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

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Financial Highlights

	2022	2021
	HK$'M	*HK$'M*
Value of outstanding contracts	**11,656.3**	11,309.0
Revenue	**6,474.7**	5,350.7
Gross profit	**1,011.5**	878.4
Profit attributable to owners of the Company	**114.6**	314.3
Basic earnings per share	**HK$0.08**	HK$0.22

The Board did not recommend a payment of a second interim dividend for the year ended 31 December 2022. The Board has resolved to pay a special dividend of HK4.5 cents per share for the year ended 31 December 2022 (the "Special Dividend") as a special celebration of the 45th Anniversary of the Group. The Special Dividend is expected to be paid on or around 28 April 2023.

RESULTS

The board of directors (the "Board") of Analogue Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022 ("FY2022").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Revenue	3	**6,474,650**	5,350,720
Cost of sales and services		**(5,463,104)**	(4,472,348)
Gross profit		**1,011,546**	878,372
Other income		**30,668**	18,437
Other gains and losses	5	**(33,266)**	18,111
Provision for litigation liabilities	15	**(150,000)**	–
(Impairment losses) reversal of impairment losses under expected credit loss model, net	13	**(9,247)**	14,710
Selling and distribution expenses		**(2,204)**	(2,700)
Administrative expenses		**(677,020)**	(617,350)
Share of results of associates		**18,079**	74,196
Finance costs	6	**(12,095)**	(4,910)
Profit before tax		**176,461**	378,866
Income tax expense	7	**(61,903)**	(64,567)
Profit for the year	8	**114,558**	314,299
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of properties		**(1,935)**	6,854
Income tax relating to loss (gain) on revaluation of properties		**319**	(1,131)
		(1,616)	5,723
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(54,107)**	17,332
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**(500)**	(797)
		(54,607)	16,535
Other comprehensive (expense) income for the year, net of tax		**(56,223)**	22,258
Total comprehensive income for the year		**58,335**	336,557
		HK cents	*HK cents*
Earnings per share			
Basic	10	**8**	22
Diluted	10	**8**	22

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	NOTES	2022 HK$'000	2021 HK$'000
Non-current assets			
Investment properties		**589,720**	589,930
Property, plant and equipment		**147,902**	157,036
Right-of-use assets		**87,713**	77,475
Intangible assets		**–**	–
Interests in associates	*11*	**440,651**	544,714
Deposits		**13,274**	1,110
Deferred tax assets		**13,154**	10,458
		1,292,414	1,380,723
Current assets			
Inventories		**69,474**	85,405
Contract assets	*12*	**1,244,364**	975,211
Trade receivables	*13*	**1,047,197**	1,066,560
Other receivables, deposits and prepayments		**145,309**	109,246
Amount due from an associate		**–**	–
Amounts due from partners of joint operations		**7,142**	10,354
Tax recoverable		**4,468**	1,733
Pledged bank deposits		**25,818**	18,188
Bank balances and cash		**976,028**	801,738
		3,519,800	3,068,435
Current liabilities			
Trade and retention payables	*14*	**724,380**	599,929
Other payables and accrued expenses	*15*	**1,494,963**	1,163,613
Contract liabilities		**123,978**	77,174
Amounts due to partners of joint operations		**5,108**	11,112
Bank borrowing – due within one year		**14,625**	14,625
Derivative financial instruments		**2,776**	4,286
Lease liabilities		**31,717**	31,157
Contingent consideration payables	*16*	**–**	52,706
Tax payable		**15,911**	17,475
		2,413,458	1,972,077
Net current assets		**1,106,342**	1,096,358
Total assets less current liabilities		**2,398,756**	2,477,081

	2022	2021
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**14,000**	14,000
Reserves	**2,048,906**	2,115,699
Total equity	**2,062,906**	2,129,699
Non-current liabilities		
Bank borrowing – due after one year	**263,250**	277,875
Lease liabilities	**52,762**	46,252
Deferred tax liabilities	**17,944**	21,092
Deferred income	**1,894**	2,163
	335,850	347,382
	2,398,756	2,477,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. BASIS OF PREPARATION

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

2. APPLICATION OF AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the 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.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after a date to be determined.
[3] Effective for annual periods beginning on or after 1 January 2024.

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

Amendments to 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 12 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 the entity classify 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 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

	2022	2021
	HK$'000	*HK$'000*
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**5,394,415**	4,249,701
Maintenance work	**947,335**	944,743
	6,341,750	5,194,444
Recognised at a point of time and short-term contracts		
Sales of goods	**132,900**	156,276
	6,474,650	5,350,720

(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 2022 and the expected timing of recognising revenue are as follows:

	Contracting work	**Maintenance work**	**Sales of goods**
	HK$'000	***HK$'000***	***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**

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 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	4,722,732	753,937	148,111
More than one year but not more than two years	1,978,184	395,102	–
More than two years	2,264,672	1,046,255	–
	8,965,588	2,195,294	148,111

4. SEGMENT INFORMATION

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

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

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

Reconciliation of segment revenue

For the 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**

For the year ended 31 December 2021

	Building services *HK$'000*	Environmental engineering *HK$'000*	ICBT *HK$'000*	Lifts and escalators *HK$'000*	Total *HK$'000*
Revenue					
– Contracting work	3,103,024	628,481	368,594	149,602	4,249,701
– Maintenance work	268,814	407,502	108,302	160,125	944,743
– Sales of goods	6,871	81,293	17,844	50,268	156,276
Total revenue	3,378,709	1,117,276	494,740	359,995	5,350,720

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 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 results of an associate						**9,180**
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						**59,962**
Unallocated expenses						**(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 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	**(15)**	**–**	**–**	**–**	**–**	**(15)**
Share of results of associates	**–**	**–**	**–**	**8,899**	**9,180**	**18,079**
Write-down of inventories, net	**303**	**–**	**877**	**2,617**	**–**	**3,797**

For the year ended 31 December 2021

	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	3,378,709	1,117,276	494,740	359,995	–	5,350,720
– inter-segment	5,935	270	61,312	3,660	(71,177)	–
Total revenue	3,384,644	1,117,546	556,052	363,655	(71,177)	5,350,720
Segment profit	130,737	98,609	36,970	70,933	–	337,249
Share of results of an associate						23,896
Bank interest income						5,051
Finance costs						(4,910)
Unallocated income						68,420
Unallocated expenses						(50,840)
Profit before tax						378,866
Income tax expense						(64,567)
Profit for the year						314,299
Other segment information						
Depreciation of property, plant and equipment	2,048	1,661	1,118	4,290	21,459	30,576
Depreciation of right-of-use assets	7,425	1,668	4,149	1,500	22,009	36,751
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(13,713)	(12,446)	15	11,434	–	(14,710)
(Gain) loss on disposals of property, plant and equipment	(95)	82	–	(4)	5	(12)
Gain on derecognition of right-of-use assets and lease liabilities	–	–	–	(4)	–	(4)
Share of results of associates	–	–	–	50,300	23,896	74,196
Write-down of inventories, net	428	8,209	465	6,502	–	15,604

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, certain other income, certain other gains and losses, share of results of an associate, impairment loss on interest in an associate, provision for litigation liabilities and 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.

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:

	2022	2021
	HK$'000	*HK$'000*
Customer A*	**1,206,524**	1,104,117
Customer B*	**990,668**	836,461

* Revenue from all four segments.

Geographical information

The Group's operations are located in Hong Kong, Mainland China, Macau, United Kingdom, 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.

	2022	2021
	HK$'000	*HK$'000*
Revenue		
Hong Kong	**5,906,458**	4,735,067
Mainland China	**291,595**	314,614
Macau	**251,118**	269,674
United Kingdom	**5,198**	387
USA	**2,705**	1,537
Others	**17,576**	29,441
Total	**6,474,650**	5,350,720

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

	2022	2021
	HK$'000	*HK$'000*
Non-current assets		
Hong Kong	**785,446**	777,775
Mainland China	**260,460**	293,402
Macau	**1,349**	364
United Kingdom	**23**	42
USA	**231,982**	298,682
Total	**1,279,260**	1,370,265

5. OTHER GAINS AND LOSSES

	2022	2021
	HK$'000	*HK$'000*
Gain (loss) from change in fair value of contingent consideration payables *(Note 16)*	**19,290**	(47,850)
Gain on disposal of interest in an associate *(Note 11)*	**31,717**	63,246
Impairment loss on interest in an associate *(Note 11)*	**(75,600)**	–
Deemed gain on dilution in interest in an associate *(Note 11)*	**626**	–
(Loss) gain on disposals of property, plant and equipment	**(26)**	12
Gain on derecognition of right-of-use assets and lease liabilities	**15**	4
Net exchange (losses) gains	**(9,078)**	2,299
(Loss) gain from change in fair value of investment properties	**(210)**	400
	(33,266)	18,111

6. FINANCE COSTS

	2022	2021
	HK$'000	*HK$'000*
Interest expenses on bank borrowings	**8,154**	158
Interest on lease liabilities	**3,293**	4,492
Ancillary costs in respect of banking facilities	**648**	260
	12,095	4,910

7. INCOME TAX EXPENSE

	2022	2021
	HK$'000	*HK$'000*
Current tax		
Hong Kong	**58,203**	45,732
Macau	**1,059**	3,729
PRC Enterprise Income Tax	**7,343**	16,594
	66,605	66,055
Under(over)provision in prior years		
Hong Kong	**13**	6
Macau	**–**	(1,837)
PRC Enterprise Income Tax	**192**	–
	205	(1,831)
	66,810	64,224
Deferred tax	**(4,907)**	343
	61,903	64,567

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.

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both years. 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 2023.

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 2022, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (2021: 5% and 10%, respectively). A provision for dividend withholding tax of approximately HK$399,000 was charged to profit or loss for the year ended 31 December 2022 (2021: a provision for dividend withholding tax of approximately HK$6,902,000 was charged). During the year ended 31 December 2022, withholding tax of approximately HK$1,365,000 (2021: HK$1,484,000) was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK$966,000 credited to profit or loss for the year ended 31 December 2022 (2021: a net provision of approximately HK$5,418,000 was charged to profit or loss).

8. PROFIT FOR THE YEAR

	2022 *HK$'000*	2021 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) *(Note)*:		
– Directors' remuneration	**37,290**	18,928
– Salaries and other benefits	**1,137,692**	1,149,261
– Retirement benefit scheme contributions (excluding directors)	**53,504**	51,674
– Share-based payment expense (excluding directors)	**39,109**	–
	1,267,595	1,219,863
Cost of inventories recognised as expenses (included in cost of sales and services)	**266,265**	247,956
Depreciation of property, plant and equipment	**22,826**	30,576
Depreciation of right-of-use assets	**37,723**	36,751
Write-down of inventories, net	**3,797**	15,604
Inventories written off	**–**	845
(Gain) loss from change in fair value of derivative financial instruments	**(1,510)**	4,602
Rental income from investment properties	**(6,807)**	(495)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**2,874**	28
	(3,933)	(467)
Auditor's remuneration	**5,169**	4,808

Note: During the current year, the Group recognised government grants of approximately HK$45,407,000 (2021: HK$2,768,000) in respect of COVID-19 related subsidies, of which approximately HK$42,195,000 (2021: Nil) relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region ("HKSAR Government") and was credited to cost of sales and services and administrative expenses.

9. DIVIDENDS

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

	2022 *HK$'000*	2021 *HK$'000*
2022 interim – HK4.27 cents (2021: 2021 interim dividend – HK4.02 cents) per share	**59,586**	56,280
2021 second interim – HK7.25 cents (2021: 2020 second interim dividend – HK7 cents) per share	**100,449**	98,000
	160,035	154,280

The board of directors of the Company did not recommend a payment of a second interim dividend in respect of the year ended 31 December 2022 (2021: second interim dividend in respect of the year ended 31 December 2021 of HK7.25 cents per ordinary share in an aggregate amount of HK$100,449,000). Subsequent to the end of the reporting period, the board of directors of the Company has resolved to pay a special dividend of HK4.5 cents (2021: Nil) per ordinary share for the year ended 31 December 2022 (the "Special Dividend") as a special celebration of the 45th anniversary of the Group in an aggregate amount of HK$62,795,000 (2021: Nil). The Special Dividend is expected to be paid on or around 28 April 2023.

10. 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:

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**114,558**	314,299
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**–**	(895)
Earnings for the purpose of calculating diluted earnings per share	**114,558**	313,404

	2022	2021
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,389,172,877**	1,397,260,542
Effect of dilutive potential ordinary shares	**146,240**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,389,319,117**	1,397,260,542

During the years ended 31 December 2022 and 2021, the weighted average numbers of ordinary shares for the calculation of basic and diluted earnings per share have been adjusted for the effect of certain shares held by the trustees pursuant to the share award schemes. The computation of diluted earnings per share does not assume the effect of certain Company's awarded shares because the values of those awarded shares were higher than the average market price for shares for the year ended 31 December 2022. Save as the awarded shares mentioned above, there were no other dilutive potential ordinary shares in existence during the years ended 31 December 2022 and 2021.

During the year ended 31 December 2022, the earnings for the purpose of calculating diluted earnings per share have not adjusted for any changes in the Group's share of results 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.

During the year ended 31 December 2021, the earnings for the purpose of calculating diluted earnings per share were adjusted for any changes in the Group's share of results 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.

11. INTERESTS IN ASSOCIATES

	2022	2021
	HK$'000	*HK$'000*
Investment cost		
Listed outside Hong Kong *(Note i)*	**98,393**	102,982
Unlisted	**240,840**	240,840
Impairment loss recognised *(Note ii)*	**(75,600)**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**177,018**	200,892
Interests in associates	**440,651**	544,714

Notes:

(i) During the year ended 31 December 2022, the Group disposed of 1% of its shareholding in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("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.

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 (2021: Nil).

During the year ended 31 December 2021, the Group disposed of 3% of its shareholding in NCA at an aggregate consideration of approximately RMB81,013,000 (equivalent to approximately HK$97,388,000). The net proceeds from the disposal amounted to approximately RMB78,363,000 (equivalent to approximately HK$94,207,000), net of transaction cost of approximately RMB2,650,000 (equivalent to approximately HK$3,181,000). The Group recognised a gain on disposal of approximately HK$63,246,000 for the year ended 31 December 2021. As a result of the disposal, the Group's interest in NCA decreased from 25.44% as at 31 December 2020 to 22.44% as at 31 December 2021.

(ii) The Group performed impairment assessment on the interest in Transel Elevator & Electric Inc. ("TEI"), an associate of the Group, for the years ended 31 December 2022 and 2021. 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 revenue growth rate. 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 23% (2021: 24%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2% (2021: 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 unfavourable market conditions, TEI faced a lower than expected demand during the year ended 31 December 2022, its financial performance is less satisfactory than expected. As a result, an impairment loss of HK$75,600,000 (2021: Nil) has been recognised in respect of the Group's interest in TEI during the year ended 31 December 2022.

12. CONTRACT ASSETS

	2022	2021
	HK$'000	*HK$'000*
Contract assets	**1,260,232**	986,895
Less: allowances for credit losses	**(15,868)**	(11,684)
	1,244,364	975,211

As at 1 January 2021, contract assets amounted to approximately HK$1,018,247,000.

As at 31 December 2022, contract assets include retention receivables of approximately HK$394,171,000 (2021: HK$333,347,000). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

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

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

Details of the allowances for credit losses are set out in Note 13.

13. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**859,266**	896,616
Less: allowances for credit losses	**(51,097)**	(50,054)
	808,169	846,562
Unbilled revenue *(Note)*	**238,692**	205,925
Bills receivables	**336**	14,073
	1,047,197	1,066,560

Note: Unbilled revenue represents accrued revenue for works performed by the Group but yet to bill. The Group has unconditional right to the payment of unbilled revenue which is expected to be billed within 90 days and received within 12 months from the end of the reporting period.

As at 1 January 2021, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$852,979,000.

As at 31 December 2022, the Group's bills receivables are of age within one year (2021: within one year).

The Group generally allows credit period ranging from 14 to 90 days (2021: 14 to 90 days). The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. Trade receivables that are neither past due nor impaired have good credit quality and low default rate under the internal credit assessment adopted by the Group. The Group does not hold any collateral over these balances.

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

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**481,296**	606,194
31 – 90 days	**258,568**	163,954
91 – 360 days	**61,342**	75,377
Over 1 year	**6,963**	1,037
Total	**808,169**	846,562

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$394,000,000 (2021: HK$327,171,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$50,403,000 (2021: HK$61,237,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship, good repayment record and continuous repayment from these customers.

During the year ended 31 December 2022, the Group recognised impairment allowance of approximately HK$15,787,000 (2021: HK$20,376,000) and reversed impairment allowance of approximately HK$11,201,000 (2021: HK$11,020,000) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$13,057,000 (2021: HK$22,227,000) was made and approximately HK$12,630,000 (2021: HK$44,213,000) was reversed on credit-impaired trade receivables. During the year ended 31 December 2022, trade debtors with gross carrying amount of approximately HK$2,892,000 (2021: HK$8,408,000) became credit-impaired and therefore, approximately HK$2,892,000 (2021: HK$8,408,000) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the year ended 31 December 2022, impairment allowance of approximately HK$4,234,000 was recognised (2021: HK$2,080,000 was reversed) on contract assets based on the collective assessment.

14. TRADE AND RETENTION PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**496,420**	397,284
Trade accruals	**54,602**	53,236
Retention payables	**173,358**	149,409
	724,380	599,929

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:

	2022	2021
	HK$'000	*HK$'000*
0 – 30 days	**247,742**	244,298
31 – 90 days	**129,953**	101,004
91 – 360 days	**88,665**	23,757
Over 1 year	**30,060**	28,225
	496,420	397,284

15. OTHER PAYABLES AND ACCRUED EXPENSES

	2022	2021
	HK$'000	*HK$'000*
Accrued staff costs	**151,200**	172,162
Accrued contract costs	**1,137,127**	931,049
Provision for litigation liabilities *(Note)*	**150,000**	–
Others	**56,636**	60,402
	1,494,963	1,163,613

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.

16. CONTINGENT CONSIDERATION PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Current	**–**	52,706

On 31 March 2020, the Group acquired 51% equity interests in TEI for an aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million). Out of the aggregate consideration of US$35.70 million (equivalent to approximately HK$278.46 million), US$17.85 million (equivalent to approximately HK$139.23 million) was paid in cash upon the completion of the acquisition. The remaining consideration of US$17.85 million (equivalent to approximately HK$139.23 million) (the "Deferred Payments") will be deferred and adjusted based on the actual performance of TEI for the pre-determined periods, varies from 0% to 140% of the Deferred Payments.

The Deferred Payments are payable as follows:

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

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

At the date of initial recognition, the fair value of the contingent consideration payables amounted to approximately HK$109,000,000, representing the estimated fair value of the First Deferral Payment and Second Deferral Payment.

The contingent consideration payables are measured at fair value at the end of the reporting period, with changes in fair value recognised in profit or loss. There is no contingent liabilities as at 31 December 2022 as it is fully settled. As at 31 December 2021, the fair value of the deferred consideration payables amounted to approximately HK$52,706,000, which would be due within 12 months from the end of the reporting period and classified as current liabilities.

	HK$'000
As at 1 January 2021	121,808
Payment made during the year	(116,952)
Loss on change in fair value	47,850
As at 31 December 2021 and 1 January 2022	**52,706**
Payment made during the year	**(33,416)**
Gain on change in fair value	**(19,290)**
As at 31 December 2022	**–**

17. PLEDGE OF ASSETS

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

	2022 ***HK$'000***	2021 *HK$'000*
Properties	**68,300**	71,400
Investment properties	**589,720**	589,930
Bank deposits	**25,818**	18,188
Others *(Note)*	**15,979**	1,756
	699,817	681,274

Note: Included in others, there was the assignment of certain trade receivables of a wholly owned subsidiary of the Company of approximately HK$7,360,000 (2021: Nil) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$8,619,000 (2021: HK$1,756,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

Solid trading performance was posted by the Group in 2022. For the year ended 31 December 2022 ("FY2022"), contracts awarded grew by 41.8% year-on-year to HK$6,822 million and total revenue grew by 21.0% year-on-year to reach HK$6,474.7 million.

Operation and maintenance ("O&M") contributed a significant share (14.6%) of the Group's total revenue in FY2022, reflecting the hard work and professionalism of our teams in these two areas. Total consolidated gross profit of the Group of the reporting period was 15.2% higher year-on-year at HK$1,011.5 million. Despite the increase in the total consolidated gross profit, the total consolidated net profit of the Group in FY2022 was HK$114.6 million, representing a year-on-year decrease of 63.6%, which is attributable to a number of exceptional items discussed below.

Employee share award schemes have been put in place to retain and motivate talents in the exceptionally competitive employment market of Hong Kong. 2022 marked a significant milestone to the Group as we celebrated our 45th anniversary. As a special celebration of the 45th anniversary of the Group, 4,500 shares of the Company were awarded to all of the Group's eligible employees in Hong Kong, Macau, Mainland China and the United Kingdom.

In addition, the Group recognised a provision for litigation liabilities of HK$150 million in FY2022 in relation to the settlement of certain legal proceedings as disclosed in the Company's announcement dated 4 November 2022 and further discussed below.

An impairment loss on an associate, HK$75.6 million, in relation to the Group's interest in Transel Elevator & Electric Inc. ("TEI"), based on the valuation performed by a third party qualified valuer, was also recognised. Details on the impairment loss are set out in Note 11 to the consolidated financial statements in this announcement.

If excluding the provision for litigation liabilities of HK$150 million and the impairment loss of HK$75.6 million, the FY2022 profit for the year would be HK$340.2 million, representing a year-on-year increase of 8.2%.

Providing a strong foundation for the core business going forward, the Group's contracts-in-hand increased by 3.1% compared to that in FY2021, to a high of HK$11,656 million. The Group's tendering activities remained active throughout the reporting period, with a total of 1,409 tenders or quotations valued at over HK$1 million each (FY2021: 1,676 tenders or quotations valued over HK$1 million).

In addition to the Group's competitive strength of engineering and technical capability, the Group requires employees to uphold business ethics and declare any potential conflicts of interest. Our Code of Conduct clearly sets out the high standards expected of our teams of engineers working honestly and professionally to the Group's core values of integrity and customer focus. Operating units were re-organised and new appointments as well as procedures were established, to enhance governance of operations and assure our aim for the best industry practices.

Reflecting the Group's commitment to development of new technology, our Artificial Intelligence ("AI") Model won the "Silver Award" of the Global AI Challenge for Building E&M Facilities – AI Competition (Open Group category). The Group also won the "Best ESG Enterprise Award" in the Sing Tao Service Awards 2021; sustainability will continue to be integrated into our operations and business strategy. In addition, the Group was recognised in many other prestigious awards for adoption of new technologies, and Environmental, Social and Governance ("ESG").

The ATAL Seminar Series held in October 2022 brought together the Group's thought leaders with industry experts and academics to share experiences on the theme of "Smart Sustainability: People • Innovation • Environment". The topics explored covered sustainability, innovation, talent and development for building a smarter, greener world. The hundreds of participants provided positive feedback that the seminars were timely and inspiring.

We emphasise close collaboration with customers to anticipate and provide solutions for their most pressing challenges. This is backed up by our in-house research and development ("R&D") teams, which stand ready to drive innovation and respond to changing trends. This approach will continue to be a critical success factor in maintaining our customers' infrastructure assets and realising their economic, social, and environmental vision.

Riding on the recent expansion of our business in the USA and European markets, we will continue to seek appropriate synergistic business opportunities and equity partnerships, such as Public Private Partnerships for "One Belt One Road" projects and for delivering projects more effectively and more sustainably.

A significant milestone ahead is the ongoing revitalisation of an industrial building in Kwai Chung Toppy Tower, to be renamed as ATAL Tower, where all our operational units are to be integrated to boost our productivity and promote synergy among business units. The integrated headquarters are scheduled to become operational in the second quarter of 2024.

Building Services

As of 31 December 2022, the contracts-in-hand of the Building Services segment increased by 11.1% over the same period in 2021, to HK$5,438 million. The total value of new contract awards received in FY2022 was HK$4,803 million (FY2021: HK$2,924 million).

Our exceptional project execution capability enabled us to deliver on the order book throughout 2022, increasing our revenue for 2022 by 26.0% year-on-year to HK$4,257 million (FY2021: HK$3,379 million).

The recurring revenue stream from infrastructure operation, data centres, and housing programmes was fortified by the HK$415 million of new maintenance contracts secured in 2022 (FY2021: HK$196 million).

The deployment of our proprietary ATAL Building Services Prefabrication and Modularisation ("ABSPM") construction technology was successfully completed in a number of contracts during the year. In particular, to help expand mortuary capacity urgently-needed for meeting surging community demand due to the fifth COVID wave in the first half of 2022, we fast-tracked a public mortuary project by mobilising teams of workers on very short notice and proactively adopting our ABSPM as well as digitalisation technologies for improved quality, safety, cost and project management. Customer satisfaction was achieved through the speed, efficiency and effectiveness with which we managed this project.

The Group's infrastructure team has had notable success in securing a number of key projects, including three projects related to the Three Runway System at Hong Kong International Airport with a total value of over HK$800 million.

The data centre team has successfully completed its first major data centre for the government. With a value of over HK$1,000 million, this project is the largest data centre project that the team has completed in a decade. The team has also secured the ongoing O&M contracts for this data centre, worth over HK$70 million, which significantly strengthens the pool of maintenance contracts undertaken by the Group. Additionally, the team has been executing several substantial data centre projects for a major data centre service provider in Hong Kong. Highlighted by a significant market share and continued recognition from prestigious customers, the Group remains at the forefront in the field.

In Hong Kong, as digitalisation forges ahead, the demand for available space in data centres is expected to double over the 5 years from 2022; the compound average growth rate will thus be up to double digit figure. Being a leader in this segment, the Group's data centre team is well placed to capture this opportunity in both contracting and maintenance services.

Building on the key role played by the Group in many large-scale projects in Macau, we secured a major contract of a sizable hotel development.

Environmental Engineering

As of 31 December 2022, the Environmental Engineering segment had contracts-in-hand valued at HK$4,791 million (31 December 2021: HK$4,977 million), including seven new contracts that underscore our expertise in project management services for quality water, wastewater, and solid waste infrastructure. These projects, which were awarded for environmental protection, water supplies, waste management and public housing, will support Hong Kong's sustainable growth.

Delivering on the order book throughout 2022, revenue for our Environmental Engineering segment in FY2022 was HK$1,234 million (FY2021: HK$1,117 million).

Innovative approaches were implemented by the Group for the reinforcement, protection, operation and maintenance of treatment plants, extending their working life and ensuring that they are operated and maintained at their optimal capacity for serving the Hong Kong community.

Operation and maintenance projects for electrical and mechanical works were also implemented for water recycling and solid waste management.

The Group advanced its proprietary "Digital Twin technology" for monitoring the influent quality of incoming sewage at a sewage plant in one of our wastewater project sites, to enhance optimisation of its operational efficiency.

The Group's in-house developed sewage treatment technology "ATAL Multi-Stages Flocculation Sedimentation III" ("AMSFS III") obtained a utility model patent (實用新型專利證書) from the China National Intellectual Property Administration, an "Innovation and Creativity Award" in the "2021-22 Hong Kong Awards for Industries" from Hong Kong General Chamber of Commerce, a "Certificate of Merit" in the "2021 Hong Kong Green Innovations Awards" from the Environmental Campaign Committee and a "Certificate of 2022 Shenzhen and Hong Kong Outstanding Innovation Eco Environmental Technologies and Achievements" from the Hong Kong Productivity Council.

Two projects in which the Group participated received international awards during the year. O ■ PARK1, the first organic resource recovery centre, was awarded the National Overall Winner and FIRE Category Winner in the "Energy Globe Award 2022" for its outstanding performance in adopting innovative design to tackle climate change. The Yuen Long Effluent Polishing Plant project of the Drainage Services Department was awarded the "2022 Edmund Hambly Medal" from the Institution of Civil Engineers, U.K. for its excellence in adopting innovative design to combat climate change.

A wastewater treatment plant project in Croatia was secured during the year. Winning this contract opens the door to more water projects in the overseas market, establishing our expertise in water infrastructure projects around the world where many economies are grappling with aging water infrastructure and scarce water resources. Our proven technical and project management capabilities, as demonstrated in this Croatian project, position our Group well for a major growth opportunity in the years to come. During the reporting period, tendering activities outside Hong Kong and the Mainland China included water treatment works at Kaliwa and Wawa, both in the Rizal Province in the Philippines.

Information, Communications and Building Technologies (ICBT)

As of 31 December 2022, the Information, Communications and Building Technologies ("ICBT") segment had HK$888 million of contracts-in-hand (31 December 2021: HK$877 million), an increase of 1.3% over FY2021.

Delivering on the order book throughout 2022, revenue for our ICBT segment in FY2022 increased by 27.6% year-on-year to HK$631 million (FY2021: HK$495 million).

The Group's green and intelligent building solutions integrate a wide range of information and communications technologies with AI-enabled Digital Twin, energy and management technologies, ESG dashboard, Indoor Environment Quality ("IEQ") Management, robotic solutions, and Smart Lampposts, to contribute to the development of Hong Kong's "Smart City" and "Smart Economy" visions. To access the best industry practices, the ICBT segment is supported by the Group's in-house R&D capabilities in collaboration with market-leading hardware and software partners, universities, and research institutes.

Our comprehensive AI Energy Management Platform, Internet Of Things ("IoT") applications, Video Analytics technology, and "walkable" Photovoltaic ("PV") were adopted in a new world-class smart office and commercial building being constructed in Hong Kong's prestigious Central Business District. Our IoT-based smart hostel solutions will also be installed at one of the largest and most prestigious universities of Hong Kong.

In addition, as a key player in new technology, we secured a major contract from an existing world-class office and commercial building located in Hong Kong's prestigious Central Business District to deploy our AI-enabled Digital Twin Platform. This platform helps customers achieve optimal operational performance by bringing together billions of data from multiple sources for real-time analytics. Through this, facilities managers can close the gap between the physical and digital worlds and efficiently visualise the building performance in strategic planning for ESG enhancement, space use, energy saving, IEQ management, tenant comfort, equipment management and manpower allocation.

At the forefront of energy management, the demonstrated success of our AI Energy Management Platform in the commercial market allows us to further diversify into other market segments, including data centres.

We have been awarded another contract of the smart lampposts pilot scheme for deploying smart lampposts across the city, marking a milestone towards Hong Kong's visionary goal of smart city development.

The Group is continuing to deploy digital technologies to enhance its maintenance service capabilities in anticipation of increasing market demand for such specialised solutions.

We are constantly developing our innovative business models to meet the needs of our customers in both the private and public sectors. The Group will also continue to invest in digital transformation across smart building technologies, and roll out innovations in a timely manner to offer our customers the latest, and most competitive technologies.

Lifts & Escalators

As of 31 December 2022, the contracts-in-hand of our Anlev Elevator Group ("Anlev") amounted to HK$540 million (31 December 2021: HK$563 million). Maintenance contracts for both commercial and government buildings were major profit contributors during the reporting period.

Delivering on the order book throughout 2022, revenue for our Lifts & Escalators segment in FY2022 was HK$353 million (FY2021: HK$360 million).

Anlev, our global brand of lifts, escalators, and moving walkways, is recognised as a leader in safety and total quality management as well as an innovative and sustainable engineering provider. This is evidenced by the award for 40 consecutive quarters of the "Safety Star" and five "Service Quality Stars" in the lift contractors and escalator contractors' ratings since they were launched by Electrical and Mechanical Services Department of the Hong Kong Government as the certification for the highest level of safety and quality performance.

In Hong Kong, Anlev is an award-winning lifts and escalators contractor, known for its safety and service quality. Internationally, its lifts, escalators, and moving walkways serve millions of users in Asia, the Americas and Europe.

In 2022, strategic orders secured by Anlev ranged from mass transportation in Brazil and hotels in Mexico, prestige government offices in Hong Kong, to orders in Mainland China, the US and other countries in Asia.

The Group's wholly owned subsidiary Anlev (UK) Limited has finalised the order for the iconic and prestigious residential Victoria Riverside project in Manchester, United Kingdom. Anlev (UK) Limited has obtained ISO 9001, 14001 and 45001 UKAS certifications, and has been assessed and approved for Schedule 18 and Schedule 14 by LiftCert Ltd., an approved body for the Lifts Regulation 2016. Anlev (UK) Limited has also passed its safe contractor and construction line audit and can now present itself as a "Safe Contractor" and accredited construction supplier on the Constructionline platform. These are significant steps forward in establishing Anlev in the United Kingdom high rise lift market.

Based on its global expansion plan, Anlev will seek new distributors in the United States, Europe, Middle East and Southeast Asia. Anlev's senior management visited its overseas office, customers and business partners to strengthen ties and communicate plans to build a global brand.

In parallel, the Group is completing a RMB60 million expansion of its Nanjing factory facilities to increase production capacity for lifts and escalators to meet the anticipated demand and growth of its global business.

Innovation, Resources Management and Other Operations Initiatives

The Group is committed to fostering an innovation culture to deliver AI, robotic solutions, energy optimisation, energy storage, renewable energy, digitalisation, environmental solutions for wastewater treatment and other applications that will benefit customers and the wider communities.

During the reporting period, the Group has continued with its digital transformation and accelerated development of proprietary technologies, including "Digital Twin" technology for operation of plants and equipment and real-time analytics with billions of data to empower facility managers to optimise and visualise the building performance and conduct effective strategic planning for better space use, energy saving, IEQ management, tenant comfort, equipment management and manpower allocation. This can also be extended to IoT and big data analytics technology for predictive maintenance of lifts and escalators and other applications such as fault diagnosis of electrical and mechanical systems.

As value added service to our customers, we have also been rolling out our latest innovative "Long Range (LoRa)" and IoT technologies to deliver Smart Washroom solutions, breakthrough granular sludge treatment process as well as state-of-the-art water and wastewater treatment technologies for upgrading existing sewage treatment works. The effluent polishing plant in Yuen Long is one of such upgraded sewage treatment works.

The Group has been exemplary in taking the lead within the industry to support the adoption of advanced building technologies in over 50% of our building services projects, including Building Information Modeling ("BIM"), Design for Manufacture and Assembly ("DfMA") and Multi-Trade Integrated Mechanical, Electrical and Plumbing ("MiMEP"), for installation, project management and construction efficiency. This is a significant step forward in demonstrating the benefits of bringing construction practices into the digital age, which will benefit the industry as a whole.

In accordance with Hong Kong's BIM roadmap, we elevated the overall BIM capability of the Group by creating and maintaining an appropriate BIM environment, methodology and facilities as well as providing training, coaching and guidance to staff.

We conducted over 1,000 hours of internal training for more than 500 employees on BIM theory, software and management in 2022 and mandatory external BIM training for all engineering and frontline staff. Our target is for 70% of the engineering and frontline staff to attain certifications in BIM by mid-2024. By the end of December 2022, 31% of our engineering staff were certified in both basic and advanced MEP BIM modelling and 80% of our frontline staff were certified in BIM model review and analysis.

For BIM certification, we aim for staff to obtain industry-recognised CIC-Certified BIM Manager/ CIC-Certified BIM Coordinator (BIM CCBM/CCBC) qualifications.

For BIM automation, we leverage our competitive advantage in data analytics and programming to develop algorithms for automatic calculation in varied MEP disciplines, to improve accuracy and save time relative to manual calculation.

We have also established a Greater Bay Area ("GBA") BIM team in Guangzhou to ensure manpower supply of BIM modellers and to provide quality BIM services in compliance with the BIM standards and requirements across Hong Kong, Macau, and Mainland China.

We will continue to nurture a BIM learning culture to deliver data-driven solutions to benefit stakeholders and society.

Looking ahead, we will leverage our advantages in human resources and innovative technologies to proactively implement our business strategy of "New Technology, New Market, New Business Model".

COVID-19 Impact

Notwithstanding the worst outbreak of the pandemic that Hong Kong experienced in the first quarter of 2022, our team was able to demonstrate resilience and adaptability in sustaining operations and mitigating the impact of the pandemic on our projects and stakeholders. Our Coronavirus Special Task Force took numerous timely measures to support early identification, isolation and treatment. To protect our employees, we provided face masks with high particulate filtration and fluid resistance, rapid antigen test kits, sanitiser and disinfectant spray guns, and provided free nucleic acid testing and vaccination leave to our employees. To suit the contingency operational requirements in different regions, we made the necessary adjustments to work schedules, project deployment and manpower allocation, to minimise in-person or face-to-face contact while maintaining traceability. Work suspensions due to the pandemic and closure of the border with Mainland China led to deferral of some of our site programmes. However, our response measures were able to minimise the impact on both operations and revenue, and safeguard the health of employees and workers. Overall, we were able to react swiftly to overcome the challenges associated with the pandemic to ensure operational continuity and business growth.

During the current year, the Group recognised government grants of approximately HK$45,407,000 (2021: HK$2,768,000) in respect of COVID-19 related subsidies, of which approximately HK$42,195,000 (2021: Nil) relates to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region and was credited to cost of sales and services and administrative expenses.

During 2022, COVID-19 has impacted on the New York City's (NYC) economy recovery because of restrictions imposed during the year. The restrictions disrupted the supply chain and delayed the delivery of projects on hands. Hence in 2022, TEI's performance did not meet expectations, and through our independent valuer, the Group's interest in TEI was reduced by circa HK$75.6 million.

FINANCIAL REVIEW

In FY2022, the Group's revenue was HK$6,474.7 million, representing an increase of HK$1,123.9 million or 21% compared with FY2021, reflecting strong demand in the Building Services segment. The Group's gross profit increased by HK$133.2 million or 15.2% to HK$1,011.5 million. Despite the increase in the total consolidated gross profit, the total consolidated net profit of the Group in FY2022 was HK$114.6 million, representing a year-on-year decrease of 63.6%. If excluding the provision for litigation liabilities of HK$150 million and the impairment loss on interest in an associate of HK$75.6 million, the FY2022 profit for the year would be HK$340.2 million, representing a year-on-year increase of 8.2%.

The Group maintained a strong cash position and sufficient committed banking facilities to finance its growth and development. The Group's cash balance amounted to HK$976.0 million as at 31 December 2022, an increase of 21.7% compared with the cash balance as at 31 December 2021. As at 31 December 2022, the Group's bank borrowing balance, being the mortgage loan for the purchase of Toppy Tower (to be used as the Group's office tower following revitalisation & renovation) in December 2021, was HK$277.9 million (31 December 2021: HK$292.5 million), of which 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 HKFRS, a certain non-GAAP financial measure, namely profit attributable to owners of the Company before the provision for litigation liabilities and the impairment loss on interest in an associate, 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 HKFRS.

Revenue

For FY2022, the Group reported revenue of HK$6,474.7 million, representing an increase of HK$1,123.9 million or 21.0% compared with FY2021. Revenue growth for the Building Services segment and ICBT segment was HK$878.4 million and HK$136.6 million, respectively.

	For the year ended 31 December			
	2022 ***HK$'M***	**% of total** **Revenue**	2021 *HK$'M*	% of total Revenue
Contracting work	**5,394.5**	**83.3%**	4,249.7	79.4%
Maintenance work	**947.3**	**14.6%**	944.7	17.7%
Sales of goods	**132.9**	**2.1%**	156.3	2.9%
Total	**6,474.7**	**100.0%**	5,350.7	100.0%

Gross Profit

The Group's gross profit increased by HK$133.2 million or 15.2% to HK$1,011.5 million in FY2022 compared with FY2021 (FY2021: HK$878.4 million). The increase in gross profit in FY2022 was mainly from the Building Services segment, in line with higher revenue. Gross profit margin was 15.6% in FY2022, compared to 16.4% in FY2021.

Other Income

The Group's other income in FY2022 was HK$30.7 million (FY2021: HK$18.4 million), mainly comprising rental income, management fee income, bank interest income and government subsidies. The increase in other income was mainly attributable to the increase in rental and management fee income from Toppy Tower and bank interest income compared with FY2021.

Other Gains and Losses

In terms of other gains and losses, the Group recorded a net loss of HK$33.3 million in FY2022, compared to a net gain of HK$18.1 million in FY2021, representing a decrease of HK$51.4 million year-on-year.

The year-on-year decrease of HK$51.4 million was the net effect of the following factors:

- Impairment loss recognised in 'Interests in associates' – TEI, of HK$75.6 million in FY2022, according to a professional valuation based on its financial performance in FY2022 and projections for future years. TEI's performance in FY2022 was below its forecast and it has revised its forecast for the coming few years. No such impairment loss was recognised in FY2021.

- Lower gain on disposal of the equity interest in the Group's associate, Nanjing Canatal Data-Centre Environmental Tech Company Ltd. In FY2022, the Group sold 1% of its equity interest, resulting in a gain on disposal of HK$31.7 million. (FY2021: HK$63.2 million on the disposal of 3% equity interest).

This unfavourable impact was partially offset by:

- The remeasurement gain related to the change in fair value of the contingent consideration payable due to the lower profit achieved by TEI for the period from 1 July 2021 to 30 June 2022, when TEI only achieved 70-75% of the target performance range. The reported remeasurement gain in FY2022 was approximately HK$19.3 million. In FY2021, TEI's profit exceeded its target performance for the period from 1 July 2020 to 30 June 2021, and therefore a remeasurement loss of approximately HK$33.4 million was recorded in FY2021.

Provision for Litigation Liabilities

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 in FY2022. An announcement relating to the cooperation agreement was issued by the Company on 4 November 2022.

As disclosed in the announcement, the Board had taken into account a number of factors, including the time, internal resources and costs which the Group might otherwise incur for potentially protracted tribunal proceedings, and was of the view that the entering into of the cooperation agreement was in the interest of the Company and its shareholders as a whole.

Despite the financial impact brought to the Group by the aforementioned litigation liabilities, the overall business, financial position and cash flow conditions of the Group remain healthy.

Administrative Expenses

The Group's administrative expenses increased by HK$59.6 million or 9.7% to HK$677.0 million in FY2022 (FY2021: HK$617.4 million) mainly due to staff costs. Excluding the impact of the share-based payment of HK$54.5 million in FY2022 (FY2021: Nil), the year-on-year increase in total administrative expenses was only HK$5.1 million or 0.8%. The impact of the annual salary increment was mostly offset by a lower discretionary incentive bonus provision as a result of lower profits in FY2022 compared to FY2021.

Share of Results of Associates

The share of results of associates attributable to the Group decreased by HK$56.1 million to HK$18.1 million (FY2021: HK$74.2 million). The decrease was mainly due to US government grants/loan waivers of approximately HK$37.6 million received by TEI in June 2021 under the Paycheck Protection Program and recorded in the Group's share of results of associates in 2021. No such US grants/loan was received in the year ended 31 December 2022.

Apart from this, the operating profit of the Group's associated companies in Mainland China and the USA was lower in FY2022 than in FY2021.

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 2022, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK$976.0 million (31 December 2021: HK$801.7 million), of which 74.6%, 24.1%, 0.9%, and 0.4% (31 December 2021: 66.6%, 31.5%, 1.9%, and 0.1%) were denominated in Hong Kong dollars or Macau Pataca, Renminbi, US dollars, and other currencies, respectively.

As at 31 December 2022, the Group had bank borrowing of HK$277.9 million (31 December 2021: HK$292.5 million), representing the outstanding mortgage loan of Toppy Tower. The repayment is scheduled to be completed by the end of 2041. The loan is denominated in Hong Kong dollars and bears interest at a floating rate.

In addition, as at 31 December 2022, the Group had banking facilities in the form of bonds, bank overdraft and loans, and trade financing of approximately HK$2,589.4 million (31 December 2021: HK$2,237.9 million), of which approximately HK$898.6 million had been utilised (31 December 2021: HK$921.2 million).

Foreign Exchange Risk

The Group operating 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 2022, the Group had utilised HK$246.9 million of the Net Proceeds and committed to utilise HK$10.6 million of the Net Proceeds, and the expected timeline for utilising all the unutilised Net Proceeds was on or before 31 December 2023.

As stated in the Company's announcement dated 27 November 2020, the Board of Directors of the Company (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 2022:

	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 at 31 October 2020 *HK$'M*	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2021 *HK$'M*	Unutilised amount of Net Proceeds as at 31 December 2021 *HK$'M*	Utilised amount of Net Proceeds from 1 January 2022 to 31 December 2022 *HK$'M*	Unutilised amount of Net Proceeds as at 31 December 2022 *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	33.5	7.4	7.4	–
Enhancing engineering capabilities of ICBT segment							
– setting up dedicated research and development teams	19.3	6.0	13.3	10.0	3.3	3.3	–
– 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	28.1	39.0	18.2	20.8
Acquisition of, or investment in, companies	–	–	68.0	–	68.0	–	68.0
General working capital	33.7	31.8	8.4	8.4	–	–	–
Total	335.7	90.0	245.7	128.0	117.7	28.9	88.8

The net proceeds were not fully utilised in year 2022 because of the delay in both lifts & escalators manufacturing facilities expansion in Nanjing as well as acquisitions of companies/investments in companies. The delay was mainly due to the severity of pandemic in Mainland China and the travel restrictions in 2022. During the year 2022, we have identified and assessed a number of targets but we did not proceed with the acquisitions after careful considerations.

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 announcement.

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 2022, the gearing ratio (being gross bank borrowings divided by total equity) slightly decreased to 13.5% (31 December 2021: 13.7%).

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 the investment property under mortgage, totalling HK$699.8 million as at 31 December 2022 (31 December 2021: HK$681.3 million). The pledged assets were mainly investment properties, leasehold properties and bank deposits denominated in Renminbi.

Capital Commitments

As at 31 December 2022, the Group has capital commitments of HK$17.6 million contracted but not provided for in the consolidated financial statements for the expansion of the existing lift and escalator manufacturing facilities in Nanjing, the revitalisation of existing investment properties, and the human resources management system (31 December 2021: HK$23.0 million).

Contingent Liabilities

As at 31 December 2022, the Group had outstanding performance bonds of approximately HK$584.9 million (31 December 2021: HK$447.2 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 2022, there were 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

	2022	2021
	HK$'M	*HK$'M*
Current assets	**3,519.8**	3,068.4
Current liabilities	**2,413.5**	1,972.1
Bank balances and cash	**976.0**	801.7
Net current assets	**1,106.3**	1,096.3
Total assets less current liabilities	**2,398.8**	2,477.1
Current ratio *(Note i)*	**1.5 times**	1.6 times
Gearing ratio *(Note ii)*	**13.5%**	13.7%
Return on equity *(Note iii)*	**5.5%**	15.3%

Notes:

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

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

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

Human Resources

As of 31 December 2022, the Group had 2,562 employees, including 409 contract and 205 term contract hires, in Hong Kong, Macau, Mainland China, and the United Kingdom.

The Group is firmly committed to continuously developing our workforce and to maintaining an environment in which employees take pride in their work. We provide opportunities whereby staff can reach their full potential. As an equal opportunity employer, the Group nurtures a culture that supports well-being and diversity, encourages collaboration and innovation, and values a shared commitment to our vision and mission. Our approach to achieving the Group's goals and attaining customer satisfaction is to attract and retain the best talent by offering a compelling employee value proposition that combines competitive remuneration and benefits with opportunities for learning and career growth.

Our remuneration policy aims to motivate employees to deliver strong and sustainable business performance in line with the strategy. Remuneration of directors and senior management, recommended by the Remuneration Committee of the Board and approved by the Board, is subject to periodic reviews. Overall, remuneration of the workforce is linked to performance, to share the fruits of success with employees, and ultimately to drive the achievement of business goals and shareholders' value. To assure this, the Group has in place a comprehensive system of goals setting and performance appraisal.

As a special celebration of the 45th anniversary of the Group, we launched a unique employee share award as a recognition of our employees' valuable contributions to the growth and development of the Group, and as a staff retention and motivation initiative. All eligible employees in Hong Kong, Macau, Mainland China and the United Kingdom were granted 4,500 shares each on an one-off basis, which will enhance staff engagement as they are now also our shareholders working to maximise shareholder value. This is a rather unique gesture in the electrical and mechanical engineering industry in Hong Kong.

The Group prides itself on high ethical standards in all our endeavours of serving customers and working with its partners. Employees are required to adhere to the Group's Code of Conduct, which is maintained and updated periodically to inform all employees. Regular training classes are arranged to ensure employees are fully aware of and comply with statutory requirements relevant to the business, including the Competition Ordinance, Construction Workers Registration Ordinance, Equal Opportunities Ordinance, Personal Data Privacy Ordinance, Prevention of Bribery Ordinance, etc.

The Group will continue to invest in training for employees at all levels to enhance the competence, knowledge, and skills as well as the integrity, customer centricity and leadership of the workforce. A total of 582 internal training courses over 60,000 training hours were arranged in 2022. The Group has developed and maintained the HKIE Graduate Training Scheme and VTC Apprenticeship Programme since the 1980s, and nurtured over 1,000 young engineers and technicians who have successfully completed the comprehensive training. In 2022, over 130 young employees received this 'Outstanding Engineering Training'. Our signature Staff Development Programmes were also granted with a "Special Award: The Hong Kong Jockey Club Excellence in Future Talent Development" under the "Award for Excellence in Training and Development 2022" organised by the Hong Kong Management Association.

The Group's recent re-organisation of operating units and new appointments as well as establishment of procedures will further strengthen the capacity and effectiveness of its operations, and will ensure corporate governance of the highest standard.

OUTLOOK

The business outlook for the year ahead is expected to be positive, as evidenced by our strong tender activity during 2022, due to high market demand and opportunities for growth and expansion in the Group's different market segments. The Group's proven ability to secure new business opportunities and succeed in contract tendering throughout the year bodes well for its ability to remain competitive in the industry, increase revenue, expand its customer base and enter new markets.

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.

In Hong Kong, the SAR Government has announced major infrastructure projects, including new towns in the New Territories and the expansion of the Hong Kong-Zhuhai-Macau Bridge, which will drive demand for building services. Demand for residential and commercial property is also growing steadily in Hong Kong's property market.

With an ageing population and increased demand for healthcare services in Hong Kong, it has led to a demand for more specialised building services works and new technologies to support the operation of new healthcare facilities.

In addition, the increasing adoption of Digital Twin technology, AI, robotic solutions, IoT, big data and data analytics across many industries is driving data centre growth. Hong Kong remains one of the most attractive data centre locations in the APAC region, given its strategic position as a regional hub, low risk of natural disasters, reliable electricity supply and proximity to Mainland China. Already a leader in this sector, the Group is adding new capabilities and expanding its marketing reach to serve new customers and strengthen its competitive edge for future growth.

The Group is therefore well positioned to capitalise on these numerous growth opportunities and add value to our customers by leveraging our capacity for innovation, digital technology, and passion to deliver results more effectively, efficiently and sustainably.

In the coming years, Hong Kong will also continue to develop as a smart and sustainable city, enabling the use of big data analytics, artificial intelligence, and IoT in urban applications through next-generation territory-wide connectivity. The business opportunities that emerge from this process will allow the Group, supported by proprietary technologies developed by our R&D team, to bring benefits to our customers and Hong Kong through our projects, including energy-efficient buildings, digital solutions to improve operational efficiency, and improved healthcare and other service delivery for the betterment of Hong Kong.

With the new SAR Administration in place, there will be a greater appetite for fresh thinking and new solutions to achieve more sustainable operations and lifestyles. The Group is ready to move forward with our customers and the community by leveraging our three pillars of "New Technology", "New Market" and "New Business Model", to help strengthen O&M capacity, set new standards of excellence, achieve continuous improvement and adopt new technologies across our business segments, including buildings, infrastructures, lifts and escalators, smart car park systems and Digital Twin technologies in water and wastewater plants.

The Group's R&D investments are not only in new technologies such as Digital Twin, IoT, AI and Big Data Analytics, but also in BIM, MiC and MiMEP construction technologies and robotic solutions that will help to better design, build and operate important assets. These investments will ultimately benefit our customers and the community by reducing costs, raising productivity, and improving safety, quality, and sustainability. This strategy will also achieve higher levels of growth and profitability by creating new market segments, rather than just competing in existing ones.

In addition, with our proven track record in deploying intelligent automation systems, our state-of-the-art 'Predictive Maintenance and Remote Monitoring System' and recognised customer-centric approach, the Group is well equipped for maintaining its position as the provider of choice for both established and emerging industries in the O&M services sector.

As always, the Group will focus on the fundamentals to overcome obstacles and become stronger by learning from any challenges and uncertainties. We adopt best business practices and proactively identify and mitigate risks by carefully enhancing technical and ethical training, managing human resource availability, resolving logistics issues, and mitigating fluctuations in material costs.

In preparation for the future and further business growth and development, operating units were re-organised and new appointments as well as procedures were established, to strengthen its governance and enhance its business development in new technology promotion and new market segments.

Building on our recent business expansion in the US and European markets, we will continue to seek opportunities for appropriate synergistic business partners to expand our footprint, create new business opportunities and develop new revenue streams. Examples of this include our equity partnership with TEI, one of the largest independent lift and escalator companies in New York, in 2020, and the establishment of our Anlev subsidiaries in the United Kingdom in 2020 and 2021.

The past 45 years have been a wonderful journey as the Group has grown in tandem with Hong Kong, overcoming many challenges and helping make our city a better place. We are confident that our high level of contracts-in-hand and strong pipeline of business opportunities, both domestically and internationally across the GBA, Oceania and Europe, will create business growth for the Group while contributing to the communities in which we operate through our customers and stakeholders. We are committed to meeting our customers' expectations by delivering quality, timely and cost-efficient services. In the years to come, we will work with our customers to create shared value for all our stakeholders.

SPECIAL DIVIDEND

The Board did not recommend a payment of a second interim dividend for the year ended 31 December 2022. The Board has resolved to pay a special dividend of HK4.5 cents per share (the "Share") of the Company for the year ended 31 December 2022 (the "Special Dividend") as a special celebration of the 45th Anniversary of the Group 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 Tuesday, 18 April 2023. The Special Dividend is expected to be paid to the Shareholders on or around Friday, 28 April 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Special Dividend, the Register of Members will be closed from Monday, 17 April 2023 to Tuesday, 18 April 2023, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Thursday, 13 April 2023. In order to be entitled to the Special 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 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on Friday, 14 April 2023.

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "Annual General Meeting"), which will be held on Tuesday, 27 June 2023, the Register of Members will be closed from Wednesday, 21 June 2023 to Tuesday, 27 June 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the aforesaid branch share registrar and transfer office of the Company in Hong Kong, at the abovementioned address, for registration by no later than 4:30 p.m. on Tuesday, 20 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. During the year ended 31 December 2022, the Company has complied with all applicable code provisions set out in the CG Code.

REVIEW OF AUDITED ANNUAL RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2022.

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 ended 31 December 2022.

PUBLICATION OF THE ANNUAL RESULTS AND 2022 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.atal.com). The Company's annual report for the year ended 31 December 2022 containing all the information required under the Listing Rules will be dispatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 24 March 2023

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