch			
	A	B	C	D
Closing price before the date of grant (HK$)	1.81	1.81	1.81	1.28
Expected volatility	21.94%	30.15%	42.49%	31.93%
Expected dividend yield	6.40%	6.40%	6.40%	6.94%
Expected life	5 months	17 months	29 months	3 months
Risk-free rate	0.23%	0.77%	0.77%	0.10%
Estimated fair value at the date of grant (HK$)	1.75	1.64	1.53	1.63

5. There are no performance targets attached to any awarded shares.

6. The weighted average closing price of the shares immediately before the dates on which the share awards were vested during the year ended 31 December 2022 was approximately HK$1.31.

The Group recognised total expense of approximately HK$12,764,000 (2022: HK$54,493,000) for the year ended 31 December 2023 in relation to awarded shares granted in 2022 by the Company.

B. *Major terms of the Share Award Schemes*

The principal terms of the Share Award Schemes, which are subject always to the requirements of the Listing Rules, are summarised below:

1. *Purpose of the Share Award Schemes*

The purpose of the Share Award Schemes is to (i) recognise and reward the contribution of certain Eligible Participants (as mentioned below) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

2. Eligible Participants

According to the relevant scheme rules, the Eligible Participants of one of the Share Award Schemes include any person belonging to the following classes of participants: (a) an employee of the Company (full time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company and any entity in which any member of the Group holds any equity interest ("Invested Entity") (the "Employee"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. According to the relevant scheme rules, the Eligible Participants of the other Share Award Scheme include the above Eligible Participants except the connected persons of the Company. Nevertheless, the grant of share awards to any Eligible Participant shall be subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

3. Selection Criteria

A Selected Participant is an Eligible Participant for whom Shares have been provisionally set aside pursuant to an award (the "Award") granted by the board of directors of the Company. The eligibility of any of the Eligible Participants to an Award granted by the board of directors of the Company to a Selected Participant shall be determined by the board of directors of the Company from time to time on the basis of the opinion of the board of directors of the Company as to his contribution and/or future contribution to the development and growth of the Group, subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

4. Satisfaction of Awards

To satisfy the Award, the Company shall transfer to the trustees for the trusts in respect of the Share Award Schemes (the "Trustees") the necessary funds from the Company's internal resources and instruct the Trustees to acquire the shares of the Company (the "Shares") through either on-market and/or off-market transactions at the prevailing market price. The Company shall not instruct the Trustees to acquire any Shares where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance ("SFO") or other applicable laws from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

5. Scheme Limit and Maximum Number of Shares to be Granted

The total number of awarded shares under the Awards (the "Awarded Shares") made pursuant to the Share Award Schemes shall not exceed 10% of the total number of issued shares of the Company as at 27 November 2020 ("SAS Adoption Date") (i.e. 140,000,000 Shares). As at the date of the issuance of these consolidated financial statements, the total number of awarded shares available for grant is 106,602,000 Shares, representing approximately 7.61% of the Company's total number of issued Shares as at the date of these financial statements. Subject to the provisions of Chapter 17 of the Listing Rules as amended from time to time, the maximum number of Shares which may be subject to an Award or Awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the SAS Adoption Date (i.e. 14,000,000 Shares).

6. Voting Rights

Neither the Selected Participant nor the Trustees may exercise any of the voting rights in respect of any Awarded Shares that have not yet vested.

7. Duration of the Share Award Schemes

The Share Award Schemes shall be valid and effective for a term of 10 years commencing from the SAS Adoption Date i.e. until 26 November 2030, and after the expiry of such 10-year term no further Awards may be made but the rules of the Share Award Schemes shall remain in full force and effect to the extent necessary to give effect to any Awards made prior thereto and the administration of the trust property held by the Trustees.

8. Timing of Awards and/or Instructions to the Trustees

No Award shall be made to Selected Participants and no instructions shall be given to the Trustees to acquire Shares under the Share Award Schemes:

(a) when inside information has come to the Company's knowledge until such inside information has been published in accordance with the SFO; and

(b) during the periods or times in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company. In particular, during the period preceding the publication of financial results in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

9. Vesting Conditions and/or Performance Targets

The board of directors of the Company is entitled to impose any condition(s) and/or performance target(s), if any, that must be attained by the relevant Selected Participant before any of the Awarded Shares may be transferred to and vested in such Selected Participant under an Award (including but not limited to a period of continued service within the Group after the Award), and shall inform the Trustees and such Selected Participant the relevant conditions and/or performance targets of the Award and the Awarded Shares.

10. Vesting Period

There is no minimum period for which an Award must be held before it can be vested. The board of directors of the Company is entitled to prescribe the earliest date ("Earliest Vesting Date") and other subsequent date(s), if any, on which the Trustee may vest the legal and beneficial ownership of the Awarded Shares. The Trustees shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:

(i) the Earliest Vesting Date as specified in the award notice to which such Award relates; and

(ii) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related award notice have been attained or paid and notified to the Trustee by the board of directors of the Company.

11. Subscription Price for the Awards or Awarded Shares

There is no amount payable on acceptance of the Awards or the Awarded Shares.

12. Lapse and Forfeiture of Award

In the event that a Selected Participant does not satisfy the vesting condition(s) and/or performance target(s) set out in the award letter issued to such Selected Participant, the Award does not vest and the Award shall lapse and the Award Shares shall be deemed to be returned shares (the "Returned Shares").

In respect of a Selected Participant who dies or retires at his normal retirement date or by agreement with a member of the Group at any time prior to or on the vesting date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

In the event that any Selected Participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such Selected Participant shall forthwith lapse and be cancelled.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

12. Lapse and Forfeiture of Award (Continued)

In the event (i) a Selected Participant is found to be excluded in accordance with the Share Award Scheme (the "Excluded Participant") or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustees for the relevant Awarded Shares within the stipulated period, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme.

Upon the occurrence of any of the following events, the Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme:

(i) when a Selected Participant ceases to be an Employee other than because of his death or retirement at his normal retirement date or by agreement with the relevant member of the Group;

(ii) when the Subsidiary or Invested Entity by which a Selected Participant is employed ceases to be a subsidiary or Invested Entity of the Group;

(iii) when the board of directors of the Company shall at its absolute discretion determine in respect of a Selected Participant (other than a Selected Participant who is an Employee) that:

(a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on one part and any member of the Group or any Invested Entity on the other part;

(b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or

(c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the Invested Entity by reason of the cessation of its relationship with the Group or its Invested Entity or by any other reasons whatsoever; or

(iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

The Trustees shall hold the Returned Shares exclusively for the benefit of all or one or more of the Eligible Participants (excluding any Excluded Participants) as the board of directors of the Company shall in its absolute discretion at any time determine and select in writing as the Selected Participant(s).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by resolutions in writing passed by the then shareholders of the Company on 14 September 2018 to take effect on the date of listing of the Shares on the Stock Exchange on 12 July 2019. The Share Option Scheme was adopted to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, and remains in force until 11 July 2029. The principal terms of the Share Option Scheme, which are subject always to the requirements of the Listing Rules, are summarised below:

(i) Who may join

According to the rules of the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries of the Company or any Invested Entity;

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

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

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

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

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

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

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

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants. Nevertheless, the grant of share options to any participant shall be subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(ii) Maximum number of Shares available for issue

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

(iii) Maximum entitlement of each participant

According to the rules of the Share Option Scheme, the total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (excluding any options lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("Individual Limit"), subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time. Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the grantee is a connected person (as defined in the Listing Rules) of the Company) abstaining from voting. Further, according to the rules of the Share Option Scheme, options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.1% of the total number of Shares in issue and having an aggregate value exceeding HK$5 million must be approved by the shareholders in general meeting (with such grantee, his associates (as defined in the Listing Rules) and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting in favour at such general meeting) in advance, subject further to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

(iv) The period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee, which period may commence from the date of the offer for the grant of option is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option, subject to the provisions for early termination thereof.

(v) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the directors of the Company and stated in the offer for the grant of options to the grantee.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

46. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(vii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share option has ever been granted since the adoption of the Share Option Scheme up to the date of the issuance of these consolidated financial statements.

47. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees, subject to a cap of monthly relevant income of HK$30,000.

The employees employed in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their basic payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the schemes.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

There is a defined contribution plan for its employees in United Kingdom. A defined contribution plan is a pension plan under which the subsidiary pays fixed contributions into a separate entity. Once the contributions have been paid the subsidiary has no further payment obligations.

No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2023, the total expenses recognised in the profit or loss for the above schemes amounted to approximately HK$59,102,000 (2022: HK$53,848,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

47. RETIREMENT BENEFITS PLANS (CONTINUED)

Defined benefit plan

Obligation to pay LSP under Hong Kong Employment Ordinance (Chapter 57).

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay LSP to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of LSP shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement').

The Amendment Ordinance was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the HKSAR Government is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

Under the Amendment Ordinance, the Group's mandatory MPF contributions, plus/minus any positive/negative returns, after the Transition Date can continue to be applied to offset the pre-Transition Date LSP obligation but are not eligible to offset the post-Transition Date LSP obligation. On the other hand, the accrued benefits derived from the Group's voluntary contributions made pre-, on or post-transition can continue to be used to offset pre- and post-transition LSP. Furthermore, the LSP obligation before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date and the years of service up to that date. The Amendment Ordinance has impact on the Group's LSP liability with respect to employees that participate in MPF Scheme and the Group has accounted for the offsetting mechanism and its abolition as disclosed in Note 2 and Note 3.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

47. RETIREMENT BENEFITS PLANS (CONTINUED)

LSP obligation

Movements in the present value of unfunded LSP obligation in the current year were as follows:

	2023 HK$'000
Opening unfunded obligation	–
Transfer from provision for LSP (included in other payables and accrued expenses)	9,884
Current service cost	1,676
Interest expenses	238
	11,798
Remeasurements recognised in other comprehensive income:	
– Actuarial gain arising from changes in financial assumptions	(5,022)
Closing unfunded obligation	6,776

The average duration of the benefit obligation at 31 December 2023 is 26 years.

The current service cost and the net interest expense for the year are included in the employee benefits expenses in profit or loss. Approximately HK$1,047,000 has been included in cost of sales and services and approximately HK$867,000 has been included in administrative expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

47. RETIREMENT BENEFITS PLANS (CONTINUED)

LSP obligation (Continued)

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	Valuation at	
	31 December 2023	31 December 2022
Discount rate(s)	**3.63%**	2.85%
Expected rate(s) of salary increase	**5.30%**	5.30%
Expected investment return	**2.13%-3%**	2.13%-3%
Average past service years	**6**	7
Average years to retirement	**26**	26

Significant actuarial assumptions for the determination of the LSP obligation are discount rate, expected salary increase and expected investment return on offsetable MPF accrued. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 20% higher (lower), the LSP obligation would decrease by approximately HK$515,000 (increase by approximately HK$569,000) (2022: decrease by approximately HK$745,000 (increase by approximately HK$900,000)).

- If the expected salary increases (decreases) by 20%, the LSP obligation would increase by approximately HK$125,000 (decrease by approximately HK$94,000) (2022: increase by approximately HK$125,000 (decrease by approximately HK$54,000)).

- If the expected investment return on offsetable MPF contribution is 20% higher (lower), the LSP obligation would decrease by approximately HK$21,000 (increase by approximately HK$43,000) (2022: decrease by approximately HK$24,000 (increase by approximately HK$77,000)).

The sensitivity analysis presented above may not be representative of the actual change in the LSP obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

48. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Interests in subsidiaries		**622,885**	622,885
Interest in an associate		**304,305**	208,669
Amount due from a subsidiary		**320,010**	320,010
		1,247,200	1,151,564
Current assets			
Other receivables, deposits and prepayments		**2,803**	4,637
Dividend receivable		**556**	41,882
Amounts due from subsidiaries		**840,494**	618,741
Derivative financial instrument		**742**	–
Bank balances and cash		**89,503**	65,585
		934,098	730,845
Current liabilities			
Other payables and accrued expenses		**6,459**	5,345
Amounts due to subsidiaries		**1,366,940**	1,069,330
Derivative financial instruments		**–**	153
Financial guarantee liabilities		**883**	280
Bank borrowing – due within one year		**60,160**	14,625
		1,434,442	1,089,733
Net current liabilities		**(500,344)**	(358,888)
Total assets less current liabilities		**746,856**	792,676
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**477,300**	507,294
Total equity		**491,300**	521,294
Non-current liabilities			
Bank borrowing – due after one year		**248,625**	263,250
Deferred tax liability		**6,931**	8,132
		255,556	271,382
		746,856	792,676

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

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

Movement in the Company's reserves is as follows:

	Share premium HK$'000	Treasury share reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	358,704	(26,210)	–	5	10,957	240,552	584,008
Profit for the year	–	–	–	–	–	71,387	71,387
Exchange differences arising from translation of an associate	–	–	–	–	(22,473)	–	(22,473)
Reclassification of cumulative translation reserve upon disposal of interest in an associate	–	–	–	–	(500)	–	(500)
Total comprehensive (expense) income for the year	–	–	–	–	(22,973)	71,387	48,414
Dividends recognised as distribution (Note 13)	–	–	–	–	–	(160,035)	(160,035)
Recognition of equity-settled share-based payment expense (Note 46)	–	–	54,493	–	–	–	54,493
Shares vested under share award schemes	–	37,440	(34,273)	–	–	(3,167)	–
Purchase of shares under share award schemes (Note 33)	–	(19,586)	–	–	–	–	(19,586)
At 31 December 2022 and 1 January 2023	**358,704**	**(8,356)**	**20,220**	**5**	**(12,016)**	**148,737**	**507,294**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**155,877**	**155,877**
Exchange differences arising from translation of an associate	**–**	**–**	**–**	**–**	**(8,166)**	**–**	**(8,166)**
Reclassification of cumulative translation reserve upon disposal of interest in an associate	**–**	**–**	**–**	**–**	**1,596**	**–**	**1,596**
Reclassification of cumulative translation reserve upon dilution of interest in an associate	**–**	**–**	**–**	**–**	**1,504**	**–**	**1,504**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(5,066)**	**155,877**	**150,811**
Dividends recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**–**	**(181,357)**	**(181,357)**
Recognition of equity-settled share-based payment expense (Note 46)	**–**	**–**	**12,764**	**–**	**–**	**–**	**12,764**
Cancellation under share award schemes	**–**	**–**	**(16,876)**	**–**	**–**	**16,876**	**–**
Purchase of shares under share award schemes (Note 33)	**–**	**(12,212)**	**–**	**–**	**–**	**–**	**(12,212)**
At 31 December 2023	**358,704**	**(20,568)**	**16,108**	**5**	**(17,082)**	**140,133**	**477,300**

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Dividend income	**582**	58,170
Other income	**13,897**	5,780
Other gains and losses	**165,400**	21,984
Administrative expenses	**(20,283)**	(12,349)
Share of profit of an associate	**6,582**	9,180
Finance costs	**(10,647)**	(6,466)
Profit before tax	**155,531**	76,299
Income tax credit (expense)	**346**	(4,912)
Profit for the year	**155,877**	71,387
Other comprehensive (expense) income, net of tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising from translation of an associate	**(8,166)**	(22,473)
Reclassification of cumulative translation reserve upon disposal of interest in an associate	**1,596**	(500)
Reclassification of cumulative translation reserve upon dilution of interest in an associate	**1,504**	–
Total comprehensive income for the year	**150,811**	48,414

Five-Year Financial Summary

RESULTS

For the year ended 31 December

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Revenue					
– Building services	2,676,315	3,169,846	3,378,709	4,257,138	**3,735,763**
– Environmental engineering	1,086,886	896,583	1,117,276	1,233,509	**1,355,738**
– ICBT	444,382	453,317	494,740	631,388	**663,437**
– Lifts and escalators	274,328	605,435	359,995	352,615	**378,006**
Total revenue	4,481,911	5,125,181	5,350,720	6,474,650	**6,132,944**
Gross profit					
– Building services	344,689	407,318	432,358	519,726	**338,310**
– Environmental engineering	192,717	150,747	194,859	216,415	**235,175**
– ICBT	137,076	153,636	114,743	127,392	**114,902**
– Lifts and escalators	112,251	197,430	136,412	148,013	**144,903**
Total gross profit	786,733	909,131	878,372	1,011,546	**833,290**
Segment profit					
– Building services	141,024	155,673	130,737	178,020	**26,113**
– Environmental engineering	67,535	20,077	98,609	103,082	**74,696**
– ICBT	64,700	81,370	36,970	35,290	**16,411**
– Lifts and escalators	26,022	56,662	70,933	42,071	**17,104**
Total segment profit	299,281	313,782	337,249	358,463	**134,324**
Profit for the year attributable to owners of the Company	245,001	301,350	314,299	114,558	**251,500**

Five-Year Financial Summary

ASSETS, LIABILITIES AND EQUITY

As at 31 December

	2019 HK$'000	2020 HK$'000	2021 HK$'000	2022 HK$'000	**2023 HK$'000**
Total assets	3,423,255	3,869,727	4,449,158	4,812,214	**5,139,350**
Total liabilities	1,661,451	1,896,095	2,319,459	2,749,308	**3,010,188**
Equity attributable to owners of the Company	1,761,804	1,973,632	2,129,699	2,062,906	**2,126,376**

FINANCIAL INFORMATION PER SHARE

For the year ended 31 December/As at 31 December

	2019	2020	2021	2022	**2023**
Earnings (HK$)	0.20	0.22	0.22	0.08	**0.18**
Net assets (HK$)	1.45	1.41	1.52	1.48	**1.53**

KEY RATIOS

For the year ended 31 December/As at 31 December

	2019	2020	2021	2022	**2023**
Return on assets	7.6%	8.3%	7.6%	2.5%	**5.1%**
Return on equity	16.5%	16.3%	15.3%	5.5%	**12.0%**
Current ratio (times)	1.9	1.8	1.6	1.5	**1.4**
Gearing ratio	N/A	N/A	13.7%	13.5%	**15.1%**

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Poon Lok To, Otto *(Founder)*
Dr. Mak Kin Wah *(Chairman)*
Mr. Chan Hoi Ming *(Chief Executive Officer)*
Mr. Cheng Wai Lung
Mr. Cheng Wai Keung, Peter *(Chief Financial Officer)*

Non-executive Director
Ms. Or Siu Ching, Rerina

Independent non-executive Directors
Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Ms. Shing Mo Han, Yvonne

AUDIT COMMITTEE

Ms. Shing Mo Han, Yvonne *(Chairman)*
Mr. Chan Fu Keung
Ms. Or Siu Ching, Rerina

REMUNERATION COMMITTEE

Mr. Chan Fu Keung *(Chairman)*
Ms. Or Siu Ching, Rerina
Ms. Shing Mo Han, Yvonne

NOMINATION COMMITTEE

Mr. Lam Kin Fung, Jeffrey *(Chairman)*
Ms. Or Siu Ching, Rerina
Mr. Chan Fu Keung
Ms. Shing Mo Han, Yvonne

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

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

PRINCIPAL BANKERS

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

China Construction Bank (Asia) Corporation Limited
3 Connaught Road Central
Central
Hong Kong

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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