ATAL

Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1977)

2022
Interim Report

45 years

About Analogue Holdings Limited

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

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

ATAL Website | ANLEV Website | ATAL LinkedIn | ANLEV LinkedIn | ATAL WeChat | ATAL YouTube

MIX
Paper from responsible sources
FSC™ C021898
PRINTED WITH SOY INK™

Contents

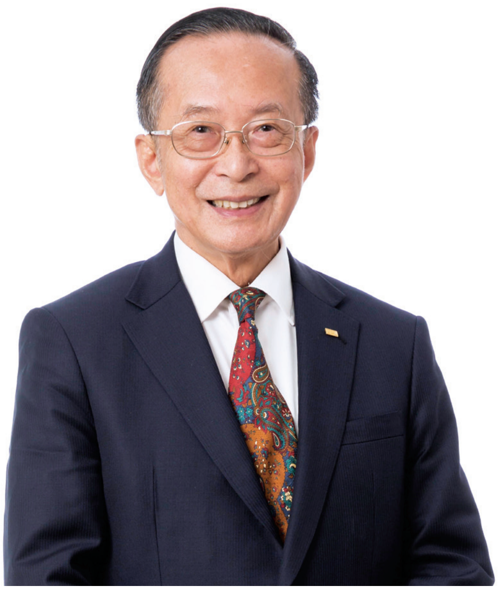
Financial Highlights

	For the six months ended 30 June	
	2022 **HK$'M**	2021 HK$'M
Revenue	**3,021.7**	2,333.6
Gross profit	**457.6**	323.0
Profit attributable to owners of the Company	**59.2**	112.5
Basic earnings per share	**HK$0.04**	HK$0.08

The Board has resolved to pay an interim dividend of HK4.27 cents per share for the six months ended 30 June 2022.(i)

(i) First 2022 interim dividend of HK4.27 cents per share was declared based on 50% payout ratio on the unaudited net profit of HK$119.2 million, which is before the provision for the potential litigation liabilities. The unaudited profit attributable to owners of the Company was reported as HK$59.2 million for the six months ended 30 June 2022.

Chairman's Statement



"By upholding our motto "We Commit, We Perform, We Deliver", we have confidence that ATAL will witness further business growth in the years to come."

In the first half of 2022, global growth has further slowed amid increasingly stiff headwinds. The primary catalysts have been the ongoing COVID-19 pandemic and rising geopolitical tensions, leading to challenging business conditions for all industries. Under such setback, we have strived and adopted measures and amassed relevant resources to protect our staff's safety, which has also enabled us to provide relatively uninterrupted services. Consequently, ATAL has been able to modestly raise total revenue and profit, have record-high contracts in hand, and increase participation in tendering activities.

With 2022 marking the 45th anniversary of the Group, we are honoured to have fortified our leading position in the industry and to have kept abreast of developments all these years. As ATAL has always regarded its workforce as its greatest asset, we have provided continuous training to our staff and as a result, we have remained at the forefront of research on new technologies, investigated new growth avenues and strengthened different facets of our operation.

New Technology, New Market, New Business Model

Already underpinning ATAL's development is the "New Technology, New Market, New Business Model" master plan, which has enabled it to enjoy a more advantageous and distinguished position above its peers.

With respect to *New Technology*, we have continued to conduct research and development ("R&D") on Building Information Modelling (BIM), Modular Integrated Construction (MiC), Multi-Trade integrated Mechanical, Electrical and Plumbing (MiMEP) and other construction technologies as well as robotic solutions, all of which will deliver across-the-board benefits to the construction industry. Also mindful of the growing importance placed on the "Smart City", we have contributed to its development by leveraging our in-house R&D capabilities and by collaborating with external parties, resulting in solutions that will give rise to more operational efficient and human-centric buildings. Similarly, our Information, Communications and Building Technologies ("ICBT") operation has helped advance the "Smart City" cause by introducing intelligent building solutions that integrate a full spectrum of technologies, leading to greater connectivity, better energy management and a more sustainable society.

Chairman's Statement

Another area of development that constitutes tremendous importance to us is *New Market*. Having formed a strategic alliance with Transel Elevator & Electric Inc. (TEI) in the United States in 2020, followed by the founding of Anlev (UK) Limited, our first lifts and escalators company in the United Kingdom – and ATAL's first foothold in Europe, we have shown our aspiration and determination to expand globally. We will build on this momentum by exploring more markets, as it is our firm belief that growing ATAL's international footprint is conducive to greater synergies and exchanges of expertise, leading ultimately to the fortification of our industry position.

While *New Market* reflects our confidence in exploring new geographical frontiers, our *New Business Model* underscores our foresight and resolve in expanding into segments with highly favourable prospects. It is this farsightedness that led ATAL to engage in maintenance services in recent years, and consequently, has allowed it to reap the benefits of robust revenue growth. In diversifying our interests in such services, we are thus afforded with a growing income source that will add to our traditional strengths of Building Services, Environmental Engineering, Lifts and Escalators, and ICBT – and our sights are set on even more.

Amongst the many challenges that the Group has faced during the pandemic, one of which is the legal proceedings commenced by the Competition Commission for contravention of the Competition Ordinance against the Company; one of its subsidiaries; and two employees. We continue to work and consult with our legal and professional advisors to respond to the proceedings. We continue to adhere to and reinforce the best business practices, ethics and integrity to cultivate and promote compliance culture and awareness within our Group.

Looking ahead, we are buoyed by the "can-do spirit" of the new Hong Kong SAR Administration, which, combined with rising opportunities on the infrastructure front and our depth of expertise and experience in the industry, will bring tremendous opportunities to all parties concerned. Outside of the city, we are also cautiously optimistic about many overseas markets as they are now proceeding with major infrastructure developments, adding motivation to our global expansion efforts. Still, we will closely monitor the macro environment and ensure that we are fully prepared to overcome whatever challenges lay ahead. By upholding our motto "We Commit, We Perform, We Deliver", we have confidence that ATAL will witness further business growth in the years to come.

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 26 August 2022

Management Discussion and Analysis

INTERIM BUSINESS REVIEW

Overview

The Group's solid performance continued in the first six months as of 30 June 2022. Contract awards grew by 96.6% year-over-year to HK$4,631 million, while total revenue of the Group grew by 29.5% year-over-year to reach HK$3,022 million.

The Group's record high contracts-in-hand of HK$12,919 million, by 30 June 2022, representing a 8.8% increase over the same period in 2021, provides a strong foundation for the core business going forward.

Both operation and maintenance ("O&M") contributed a significant share of total revenue, reflecting the hard work and professionalism of our teams in these two areas.

The Group's tendering activities remained active during the reporting period, with a total of 675 tenders or quotations valued at over HK$1 million each (30 June 2021: 747 tenders or quotations valued over HK$1 million).

Compared with same period in 2021, total consolidated net profit of the Group of the reporting period was HK$119.2 million (5.9% higher) and was HK$59.2 million (47.4% lower) after a special provision of HK$60 million for the legal proceeding as described in the Company's announcements dated 16, 22 and 27 June 2022.

As disclosed in the Company's announcement dated 16 June 2022, the Company is seeking legal advice on the legal proceedings relating to the Competition Commission's filing of an application with the Competition Tribunal. The outcome is yet to be determined as at the date of this report.

In addition to the Group's emphasis on engineering and technical capability, the Group requires employees to declare their potential conflicts of interest, uphold transparency and business ethics. Our Code of Conduct clearly sets out the high standard of conducts expected of our teams of engineers working honestly to the core values of integrity and customer focus of the Group.

Revenue
HK$3.0 bn

Gross profit margin
15.1%

Contracts-in-hand
HK$12.9 bn

Profit attributable to owners of the Company
HK$119.2 mn*

** before provision for potential litigation liabilities*

Management Discussion and Analysis

Reflecting the superiority of the Group's Artificial Intelligence ("AI") Model, the Group won during the reporting period a "Silver Award" in the Open Group category of the Global AI Challenge for Building E&M Facilities – AI Competition. The Group was also awarded Best ESG Enterprise Award in the Sing Tao Service Awards 2021. We will continue to integrate our sustainability approach into our operations and business strategy.

We emphasise close collaboration with clients to anticipate and provide solutions for their most pressing challenges. This is backed up by our in-house research and development 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 clients' infrastructure assets and meeting their economic, social, and environmental vision.

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

The Group is setting a significant milestone with the ongoing revitalisation of Toppy Tower, an industrial building located in Kwai Chung, where all our operational units are to be integrated under a single office hub. Centralising our resources in one location will boost our productivity and promote synergy among business units. The integrated headquarters are targeted to become operational in the first quarter of 2024.

Building Services

As of 30 June 2022, Building Services segment had contracts-in-hand valued at HK$6,391 million (30 June 2021: HK$5,138 million), including many new projects we secured for a variety of infrastructure, shopping malls, office buildings, data centres, residential development and hotels in Hong Kong, Macau as well as Mainland China. The total value of new contract awards received during the first half of 2022 was HK$3,534 million (six months ended 30 June 2021: HK$1,208 million).

We were able to draw on our exceptional project execution capability to deliver on our order book throughout the first half of 2022; our revenue for the six months ended 30 June 2022 increased by 43.7% to HK$2,036 million (six months ended 30 June 2021: HK$1,417 million).

We increased the recurring revenue stream by securing major new maintenance contracts during the first six months in 2022 for the infrastructure operation, data centres, and housing programmes. New maintenance contracts secured were worth more than HK$127 million (six months ended 30 June 2021: HK$133 million).

We successfully completed a public mortuary project by mobilising teams of workers on very short notice to help expand the urgently-needed capacity for meeting the surging demand due to the increase in mortality rate during the COVID wave in the first half of the year. We proactively adopted our proprietary ATAL Building Services Prefabrication and Modularisation Construction Technology ("ABSPM") coupled with digitalisation technologies for improved quality, safety, cost and project management. Client satisfaction was achieved with the efficiency and speed with which we managed this project.

As Hong Kong forges ahead in digitalisation, the floor area of data centres is expected to double in the next five years, at a compound annual growth rate (CAGR) of 11.4%. Being a leader in this segment, our data centre team is well placed to capture this opportunity both in terms of contracting and project management.

The development blueprint of Hong Kong also requires railway line extensions and hospital expansions. Our highly experienced infrastructure teams are active in tendering and prequalification exercises for these many opportunities.

Environmental Engineering

As of 30 June 2022, the Environmental Engineering segment had contracts-in-hand valued at HK$4,953 million (30 June 2021: HK$5,268 million), including five 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.

We were able to draw on our project execution capability to deliver on our order book throughout the first half of 2022; our revenue for the six months ended 30 June 2022 was HK$500 million (six months ended 30 June 2021: HK$511 million).

For these projects, the Group will implement innovative approaches for 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. Contracts also include operation and maintenance projects for electrical and mechanical works for water recycling, and solid waste management.

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

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.

Management Discussion and Analysis

ICBT

As of 30 June 2022, the Information, Communications and Building Technologies ("ICBT") segment had contracts-in-hand of HK$1,059 million (30 June 2021: HK$937 million), an increase of 13.0% over the same period in 2021.

We were able to draw on our exceptional project execution capability to deliver on our order book throughout the first half of 2022; our revenue for the six months ended 30 June 2022 increased by 34.1% to HK$303 million (six months ended 30 June 2021: HK$226 million).

The Group's green and intelligent building solutions integrate a wide range of information and communications technologies with AI, robotic solutions, energy and management technologies to increase connectivity and contribute to the development of Hong Kong's "Smart City" and "Smart Economy" visions. To ensure access to the best industry practices, the ICBT segment is supported by the Group's in-house research and development capabilities in collaboration with market-leading hardware and software partners, universities, and research institutes.

Our market leading AI Energy Management Platform, IoT applications, Video Analytics technology, and "walkable" Photovoltaic ("PV") have been chosen for a world-class 36-storey smart office and commercial building located in Central, Hong Kong's prestige Central Business District (CBD). Our IoT – based smart hostel solution was also the choice of Hong Kong's largest and most prestigious university.

Going forward, the Group is continuing to deploy digital technologies to its maintenance service capabilities in anticipation of increasing market demand for such specialised solutions. We are constantly developing our innovative business models in line with the needs of our clients in both the private and public sectors.

The Group will continue to invest in driving digital transformation across smart building technologies. We will roll out innovations in a timely manner to offer our clients the latest, and most competitive technology.

Lifts & Escalators

As of 30 June 2022, our Anlev Elevator Group ("Anlev") had contracts-in-hand of HK$516 million (30 June 2021: HK$526 million). Major profit contributors during the reporting period included maintenance contracts for both commercial and government buildings.

We were able to draw on our project execution capability to deliver on our order book throughout the first half of 2022; our revenue for the six months ended 30 June 2022 was HK$183 million (six months ended 30 June 2021: HK$180 million).

"Anlev", our global brand of lifts, escalators, and moving walkway, 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 certification obtained by the Group for the highest level of safety and quality performance for 38 consecutive quarters, with the award of the "Safety Star" and five "Service Quality Stars" in the lift contractors and escalator contractors' ratings since they were launched by the Hong Kong Government.

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. Based on its global expansion plan, Anlev will seek new distributors in the United States, Europe and Southeast Asia.

In the first half of 2022, Anlev secured strategic orders for mass transportation in Brazil and the hotel industry in Mexico. The Group's wholly owned subsidiary, Anlev (UK) Limited is finalising orders for an iconic and prestigious residential project in United Kingdom.

Anlev (UK) Limited, has obtained ISO 9001, 14001 and 45001 UKAS certifications, and 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.

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 the global business.

Innovation, Resources Management and Other Operations Initiatives

During the reporting period, the Group has continued with its digital transformation and accelerated development of proprietary technology, including 'Digital Twin technology' for optimising operation efficiency at water and wastewater treatment plants, and Internet of Things ("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.

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

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

At the forefront of advanced technologies, the Group applied BIM (Building Information Modeling), Design for Manufacture and Assembly (DfMA) and Multi-Trade Integrated Mechanical, Electrical and Plumbing ("MiMEP") for installation, project management and construction efficiency.

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

Management Discussion and Analysis

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

We conducted over 1,000 hours of internal training for more than 500 of our staff on BIM theory, software and management in the first half of 2022. We also organised mandatory external BIM training for all engineering and frontline staff. By mid-2024, our target is for 70% of the engineering and frontline staff to have external certifications in BIM. As of the end of June 2022, 15% of our engineering staff were certified in both basic and advanced MEP BIM modelling and 58% of our frontline staff were certified in BIM model review and analysis.

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

For BIM automation, we have leveraged our competitive advantage in data analytics and programming to develop algorithms for automatic calculation in different MEP disciplines, which improves accuracy and saves time relative to manual calculation.

In the fourth quarter of 2021, we established a Greater Bay Area (GBA) BIM team in Guangzhou to ensure manpower supply of BIM modelers to serve different business units while providing quality BIM services in compliance with the BIM standards and requirements in 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.

With "New Technology" as a key element of the Group's growth strategy, the Group will continue to adopt and refine MiMEP and other technologies in future projects and contribute to raising the bar for the industry as a whole.

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".

Training and Development

Our Training & Development Unit held a series of internal and external training for staff from all levels to enhance their competence, knowledge, and skills as well as integrity, customer focus and leadership. A total number of 216 training courses and 15,990 training hours were conducted during the reporting period.

Our strategy for identifying and developing future leaders is based on four signature Staff Development Programmes, which reflect the diversity of our workforce and are now in their second year. These comprise the 'Young Engineers Scheme' (YES), 'Total Operations Management' (TOM), 'Leaders Executive Acceleration Programme' (LEAP), and 'Synergy, Holisticity, Innovation, Networking and Excellence' (SHINE). Other customised programmes for specific business units included multiple trades and technical skills training as well as team building exercises. Over 130 young employees from the HKIE Graduate Training Scheme and VTC Apprenticeship Programmes received the Group's 'Outstanding Engineering Training'.

The Group joined the The Hong Kong General Chamber of Commerce (HKGCC) Business School Partnership Programme 2021/22 and partnered with Tsuen Wan Government Secondary School to help students learn about the E&M engineering industry in Hong Kong. The Group's commitment to nurturing young engineers was recognised in the Chartered Institution of Building Services Engineers' award for CIBSE Employer of the Year 2021 Award (United Kingdom).

COVID-19 Impact

Despite the fifth wave of COVID-19 in Hong Kong, we were able to leverage our resilience and adaptability as we sustained operations and mitigated the impact of the pandemic on our projects and our stakeholders. Our Coronavirus Special Task Force swiftly developed an infection control information platform and online reporting system so that staff members were able to refer to our in-house rules, with easy-to-understand pictorial guidelines and FAQs, and swiftly report any infection and close contact cases electronically 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, bottles of sanitiser and disinfectant spray guns. In addition to contingent shift work arrangements, 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. Closure of the border with Mainland China led to slight deferral of some of our site programmes. However, our response measures were able to minimise the impact on both operations and revenue.

Overall, we were able to react swiftly to overcome the challenges during this wave of the pandemic to assure our operational continuity and business growth, based on team effort and a systematic approach to containment of the virus in our project sites and offices.

FINANCIAL REVIEW

In the first half of 2022, the Group's revenue increased by HK$688.1 million or 29.5%, from the same period last year, to HK$3,021.7 million, mainly attributable to Building Services segment. With higher revenue and higher margins (15.1% in the six-months period ended 30 June 2022 (same period last year: 13.8%)), gross profit of the Group increased by HK$134.5 million or 41.6%, to HK$457.6 million. Excluding the provision for potential litigation liabilities (HK$60 million), the Group's consolidated profit attributable to owners of the Company for the six months ended 30 June 2022 is HK$119.2 million, 5.9% above same period in last year. With this HK$60 million provision included, the Group reported consolidated profit attributable to owners of the Company of HK$59.2 million for the six months ended 30 June 2022.

The Group maintained strong cash position and adequate committed banking facilities to finance our growth and development. The Group's cash balance amounted to HK$1,073.7 million at 30 June 2022, an increase of 33.9% compared to cash balance as at 31 December 2021. The Group's bank borrowing balance as of 30 June 2022, being the mortgage loan to finance purchase of Toppy Tower (as the Group's office tower after revitalisation and renovation) in December 2021, was HK$285.2 million (31 December 2021: HK$292.5 million), out of which HK$270.6 million was a non-current liability.

Management Discussion and Analysis

Revenue

In the first half of 2022, the Group's reported revenue was HK$3,021.7 million, an increase of HK$688.1 million or 29.5% compared to the same period in 2021. The increase in revenue in Building Services segment and ICBT segment were HK$618.9 million and HK$77.1 million respectively.

Gross Profit

The gross profit for the first half of 2022 increased by 41.6% to HK$457.6 million compared to the same period in 2021 (six months ended 30 June 2021: HK$323.0 million). The increase in gross profit in the first half of 2022 was mainly in Building Services segment, in line with higher revenue and higher margins.

The gross profit margin was 15.1% in the six months ended 30 June 2022, representing an increase of 1.3 percentage point against the 13.8% margin in the same period last year.

Other Income

The Group recorded other income of HK$13.7 million (six months ended 30 June 2021: HK$6.4 million) during the reporting period, which mainly included rental income, management fee income, bank interest income and government subsidies. The increase was mainly attributable to increase in rental and management fee income as well as bank interest income compared with the same period in 2021.

Other Gains and Losses

The Group recorded a net gain of HK$25.0 million during the six months ended 30 June 2022, representing an increase of HK$5.7 million compared to a net gain of HK$19.3 million for the same period last year.

The period-on-period increase of HK$5.7 million was the net effect of the following:

- the remeasurement gains relating to changes in fair value of contingent consideration payable as a result of lower profits attained by TEI for the period 1 July 2021 to 30 June 2022 when TEI only achieved target performance range of 70-75%. The remeasurement gain reported in June this year was approximately HK$23.1 million. In last year same period, TEI's profits for the period 1 July 2020 to 30 June 2021 exceeded target performance, thus a remeasurement loss of approximately HK$33.4 million was recorded in the six months ended 30 June 2021;

This favorable impact was partly offset by:

- lower gain on disposal of equity interests in Nanjing Canatal Data-Centre Environmental Tech Company Ltd., an associate of the Group. In the first half of 2022, 1% equity interests was disposed and resulted in gain on disposal of HK$31.7 million (six months ended 30 June 2021: HK$63.2 million, upon disposal of 3% equity interests);

- impairment of goodwill included in 'Interests in associates' – TEI, of HK$21.0 million in the first half of 2022, as TEI's results for the first half of the year was behind its forecast and it has revised down its forecast for the coming few years. There was no such goodwill impairment in 2021 first half.

Provision for Potential Litigation Liabilities

The Group has made provision of HK$60 million as the estimated potential litigation liabilities in the six-months period ended 30 June 2022 relating to the announcement made by the Company on 16 June 2022.

The Group has been consulting the lawyers in respect of the litigation matter mentioned in the aforesaid announcement.

Administrative Expenses

The Group's administrative expenses increased by HK$99.2 million or 37.5% to HK$363.4 million for the first half of 2022 (six months ended 30 June 2021: HK$264.2 million) mainly due to staff costs. Excluding the effect of the share-based payment in the current period of HK$46.7 million, the increase in staff costs was mainly the annual salary increment, staff promotion, higher long service provision (the general investment market performance deteriorates).

Share of Results of Associates

The Group's share of results of associates for the six months ended 30 June 2022 decreased from HK$61.1 million to HK$15.2 million when compared to the same period last year. The decrease was mainly because under the Paycheck Protection Program, USA government grants/loan forgiveness received by TEI in June 2021 was approximately HK$37.6 million, and recorded in the Group's share of results of associates in 2021. No such USA loan/grants was received in the six months ended 30 June 2022.

Liquidity and Financial Resources

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

As at 30 June 2022, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK$1,073.7 million (31 December 2021: HK$801.7 million), of which 69.4%, 28.6%, 1.6% and 0.4% (31 December 2021: 66.6%, 31.5%, 1.9% and 0.1%) were denominated in Hong Kong dollars or Macau Pataca, RMB, USD and other currencies respectively.

As of 30 June 2022, the Group's bank borrowing was HK$285.2 million (31 December 2021: HK$292.5 million), representing the mortgage loan outstanding for Toppy Tower. The repayment is scheduled to be completed by the end of the year 2041. It is denominated in Hong Kong dollars and bears interest at floating rates.

Additionally, as of 30 June 2022, the Group had banking facilities in respect of bond, bank overdraft and loans, and other trade finance which approximately amounted to HK$2,579.2 million (31 December 2021: HK$2,237.9 million), of which approximately HK$837.5 million had been utilised (31 December 2021: HK$921.2 million).

Management Discussion and Analysis

Foreign Exchange Risk

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

The Group has entered into foreign currency forward contracts for the 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 listing of shares of the Company

The aggregate net proceeds raised by the Company from the listing of its shares pursuant to the global offering of the Company in 2019 were approximately HK$335.7 million (the "Net Proceeds"). As of 30 June 2022, the Group reported as having spent HK$232.6 million of the Net Proceeds and committed HK$14.1 million of the Net Proceeds.

As set out in the announcement of the Company dated 27 November 2020, the board of the 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 out the original allocation, the revised allocation as of 31 October 2020, and the actual usage up to 30 June 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 as 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$'M*	Utilised amount of Net Proceeds from 1 January 2022 to 30 June 2022 *HK$'M*	Unutilised amount of Net Proceeds as at 30 June 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	4.9	2.5
Enhancing engineering capabilities of ICBT segment							
– setting up dedicated research and development teams	19.3	6.0	13.3	10.0	3.3	2.2	1.1
– 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	7.5	31.5
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	14.6	103.1

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

Management Discussion and Analysis

Future Plans For Material Investment or Capital Assets

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

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

The Group has no material acquisition or disposal of any subsidiaries, associates, and joint ventures in the course of the reporting period.

Gearing Ratio and Indebtedness

As of 30 June 2022, the gearing ratio (being gross bank borrowings divided by total equity) was 13.6% (31 December 2021: 13.7%), remained constant.

Charges on Group Assets

The Group had pledged assets as security for general short-term banking facilities and a mortgage loan which amounted to HK$718.8 million as at 30 June 2022 (31 December 2021: HK$681.3 million). The pledged assets mainly represented the Toppy Tower for the mortgage loan as well as loan facilities for revitalisation and renovation of Toppy Tower.

Capital Commitment

As of 30 June 2022, the capital commitment of the Group contracted but not provided for in the consolidated financial statements amounted to HK$22.5 million for the expansion of existing lifts and escalators manufacturing facilities in Nanjing, revitalisation of existing investment properties, and the enterprise resources planning system (31 December 2021: HK$23.0 million).

Contingent Liabilities

As at 30 June 2022, the Group had outstanding performance bonds of approximately HK$468.3 million (31 December 2021: HK$447.2 million), which were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's contractual obligations to customers. If the Group fails to provide satisfactory performance to such customers, the customers may demand the banks to pay them the sum or sum stipulated in the performance bond, and the Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works concerned.

Events after Reporting Period

No major subsequent events have occurred since the end of the reporting period and up to the date of this report.

Human Resources

As of 30 June 2022, the Group had 2,516 employees, including 397 contract and 229 term contract hires, in Hong Kong, Macau, Mainland China, and the United Kingdom.

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 remuneration policy aims to motivate employees to deliver strong sustainable business performance in line with our strategy. Remunerations of directors and senior management are recommended by the Remuneration Committee of the Board and approved by the Board, and subject to periodic reviews. Employee compensation is linked to performance. We share our success with employees, which ultimately drives achievement of our business goals and shareholder value. To assure this, the Group has in place a comprehensive system of setting goals and performance appraisal.

As a special celebration of the 45th anniversary of the Group, we have launched an unprecedented employee share award scheme in the electrical and mechanical engineering industry in Hong Kong 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 have been granted 4,500 shares each on a once-off basis. The granting of shares enables better engagement with employees as our stakeholders as they are now also our shareholders working to maximise shareholder value.

In recent years, Hong Kong has been facing very keen competition in talent market due to increasing manpower demand to support mega size construction projects in both private and public sectors as well as the outflow of knowledge workers to other countries. Our Group, like many other companies, also faces high pressure in talent retention. Thus, we make use of different strategies to attract, retain and develop talents. For instance, we have strengthened our talent acquisition capabilities by establishing ATAL Alumni, reviewing the Employee Referral Program, and building a solid foundation on talent pool pipeline by recruiting many graduate trainees and technician trainees every year. Besides, we encourage promotion from within and talent development through management development programs, etc.

The Group prides itself on high ethical standards in serving customers and working with partners. The Group will continue to invest in training across disciplines in project management, digitalisation, customer service, ethics and other topics to add value to the customers and encourage continuing professional and capability development.

OUTLOOK

The Group has maintained healthy liquidity. Our low debt level, and strong recurring cash flows provide the Group with the financial flexibility to take on new projects and invest in the long-term future of the business.

Management Discussion and Analysis

Significant investments in infrastructure are expected to drive the recovery of Hong Kong's post-COVID economy and growth. The government has budgeted a steady increase of spending on public capital works projects of at least HK$100 billion in each of the coming years. Annual construction output is estimated to reach HK$300 billion, including public and private housing, commercial development, a strong pipeline of infrastructure projects on reclaimed land in Tung Chung, new towns in Hung Shui Kiu and Kwu Tung North, developments above the Siu Ho Wan MTR Depot in Lantau and around the Kam Sheung Road MTR station, and infrastructure development in the Hong Kong-Shenzhen Innovation and Technology Park in the Lok Ma Chau Loop.

An expenditure of HK$200 billion is also expected as part of the 10-year Hospital Development Plan with a further HK$300 billion investment in the second 10-year Hospital Development Plan to improve the clinic and health care facilities.

Hong Kong remains one of the most attractive data centre locations in the APAC region, given its strategic position as a regional hub. To cater to the increasing connectivity and network demands, data centre operators must continue to build new data centre or upgrade their existing infrastructure to become scalable and adaptable to manage the network need.

In addition, new railway lines will be needed to enhance connectivity in Tung Chung East and West, Tuen Mun, Kwu Tung, Northern Link, and Northern Metropolis, creating opportunities for infrastructure and associated development projects along their routes. Other key projects include the plan to develop Lantau Island as an "aerotropolis" linking Hong Kong with adjacent cities on the Mainland China, with the third runway expansion, the Hong Kong Boundary Crossing Facilities Island at the Hong Kong-Zhuhai-Macao Bridge, and district cooling systems at Hung Shui Kiu, Tung Chung, and the Kwun Tung new development area.

The Group is well-positioned to capitalise on these many 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.

The adoption of AI, robotic solutions, IoT, big data and data analytics across many industries is driving the growth of the data centres, for which Hong Kong is an ideal location with its low risk of natural calamities, reliable electricity supply and close 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 to reinforce our competitive advantage for future growth.

The coming years will see Hong Kong develop into a smart and sustainable city with next generation territory-wide connectivity to enable big data analytics, artificial intelligence, and IoT in urban applications. These business opportunities will allow the Group, supported by proprietary know-how developed by our Research and Development (R&D) team, to bring many benefits to our customers and to Hong Kong, through more energy-efficient buildings, digitised solutions for enhancing operational efficiency, and improved delivery of healthcare and other services, through our customers for the betterment of Hong Kong.

With the new Administration, there will be an opportunity for our customers and the community for fresh thinking and new solutions for more sustainable operations and ways of living. The Group will stand 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 operation and maintenance (O&M), set new standards of excellence, achieve continual improvement and adopt new technologies across all of our business segments, including hospital facilities, lifts and escalators, smart car park systems and Digital Twin technologies in water and wastewater plants.

With our recognised customer-centric approach, proven track record in deploying intelligent automation systems, and our state-of-the-art ‘Predictive Maintenance and Remote Monitoring System’, the Group is well positioned to be the O&M services provider of choice in established as well as new industries.

The Group’s R&D investment not only in IoT, AI, Big Data Analytics and Digital Twin, but also in BIM, MiC and MiMEP construction technologies and robotic solutions will help to better design, build and operate important assets. Our investment will ultimately benefit our customers and the community by reducing cost, raising productivity, and improving safety, quality, and sustainability.

As always, the Group will focus on fundamentals to overcome any challenges and uncertainties ahead. We will ensure that we adopt the best practices in our business, and proactively identify and mitigate risks, by carefully managing human resource availability, mitigating material cost fluctuations, and enhancing technical and ethical training.

We will seek, where appropriate, synergistic business partners to expand our footprint, create new business opportunities and build new revenue streams. An example of this is our equity partnership with TEI, one of the largest independent lifts and escalators companies in New York, in March 2020, and the establishment of our Anlev subsidiaries in the United Kingdom in years 2020 and 2021.

We are confident that our record high order intake and a strong pipeline of business opportunities emerging locally and internationally across the Greater Bay Area, Oceania and Europe will create shareholders value and business growth for the Group, while contributing to the communities we operate in through our customers and stakeholders.

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

The past 45 years have been a wonderful journey, with the Group growing in tandem with Hong Kong, overcoming many challenges and helping make our city a better place. We also have a commitment to meeting client expectations and delivering quality, timely and cost-efficient services. In the years to come, we will work together to create shared value for all our stakeholders.

Report on Review of Condensed Consolidated Financial Statements

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 21 to 53, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

		Six months ended 30 June	
	Notes	**2022 HK$'000 (Unaudited)**	2021 HK$'000 (Unaudited)
Revenue	3	**3,021,720**	2,333,618
Cost of sales and services		**(2,564,144)**	(2,010,577)
Gross profit		**457,576**	323,041
Other income		**13,722**	6,355
Other gains and losses	4	**24,987**	19,275
Provision for potential litigation liabilities	16	**(60,000)**	–
Impairment losses under expected credit loss model, net of reversal	14	**(2,349)**	(2,825)
Selling and distribution expenses		**(624)**	(3,129)
Administrative expenses		**(363,351)**	(264,204)
Share of results of associates		**15,177**	61,135
Finance costs	5	**(4,145)**	(2,485)
Profit before tax		**80,993**	137,163
Income tax expense	6	**(21,818)**	(24,637)
Profit for the period	7	**59,175**	112,526
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of properties		**580**	525
Income tax relating to gain on revaluation of properties		**(96)**	(87)
		484	438
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(26,083)**	5,330
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**(500)**	(797)
		(26,583)	4,533
Other comprehensive (expense) income for the period, net of tax		**(26,099)**	4,971
Total comprehensive income for the period		**33,076**	117,497
		HK cents	HK cents
Earnings per share			
Basic	9	**4**	8
Diluted	9	**4**	8

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Non-current assets			
Investment properties	10	**589,930**	589,930
Property, plant and equipment	11	**147,277**	157,036
Right-of-use assets	11	**73,366**	77,475
Deposits paid for acquisition of property, plant and equipment		**4,409**	1,110
Interests in associates	12	**503,382**	544,714
Deferred tax assets		**13,238**	10,458
		1,331,602	1,380,723
Current assets			
Inventories		**85,454**	85,405
Contract assets	13	**1,115,540**	975,211
Trade receivables	14	**788,371**	1,066,560
Other receivables, deposits and prepayments		**178,161**	109,246
Amount due from an associate	12	**–**	–
Amounts due from partners of joint operations		**14,648**	10,354
Tax recoverable		**4,786**	1,733
Pledged bank deposits		**23,572**	18,188
Bank balances and cash		**1,073,704**	801,738
		3,284,236	3,068,435
Current liabilities			
Trade and retention payables	15	**548,913**	599,929
Other payables and accrued expenses	16	**1,411,061**	1,163,613
Contract liabilities		**114,332**	77,174
Amounts due to partners of joint operations		**406**	11,112
Bank borrowing – due within one year	17	**14,625**	14,625
Derivative financial instruments		**8,738**	4,286
Lease liabilities		**24,072**	31,157
Contingent consideration payables	20	**33,637**	52,706
Tax payable		**35,346**	17,475
		2,191,130	1,972,077
Net current assets		**1,093,106**	1,096,358
Total assets less current liabilities		**2,424,708**	2,477,081

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Capital and reserves			
Share capital	18	**14,000**	14,000
Reserves		**2,075,474**	2,115,699
Total equity		**2,089,474**	2,129,699
Non-current liabilities			
Bank borrowing – due after one year	17	**270,563**	277,875
Lease liabilities		**43,996**	46,252
Deferred tax liabilities		**18,646**	21,092
Deferred income		**2,029**	2,163
		335,234	347,382
		2,424,708	2,477,081

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total HK$'000
			(Note b)					(Note a)		
At 1 January 2021 (audited)	14,000	358,704	–	–	5	28,199	10,098	17,050	1,545,576	1,973,632
Profit for the period	–	–	–	–	–	–	–	–	112,526	112,526
Other comprehensive income for the period	–	–	–	–	–	438	4,533	–	–	4,971
Total comprehensive income for the period	–	–	–	–	–	438	4,533	–	112,526	117,497
Transfer to other reserves	–	–	–	–	–	–	–	1	(1)	–
Dividends recognised as distribution (Note 8)	–	–	–	–	–	–	–	–	(98,000)	(98,000)
At 30 June 2021 (unaudited)	14,000	358,704	–	–	5	28,637	14,631	17,051	1,560,101	1,993,129
At 1 January 2022 (audited)	**14,000**	**358,704**	**(26,210)**	**–**	**5**	**33,922**	**26,633**	**19,163**	**1,703,482**	**2,129,699**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**59,175**	**59,175**
Other comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**484**	**(26,583)**	**–**	**–**	**(26,099)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**–**	**484**	**(26,583)**	**–**	**59,175**	**33,076**
Dividends recognised as distribution (Note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(100,449)**	**(100,449)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**46,734**	**–**	**–**	**–**	**–**	**–**	**46,734**
Shares vested under the share award schemes	**–**	**–**	**37,440**	**(35,102)**	**–**	**–**	**–**	**–**	**(2,338)**	**–**
Purchase of shares under share award schemes (Note 18)	**–**	**–**	**(19,586)**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,586)**
At 30 June 2022 (unaudited)	**14,000**	**358,704**	**(8,356)**	**11,632**	**5**	**34,406**	**50**	**19,163**	**1,659,870**	**2,089,474**

Notes:

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

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

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

(b) During the six months ended 30 June 2022, the Company purchased its own ordinary shares of an aggregate of 10,800,000 shares in the market through the trustees of the Company's share award schemes. Details of the treasury shares and the share award schemes are set out in Notes 18 and 19 respectively.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	**179,614**	102,942
Increase in inventories	**(1,194)**	(24,447)
(Increase) decrease in contract assets	**(144,155)**	1,806
Decrease in trade receivables	**275,486**	110,580
Increase in other receivables, deposits and prepayments	**(71,192)**	(97)
(Decrease) increase in trade and retention payables	**(48,682)**	7,366
Increase (decrease) in other payables and accrued expenses	**184,282**	(46,686)
Increase (decrease) in contract liabilities	**37,194**	(3,327)
Decrease in deferred income	**(134)**	(134)
Cash generated from operations	**411,219**	148,003
Tax (paid) refunded	**(12,164)**	10,322
Net cash generated from operating activities	**399,055**	158,325
Bank interest income received	**2,964**	1,703
Proceeds on disposal of property, plant and equipment	**32**	136
Government grant received for property, plant and equipment	**873**	–
Payments for rental deposits	**(300)**	(3,879)
Additions of property, plant and equipment	**(6,054)**	(29,232)
Deposits paid for acquisition of property, plant and equipment	**(3,299)**	(770)
Placement of pledged bank deposits	**(6,344)**	–
Release of pledged bank deposits	**–**	216
Proceeds on disposal of interest in an associate	**42,243**	94,207
Advance to partners of joint operations	**(4,294)**	–
Repayments from partners of joint operations	**–**	13,596
Dividend received from an associate	**13,654**	14,841
Net cash generated from investing activities	**39,475**	90,818

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance costs paid	**(4,145)**	(2,485)
Purchase of shares under share award schemes	**(19,586)**	–
Repayment of lease liabilities	**(16,267)**	(16,686)
New bank borrowings raised	**80,000**	–
Repayment of bank borrowings	**(87,312)**	–
Dividends paid to owners of the Company	**(100,449)**	(98,000)
Advances from partners of joint operations	**–**	6,073
Repayments to partners of joint operations	**(10,706)**	–
Net cash used in financing activities	**(158,465)**	(111,098)
Net increase in cash and cash equivalents	**280,065**	138,045
Cash and cash equivalents at the beginning of the period	**801,738**	1,116,105
Effect of foreign exchange rate changes	**(8,099)**	1,409
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**1,073,704**	1,255,559

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the Group's condensed 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 interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.1 Accounting policy newly applied by the Group

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

Share-based payments

Awarded shares granted to employees

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION

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

(i) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2022 HK$'000 (Unaudited)	2021 HK$'000 (Unaudited)
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**2,503,010**	1,789,242
Maintenance work	**460,008**	472,341
	2,963,018	2,261,583
Recognised at a point in time and short-term contracts		
Sales of goods	**58,702**	72,035
	3,021,720	2,333,618
Geographical information		
Hong Kong	**2,790,741**	2,070,731
Mainland China	**69,006**	76,138
Macau	**150,002**	173,390
United States of America ("USA")	**2,350**	1,519
Others	**9,621**	11,840
	3,021,720	2,333,618

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the respective reporting period are as follows:

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Contracting work	**10,747,983**	8,965,588
Maintenance work	**2,002,055**	2,195,294
Sales of goods	**168,509**	148,111
	12,918,547	11,308,993

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue

For the six months ended 30 June 2022 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	**1,910,327**	**281,545**	**221,115**	**90,023**	**2,503,010**
– Maintenance work	**122,517**	**190,654**	**64,539**	**82,298**	**460,008**
– Sales of goods	**2,788**	**27,317**	**17,725**	**10,872**	**58,702**
Total revenue	**2,035,632**	**499,516**	**303,379**	**183,193**	**3,021,720**

For the six months ended 30 June 2021 (Unaudited)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the six months ended 30 June 2022 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	2,035,632	499,516	303,379	183,193	–	3,021,720
– inter-segment	1,581	–	31,030	107	(32,718)	–
Total revenue	2,037,213	499,516	334,409	183,300	(32,718)	3,021,720
Segment profit	69,051	17,057	31,352	32,019	–	149,479
Share of results of an associate						5,244
Impairment loss on interest in an associate						(21,000)
Provision for potential litigation liabilities						(60,000)
Bank interest income						2,964
Finance costs						(4,145)
Unallocated income						55,233
Unallocated expenses						(46,782)
Profit before tax						80,993
Income tax expense						(21,818)
Profit for the period						59,175
Other segment information						
Depreciation of property, plant and equipment	1,033	957	463	1,960	7,590	12,003
Depreciation of right-of-use assets	2,854	834	2,382	732	11,811	18,613
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(1,964)	2,493	675	1,113	32	2,349
Loss (gain) on disposal of property, plant and equipment	19	(3)	(1)	–	12	27

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2021 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	1,416,714	511,189	226,257	179,458	–	2,333,618
– inter-segment	3,028	–	18,387	2,995	(24,410)	–
Total revenue	1,419,742	511,189	244,644	182,453	(24,410)	2,333,618
Segment profit	15,536	24,777	9,591	54,725	–	104,629
Share of results of an associate						15,189
Bank interest income						1,703
Finance costs						(2,485)
Unallocated income						65,693
Unallocated expenses						(47,566)
Profit before tax						137,163
Income tax expense						(24,637)
Profit for the period						112,526
Other segment information						
Depreciation of property, plant and equipment	933	885	600	2,211	10,085	14,714
Depreciation of right-of-use assets	3,852	728	2,055	827	10,967	18,429
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(8,597)	1,258	293	9,871	–	2,825
(Gain) loss on disposal of property, plant and equipment	(125)	53	–	(4)	5	(71)

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 potential litigation liabilities and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Segment assets and liabilities

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain (loss) from change in fair value of contingent consideration payables (Note 20)	**19,069**	(44,097)
Gain on disposal of interest in an associate (Note 12)	**31,717**	63,246
Impairment loss on interest in an associate (Note 12)	**(21,000)**	–
Gain on dilution in interest in an associate (Note 12)	**431**	–
(Loss) gain on disposal of property, plant and equipment	**(27)**	71
Net exchange (losses) gains	**(5,203)**	55
	24,987	19,275

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**2,207**	–
Interest expenses on lease liabilities	**1,763**	2,397
Ancillary costs in respect of banking facilities	**175**	88
	4,145	2,485

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	**21,510**	12,376
Macau	**–**	1,546
PRC Enterprise Income Tax	**5,262**	10,985
	26,772	24,907
(Over)underprovision in prior years		
Hong Kong	**(120)**	18
Macau	**–**	(1,195)
PRC Enterprise Income Tax	**210**	–
	90	(1,177)
Deferred tax	**(5,044)**	907
	21,818	24,637

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. INCOME TAX EXPENSE (CONTINUED)

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for the six months ended 30 June 2022 and 30 June 2021. 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 six months ended 30 June 2022, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (six months ended 30 June 2021: 5% and 10%, respectively). A provision for dividend withholding tax of approximately HK$409,000 (unaudited) (six months ended 30 June 2021: HK$5,393,000 (unaudited) was charged) was reversed to profit or loss for the six months ended 30 June 2022. During the six months ended 30 June 2022, withholding tax of approximately HK$1,365,000 (unaudited) (six months ended 30 June 2021: HK$1,484,000 (unaudited)) was paid by the Group. The above resulted in a net reversal of provision for dividend withholding tax of approximately HK$1,774,000 (unaudited) (six months ended 30 June 2021: a net provision approximately HK$3,909,000 (unaudited) was charged) credited to profit or loss for the six months ended 30 June 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note):		
– Directors' remuneration	**27,758**	12,843
– Salaries and other benefits	**592,976**	538,112
– Retirement benefit scheme contributions (excluding directors)	**26,703**	24,941
– Share-based payment expense	**34,630**	–
	682,067	575,896
Cost of inventories recognised as expenses (included in cost of sales and services)	**108,514**	109,510
Depreciation of property, plant and equipment	**12,003**	14,714
Depreciation of right-of-use assets	**18,613**	18,429
(Reversal) write-down of inventories, net	**(817)**	7,119
Inventories written off	**–**	841
Loss from change in fair value of derivative financial instruments	**4,452**	1,097
Rental income from investment properties	**(4,011)**	(73)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**1,378**	8
	(2,633)	(65)
Auditor's remuneration	**2,624**	2,547

Note: During the six months ended 30 June 2022, the Group recognised government grants of approximately HK$18,194,000 (unaudited) (six months ended 30 June 2021: HK$541,000 (unaudited)) in respect of COVID-19 related subsidies, of which HK$17,276,000 (six months ended 30 June 2021: Nil (unaudited)) relates to Employment Support Scheme provided by the Hong Kong government and was credited to cost of sales and services and administrative expenses.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

8. DIVIDENDS

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

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
2021 second interim – HK7.25 cents (2021: 2020 second interim dividend HK7 cents) per share	**100,449**	98,000

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK4.27 cents per share amounting to HK$59,780,000 in aggregate will be paid to owners of the Company whose names appear in the register of members of the Company as at the close of business on 16 September 2022.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of calculating basic earnings per share (profit for the period attributable to the owners of the Company)	**59,175**	112,526
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**–**	(610)
Earnings for the purpose of calculating diluted earnings per share	**59,175**	111,916

Number of ordinary shares

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,382,803,912**	1,400,000,000
Effect of dilutive potential ordinary shares	**210,580**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,383,014,492**	1,400,000,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. EARNINGS PER SHARE (CONTINUED)

During the six months ended 30 June 2022, the weighted average numbers of ordinary shares for the calculation of basic and diluted earnings per share have been adjusted for the effect of certain shares held by the trustees pursuant to the share award schemes.

During the six months ended 30 June 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 six months ended 30 June 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.

10. INVESTMENT PROPERTIES

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	**589,930**	4,530
Acquired on acquisition of assets through acquisition of subsidiaries (Note 26)	–	585,000
Change in fair value	–	400
At end of the period/year	**589,930**	589,930

The fair value of the Group's investment properties in Hong Kong as at 30 June 2022 and 31 December 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited. Jones Lang LaSalle Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use.

There has been no changes from the valuation technique used in prior period.

The Group's investment properties in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. The rental income earned by the Group from the investment properties for the six months ended 30 June 2022 amounted to approximately HK$4,011,000 (unaudited) (six months ended 30 June 2021: HK$73,000 (unaudited)). The investment properties have been pledged to secure the bank borrowing of the Company and the general banking facilities granted to certain subsidiaries of the Company.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group incurred approximately HK$4,388,000 (unaudited) (six months ended 30 June 2021: HK$28,439,000 (unaudited)) on the acquisition of property, plant and equipment.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from two to four years. On lease commencement, the Group recognised right-of-use assets of approximately HK$7,230,000 (unaudited) (six months ended 30 June 2021: HK$37,404,000 (unaudited)) and lease liabilities of approximately HK$7,230,000 (unaudited) (six months ended 30 June 2021: HK$37,404,000 (unaudited)).

12. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Investment cost		
Listed outside Hong Kong (Note i)	**98,393**	102,982
Unlisted	**240,840**	240,840
Share of post-acquisition profits and other comprehensive income, net of dividends received	**185,149**	200,892
Impairment loss recognised (Note ii)	**(21,000)**	–
Interests in associates	**503,382**	544,714
Fair value of listed investment	**882,309**	874,611
Amount due from an associate (Note iii)	**96,575**	96,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(96,575)**	(96,575)
	–	–

Notes:

(i) During the current interim period, 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 (unaudited) (equivalent to approximately HK$43,681,000 (unaudited)). The net proceeds from the disposal amounted to approximately RMB34,499,000 (unaudited) (equivalent to approximately HK$42,243,000 (unaudited)), net of transaction cost of approximately RMB1,173,000 (equivalent to approximately HK$1,438,000 (unaudited)). 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 30 June 2022, and a gain on disposal of approximately HK$31,717,000 (unaudited) was recognised for the six months ended 30 June 2022.

During the six months ended 30 June 2022, the number of ordinary shares of NCA increased as a result of the conversion of the convertible bonds issued by NCA and a gain on dilution of approximately HK$431,000 (unaudited) was recognised (six months ended 30 June 2021: Nil).

During the six months ended 30 June 2021, the Group disposed of 3% of its shareholding in NCA at an aggregate consideration of approximately RMB81,013,000 (unaudited) (equivalent to approximately HK$97,388,000 (unaudited)). The net proceeds from the disposal amounted to approximately RMB78,363,000 (unaudited) (equivalent to approximately HK$94,207,000 (unaudited)), net of transaction cost of approximately RMB2,650,000 (equivalent to approximately HK$3,181,000 (unaudited)). The Group recognised a gain on disposal of approximately HK$63,246,000 (unaudited) for the six months ended 30 June 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 30 June 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE (CONTINUED)

Notes: (Continued)

(ii) In view of Transel Elevator & Electric Inc. ("TEI"), an associate of the Group, did not perform as expected during the six months ended 30 June 2022, the Group performed impairment assessment on the interest in this associate as at 30 June 2022. The Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in TEI has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and 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 24%. Cash flow projections beyond the 5-year period are extrapolated using a steady 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. The cash flow projections, revenue growth rate and discount rate have been reassessed as at 30 June 2022 taking into consideration higher degree of estimation uncertainties in the current period due to how the COVID-19 pandemic may progress and evolve and volatility in macro and microeconomic factors, including potential disruptions of the operation of TEI. As a result, an impairment loss of HK$21,000,000 has been recognised in respect of the Group's interest in TEI during the six months ended 30 June 2022.

(iii) As at 30 June 2022, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$96,575,000 (unaudited) (31 December 2021: HK$96,575,000 (audited)), in which approximately HK$13,000,000 (unaudited) (31 December 2021: HK$13,000,000 (audited)) carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1% (31 December 2021: HIBOR plus 1.1%) per annum, non-trade nature, unsecured and repayable by October 2022, the remaining balance of approximately HK$83,575,000 (unaudited) (31 December 2021: HK$83,575,000 (audited)) is non-trade nature, unsecured non-interest bearing and repayable on demand. The directors of the Company consider the amount due from OBJV are unlikely to be repaid in the foreseeable future and forms part of the net investment in OBJV as at 30 June 2022 and 31 December 2021. OBJV is in the form of unincorporated and the Group has obligation to share its losses and therefore, the Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK$96,575,000 (unaudited) (31 December 2021: HK$96,575,000 (audited)) as at 30 June 2022.

As at 30 June 2022, the amount due from OBJV of approximately HK$13,852,000 (unaudited) (31 December 2021: HK$13,852,000 (audited)) is trading in nature, unsecured, non-interest bearing and repayable on demand. The directors of the Company consider the amount is unlikely to be repaid in the foreseeable future and full impairment allowance has been made.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

13. CONTRACT ASSETS

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Contract assets	**1,130,567**	986,895
Less: allowances for credit losses	**(15,027)**	(11,684)
	1,115,540	975,211

As at 30 June 2022, contract assets include retention receivables of approximately HK$378,213,000 (unaudited) (31 December 2021: HK$333,347,000 (audited)). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

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

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

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

14. TRADE RECEIVABLES

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Trade receivables	**647,038**	896,616
Less: allowances for credit losses	**(48,095)**	(50,054)
	598,943	846,562
Unbilled revenue (Note)	**174,169**	205,925
Bills receivables	**15,259**	14,073
	788,371	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 the unbilled revenue which is expected to be billed within 90 days and received within 12 months from the end of the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. TRADE RECEIVABLES (CONTINUED)

As at 30 June 2022, the Group's bills receivables are of age within six months (31 December 2021: one year).

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

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

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
0 – 30 days	**398,531**	606,194
31 – 90 days	**106,519**	163,954
91 – 360 days	**92,103**	75,377
Over 1 year	**1,790**	1,037
Total	**598,943**	846,562

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

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

During the six months ended 30 June 2022, the Group recognised impairment allowance of approximately HK$7,107,000 (unaudited) (six months ended 30 June 2021: HK$19,652,000 (unaudited)) and reversed impairment allowance of approximately HK$7,566,000 (unaudited) (six months ended 30 June 2021: HK$10,325,000 (unaudited)) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$4,874,000 (unaudited) (six months ended 30 June 2021: HK$11,646,000 (unaudited)) was made and approximately HK$5,430,000 (unaudited) (six months ended 30 June 2021: HK$17,410,000 (unaudited)) was reversed on credit-impaired trade receivables. During the six months ended 30 June 2022, trade debtors with gross carrying amount of approximately HK$1,568,000 (unaudited) (six months ended 30 June 2021: HK$12,254,000 (unaudited)) became credit-impaired and therefore, approximately HK$1,568,000 (unaudited) (six months ended 30 June 2021: HK$12,254,000 (unaudited)) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the six months ended 30 June 2022, the Group recognised a provision for contract assets of approximately HK$3,364,000 (unaudited) (six months ended 30 June 2021: a net reversal of provision of HK$738,000 (unaudited)), based on the collective assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND RETENTION PAYABLES

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Trade payables	**311,075**	397,284
Trade accruals	**80,259**	53,236
Retention payables	**157,579**	149,409
	548,913	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:

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
0 – 30 days	**169,890**	244,298
31 – 90 days	**85,419**	101,004
91 – 360 days	**28,077**	23,757
Over 1 year	**27,689**	28,225
	311,075	397,284

16. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Accrued staff costs	**153,289**	172,162
Accrued contract costs	**1,146,333**	931,049
Provision for potential litigation liabilities (Note)	**60,000**	–
Others	**51,439**	60,402
	1,411,061	1,163,613

Note: Provision for potential litigation liabilities of HK$60 million is made at 30 June 2022 in response to an application to the Competition Tribunal filed by the Competition Commission in June 2022 against the Company and a subsidiary of the Group. The Group has used its best estimates in arriving at the provision with reference to the legal advice. The Group will continue to seek legal advice on the legal proceedings, the outcome of which is yet to be determined as at the date of this report. Please refer to the announcement on 16 June 2022 made by the Company for details.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. BANK BORROWING

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Secured variable-rate bank loan	**285,188**	292,500
Less: amount due within one year shown under current liabilities	**(14,625)**	(14,625)
Amount shown under non-current liabilities	**270,563**	277,875
Secured loan is repayable as follows:		
– within one year	**14,625**	14,625
– within a period of more than one year but not exceeding two years	**14,625**	14,625
– within a period of more than two years but not exceeding five years	**43,875**	43,875
– more than five years	**212,063**	219,375
	285,188	292,500

At 30 June 2022 and 31 December 2021, the Group's bank borrowing is denominated in HK$ and carries interest rates at HIBOR plus a margin per annum.

The effective interest rates of bank borrowing range from 1.278% to 2.053% (31 December 2021: 1.309% to 1.345%).

The fair value of bank borrowing approximated its carrying amount.

At 30 June 2022, the bank borrowing is secured by i) the investment property located in Kwai Chung, Hong Kong, ii) the assignment of rental income from that investment property, iii) debenture containing fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$9,463,000 (unaudited) (31 December 2021: HK$1,756,000 (audited)) and iv) their issued share capital.

The Group is required to comply with certain restrictive financial and other covenants. The Group has complied with these covenants throughout the reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2021, 30 June 2021, 1 January 2022 and 30 June 2022	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Note: During the six months ended 30 June 2022, the Company repurchased 10,800,000 shares of the Company's own ordinary shares on the Stock Exchange through the trustees of the Company's share award schemes, at prices ranging from HK$1.65 to HK$1.92 per share for an aggregate consideration of approximately HK$19,586,000.

19. SHARE-BASED PAYMENTS

Share Award Schemes

The Company adopted two share award schemes (the "Share Award Schemes"), which are administered by independent trustees appointed by the Group. The award(s) and vesting period(s) of the awarded shares are determined by the board of directors.

Movements in the number of awarded shares for the six months ended 30 June 2022 are as follows:

	Number of awarded shares '000
At beginning of period	–
Granted	45,594
Vested	(20,238)
Lapsed	(226)
At end of period	25,130

For the awarded shares granted on 21 January 2022, the awarded shares of the Company can be vested up to 30% of the grant from 6 months of the date of grant, up to 60% of the grant from the 18 months of the date of grant, and in whole or in part of the grant from the 30 months of the date of grant.

For the awarded shares granted on which the share awards were communicated on 28 March 2022 and the Company and the employees have a shared understanding of the relevant terms and conditions, the awarded shares of the Company are vested.

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant dates.

The weighted average fair value of awarded shares granted during the six months ended 30 June 2022 was approximately HK$1.77 per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme

No share option has ever been granted since the effective date of the adoption of the share option scheme on 12 July 2019 (the "Share Option Scheme") up to the date of the issuance of these condensed consolidated financial statements.

Details of the Share Award Schemes and the Share Option Scheme adopted by the Company are set out in the annual report for the year ended 31 December 2021.

20. CONTINGENT CONSIDERATION PAYABLES

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Current	**33,637**	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) (subject to adjustment) will be paid to the Sellers within 5 business days after the final determination of the first deferral payment, which will be calculated based on actual performance of TEI for the period from 1 July 2020 to 30 June 2021 (the "First Deferral Payment"); and

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

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

The contingent consideration payables are measured at fair value at the end of the reporting period, with changes in fair value recognised in profit or loss. As at 30 June 2022, the fair value of the deferred consideration payables amounted to approximately HK$33,637,000 (unaudited) (31 December 2021: HK$52,706,000 (audited)), which will be due within 12 months from the end of the reporting period and classified as current liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20. CONTINGENT CONSIDERATION PAYABLES (CONTINUED)

	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**
Gain on change in fair value	**(19,069)**
As at 30 June 2022	**33,637**

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

The details of the fair value measurement of the contingent consideration payable are set in Note 22.

21. PLEDGE OF ASSETS

At the end of the reporting period, the Group pledged the following assets of the Group to secure the bank borrowing of the Company and the general banking facilities granted to certain subsidiaries of the Company:

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Properties	**71,400**	71,400
Investment properties	**589,930**	589,930
Bank deposits	**23,572**	18,188
Others (Note)	**33,896**	1,756
	718,798	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$24,433,000 (31 December 2021: Nil) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$9,463,000 (31 December 2021: HK$1,756,000) (Note 17).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial liabilities	Fair value As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)	Fair value hierarchy	Valuation technique and key input
Derivative financial liabilities	**8,738**	4,286	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Contingent consideration payables (Note 20)	**33,637**	52,706	Level 2 (31 December 2021: Level 3)	Actual performance of TEI (31 December 2021: Discounted cash flow). Based on actual performance of TEI for the period from 1 July 2021 to 30 June 2022 (31 December 2021: Discounted cash flow method was used to capture the present value of the expected future economic benefits will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate (Note)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

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

Note: Significant unobservable inputs

(i) Discount rate of 16.5%

An increase in the discount rate used in isolation would result in a decrease in the fair value measurement of the contingent consideration payables and vice versa. Since it is the final deferral payment which is calculated based on actual performance of TEI for the period from 1 July 2021 to 30 June 2022, as such no sensitivity analysis is prepared as at 30 June 2022.

As at 31 December 2021, if discount rate increased from 16.5% to 17.5% (decreases from 16.5% to 15.5%), while all other variables keep constant, would decrease the fair value of contingent consideration payables by approximately HK$222,000 (audited) (increase by HK$225,000 (audited)).

(ii) An increase in the probability adjusted profits, used in isolation would result in an increase in the fair value measurement of the contingent consideration payables and vice versa. Since it is the final deferral payment which is calculated based on actual performance of TEI for the period from 1 July 2021 to 30 June 2022, as such no sensitivity analysis is prepared as at 30 June 2022.

Probability-adjusted profits, with a range from approximately US$7,140,000 (equivalent to approximately HK$55,692,000) to US$7,854,000 (equivalent to approximately HK$61,261,000) for the year ended 31 December 2021.

As at 31 December 2021, a 5% increase (5% decrease) in the probability adjusted profits, while all other variables keep constant, would increase the fair value of contingent consideration payables by approximately HK$2,606,000 (audited) (decrease by HK$2,606,000 (audited)).

During the six months ended 30 June 2022, there was transfer out of Level 3 to Level 2 used in measuring the fair value of contingent consideration payables as the final deferral payment was calculated based on the actual performance of TEI. There were no transfers between Level 1 or 2 during both periods.

As at 30 June 2021, the only financial liability subsequently measured at fair value on Level 3 fair value measurement represented contingent consideration payables relating to the acquisition of TEI. During the six months ended 30 June 2021, a loss of approximately HK$44,097,000 (unaudited)) relating to this contingent consideration payables had been recognised in profit or loss.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

23. PERFORMANCE BONDS

As at 30 June 2022, the Group had outstanding performance bonds of approximately HK$468,288,000 (unaudited) (31 December 2021: HK$447,163,000 (audited)), given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

24. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the condensed consolidated statement of financial position on pages 22 to 23. The Group entered into the following transactions with related parties during the respective reporting period:

			Six months ended 30 June	
Name of related company	**Relationship**	**Nature of transactions**	**2022 HK$'000 (Unaudited)**	2021 HK$'000 (Unaudited)
OBJV	Associate	Sales	**4,438**	2,643
OBJV	Associate	Interest income	**95**	146
Perfect Motive Limited ("Perfect Motive")	Related party (Note)	Repayment of lease liabilities	**8,100**	8,100
Perfect Motive	Related party (Note)	Direct expenses recharge	**281**	285
TEI	Associate	Sales	**2,203**	1,519

Note: Perfect Motive is a subsidiary of Arling Investment Limited, the Company's immediate holding company.

(b) Compensation of key management personnel

The remuneration of directors and other members of key management during the six months ended 30 June 2022 and 2021 are set out in Note 7.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

25. CAPITAL COMMITMENTS

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

	As at 30 June 2022 HK$'000 (Unaudited)	As at 31 December 2021 HK$'000 (Audited)
Enterprise resources planning system	**123**	145
Expanding existing manufacturing facilities	**14,112**	13,853
Revitalisation of existing investment properties	**8,224**	8,988
	22,459	22,986

26. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

During the year ended 31 December 2021, the Group completed the following transaction accounted for as acquisition of assets through acquisition of subsidiaries as the assets acquired do not meet the definition of a business:

On 20 December 2021, the Group acquired 100% equity interest of Black Tie Holdings Limited and its wholly owned subsidiary, Fame Smart Investment Limited ("Target Group"), for an aggregate consideration of HK$580,486,000 from an independent third party. The Target Group's major asset is the property known as Toppy Tower located in Kwai Chung, Hong Kong.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 *Business Combinations* and concluded that the property is considered as a single identifiable assets. The Group determined that substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets and conclude that the acquired Target Group is not a business.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

26. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES (CONTINUED)

Assets and liabilities recognised at the date of acquisition

	HK$'000
Non-current asset	
Investment properties	585,000
Current assets	
Trade receivables	74
Other receivables, deposits and prepayments	438
Bank balances and cash	4
Current liability	
Other payables and accrued expenses	(5,030)
	580,486

Net cash outflows arising on acquisition of the Target Group

	HK$'000
Consideration paid in cash	580,486
Less: bank balances and cash acquired	(4)
	580,482

Interim Dividend

The Board has declared an interim dividend of HK4.27 cents per share of the Company (the "Share(s)") for the reporting period (the "Interim Dividend") to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Friday, 16 September 2022. The Interim Dividend is expected to be paid to the shareholders of the Company (the "Shareholders") on or about Thursday, 29 September 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Interim Dividend, the Register of Members will be closed from Thursday, 15 September 2022 to Friday, 16 September 2022, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Tuesday, 13 September 2022. In order to be entitled to the Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 14 September 2022.

Other Information

INTERNATIONAL SANCTIONS

During the reporting period, the Group did not enter into any transactions with persons or entities that are currently subject to applicable laws and regulations related to economic sanctions, export controls, and trade embargoes, including those adopted, administered and enforced by the U. S. Government, the European Union and its member states, United Nations or the Government of Australia (the "International Sanctions"). Specifically, the Group did not enter into any transactions with: (i) person(s) or entities listed on the Office of Foreign Assets Control (OFAC)'s Specially Designated Nationals and Blocked Persons List (the SDN List); (ii) entities on the U.S. Bureau of Industry and Security's Entity List (the Entity List), or (iii) person(s) or entities on other restricted party lists maintained by the United States, the European Union, the United Nations or Australia (the "Sanctioned Persons").

The risks management committee (sanctions risks) of the Company (the "Risk Management Committee (Sanctions Risks)"), which was established by the Board, will continue to monitor and evaluate the Group's exposure to economic sanctions risks and take measures to comply with the Group's continuing undertakings to the Stock Exchange. The Group has implemented, among others, the following measures upon listing of the Shares on the Stock Exchange:

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

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive Directors and one non-executive Director. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 and this report, and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2022 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

DIRECTORS' DEALINGS IN THE COMPANY'S SECURITIES

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

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

UPDATE ON DIRECTORS' INFORMATION

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

1) Dr. Poon Lok To, Otto has been appointed as an Advisor for a newly established Hong Kong Alliance of Technology and Innovation in July 2022. He was no longer the advisor of Bauhinia Foundation Research Centre as the operation was closed since March 2022.

2) Mr. Lam Kin Fung, Jeffrey has retired as the chairman of Independent Commission Against Corruption (ICAC) Complaints Committee since March 2022 and has retired as a director of The Hong Kong Mortgage Corporation Limited since 27 June 2022.

3) The salaries of the following Directors were increased with effect from 1 April 2022 as follows:

Name of Directors	Amount of new salary per month (HK$)
Dr. Mak Kin Wah	149,940
Mr. Law Wei Tak	207,770
Mr. Chan Hoi Ming	185,170

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	**Capacity/ Nature of interest**	**Number of Shares held** (Note 1)	**Number of underlying Shares held** (Note 1)	**Approximate percentage of shareholding** (Note 4)
Dr. Poon Lok To, Otto	Founder of a discretionary trust (Note 2)	888,650,000	-	63.48%
Mr. Law Wei Tak	Beneficial owner	52,500,000	-	3.75%
Mr. Chan Hoi Ming	Beneficial owner	4,200,000 (Note 3)	-	0.30%
Mr. Chan Hoi Ming	Beneficial owner	-	9,800,000 (Note 3)	0.70%

Notes:

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

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

3. Mr. Chan Hoi Ming was awarded with 14,000,000 shares of the Company on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 14,000,000 awarded shares, 4,200,000 shares of the Company were vested on 30 June 2022. Assuming all the vesting criteria and conditions have been fulfilled, the remaining 4,200,000 shares and 5,600,000 shares of the Company will be vested on 30 June 2023 and 30 June 2024, respectively.

4. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2022.

Other Information

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

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

Notes:

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

2. As at 30 June 2022, Arling Investment Limited owned approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited also owned 8,463 shares of Wise Eagle Holdings Limited, representing 84.63% of the total issued share capital of Wise Eagle Holdings Limited, which in turn owned 1 share of Perfect Motive Limited, representing 100% of the issued share capital of Perfect Motive Limited. Accordingly, Arling Investment Limited, being the holding company of the Company; and Wise Eagle Holdings Limited and Perfect Motive Limited, being subsidiaries of Arling Investment Limited, are therefore associated corporations of the Company within the meaning of Part XV of the SFO. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon Lok To, Otto is the settlor and protector of the trust. Accordingly, Dr. Poon Lok To, Otto is deemed to be interested in (i) the shares of Arling Investment Limited; and (ii) the shares of Wise Eagle Holdings Limited and Perfect Motive Limited in which Arling Investment Limited is deemed to be interested, under Part XV of the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated associations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS/OTHER PERSON'S INTERESTS IN SECURITIES

As at 30 June 2022, the following persons (other than the Directors) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

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

Notes:

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

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

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2022.

Other Information

(ii) Other person's interests in securities

Name	Capacity/ Nature of Interest	Number of Shares held (Note 1)	Approximate shareholding percentage (Note 3)
Mr. Webb David Michael ("Mr. Webb")	Interest of controlled corporation (Note 2)	98,242,000	7.01%

Notes:

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

2. Mr. Webb is personally interested in 39,992,800 Shares. Preferable Situation Assets Limited (a company 100% controlled by Mr. Webb) is interested in 58,249,200 Shares. Accordingly, Mr. Webb is deemed to be interested in the 58,249,200 Shares owned by Preferable Situation Assets Limited by virtue of Part XV of the SFO.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed in the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

The share option scheme of the Company (the "Share Option Scheme") was adopted by written resolutions of shareholders on 14 September 2018 and came into effect on 12 July 2019, the date on which the Shares first listed on the Stock Exchange. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as defined in the Share Option Scheme as incentives or rewards for their contribution to the Group. No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period nor remained outstanding as at 30 June 2022.

The share award schemes of the Company (the "Share Award Schemes") were adopted on 27 November 2020. The purpose of the Share Award Schemes is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to provide incentive in order to retain them for the continual operation and development of the Group. During the reporting period, 36,000,000 awarded shares were granted to awardees under the Share Award Schemes. During the reporting period, 100,000 awarded shares lapsed and 10,770,000 awarded shares were vested. As at 30 June 2022, there were 25,130,000 awarded shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

Details of the interests of Mr. Chan Hoi Ming, an executive Director, in awarded shares granted under the Share Award Schemes are set out below. No other Director has any interest in awarded shares under the Share Award Schemes as at 30 June 2022.

For the six months ended 30 June 2022

			Number of awarded shares				
	Date of award	Vesting Period	As at 01.01.2022	Granted During the period	Vested during the period	Lapsed during the period	As at 30.06.2022
Mr. Chan Hoi Ming	21.01.2022	30.06.2022 to 30.06.2024 (Note)	-	14,000,000	4,200,000	-	9,800,000 (Note)

Note:

Out of 14,000,000 awarded shares, 4,200,000 shares of the Company were vested on 30 June 2022. Assuming all the vesting criteria and conditions have been fulfilled, the remaining 4,200,000 shares and 5,600,000 shares (total of 9,800,000 shares) of the Company will be vested on 30 June 2023 and 30 June 2024, respectively.

As part of the special celebration of the 45th anniversary, the Group communicated to the eligible employees on 28 March 2022, all eligible employees of the Group would be awarded 4,500 shares of the Company under the Share Award Schemes. Up to the date of this report, 9,594,000 awarded shares were awarded to awardees as part of the special celebration of the 45th anniversary under the Share Award Schemes. Out of 9,594,000 awarded shares, 126,000 awarded shares were lapsed and 9,468,000 awarded shares were vested.

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

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

Corporate Information

BOARD OF DIRECTORS

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road Central
Hong Kong

Bank of China (Hong Kong) Limited
1 Garden Road
Central
Hong Kong

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

13th Floor, Island Place Tower
510 King's Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17th Floor, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

1977

WEBSITE

www.atal.com