ATAL

Analogue Holdings Limited
安樂工程集團有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1977)

2022
Annual Report

About Analogue Holdings Limited

Established in 1977, Analogue Holdings Limited (the "Company", together with its subsidiaries, collectively the "Group") (stock code: 1977) is a leading electrical and mechanical ("E&M") engineering 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), specialises in manufacturing of precision air conditioners.

Highlights of 2022 financial year

Gross profit margin
15.6%

Revenue
HK$6.5 bn

Contracts-in-hand
HK$11.7 bn

Profit attributable to owners of the Company
HK$114.6 mn

Contents

Milestones of 2022

Awarded Contracts for Smart Lampposts Pilot Scheme to Build Hong Kong into a World-class Smart City

Organisation of Inaugural "ATAL Seminar Series – Smart Sustainability: People • Innovation • Environment"

Group's Patented In-house Developed Sewage Treatment Technology 'ATAL Multi-Stages Flocculation Sedimentation III' ('AMSFS III') Wins Multiple Accolades

Reprovisioned Fu Shan Public Mortuary Meets Community Needs and Takes Application of Advanced Construction Technologies to New Levels

Celebration of Group's 45th Anniversary

Completion of Central to Mid-Levels Escalator and Walkway System Refurbishment Project

Completion of Multi-disciplinary Works at New Cultural Landmark "Hong Kong Palace Museum"

Launch of Corporate Sustainability Strategy Framework in First Standalone ESG Report

Awards Gallery

CORPORATE & INVESTOR RELATIONS

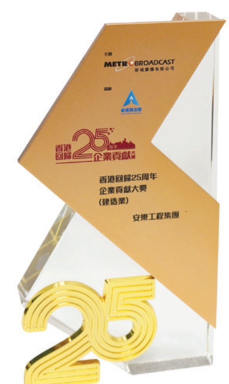
HKEJ Listed Company Awards of Excellence 2022 (Main Board)

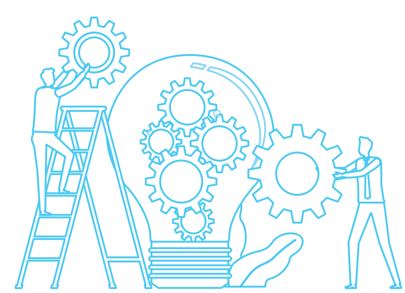
HKIRA 8th Investor Relations Awards

- Certificate of Excellence

HKSAR 25th Anniversary Enterprise Outstanding Contribution Award (Construction Industry)

IFAPC Outstanding Listed Companies Award 2022





INNOVATIONS

2021 Hong Kong Awards for Environmental Excellence

- Hong Kong Green Innovations Awards - Certificate of Merit
  - ATAL Multi-Stages Flocculation Sedimentation III (AMSFS III)

2021-22 Hong Kong Awards for Industries

- Innovation and Creativity Award
  - ATAL Multi-Stages Flocculation Sedimentation III (AMSFS III)
- Innovation and Creativity Certificate of Merit
  - ATAL Negative Pressure Isolation Room

2022 Shenzhen and Hong Kong Outstanding Innovation Eco Environmental Technologies and Achievements

- Certificate
  - ATAL Multi-Stages Flocculation Sedimentation III (AMSFS III)

Global AI Challenge for Building E&M Facilities - AI Competition

- Silver Award

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Caring Company Scheme

- 15 years+ Caring Company
- Caring Company

GBA Corporate Sustainability Awards 2022

- Excellence in Social Sustainability - SDGs
- Excellence in Green Sustainability - SDGs

Green Run 2022

- Green Corporate Team Race - Long Lasting Low Emission Award - Champion

Headline No.1 Awards 2022

- No.1 ESG Engineering Enterprise Award

HKMA Sustainability Awards 2022

- Certificate of Excellence (Large Organisation Category)

HKQAA Recognition Program for Organisations 2022

- Management Award for ESG Contribution (Electrical and Mechanical Engineering) - Green Contribution Organisation (Mitigate Climate Change)
- Leadership Award for ESG Contribution

Hong Kong ESG Reporting Awards 2022

- Commendation of Best ESG Report - Small-cap

IESGB ESG Achievement Awards 2021/2022

- Special ESG Awards - Outstanding ESG Performer of the Year - Listed Company - Platinum
- Criteria set by Fund Managers - Outstanding ESG Company - Plantium Award

Sing Tao Services Awards 2021

- Best ESG Enterprise Award

Hong Kong Green Building Week 2022 - 10 Biz-Green Outfits Social Challenge

- Most Engaged Award - Gold

17th Occupational Health Award

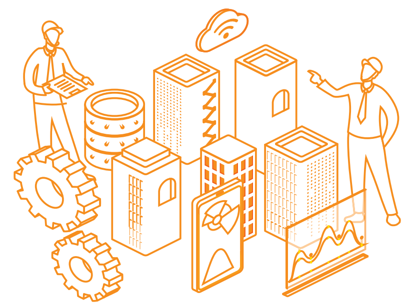
- Joyful @ Healthy Workplace Best Practices Award (Enterprise/Organisation) – Grand Award
- Joyful @ Healthy Workplace Best Practices Award (Enterprise/Organisation) – Merit Award
  - ATAL – Chun Wo – Ming Hing Joint Venture
    Project: In-situ Reprovisioning of Sha Tin Water Treatment Works (South Works)

28th Considerate Contractors Site Award Scheme

- Considerate Contractors Site Award – Bronze (Public Works – New Works)
  - ATAL – Chun Wo – Ming Hing Joint Venture
    Project: In-situ Reprovisioning of Sha Tin Water Treatment Works (South Works) – Water Treatment Works and Ancillary Facilities
- Outstanding Environmental Management and Performance Award – Merit (Public Works – New Works)
  - ATAL – Chun Wo – Ming Hing Joint Venture
    Project: In-situ Reprovisioning of Sha Tin Water Treatment Works (South Works) – Water Treatment Works and Ancillary Facilities
- Innovation Awards for Safety and Environmental Excellence – Merit (Public Works – New Works)
  - ATAL – Chun Wo – Ming Hing Joint Venture
    Project: In-situ Reprovisioning of Sha Tin Water Treatment Works (South Works) – Water Treatment Works and Ancillary Facilities
- Considerate Contractors Site Award – Bronze (Public Works – RMAA Works)
  - Project: Triennial Term Contract for the Comprehensive Maintenance and Repair of Lift Installations at Various Premises of the Government of HKSAR (Package One of AE20)
- Considerate Contractors Site Award – Merit (Public Works – RMAA Works)
  - Project: Central to Mid-Levels Escalator and Walkway System Refurbishment Project
- Model Subcontractor Awards – Merit (Public Works)
  - Project: Yuen Long Effluent Polishing Plant – Main Works for Stage 1

Awards Gallery

PROJECTS



2022 Institution of Civil Engineers (United Kingdom) Awards

- Edmund Hambly Medal
  - Yuen Long Effluent Polishing Plant

Autodesk Hong Kong BIM Awards 2022

- Award Winner
  - SOGO Kai Tak
- Award Winner
  - In-situ Reprovisioning of Sha Tin Water Treatment Works - Water Treatment Works and Ancillary Facilities
- Honorable Mention
  - Yuen Long Effluent Polishing Plant – Main Works for Stage 1

BEAM Plus Certification 2022

- Final Platinum Rating under BEAM Plus for New Buildings V1.2
  - Design, Build and Operate San Wai Sewage Treatment Works (Phase 1)
- Final Platinum Rating under BEAM Plus for New Buildings V1.2
  - O・PARK1

HKIBIM Award 2021

- BIM Project: Government Projects Gold Award
  - Reprovisioning of Fu Shan Public Mortuary Project

IFMA Asia Pacific Awards of Excellence 2021

- Winner of Asia Pacific Innovation Award
  - Hong Kong's First Automated Robotic Parking System

23rd Energy Globe Award

- NATIONAL Overall Winner and Winner in the category FIRE
  - OSCAR Bioenergy Joint Venture Project: O・PARK1

HUMAN RESOURCES

Good MPF Employer Award 2021-22

- Good MPF Employer 5 Years+
- e-Contribution Award
- MPF Support Award

Award for Excellence in Training and Development 2022

- Special Award: The Hong Kong Jockey Club Excellence in Future Talent Development

Vision, Mission and Core Values

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

Vision

To be an innovative, leading and sustainable multi-disciplinary E&M engineering group

Mission

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

Core Values

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

Financial Highlights

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

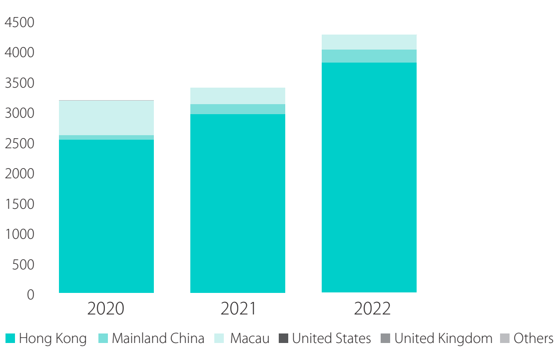
The Board did not recommend a payment of a second interim dividend for the year ended 31 December 2022. The Board has resolved to pay a special dividend of HK4.5 cents per share for the year ended 31 December 2022 (the "Special Dividend") as a special celebration of the 45th Anniversary of the Group.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

REVENUE BY GEOGRAPHICAL LOCATION – BY SEGMENT

Building Services

For the year ended 31 December

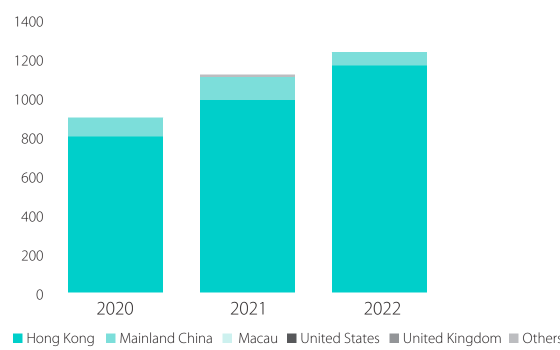
HK$'M



Environmental Engineering

For the year ended 31 December

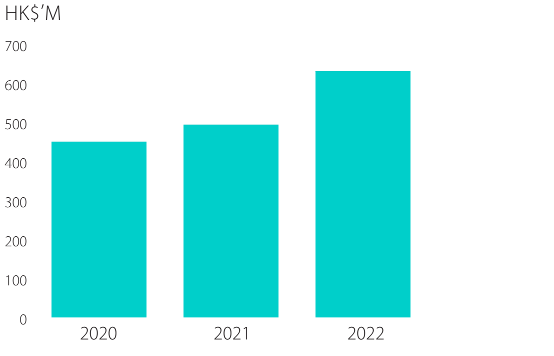
HK$'M



ICBT

For the year ended 31 December

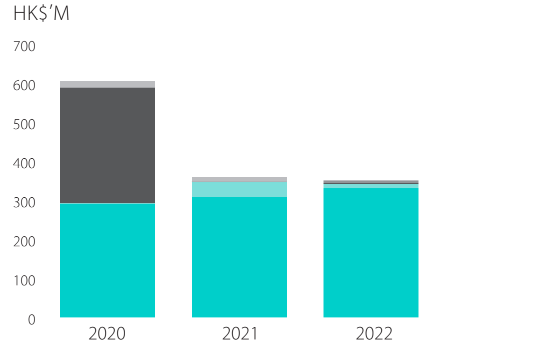
HK$'M



Lifts and Escalators

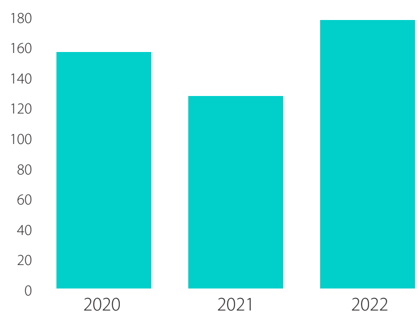
For the year ended 31 December

HK$'M

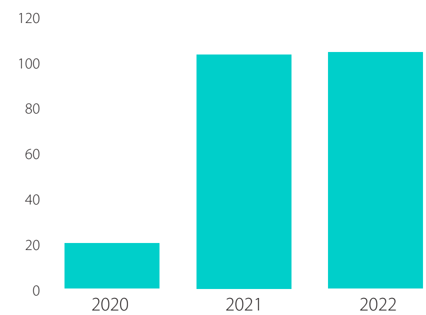


SEGMENT PROFIT

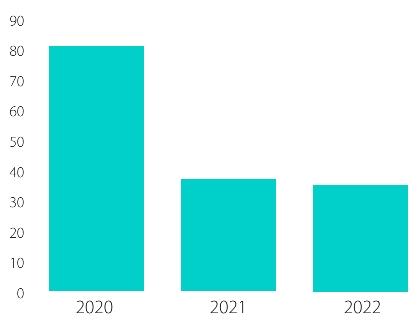
Building Services
For the year ended 31 December
HK$'M



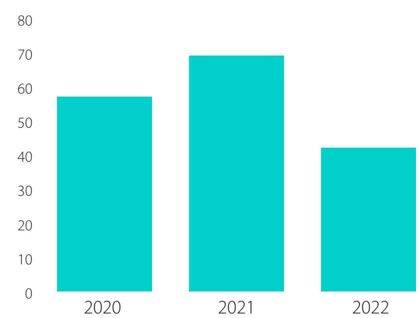
Environmental Engineering
For the year ended 31 December
HK$'M



ICBT
For the year ended 31 December
HK$'M

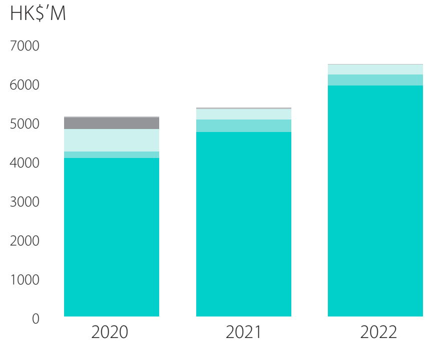


Lifts and Escalators
For the year ended 31 December
HK$'M

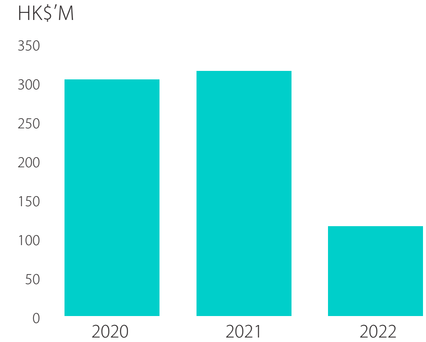


ANALOGUE HOLDINGS – CONSOLIDATED

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



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



Chairman's Statement

"Our three strategic pillars of "New Technology", "New Market", and "New Business Model" have not only facilitated our successes in the past; they will also be underpinning our efforts in the future to advance all of our business operations and reinforce the Group's position as the preferred E&M engineering service provider."

Building on our Past, Preparing for the Future

Risen to the challenge

Over the past year, the business environment has proved to be even more challenging than in preceding years. In addition to the COVID pandemic, there were growing geopolitical tensions, the Russia-Ukraine conflict, and rising inflation and interest rates. Such factors led to persistent global supply chain and material shipment disruptions, which, together with strict social distancing measures in Hong Kong and Mainland China, resulted in project delays.

Despite the aforementioned, the market demand for electrical and mechanical ("E&M") engineering services remained strong, and we were able to sustain business growth owing to our industry-leading position, diversified business portfolio, innovative technologies and strong financial position. Consequently, the Group's revenue increased by 21% year-on-year to HK$6.47 billion in FY2022. Moreover, if certain one-off expenses were excluded, the Group's net profit would have remained at a similar level to last year. We are pleased to note that the Group has achieved high contracts in hand, totalling HK$11.7 billion as at FY2022. We will be leveraging these contracts in hand to support the growth of the Group's core businesses in the year ahead.

Leveraging our three pillars

In building for tomorrow, we understand that we must start today and a holistic approach is essential. Our three strategic pillars of "New Technology", "New Market", and "New Business Model" have not only facilitated our successes in the past; they will also be underpinning our efforts in the future to advance all of our business operations and reinforce the Group's position as the preferred E&M engineering service provider.

To continue to harness new technology for business, we direct our R&D investments in key technologies and solutions. To develop new market opportunities abroad, we capitalise on our breadth of capabilities and successes in Hong Kong, Macau and Mainland China. To build a strong recurring income stream with a new business model, we have been increasing the penetration of our maintenance services in different business segments, and will continue to do so. We are pleased that our strategies are continuously and effectively being realised to drive the sustainable growth of the Group.

Beginning a new chapter

Having celebrated the Group's 45th anniversary in 2022, we are tremendously motivated to begin a new chapter of development. While we are mindful of the many global and local challenges experienced over the past year, numerous developments will present valuable opportunities for the E&M engineering sector.

The easing of COVID restrictions and reopening of borders by Mainland China will bolster the national economy, which in turn will no doubt provide more business opportunities as well as deliver benefits to Hong Kong. In addition, Hong Kong Government's spending on public works projects and infrastructure gives positive impetus to the industry. To seize these emerging opportunities while maximising profitability, we will target projects associated with Information, Communications and Building Technologies ("ICBT"), Lifts and Escalators, and data centres, where our Group enjoys distinctive competitive advantages. To enhance efficiency and prepare for the future, we have reorganised our working teams and are continuing to provide staff training, as well as enhancing staff engagement to directly tackle the industry shortage of labour. We will also make good use of technologies to boost safety, quality and productivity.

Having already established footholds in the United States and Europe, the latter via the United Kingdom, we will develop organically in the two regions while concurrently looking out for M&A and equity participation opportunities that can promote synergies among our businesses and create healthy income sources.

In addition to capitalising on our well-known areas of expertise, we will leverage the important global trends of environmental, social and governance ("ESG"). With our ESG strategies and energy optimisation and other technologies in place, we are able to advise and support our customers in achieving their ESG goals, optimising energy consumption and reducing their carbon footprint. As a sustainability conscious company, we would like to do our part for our business, and contribute to the betterment of all members of society.

Dr. POON Lok To, Otto
Chairman

Hong Kong, 24 March 2023

Management Discussion and Analysis

BUSINESS REVIEW

Overview

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

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

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

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

An impairment loss on an associate, HK$75.6 million, in relation to the Group's interest in Transel Elevator & Electric Inc. ("TEI"), based on the valuation performed by a third party qualified valuer, was also recognised. Details on the impairment loss are set out in Note 19 to the consolidated financial statements in this report.

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

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

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

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

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

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

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

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

Management Discussion and Analysis

Building Services

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

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

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

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

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

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

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

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

Environmental Engineering

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

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

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

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

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

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

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

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

Management Discussion and Analysis

Information, Communications and Building Technologies (ICBT)

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

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

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

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

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

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

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

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

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

Lifts & Escalators

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

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

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

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

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

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

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

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

Management Discussion and Analysis

Innovation, Resources Management and Other Operations Initiatives

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

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

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

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

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

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

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

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

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

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

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

COVID-19 Impact

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

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

The Group maintained a strong cash position and sufficient committed banking facilities to finance its growth and development. The Group's cash balance amounted to HK$976.0 million as at 31 December 2022, an increase of 21.7% compared with the cash balance as at 31 December 2021. As at 31 December 2022, the Group's bank borrowing balance, being the mortgage loan for the purchase of Toppy Tower (to be used as the Group's office tower following revitalisation & renovation) in December 2021, was HK$277.9 million (31 December 2021: HK$292.5 million), of which HK$263.3 million was non-current liabilities.

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

To supplement the Group's consolidated results prepared in accordance with HKFRS, a certain non-GAAP financial measure, namely profit attributable to owners of the Company before the provision for litigation liabilities and the impairment loss on interest in an associate, is presented. The Company's management believes that the non-GAAP financial measure provides investors with a more meaningful view of the Group's financial results. However, there are limitations to the use of this non-GAAP financial measure as an analytical tool. Non-GAAP financial measure should be viewed as supplement to, and not a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRS.

Revenue

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

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

Gross Profit

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

Other Income

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

Other Gains and Losses

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

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

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

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

This unfavourable impact was partially offset by:

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

Management Discussion and Analysis

Provision for Litigation Liabilities

In November 2022, a cooperation agreement was entered into with the Hong Kong Competition Commission in relation to the resolution of certain legal proceedings. As part of the cooperation agreement, a pecuniary penalty of HK$150 million was agreed to be paid by a subsidiary of the Company. The Group has accordingly made a provision of HK$150 million for this litigation settlement in FY2022. An announcement relating to the cooperation agreement was issued by the Company on 4 November 2022.

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

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

Administrative Expenses

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

Share of Results of Associates

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

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

Liquidity and Financial Resources

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

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

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

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

Foreign Exchange Risk

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

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

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

The total net proceeds raised by the Company pursuant to the listing of the shares in the Company's global offering in 2019 amounted to approximately HK$335.7 million (the "Net Proceeds"). As at 31 December 2022, the Group had utilised HK$246.9 million of the Net Proceeds and committed to utilise HK$10.6 million of the Net Proceeds, and the expected timeline for utilising all the unutilised Net Proceeds was on or before 31 December 2023.

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

Management Discussion and Analysis

The following table sets forth the original allocation, the revised allocation as of 31 October 2020, and the actual use as of 31 December 2022:

	Original allocation of Net Proceeds HK$'M	Utilised amount of Net Proceeds up to 31 October 2020 HK$'M	Revised allocation of the unutilised Net Proceeds at 31 October 2020 HK$'M	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2021 HK$'M	Unutilised amount of Net Proceeds as at 31 December 2021 HK$'M	**Utilised amount of Net Proceeds from 1 January 2022 to 31 December 2022 HK$'M**	**Unutilised amount of Net Proceeds as at 31 December 2022 HK$'M**
Supporting the expansion and development of building services segment	67.1	34.6	42.4	42.4	–	**–**	**–**
Enhancing engineering capabilities in environmental engineering segment							
– acquisition of, investment in, cooperating or forming joint ventures	59.3	17.1	5.6	5.6	–	**–**	**–**
– support the expansion and development of environmental engineering segment, including project working capital needs and additional investment in development of advanced environmental process technologies	41.4	0.5	40.9	33.5	7.4	**7.4**	**–**
Enhancing engineering capabilities of ICBT segment							
– setting up dedicated research and development teams	19.3	6.0	13.3	10.0	3.3	**3.3**	**–**
– acquisition of, or investment in, companies which possess innovative technology	47.8	–	–	–	–	**–**	**–**
Expansion and development of lifts and escalators segment							
– expanding existing manufacturing facilities and construction of a new production plant	54.1	–	–	–	–	**–**	**–**
– setting up export sales office and sales and service centres in Mainland China	13.0	–	–	–	–	**–**	**–**
– expanding existing manufacturing facilities	–	–	67.1	28.1	39.0	**18.2**	**20.8**
Acquisition of, or investment in, companies	–	–	68.0	–	68.0	**–**	**68.0**
General working capital	33.7	31.8	8.4	8.4	–	**–**	**–**
Total	335.7	90.0	245.7	128.0	117.7	**28.9**	**88.8**

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

Future Plans for Material Investment or Capital Assets

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

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

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

Gearing Ratio and Indebtedness

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

Charges on Group Assets

The Group had pledged assets as security for general short-term banking facilities, mortgage loan as well as loan facilities for revitalisation and renovation of the investment property under mortgage, totalling HK$699.8 million as at 31 December 2022 (31 December 2021: HK$681.3 million). The pledged assets were mainly investment properties, leasehold properties and bank deposits denominated in Renminbi.

Capital Commitments

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

Contingent Liabilities

As at 31 December 2022, the Group had outstanding performance bonds of approximately HK$584.9 million (31 December 2021: HK$447.2 million), which were given by banks in favour of the Group's customers as security for the proper performance and observance of the Group's contractual obligations to its customers. If the Group fails to provide satisfactory services to these customers, the customers may request the banks to pay them the sum or sums stipulated in the performance bond and the Group will be liable to compensate these banks accordingly. The performance bonds will be released upon completion of the relevant contracted work.

The Group is involved in lawsuits during its normal course of operations. As at 31 December 2022, there were few legal proceedings related to these lawsuits outstanding against the Group. The Group has made adequate provision for any probable losses based on the current facts and circumstances.

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

Key Financials

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

Notes:

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

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

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

Human Resources

As of 31 December 2022, the Group had 2,562 employees in Hong Kong, Macau, Mainland China, and the United Kingdom.

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

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

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

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

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

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

OUTLOOK

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

With healthy liquidity, low debt levels and strong recurring operating cash flows, the Group has the financial flexibility to take on new projects and invest in the long-term future of the business.

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

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

Management Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

Board of Directors and Senior Management

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1. **Dr. Poon Lok To, Otto**
   Executive Director
   and Chairman

2. **Mr. Chan Hoi Ming**
   Executive Director and
   Chief Executive Officer

3. **Mr. Law Wei Tak**
   Executive Director

4. **Mr. Cheng Wai Lung**
   Executive Director

5. **Dr. Mak Kin Wah**
   Non-executive Director
   and Deputy Chairman

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

7. **Mr. Chan Fu Keung**
   Independent
   Non-executive Director

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

9. **Mr. Wong King On, Samuel**
   Independent
   Non-executive Director

Note: Ms. Or Siu Ching, Rerina has been appointed as a non-executive director of the Company with effect from 1 April 2023.

Executive Directors

Dr. Poon Lok To, Otto (潘樂陶博士), aged 82, was appointed as a director of Analogue Holdings Limited (the "Company") (the "Director") on 27 September 1995 and re-designated as an executive Director on 13 April 2018. He has acted as chairman of the Company and its subsidiaries (the "Group") since July 2010, and is a director of most of the subsidiaries of the Company.

Dr. Poon is in charge of developing, monitoring and evaluating the Group's business, and is primarily responsible for the leadership, overall strategic planning and major decision making for the Group.

Dr. Poon has over 50 years of experience in the engineering business. He founded the Group in 1977. Prior to forming the Group, Dr. Poon worked in United Kingdom from 1964 to 1969 as a Designer Engineer at English Electric Ltd. He returned to Hong Kong and had served as the chief engineer at Electra Instruments, Limited and Integrated Electronics Limited of the Integrated Electronic Group from August 1969 to August 1973, as director at Eurotherm (Far East) Limited from 1973 to June 1975 and as the senior local staff at John Swire & Sons (H.K.) Limited in 1975.

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

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

Dr. Poon participated in public services both to the community and the engineering profession including, among others, Advisory Council on the Environment, Energy Advisory Committee, Council for Sustainable Development, Solicitors Disciplinary Tribunal Panel, Lift and Escalator Safety Advisory Committee, Hong Kong Quality Assurance Agency, Hong Kong Green Building Council, Trustee Board of the IMechE and Council of the CMES. He is the past president of the HKIE, Hong Kong Association of Energy Engineers, Hong Kong Chapter of the Association of Energy Engineers and the Hong Kong Federation of Electrical and Mechanical Contractors Limited ("HKFEMC"), the immediate past president of the Hong Kong Academy of Engineering Sciences until the end of year 2022, as well as the past chairman of Hong Kong Branch of the IMechE, Hong Kong Climate Change Forum and the School Advisory Committee of School of Energy and Environment of City University of Hong Kong. He was also an advisor to the Bauhinia Foundation Research Centre.

Board of Directors and Senior Management

Currently, Dr. Poon is a member of the Election Committee – Engineering Subsector and the life president of HKFEMC. He was appointed as the honorary president of Hong Kong Fire Officers Association in the fourth quarter of year 2022. He also serves as a member of the International Advisory Committee of Research Institute for Sustainable Urban Development of Hong Kong Polytechnic University, a member of the International Advisory Committee of Smart Cities Research Institute of Hong Kong Polytechnic University, a member of the Advisory Committee of Department of Electrical & Electronic Engineering of the University of Hong Kong, a member of the Hong Kong Section of Hong Kong-France Business Council of Hong Kong Trade Development Council, an advisor to the Hong Kong Alliance of Technology and Innovation, a school manager of the Shun Tak Fraternal Association Cheng Yu Tung Secondary School, a school manager of the Shun Tak Fraternal Association Lee Shau Kee College and a Honorary Advisor of the Institution of Public Private Partnerships. He was appointed as the Business Attraction Ambassador of Jiangning District* (江寧區招商大使) on 7 February 2023.

Since August 2003, Dr. Poon has been a director of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 21.44% by the Company.

Dr. Poon is the sole director of Arling Investment Limited which is the substantial shareholder of the Company. For further details of the relationship between Arling Investment Limited and Dr. Poon, please refer to the section headed "Substantial shareholders/other person's interests in securities" in the Report of the Directors of this annual report. In addition, Dr. Poon is the brother-in-law of Mr. Cheng Wai Keung, Peter, the chief financial officer of the Company.

Mr. Chan Hoi Ming (陳海明先生), aged 62, was appointed as a Director on 25 November 2015 and redesignated as an executive Director on 13 April 2018. He was appointed as the chief executive officer of the Company with effect from 1 January 2023.

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

* *for identification purpose only*

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

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

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

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

Since January 2016, Mr. Chan has been a supervisor of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 21.44% by the Company.

Board of Directors and Senior Management

Mr. Law Wei Tak (羅威德先生), aged 67, was appointed as a Director on 27 September 1995 and redesignated as an executive Director on 13 April 2018. He also sits on the boards of various subsidiary companies within the Group. Mr. Law is primarily responsible for advising on the overall strategic planning for the Group.

Mr. Law has worked in the engineering industry for over 40 years and joined the Group in November 1987 as an assistant manager with main area of responsibility in heating, ventilation and air-conditioning ("HVAC") project management and execution. He acted as a manager of the building services segment of the Group from January 1989 to October 1990, and was mainly responsible for the marketing, tendering and execution of building services projects. Mr. Law was appointed as a director of ATAL Engineering Limited (then known as Analogue Technical Agencies Limited), a wholly-owned subsidiary of the Company, in November 1990, and was primarily responsible for overseeing the business operations of the building services segment of the Group. In July 2011, Mr. Law was promoted as managing director of ATAL Data Centre Infrastructure Limited, a wholly-owned subsidiary of the Company. From January 2012 to 1 January 2023, he was the chief executive of ATAL Data Centre Infrastructure Limited and has been responsible for forming business strategies for the development and expansion of the Group's building services for data centres, infrastructure and healthcare facilities, and overseeing the project management, project execution and marketing for data centres, infrastructure and healthcare facilities projects of the building services segment of the Group. In April 2020, he started to lead the Building Services businesses of the Group. Prior to joining the Group, Mr. Law served as an assistant engineer from November 1980 to December 1982, an engineer from January 1983 to December 1986, and a senior engineer from January to October 1987, at The Jardine Engineering Corporation, Limited, a company principally engaged in the provision of E&M engineering contracting and product trading, where he was mainly responsible for engineering design work, tender estimation and contract management of building services engineering.

Mr. Law obtained a bachelor of science in engineering degree from The University of Hong Kong in November 1980. He has been a member of the Chartered Institution of Building Services Engineers since 1986 and a member of The Hong Kong Institution of Engineers since 1990. He is currently a registered professional engineer of the Engineers Registration Board. Mr. Law has been a chartered engineer of The Engineering Council since 1986, and has been a certified data centre engineer of the Institution of Data Centre Engineers since 2015.

Mr. Law is the past president and honorary life president of The Hong Kong Air Conditioning and Refrigeration Association Limited. He is also a past vice president of the Hong Kong Federation of Electrical and Mechanical Contractors Ltd.

Since January 2017 and March 2017, Mr. Law has been a director and deputy chairman of Nanjing Canatal Data Centre Environmental Tech Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 603912) and owned as to approximately 21.44% by the Company.

Mr. Cheng Wai Lung (鄭偉能)(Note 1), aged 50, has been appointed as an executive Director and the managing director to lead the Group's building services business with effect from 1 January 2023. Mr. Cheng also serves as a director of various subsidiaries of the Company. Prior to his appointment as an executive Director, he had been serving as chief executive of the Building Services segment of the Group since November 2018.

Mr. Cheng started his career as a graduate trainee with the Group in 1995 and rejoined the Group in November 2018. In between, he had served in China Overseas Group companies for 16 years, having taken up the roles of deputy general manager in China State Mechanical and Electrical Engineering Limited and general manager of Transcendence Company Limited. With over 27 years of experience in building services industry and a wealth of management and engineering expertise, he is currently responsible for the operation and business development of the building services business of the Group.

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

Mr. Cheng is a chartered engineer of the Engineering Council in the United Kingdom, a Registered Professional Engineer (Building Services and Energy Disciplines) of the Engineers Registration Board, a Chartered Environmentalist of the Society of the Environment, a BEAM Professional, a RCx Professional, a Registered Energy Assessor, a CIC-Certified BIM Manager and BIM Coordinator, and a NEC ECC Project Manager. He is also a fellow member of The Hong Kong Institution of Engineers; The Chartered Institution of Building Services Engineers; The Society of Engineer; The Chartered Institute of Plumbing and Heating Engineering; and the Building Services Operation and Maintenance Executives Society. He also possesses the registered professional qualifications of registered public facility engineer (HVAC), registered public facility engineer (water supply and drainage), and Class 1 constructor (limited to engaging in engineering projects corresponding to the business of companies registered in Hong Kong) issued by the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of China* (中國前海深港現代服務業合作區管理局) and he is a registered public facility engineer and registered constructor within the registered business scope published by the Urban Planning and Construction Bureau of Guangdong-Macao In-depth Cooperation Zone in Hengqin, China* (中國橫琴粵澳深度合作區城市規劃和建設局). Mr. Cheng has been designated as a Certified ESG Planner since 28 January 2023.

Mr. Cheng was also the chairman of the Building Services Division and was a member of Learned Society Board of The Hong Kong Institution of Engineers (2018-2019). He is currently the Honorary Secretary of Building Services Discipline Advisory Panel of The Hong Kong Institution of Engineers, the Honorary Technical Advisor of The Chartered Institute of Plumbing and Heating Engineering – Hong Kong Branch, a member of the Departmental Advisory Committee of the Department of Building Environment and Energy Engineering of The Hong Kong Polytechnic University, a member of the Electrical and Mechanical Services Training Board of the Vocational Training Council, a member of the Building Energy Efficiency Appeal Board Panel under the Building Energy Efficiency Ordinance (Chapter 610 of the Laws of Hong Kong), a member of the Appeal Tribunal Panel (Buildings) under the Building Ordinance (Chapter 123 of the Laws of Hong Kong), a member of the Municipal Services Appeals Board, a member of the Appeal Board Panel under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong), a member of the Examination Committee for Registration as a Grade C Electrical Worker, and a member of the RCx Training Registration Committee.

* *for identification purpose only*

Board of Directors and Senior Management

Non-executive Director

Dr. Mak Kin Wah (麥建華博士), aged 66, was appointed as a Director and the deputy chairman on 1 September 2017. Dr. Mak was re-designated as the non-executive Director on 13 April 2018. Dr. Mak assumes an advisory role in respect of the overall strategic planning for the Group. He also serves as a member of each of the remuneration committee, nomination committee and audit committee of the Board. He is a director of a subsidiary of the Company.

Dr. Mak began his career as an engineer at Clough Engineering Group in Perth, Australia and has over 30 years of experience in business management. During his employment at Maunsell Consultants Asia in Hong Kong and before his departure in September 1980, he was involved in various development projects, including Hong Kong Island Eastern Corridor and mass transit escalators in Ocean Park. Dr. Mak joined The Hong Kong Jockey Club in March 1993 and later became Executive Director of Corporate Affairs until January 2017. Since 2017, he has been the president of the Caritas Institute of Higher Education and concurrently the principal of Caritas Bianchi College of Careers. He won the director of the year award of the Hong Kong Institute of Directors in 2009 and the 2013 excellent HR leader award of the Hong Kong Institute of Human Resource Management.

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

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

Ms. Or Siu Ching, Rerina (柯小菁), aged 53, has been appointed as a non-executive Director with effect from 1 April 2023.

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

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

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

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

Board of Directors and Senior Management

Independent Non-executive Directors

Mr. Chan Fu Keung (陳富強先生), aged 74, was appointed as an independent non-executive Director on 1 August 2015. He is also the chairman of the remuneration committee of the Board and a member of each of the nomination committee and audit committee of the Board.

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

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

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

Mr. Chan is a member of the Grantham Hospital Governing Committee and is a director of CUHK Medical Centre Limited. Currently, he is a member of the remuneration committee of the board of the West Kowloon Cultural District Authority; and a member of Human Resources and Remuneration Committee of the Urban Renewal Authority. He has been appointed as a non-executive director of the Urban Renewal Authority Board for 3 years from 1 December 2020 to 30 November 2023.

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

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

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

Mr. Lam Kin Fung, Jeffrey (林健鋒先生), aged 71, was appointed as an independent non-executive Director on 1 May 2018. He is also the chairman of the nomination committee of the Board.

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

Mr. Lam is a non-official member of the Executive Council and a member of the Legislative Council in Hong Kong. He also holds a number of other public and community service positions including being a general committee member of the Hong Kong General Chamber of Commerce and a member of the board of directors of Heifer International-Hong Kong. Mr. Lam retired from being a member of the 13th National Committee of the Chinese People's Political Consultative Conference ("CPPCC") after the conclusion of the 5th session of the 13th National Committee of the CPPCC in March 2023.

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

Company Name	Stock code	Period	Role(s)
CC Land Holdings Limited	1224	Since June 1998	Independent non-executive director Chairman of the audit committee, member of the nomination committee and remuneration committee
China Overseas Grand Oceans Group Limited	81	Since May 2010	Independent non-executive director Chairman of the remuneration committee, member of the audit committee and the nomination committee
CSC Holdings Limited*	235	Since December 2020	Independent non-executive director Member of audit committee
Chow Tai Fook Jewellery Group Limited	1929	Since November 2011	Independent non-executive director Chairman of the nomination committee and a member of the audit committee and the remuneration committee**
CWT International Limited	521	Since October 2013	Independent non-executive director Member of the audit committee, nomination committee and remuneration committee

* name changed from China Strategic Holdings Limited with effect from 1 November 2022

** Mr. Lam Kin Fung, Jeffrey was appointed as the chairman of the nomination committee and a member of the remuneration committee of Chow Tai Fook Jewellery Group Limited in year 2022.

Board of Directors and Senior Management

Company Name	Stock code	Period	Role(s)
i-CABLE Communications Limited	1097	Since September 2017	Independent non-executive director Chairman of the compensation committee, member of the nomination committee
Wing Tai Properties Limited	369	Since June 2018	Independent non-executive director
Wynn Macau, Limited	1128	Since September 2009	Independent non-executive director Chairman of the nomination and corporate governance committee and member of the remuneration committee
Hong Kong Aerospace Technology Group Limited	1725	Since July 2021	Executive Director

Mr. Wong King On, Samuel (黃敬安先生), aged 70, was appointed as an independent non-executive Director on 1 May 2018. He is also the chairman of the audit committee of the Board and a member of each of the remuneration committee and nomination committee of the Board.

Mr. Wong has over 30 years of experience in accounting and finance. He joined Ernst & Young's predecessor firm, Arthur Young & Company in October 1979 and was elected to partnership of Ernst & Young in January 1993. Mr. Wong was the managing partner, China Central and a member of the management committee of the China firm of Ernst & Young from 2005 until his retirement in December 2009.

Mr. Wong holds a master of business administration degree from the University of Bradford in the United Kingdom where he was awarded the Binder Hamlyn Prize for the best student in financial subjects in management and administration in December 1978.

Mr. Wong is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants ("ACCA") and the Certified Practising Accountant Australia. He was the president of ACCA Hong Kong from 1998 to 1999 and a member of the global Council of ACCA from 1999 to 2005. Mr. Wong was also the first non-European global president of ACCA from 2003 to 2004. Mr. Wong was awarded the outstanding accounting alumnus by the Hong Kong Polytechnic University in 2002 and the outstanding Polytechnic University alumnus by the Hong Kong Polytechnic University in 2003. Mr. Wong had been the adjunct professor of the school of accounting and finance of the Hong Kong Polytechnic University from September 2002 to August 2010 and the professor of practice (accounting) from September 2013 to August 2016.

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

Company Name	Stock code	Period	Role(s)
Alibaba Health Information Technology Limited	241	Since May 2014	Independent non-executive director
			Chairman of audit committee, and member of the remuneration committee and the nomination committee
		Since November 2016	Chairman of the risk management committee

Senior Management

Mr. Chan Chi Hung (陳志雄先生), aged 57, has been appointed as the chief executive of the Information, Communications and Building Technologies segment of the Group since April 2020, and is primarily responsible for overseeing the information communications technologies, energy management, intelligent and green building business of the Group.

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

Mr. Chan started his career in the control and building automation business in the Group in 1989. He was promoted as a manager of the intelligent building systems division of the Information, Communications and Building Technologies (ICBT) segment of the Group in 1996, and was primarily responsible for overseeing its sales, installation, engineering and maintenance operations of the intelligent building systems division. He was further promoted as a director of the intelligent building systems division of the Group in 2010, and was primarily responsible for overseeing the intelligent systems, ELV, energy saving and green technologies business of the Group. He was then appointed as a director of the Information, Communications and Buildings Technologies segment in March 2017 and promoted as the chief executive of Information, Communications and Building Technologies in April 2020.

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

Board of Directors and Senior Management

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

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

Mr. Cheng Wai Keung, Peter (鄭偉強先生), aged 59, was appointed as the chief financial officer (designate) of the Company on 16 September 2019 and took up the role of chief financial officer on 1 January 2020. Mr. Cheng has been leading the Group's financial operations and administration since April 2020.

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

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

Mr. Cheng is the brother in law of Dr. Poon Lok To, Otto, the chairman and an executive Director.

Mr. Cheong Hei Sing, Alex (張熺聲先生), aged 56, has been a director of Nanjing Anlev Elevator Limited, a wholly-owned subsidiary of the Company, since 2003, and a director of Anlev (HK) Limited, a wholly-owned subsidiary of the Company, since 2005.

Mr. Cheong joined the Group in 1986 as a design draftsman and was involved in the early development of a new series of precision air-conditioning products. He later became an assistant design engineer, design engineer and senior design engineer during 1988 to 2004 and was the key person responsible for the design of certain series of data-chillers, precision air-conditioning systems, escalators and moving walkways. Since 2003, he has been a director of Nanjing Anlev Elevator Limited, a wholly-owned subsidiary of the Company, and is mainly responsible for overseeing the production and export of Anlev lifts and escalators at the manufacturing plant in Nanjing, Mainland China. In 2005, he was appointed as a director and a manager of Anlev (HK) Limited and has since been overseeing the sales and marketing and customer services functions of the Hong Kong operations of the Lifts and Escalators segment. Since 2012, Mr. Cheong has also been a director of research and development and production of Lifts and Escalators segment of the Group and is primarily in charge of the product development and business development of the Lifts and Escalators segment. Since August 2022, Mr. Cheong was assigned to spearhead the research and development at global level for the Group's lifts and escalators business and to lead the overseas sales and marketing team.

Prior to joining the Group, Mr. Cheong worked as an engineering assistant at Glory Engineering Company Limited from October 1985 to October 1986.

Mr. Cheong obtained from the Hong Kong Polytechnic an endorsement to the higher certificate in mechanical engineering in November 1988, an endorsement certificate in air-conditioning and refrigeration in November 1987 and a higher certificate in mechanical engineering in November 1986. In July 1985, Mr. Cheong obtained a diploma in mechanical engineering from Morrison Hill Technical Institute.

Mr. Cheung Ha Ming (張夏明先生), aged 54, has been a chief executive, Lifts and Escalators (Greater China) of Anlev Elex Elevator Limited, a wholly-owned subsidiary of the Company, since April 2021, and oversees the Greater China operations of the Lifts and Escalators segment of the Group.

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

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

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

Mr. Hong Chi Man (康志民先生), aged 62, has been a director of ATAL Engineering Limited, a wholly owned subsidiary of the Company, since 1 April 2015. He oversees the sewage treatment operations of the Environmental Engineering segment of the Group, and is primarily responsible for the overall management of the projects which involve design, procurement, contract management and administration, program planning and quality assurance system.

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

Board of Directors and Senior Management

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

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

Mr. Carlo Cecchi(Note 2), aged 55, has been appointed as managing director, Business Development of the Group from 1 January 2022. He is currently the managing director of Lifts and Escalators segment of the Group for Greater China, the United States, the United Kingdom and overseas distributors. He also assists other business units to develop business overseas when such opportunities arise.

Mr. Cecchi obtained a Doctoral Degree in Electronic Engineering from University Politecnico di Milano, and a EMBA from Business School SDA Bocconi Milano and Bologna Business School.

Mr. Cecchi is a chartered engineer in Milano "Ordine degli Ingegneri".

He commenced his career with Ansaldo in Asia and then with ABB in Europe. He moved to China in 2005 working with Bonfiglioli Riduttori to head the gearbox, electric drive and motion control system business. Then he joined Switch-Yaskawa in 2010 in Hong Kong, a company, merged from European and Japanese companies, which specialized in motors and drive systems, as their Global Business Development Director focusing on renewable energy and then in marine electric propulsion and power generation.

Notes:

1. Before his appointment as an executive director of the Company, Mr. Cheng Wai Lung was a senior management of the Company.

2. Mr. Carlo Cecchi was determined as a senior management of the Company with effect from 1 January 2023.

Corporate Governance Report

The board (the "Board") of Directors (the "Directors") of Analogue Holdings Limited (the "Company" together with its subsidiaries, the "Group")) is pleased to report to the shareholders of the Company (the "Shareholders") on the corporate governance of the Company for the year ended 31 December 2022 (the "Reporting Year").

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the securities dealing code (the "Securities Dealing Code") on terms no less exacting than those set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "Model Code"). In response to specific enquiries made to all the Directors by the Company, all the Directors confirmed that they have complied with the required standards set out in the Model Code and the Securities Dealing Code adopted by the Company throughout the Reporting Year.

BOARD OF DIRECTORS

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

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

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

Corporate Governance Report

Subsequent to the end of the Reporting Year, Mr. Chan Hoi Ming was also appointed as the Chief Executive Officer of the Company and Mr. Cheng Wai Lung was appointed as an executive Director of the Company, with effect from 1 January 2023. The Board has also approved the appointment of Ms. Or Siu Ching, Rerina as a non-executive Director of the Company with effect from 1 April 2023.

There is no relationship (including financial, business, family or other material/relevant relationship) among members of the Board.

Board Meetings

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

Chairman and Chief Executive Officer

During the Reporting Year, the position of Chairman was held by Dr. Poon Lok To, Otto who provided leadership, overall strategic planning and major decision making for the Group.

With effect from 1 January 2023, Mr. Chan Hoi Ming was appointed as the Chief Executive Officer of the Company. Mr. Chan is primarily responsible for, among others, advising on the overall strategic planning for the Group. He oversees the operation of the corporate units and all the business units of the Group and will also be responsible for devising business strategies, driving innovations and fostering partnership with all stakeholders. Prior to the appointment of the Chief Executive Officer, the role of the chief executive officer of the Company was divided into and shared among the leaders of the following three management units of the Group, namely (i) Mr. Law Wei Tak, Managing Director who leads the Building Services businesses; (ii) Mr. Chan Hoi Ming, Managing Director who leads the Environmental Engineering, and Information, Communications and Building Technologies businesses; and (iii) Mr. Cheng Wai Keung, Peter, the chief financial officer of the Company who leads the financial operations and administration.

Non-executive Directors

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

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

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

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

- Apart from the Board committees with membership requirements of independent non-executive Director(s) under the Listing Rules, an independent non-executive Director is also appointed as a member of other committees as far as practicable to ensure independent views are available to each Board committee or other committee.

- The Nomination Committee must strictly adhere to the nomination policy as adopted by the Board from time to time; and adhere the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors.

- Each independent non-executive Director is also required to inform the Company as soon as practicable if there is any change in his/her own personal particulars that may materially affect his/her independence.

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

- Independent non-executive Directors and other Directors are entitled to seek further information and documentation from the management on matters to be discussed at meetings of the Board and/or any Board committee.

- Independent non-executive Directors and other Directors may obtain independent advice from external professional advisers, where necessary, at the Company's expense.

- Independent non-executive Directors and other Directors shall not vote or be counted in the quorum on any Board resolution approving any contract or arrangement in which such Director or any of his/her close associates has a material interest.

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

Corporate Governance Report

Appointment and Re-election of Directors

Each executive Director and the non-executive Director had signed letters of appointment with the Company in 2022 to renew their term of appointment for another 3 years upon expiry of their term in 2022 and that their employment shall thereafter continue on a month to month basis unless otherwise agreed between the Director and the Company or terminated in accordance with the terms thereof. The new executive Director, Mr. Cheng Wai Lung, has also signed a letter of appointment with the aforesaid term since his new appointment with effect from 1 January 2023. The new non-executive Director, Ms. Or Siu Ching, Rerina, has also signed a letter of appointment with the aforesaid term since her appointment with effect from 1 April 2023. Each independent non-executive Director had also signed a letter of appointment with the Company in 2021 to renew his term of appointment for another 3 years upon expiry of his term in 2021.

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

Nomination Policy

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

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

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

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

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

Board Diversity Policy

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

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

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

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

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

The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. The Nomination Committee recognised that gender diversity at the Board level could be improved given its composition of all-male Directors and a target was set to appoint one female Director by 31 December 2024. The Company was committed to improving gender diversity and took initiatives during the year 2022 to identify suitable candidates to meet the target. On 24 March 2023, the Board has approved the appointment of the first female director to the Board, to be effective as from 1 April 2023. Accordingly, the Company's target as regards Board gender diversity has been achieved well within the expected timeline.

The biography for each of the Directors is set out in the section headed "Board of Directors and Senior Management" on pages 31 to 44 of this annual report.

Corporate Governance Report

As at 31 December 2022, we maintained a 17.3:82.7 ratio of women to men in the workplace, while the composition of the Group's senior management is currently all-male. Due to the industry and nature of the Group's business, fewer female staff were employed by the Group. The Company recognises that gender diversity at the senior management level can be improved by taking initiative to identify suitable female candidates as senior management to enhance gender diversity. In striving to take active actions to improve gender diversity, similar considerations are used by the Group when recruiting and selecting key management and other personnel across the Group's operations with a view to develop a pipeline of potential successors to the Board to improve gender diversity.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

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

The Company established a sustainability committee in 2020, which is led by an executive Director and supported by a few working groups and an ESG Report Preparation Task Force. As at 31 December 2022, the members of the sustainability committee comprise of management staff from various business units and corporate units with adequate knowledge, expertise and experience who can contribute positively to the relevant subject areas. Delegated by the Board, the sustainability committee is responsible for advising and making recommendations on formulating sustainability strategy, and integrating sustainability into our strategic plan and daily operations. This sustainability committee assesses the materiality of sustainability issues, prepares the annual Environmental, Social and Governance ("ESG") Report and reports to the management committee of the Company which in turn reports to the Board. During the Reporting Year, the sustainability committee held two meetings.

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

BOARD COMMITTEES

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

Audit Committee

As at the date of this annual report, the audit committee of the Board (the "Audit Committee") consists of two independent non-executive Directors, namely Mr. Wong King On, Samuel and Mr. Chan Fu Keung, and one non-executive Director, namely Dr. Mak Kin Wah. The Audit Committee is chaired by Mr. Wong King On, Samuel, who is a qualified accountant with extensive accounting and finance experience. The principal duties of the Audit Committee include reviewing the Company's financial controls, internal control and risk management systems, reviewing the financial information of the Company, reviewing the relationship with the external auditors and overseeing the Company's corporate governance functions as set out in the CG Code (including, among others, reviewing the Company's policies and practices on corporate governance, reviewing the Company's compliance with the CG Code and disclosure in Corporate Governance Report). The terms of reference of the Audit Committee, which set out in more detail the duties and functions of the Audit Committee, have been posted on the websites of the Stock Exchange and the Company.

A risk management committee is set up to assist the Audit Committee in overseeing the risk management system, ensuring that the risk management culture is fostered and systems are implemented effectively in the daily operations. During the Reporting Year, the risk management committee comprises one independent non-executive Director, two executive Directors, the non-executive Director and the chief financial officer and is chaired by Mr. Wong King On, Samuel. During the Reporting Year, the risk management committee held two meetings.

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

Corporate Governance Report

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

- reviewed the annual results announcement and the Company's annual report and the ESG Report for the year ended 31 December 2021 and recommended to the Board the approval of these documents;

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

- reviewed the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2021 covering all material controls, including financial, operational and compliance controls;

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

- reviewed the training attended by the Directors and the senior management of the Company for the year ended 31 December 2021;

- reviewed the compliance of CG Code for the year ended 31 December 2021 and reviewed the disclosure on the Corporate Governance Report in the Company's annual report for the year ended 31 December 2021;

- reviewed the amendments to the corporate governance policy and recommended to the Board for approval of the policy;

- reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2022;

- reviewed the compliance of CG Code for the six months ended 30 June 2022;

- reviewed the external auditor's fee on reviewing the interim results of the Company for the six months ended 30 June 2022 and the fee charged by the external auditor in relation to the annual audit of the Group for the year ended 31 December 2022; and

- discussed with the external auditor the audit plan of the annual audit of the Group for the year ended 31 December 2022.

Nomination Committee

As at the date of this annual report, the Nomination Committee consists of three independent non-executive Directors, namely Mr. Lam Kin Fung, Jeffrey, Mr. Chan Fu Keung and Mr. Wong King On, Samuel and one non-executive Director, namely Dr. Mak Kin Wah. The Nomination Committee is chaired by Mr. Lam Kin Fung, Jeffrey. The principal duties include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning of Directors; and reviewing the board diversity policy and reviewing the measurable objectives that the Board has set for implementing such policy. The terms of reference of the Nomination Committee have been posted on the websites of the Company and the Stock Exchange.

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

– reviewed the structure, size and composition (including skills, knowledge and experience) of the Board;

– assessed the independence of the independent non-executive Directors;

– recommended the Board to put forward the retiring Directors for re-appointment at the annual general meeting held in 2022;

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

– reviewed the measurable objectives (which have been set out in the board diversity policy) the Board has set for implementing the board diversity policy and the progress on achieving the objectives;

– reviewed the implementation and effectiveness of the board diversity policy;

– recommended to the Board the Board gender diversity plan;

– recommended to the Board the appointment of the Chief Executive Officer;

– identified a suitable individual to be appointed as an executive Director and made recommendation to the Board on the appointment of a new executive Director; and

– recommended to the Board to issue an appointment letter to appoint the new executive Director.

Corporate Governance Report

Remuneration Committee

As at the date of this annual report, the remuneration committee of the Board (the "Remuneration Committee") consists of two independent non-executive Directors, namely Mr. Chan Fu Keung and Mr. Wong King On, Samuel and one non-executive Director, namely Dr. Mak Kin Wah. The Remuneration Committee is chaired by Mr. Chan Fu Keung. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration. One of the duties of the Remuneration Committee is to make recommendations to the Board on the remuneration of non-executive Directors; and to make recommendation to the Board on the remuneration packages of individual executive Directors and senior management, including, among others, benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment). The terms of reference of the Remuneration Committee have been posted on the websites of the Company and the Stock Exchange.

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

– recommended to the Board to put forward for the shareholders' approval the authorization of the Board to fix the Directors' remuneration at the annual general meeting held in 2022;

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

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

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

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

– recommended to the Board the grant of share awards to Directors and full-time employees of the Group under the Company's share award schemes as part of the Group's 45th anniversary celebration;

– recommended to the Board the salary increase of the new executive Director; and

– recommended to the Board the salary increase of the Chief Executive Officer.

Remuneration Policy

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

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

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

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

Remuneration of Directors and Senior Management

Information on emoluments of the Directors for the year ended 31 December 2022 is set out in Note 12 to the consolidated financial statements. The Company has adopted share award schemes and the awarded shares of the Company were granted during the Reporting Year. The award of shares under these schemes can be referred to Note 48 to the consolidated financial statements.

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

The remuneration paid to members of the senior management by band for the year ended 31 December 2022 is set out below:

Remuneration Bands	Number of Senior Management
HK$3,000,001 up to HK$4,000,000	1
HK$4,000,001 up to HK$5,000,000	3
HK$5,000,001 up to HK$6,000,000	2
Total	6

Corporate Governance Report

Attendance of meetings of Board and Board Committees

During the Reporting Year, the Company held six Board meetings, three Audit Committee meetings, five Remuneration Committee meetings and two Nomination Committee meetings. The annual general meeting of the Company was held on 16 June 2022.

The attendance records of the Directors are as follows:

	Number of meetings attended/eligible to attend				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Shareholders
Executive Director					
Dr. Poon Lok To, Otto *(Chairman)*	6/6	N/A	N/A	N/A	1/1
Mr. Chan Hoi Ming *(Note)*	6/6	N/A	N/A	N/A	1/1
Mr. Law Wei Tak	6/6	N/A	N/A	N/A	1/1
Non-executive Director					
Dr. Mak Kin Wah *(Deputy Chairman)*	6/6	3/3	5/5	2/2	1/1
Independent Non-executive Directors					
Mr. Chan Fu Keung	6/6	3/3	5/5	2/2	1/1
Mr. Lam Kin Fung, Jeffrey	6/6	N/A	N/A	2/2	1/1
Mr. Wong King On, Samuel	6/6	3/3	5/5	2/2	1/1

Note: Mr. Chan Hoi Ming was appointed as the Chief Executive Officer with effect from 1 January 2023.

UPDATE ON DIRECTORS' INFORMATION

Mr. Chan Hoi Ming was appointed as the Chief Executive Officer of the Company with effect from 1 January 2023 and his basic salary has been increased to HK$205,000 per month.

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

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

	Reading Material	Seminar(s)/e-training
Executive Director		
Dr. Poon Lok To, Otto *(Chairman)*	✓	✓
Mr. Chan Hoi Ming *(Note)*	✓	✓
Mr. Law Wei Tak	✓	✓
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	✓	✓

Note: Mr. Chan Hoi Ming was appointed as the Chief Executive Officer with effect from 1 January 2023.

The Audit Committee reviewed the trainings attended by the Directors and senior management of the Company for the year ended 31 December 2022 and considered the same to be adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors' responsibilities should be reviewed together with the Independent Auditor Responsibilities in the Company's Auditor's report as set out in pages 75 to 78 in this annual report.

Corporate Governance Report

The Annual Report and Accounts

The Directors are responsible for the preparation of the annual report and acknowledge their responsibility for preparing the financial statements of the Company. They are responsible in ensuring that the financial statements represent a true and fair view in accordance with the Listing Rules and Hong Kong Financial Reporting Standards. The statement of the external auditor of the Company regarding the Directors' reporting responsibilities on the financial statements of the Group is set out in the paragraph headed "Responsibilities of directors and those charged with governance for the consolidated financial statements" on page 77 of the "Independent Auditor's Report".

The Accounting Records and Accounting Policy

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

Going Concern

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

AUDITOR'S REMUNERATION

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

	2022 HK$'000	2021 HK$'000
Audit Services	**4,858**	4,600
Non-audit services		
Interim review fee	**2,400**	2,300
Tax services and disbursement	**616**	245
Total	**7,874**	7,145

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The main features of the Group's risk management and internal control systems incorporated a well-established risk management structure and risk management methodology which includes risk identification, risk assessment and prioritisation, risk response, risk monitoring and risk reporting in respect of operation, financial function and compliance of all the businesses of the Group.

The internal audit function of the Group is an independent function that reports directly to the Audit Committee. The internal audit function reviews from time to time the Group's business operations, risk management and internal control systems in accordance with the risk-based internal audit work plans as approved by the Audit Committee. The Board is responsible for the design, implementation and monitoring of the Group's risk management and internal control systems on an ongoing basis and a cyclical review has been conducted on their effectiveness. Furthermore, the Board has ensured that adequate resources have been spent on the Company's accounting, internal audit and compliance functions as well as those relating to the Group's ESG performance and reporting which are run by professional staff with appropriate qualifications, experience and training. During the Reporting Year, no significant irregularity or deficiency in risk management and internal control systems was required to be drawn to the attention of the Audit Committee. During the Reporting Year, the significant risks on ESG have been reviewed by the sustainability committee and no significant irregularity or deficiency on the significant ESG risk have been identified.

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

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

Corporate Governance Report

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

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

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control systems for the year ended 31 December 2022 covering all material controls, including financial, operational and compliance controls, and was satisfied that such systems are effective and adequate. Such review will be conducted annually for each financial year of the Group. In addition, the Audit Committee has reviewed and was satisfied with the adequacy of resources, staff qualifications, experience and training programme of the Group's accounting, internal audit and financial reporting functions and considered the same to be adequate.

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona was appointed as the secretary of the Company (the "Company Secretary") on 14 September 2018. Ms. Li joined the Group since 11 November 2015 as legal counsel, providing legal support to the Group's various businesses. She is a solicitor in Hong Kong and has over 20 years of legal experience. Ms. Li is an employee of the Group. She confirmed that she has complied with all the qualifications and experience requirements as required by the Listing Rules.

For the year ended 31 December 2022, Ms. Li has undertaken not less than 15 hours of relevant professional training in compliance with the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting

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

Putting forward Proposals at General Meetings

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

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

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

Shareholders' Communication Policy

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

1. Communication Channel

   Shareholders' meetings

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

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

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

Corporate Governance Report

Company's website

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

Shareholders' enquiries

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

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

2. Investment market communication

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

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

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

- The Company has published annual reports, interim reports, circular and announcements in a timely manner on websites of the Stock Exchange and the Company;

- The Company has published terms of reference of committees of Board, press release and newsletters on the Company's website;

- Since April 2022, Shareholders can choose to receive corporate communications via electronic means, with the aim to reduce resource consumption related to printing and distribution of hard copies;

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

- Shareholders are given opportunities to meet the Directors and chief financial officer so as to raise questions at the Company's annual general meeting each year. Chairman of the Board, appropriate members of the Board committees and the external auditor of the Company will attend the annual general meetings to answer questions from the Shareholders;

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

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

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

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

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

DIVIDEND POLICY

The dividend policy of the Company can be referred to section headed "Report of the Directors" on page 65.

AMENDMENT TO THE COMPANY'S CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 13.90 of the Listing Rules, the Company has published on the websites of the Stock Exchange and that of the Company an up-to-date consolidated version of the memorandum of association and the bye-laws of the Company. During the Reporting Year, no change was made to the memorandum of association and bye-laws of the Company.

Report of the Directors

The directors of the Company (the "Directors") have pleasure to submit their report together with the audited consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2022 (the "Year").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the principal subsidiaries of the Company are set out in Note 47 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required under schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Schedule 5") comprising analysis of the Group's performance during the Year, particulars of important events affecting the Group that have occurred since the end of the Year, as well as indication of likely future development in the business of the Group are set out in the sections headed "Chairman's Statement" on pages 10 and 11 and "Management Discussion and Analysis" on pages 12 to 29. The description of the principal risks and uncertainties facing the Group; and how the COVID-19 pandemic has affected the business prospects of the Group, can be found in the sections headed "Management Discussion and Analysis" on pages 12 to 29, and Notes 37 and 38 to the consolidated financial statements as set out in pages 158 to 169 and the Environmental, Social and Governance Report. For the development, performance or position of the Group as required under Schedule 5; and an analysis of the performance of the business of the Group using financial key performance indicators, please refer to the sections headed "Management Discussion and Analysis" and "Financial Highlights" on pages 8 and 9. The discussion on the Company's environmental policies and performance; an account of the Company's key relationships with its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends; and the Company's compliance with the relevant laws and regulations that have a significant impact on the Company can be found in the Environmental, Social and Governance Report.

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

RESULTS AND APPROPRIATION

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2022 are set out in the consolidated financial statements on pages 79 to 190.

The board of Directors (the "Board") did not recommend a payment of a second interim dividend for the Year. The Board has resolved to pay a special dividend of HK4.5 cents per share of the Company (the "Share") for the Year (the "Special Dividend") as a special celebration of the 45th Anniversary of the Group to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Tuesday, 18 April 2023. The Special Dividend is expected to be paid to the Shareholders on or around Friday, 28 April 2023.

Any declaration and payment of dividends by the Company shall be made in accordance with the constitutional documents of the Company and the relevant laws and regulations, including the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time (the "Bermuda Companies Act"). Pursuant to Section 54 of the Bermuda Companies Act, the Company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the Company's assets would thereby be less than its liabilities.

Any declaration and payment of dividends by the Company, including the amount of any dividends to be declared, is subject to the discretion of the Board and, where required under the constitutional documents of the Company and the Bermuda Companies Act, the approval of the Shareholders. The Directors may recommend a declaration and payment of dividends after taking into account the operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time.

The Directors shall consider to, subject to the constitutional documents of the Company, the applicable laws and regulations and the approval by the Shareholders, if required, and taking into account the financial conditions of the Group and the other factors set out above, distribute to the Shareholders no less than 50% of the profits available for distribution of the Group.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Special Dividend, the Register of Members will be closed from Monday, 17 April 2023 to Tuesday, 18 April 2023, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Thursday, 13 April 2023. In order to be entitled to the Special Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Friday, 14 April 2023.

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

RESERVES

Details of movements in the reserves of the Group and the Company during the Year are set out in the consolidated statement of changes in equity and Note 50 to the consolidated financial statements respectively.

Report of the Directors

DISTRIBUTABLE RESERVES

At 31 December 2022, the Company's reserves available for distribution amounted to approximately HK$148.7 million (31 December 2021: HK$240.6 million).

DONATIONS

During the Year, the Group made charitable and other donations amounting to approximately HK$705,000 (2021: HK$746,000).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 191.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for 51.6% of the Group's turnover and the percentage of turnover attributable to the Group's largest customer amounted to 18.6%. During the year, the aggregate amount of purchases attributable to the Group's five largest suppliers was less than 30% of the Group's total purchases.

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

MANAGEMENT CONTRACTS

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

DIRECTORS

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

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

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

During the Year and up to the date of this report, Mr. Chan Hoi Ming was appointed as the chief executive officer of the Company and Mr. Cheng Wai Lung was appointed by the Board as an executive Director with effect from 1 January 2023. Ms. Or Siu Ching, Rerina has been appointed by the Board as a non-executive Director with effect from 1 April 2023.

In accordance with bye-law 99 of the Company's bye-laws (the "Bye-laws"), Mr. Chan Hoi Ming, Mr. Lam Kin Fung, Jeffrey and Mr. Wong King On, Samuel will retire as Directors by rotation at the forthcoming annual general meeting. Mr. Chan Hoi Ming and Mr. Lam Kin Fung, Jeffrey, being eligible, offer themselves for re-election as Directors at such meeting. Mr. Wong King On, Samuel will not offer himself for re-election at the forthcoming annual general meeting as he wishes to devote more time with his family.

In accordance with bye-law 102(B) of the Bye-laws, Mr. Cheng Wai Lung and Ms. Or Siu Ching, Rerina, who were appointed by the Board as additions to the Board, will hold office until the forthcoming annual general meeting and, being eligible, be subject to re-election as Directors at such meeting.

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

The Directors' biographical details are set out under the section headed "Board of Directors and Senior Management" on pages 31 to 44.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" on pages 72 and 73 and the related party transactions as set out in Note 44 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

Report of the Directors

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" on pages 72 and 73 and the related party transactions as set out in Note 44 to the consolidated financial statements, as far as the Directors are aware, at no time during the Year had the Company or any of its subsidiaries and the controlling Shareholder or any of its subsidiaries entered into any contract of significance or any contracts of significance for the provision of services by the controlling Shareholder or any of its subsidiaries to the Company or any of its subsidiaries.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share award schemes of the Company (the "Share Award Schemes") and share option scheme of the Company (the "Share Option Scheme"), at no time during the Year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. Details of the grant of share awards to the Directors are set out in Note 48 to the consolidated financial statements.

Details of the Share Award Schemes and the Share Option Scheme are set out in Note 48 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

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

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 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 ("SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Listing Rules were as follows:

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

Name of Director	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Number of underlying Shares held *(Note 1)*	Approximate percentage of shareholding *(Note 4)*
Dr. Poon Lok To, Otto	Founder of a discretionary trust *(Note 2)*	888,650,000	–	63.48%
Mr. Law Wei Tak	Beneficial interest	52,504,500	–	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 are long positions.

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

3. Mr. Chan Hoi Ming was awarded with 14,000,000 Shares on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 14,000,000 awarded Shares, 4,200,000 Shares 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 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 31 December 2022.

Report of the Directors

(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 31 December 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 31 December 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 31 December 2022, the following persons (other than the Directors) had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Name	Capacity/ Nature of Interest	Number of Shares held *(Note 1)*	Approximate shareholding percentage *(Note 3)*
HSBC International Trustee Limited	Trustee of a discretionary trust *(Note 2)*	888,650,000	63.48%
Ardik Investment Limited	Interest of controlled corporation *(Note 2)*	888,650,000	63.48%
Arling Investment Limited	Beneficial owner	888,650,000	63.48%
Ms. Cheng Teresa Yeuk Wah ("Ms. Cheng")	Interest of Spouse *(Note 2)*	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 31 December 2022.

(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 31 December 2022.

Report of the Directors

Save as disclosed above, as at 31 December 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

Details of the Share Award Schemes and the Share Option Scheme are set out in Note 48 to the consolidated financial statements. No share option was granted, exercised, cancelled or lapsed/forfeited under the Share Option Scheme during the Year.

Details of the grant of awarded shares under the Share Award Schemes during the Year are set out in Note 48 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

CONNECTED TRANSACTIONS

Connected Lease

On 27 November 2020, ATAL Management Services Limited ("AMSL"), a wholly-owned subsidiary of the Company, entered into a tenancy agreement with Perfect Motive Limited ("Perfect Motive") ("2020 Tenancy Agreement") to lease the 12th Floor and 13th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong (the "Office Premises") as office premises from 1 January 2021 to 31 December 2022 at a monthly rent of HK$1,350,000 and the aggregate rent of the 2020 Tenancy Agreement for its entire term is HK$32.4 million. Further details of the 2020 Tenancy Agreement have been disclosed in the announcement of the Company dated 27 November 2020.

On 5 December 2022, AMSL entered into a tenancy agreement with Perfect Motive ("2022 Tenancy Agreement") to lease the Office Premises from 1 January 2023 to 31 December 2024 (the "Term"), at a monthly rent of HK$1,326,000 and the aggregate rent of the 2022 Tenancy Agreement for its entire term is HK$31,824,000. AMSL shall be entitled to terminate the 2022 Tenancy Agreement earlier by serving not less than 6 months' written notice or by paying 6 months' rent in lieu to Perfect Motive provided that the 2022 Tenancy Agreement shall not be terminated earlier than a date which shall be 18 months from the commencement date of the Term. Further details of the 2022 Tenancy Agreement have been disclosed in the announcement of the Company dated 5 December 2022.

Perfect Motive is a wholly-owned subsidiary of Wise Eagle Holdings Limited, which in turn is owned as to 84.63% by Arling Investment Limited and as to 5% by Mr. Law Wei Tak, an executive Director. As Perfect Motive is a controlled entity of Arling Investment Limited, the holding company of the Company, it is a connected person of the Company. Accordingly, the 2020 Tenancy Agreement and 2022 Tenancy Agreement are connected transactions of the Company. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust (the "Trust"). Dr. Poon Lok To, Otto, an executive Director and the chairman of the Company, is the settlor and protector of the Trust.

Share Award

Pursuant to a letter of award dated 21 January 2022 issued by the Company to Mr. Chan Hoi Ming ("Mr. Chan"), an executive Director, 14,000,000 awarded shares (the "Awarded Shares") were granted to Mr. Chan under the Share Award Scheme. Assuming all the vesting criteria and conditions have been fulfilled, the Awarded Shares granted will be vested in three tranches as follows: (i) thirty percent (30%) of the Awarded Shares will be vested from 30 June 2022; (ii) thirty percent (30%) of the Awarded Shares will be vested from 30 June 2023; and (iii) the remaining forty percent (40%) of the Awarded Shares will be vested from 30 June 2024. 4,200,000 Awarded Shares were vested on 30 June 2022. The grant of the Awarded Shares to Mr. Chan recognizes his past contributions to the Group's business performance and aims to secure his long term continuous support and commitments to the Group which are crucial to the future development and business expansion of the Group. Further details of the aforesaid grant of Award Shares to Mr. Chan have been disclosed in the announcements of the Company dated 21 January 2022 and 16 February 2022.

Details of the related party transactions undertaken in the normal course of business by the Group are set out in Note 44 to the consolidated financial statements. Except the connected transactions mentioned above, none of the related party transactions during the Year constitutes a disclosable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. The Company has complied with the applicable requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions mentioned above.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

INTERNATIONAL SANCTIONS

During the Year, the Group did not enter into any transactions with persons or entities that are currently subject to applicable laws and regulations related to economic sanctions, export controls, and trade embargoes, including those adopted, administered and enforced by the U. S. Government, the European Union and its member states, United Nations or the Government of Australia (the "International Sanctions"). Specifically, the Group did not enter into any transactions with: (i) 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:

Report of the Directors

- 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;

- 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; and

- The Company will arrange external international sanctions legal counsel to provide sanctions training to the Directors, the senior management, and other relevant personnel to assist them in evaluating and understanding the potential sanctions risks from time to time.

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

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

On behalf of the Board

Dr. Poon Lok To, Otto
Chairman

Hong Kong, 24 March 2023

Independent Auditor's Report

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 190, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Independent Auditor's Report

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Accounting for construction contracts	
We identified the accounting for construction contracts as a key audit matter due to its significant impact to the consolidated financial statements and the involvement of significant management estimations in determining the outcome of the construction projects. The Group provides contracting services under long-term contracts with customers. As set out in Note 4 to the consolidated financial statements, the Group recognised contract revenue of a construction contract according to the management's estimation of the outcome of the project as well as the stage of completion of construction works. The Group has recognised revenue from contracting work of approximately HK$5,394,415,000 for the year ended 31 December 2022 as disclosed in Note 5 to the consolidated financial statements.	Our procedures in relation to the accounting for construction contracts included: • Obtaining an understanding of the key controls over the preparation and revision of budgets for construction contracts and their revenue recognition process; • Checking the estimated stage of completion at year end by tracing to certificates issued by architects, surveyors or other representatives appointed by the customer or progress payment application submitted by the Group to the customer, on a sample basis; • Evaluating the accuracy of the construction costs incurred during the year by agreeing to supplier invoices or payment applications from sub-contractors or other supporting documents, on a sample basis; • Assessing the reasonableness of the Group's assumptions on costs to complete the contracts and ability to deliver contracts with budgeted timescales by discussing with project directors and project managers to understand the progress of significant construction projects and evaluating whether their progress was consistent with the stage of completion of construction projects estimated by the management; and • Assessing the reliability of the management's estimation by comparing the actual costs of completed construction contracts against their budgets, on a sample basis.

Independent Auditor's Report

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	5	**6,474,650**	5,350,720
Cost of sales and services		**(5,463,104)**	(4,472,348)
Gross profit		**1,011,546**	878,372
Other income	7	**30,668**	18,437
Other gains and losses	8	**(33,266)**	18,111
Provision for litigation liabilities	28	**(150,000)**	–
(Impairment losses) reversal of impairment losses under expected credit loss model, net	38	**(9,247)**	14,710
Selling and distribution expenses		**(2,204)**	(2,700)
Administrative expenses		**(677,020)**	(617,350)
Share of results of associates		**18,079**	74,196
Finance costs	9	**(12,095)**	(4,910)
Profit before tax		**176,461**	378,866
Income tax expense	10	**(61,903)**	(64,567)
Profit for the year	11	**114,558**	314,299
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of properties		**(1,935)**	6,854
Income tax relating to loss (gain) on revaluation of properties	10	**319**	(1,131)
		(1,616)	5,723
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(54,107)**	17,332
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**(500)**	(797)
		(54,607)	16,535
Other comprehensive (expense) income for the year, net of tax		**(56,223)**	22,258
Total comprehensive income for the year		**58,335**	336,557
		HK cents	HK cents
Earnings per share			
Basic	14	**8**	22
Diluted	14	**8**	22

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	**2022 HK$'000**	2021 HK$'000
Non-current assets			
Investment properties	15	**589,720**	589,930
Property, plant and equipment	16	**147,902**	157,036
Right-of-use assets	17	**87,713**	77,475
Intangible assets	18	**–**	–
Interests in associates	19	**440,651**	544,714
Deposits	24	**13,274**	1,110
Deferred tax assets	34	**13,154**	10,458
		1,292,414	1,380,723
Current assets			
Inventories	21	**69,474**	85,405
Contract assets	22	**1,244,364**	975,211
Trade receivables	23	**1,047,197**	1,066,560
Other receivables, deposits and prepayments	24	**145,309**	109,246
Amount due from an associate	19	**–**	–
Amounts due from partners of joint operations	25	**7,142**	10,354
Tax recoverable		**4,468**	1,733
Pledged bank deposits	26	**25,818**	18,188
Bank balances and cash	26	**976,028**	801,738
		3,519,800	3,068,435
Current liabilities			
Trade and retention payables	27	**724,380**	599,929
Other payables and accrued expenses	28	**1,494,963**	1,163,613
Contract liabilities	29	**123,978**	77,174
Amounts due to partners of joint operations	25	**5,108**	11,112
Bank borrowing – due within one year	31	**14,625**	14,625
Derivative financial instruments	30	**2,776**	4,286
Lease liabilities	32	**31,717**	31,157
Contingent consideration payables	36	**–**	52,706
Tax payable		**15,911**	17,475
		2,413,458	1,972,077
Net current assets		**1,106,342**	1,096,358
Total assets less current liabilities		**2,398,756**	2,477,081

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**2,048,906**	2,115,699
Total equity		**2,062,906**	2,129,699
Non-current liabilities			
Bank borrowing – due after one year	31	**263,250**	277,875
Lease liabilities	32	**52,762**	46,252
Deferred tax liabilities	34	**17,944**	21,092
Deferred income	35	**1,894**	2,163
		335,850	347,382
		2,398,756	2,477,081

The consolidated financial statements on pages 79 to 190 were approved and authorised for issue by the Board of Directors on 24 March 2023 and are signed on its behalf by:

Dr. Poon Lok To, Otto
Director

Mr. Chan Hoi Ming
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000 (Note b)	Share award reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000 (Note a)	Retained profits HK$'000	Total HK$'000
At 1 January 2021	14,000	358,704	–	–	5	28,199	10,098	17,050	1,545,576	1,973,632
Profit for the year	–	–	–	–	–	–	–	–	314,299	314,299
Other comprehensive income for the year	–	–	–	–	–	5,723	16,535	–	–	22,258
Total comprehensive income for the year	–	–	–	–	–	5,723	16,535	–	314,299	336,557
Transfer to other reserves	–	–	–	–	–	–	–	2,113	(2,113)	–
Dividends recognised as distribution (Note 13)	–	–	–	–	–	–	–	–	(154,280)	(154,280)
Purchase of shares under share award schemes (Note 33)	–	–	(26,210)	–	–	–	–	–	–	(26,210)
At 31 December 2021 and 1 January 2022	14,000	358,704	(26,210)	–	5	33,922	26,633	19,163	1,703,482	2,129,699
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**114,558**	**114,558**
Other comprehensive expense for the year	**–**	**–**	**–**	**–**	**–**	**(1,616)**	**(54,607)**	**–**	**–**	**(56,223)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**–**	**(1,616)**	**(54,607)**	**–**	**114,558**	**58,335**
Transfer to other reserves	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**861**	**(861)**	**–**
Dividends recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(160,035)**	**(160,035)**
Recognition of equity-settled share-based payment expense (Note 48)	**–**	**–**	**–**	**54,493**	**–**	**–**	**–**	**–**	**–**	**54,493**
Shares vested under share award schemes	**–**	**–**	**37,440**	**(34,273)**	**–**	**–**	**–**	**–**	**(3,167)**	**–**
Purchase of shares under share award schemes (Note 33)	**–**	**–**	**(19,586)**	**–**	**–**	**–**	**–**	**–**	**–**	**(19,586)**
At 31 December 2022	**14,000**	**358,704**	**(8,356)**	**20,220**	**5**	**32,306**	**(27,974)**	**20,024**	**1,653,977**	**2,062,906**

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 of the legal reserve has reached 50% of the respective subsidiaries' registered capital. The legal reserve is not distributable to shareholders of the subsidiaries.

(b) During the year ended 31 December 2022, the Company purchased its own ordinary shares of an aggregate of 10,800,000 (2021: 14,000,000) shares in the market through the trustees of the Company's share award schemes. Details of the treasury shares and the share award schemes are set out in Notes 33 and 48, respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	2022 HK$'000	2021 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**176,461**	378,866
Adjustments for:		
Bank interest income	**(9,762)**	(5,051)
Depreciation of property, plant and equipment	**22,826**	30,576
Depreciation of right-of-use assets	**37,723**	36,751
Inventories written off	**–**	845
Write-down of inventories, net	**3,797**	15,604
Impairment losses (reversal of impairment losses) under expected credit loss model, net	**9,247**	(14,710)
Impairment loss on interest in an associate	**75,600**	–
Provision for litigation liabilities	**150,000**	–
Loss (gain) from change in fair value of investment properties	**210**	(400)
(Gain) loss from change in fair value of contingent consideration payables	**(19,290)**	47,850
(Gain) loss from change in fair value of derivative financial instruments	**(1,510)**	4,602
Loss (gain) on disposals of property, plant and equipment	**26**	(12)
Net unrealised exchange losses	**5,310**	749
Share-based payment expense	**54,493**	–
Share of results of associates	**(18,079)**	(74,196)
Finance costs	**12,095**	4,910
Gain on disposal of interest in an associate	**(31,717)**	(63,246)
Deemed gain on dilution in interest in an associate	**(626)**	–
Gain on derecognition of right-of-use assets and lease liabilities	**(15)**	(4)
COVID-19-related rent concessions	**(2)**	(19)
Operating cash flows before movements in working capital	**466,787**	363,115
Decrease (increase) in inventories	**8,117**	(20,604)
(Increase) decrease in contract assets	**(275,425)**	31,824
Decrease (increase) in trade receivables	**198**	(260,232)
Increase in other receivables, deposits and prepayments	**(45,895)**	(8,677)
Increase in trade and retention payables	**131,275**	138,632
Increase in other payables and accrued expenses	**181,176**	50,022
Increase (decrease) in contract liabilities	**46,890**	(29,048)
Decrease in deferred income	**(269)**	(269)
Cash generated from operations	**512,854**	264,763
Hong Kong Profits Tax paid	**(55,423)**	(16,117)
PRC Enterprise Income Tax paid	**(10,589)**	(14,706)
Macau Complementary Tax paid	**(3,729)**	(5,704)
PRC dividend withholding tax paid	**(1,365)**	(1,484)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**441,748**	226,752

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
INVESTING ACTIVITIES			
Bank interest income received		**9,762**	5,051
Proceeds on disposals of property, plant and equipment		**96**	248
Government grant received from property, plant and equipment		**842**	–
Additions of property, plant and equipment		**(22,348)**	(50,802)
Payments for rental deposits		**(441)**	(4,035)
Deposits paid for acquisition of property, plant and equipment		**(5,037)**	(1,110)
Placement of pledged bank deposits		**(23,009)**	(2,603)
Release of pledged bank deposits		**13,424**	216
Proceeds on disposal of interest in an associate		**42,243**	94,207
Payment for contingent consideration payables	36	**(33,416)**	(116,952)
Net cash outflow on acquisition of assets through acquisition of subsidiaries	40	**–**	(580,482)
Repayments from partners of joint operations		**3,212**	13,909
Dividend received from an associate		**13,654**	14,841
NET CASH USED IN INVESTING ACTIVITIES		**(1,018)**	(627,512)
FINANCING ACTIVITIES			
Finance costs paid		**(11,814)**	(4,910)
Purchase of shares under share award schemes		**(19,586)**	(26,210)
Repayment of bank borrowings		**(234,625)**	(25,000)
New bank borrowings raised		**220,000**	317,500
Dividend paid to owners of the Company		**(160,035)**	(154,280)
Repayment of lease liabilities		**(33,419)**	(34,448)
Advances from partners of joint operations		**–**	8,812
Repayments to partners of joint operations		**(6,004)**	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES		**(245,483)**	81,464
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**195,247**	(319,296)
CASH AND CASH EQUIVALENTS AT 1 JANUARY		**801,738**	1,116,105
Effect of foreign exchange rate changes		**(20,957)**	4,929
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, represented by bank balances and cash		**976,028**	801,738

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. GENERAL

Analogue Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability and the shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 12 July 2019. Its immediate holding company is Arling Investment Limited, a company incorporated in the British Virgin Islands and its ultimate holding company is Ardik Investment Limited, a company incorporated in the British Virgin Islands. The controlling shareholder of the Company is Dr. Poon Lok To, Otto ("Dr. Poon"), who is also the chairman and executive director of the Company.

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

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

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

[1] Effective for annual periods beginning on or after 1 January 2023.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2024.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

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

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

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties, contingent consideration payables and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Significant accounting policies

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/ financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

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

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

Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies decisions of the investee but is not control or joint control over the policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interests in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in associates and joint ventures (Continued)

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Interests in joint operations

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

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

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

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

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

Revenue from contracts with customers

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer. The Group recognises revenue from the following major sources: 1) provision of contracting services, 2) provision of maintenance services and 3) sales of goods.

Provision of contracting services

Recognition

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Provision of contracting services (Continued)

Recognition (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Provision of maintenance services

Recognition

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

Sales of goods

Recognition

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

Contract assets for contracting services and maintenance services

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

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

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

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

Other income

Dividend income from investments is recognised when the rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leases below.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Investment properties

Investment properties are properties held to earn rentals.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Property, plant and equipment

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

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

Research and development expenditure

Research and development expenditure incurred on technology innovation, continuous process improvement for process innovation and digital technology for process innovation are recognised on the following basis:

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Research and development expenditure (Continued)

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Inventories

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from COVID-19-related rent concessions in which the Group applied the practical expedient (see the accounting policy below).

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

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities (Continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentive receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under translation reserve (attributed to non-controlling interest as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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

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

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

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

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

(ii) Financial assets at FVTPL

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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

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

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

(i) Significant increase in credit risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

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

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

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

(ii) Definition of default

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

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

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

Financial liabilities at FVTPL

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

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts (Continued)

Financial guarantee contract liabilities are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of the loss allowance determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

When an impairment loss is subsequently reversed, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Cash and cash equivalents

Bank balances and cash presented on the consolidated statement of financial position include cash, which comprises of cash on hand and demand deposits.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Provisions

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

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Awarded shares granted to employees

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

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

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to offices and warehouses. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable. Leases are considered no longer enforceable when the Group as the lessee and the relevant lessors both have the right to terminate the lease without permission from the other party with no more than an insignificant contractual penalty.

The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgements in applying accounting policies (Continued)

Determination on lease term of contracts with renewal options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise amounted to approximately HK$4,759,000 (2021: HK$3,855,000) as at 31 December 2022. For the year ended 31 December 2021, the exercise of the renewal option resulted in an additional amount of approximately HK$26,113,000 of right-of-use assets and lease liabilities recognised. There was no additional renewal option exercised during the year ended 31 December 2022.

Key sources of estimation uncertainty

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

Revenue recognition of construction contracts

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Estimated impairment of interest in an associate

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

As at 31 December 2022, the carrying amount of interest in TEI is approximately HK$231,982,000 (2021: HK$298,682,000) (net of accumulated impairment loss of HK$75,600,000 (2021: Nil)). Details of the recoverable amount calculation are disclosed in Note 19 (iii).

Provision of ECL for trade receivables and contract assets

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Notes 38b(ii), 23 and 22.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

5. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

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

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and the expected timing of recognising revenue are as follows:

	Contracting work HK$'000	Maintenance work HK$'000	Sales of goods HK$'000
Within one year	4,722,732	753,937	148,111
More than one year but not more than two years	1,978,184	395,102	–
More than two years	2,264,672	1,046,255	–
	8,965,588	2,195,294	148,111

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION

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

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

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

Reconciliation of segment revenue

For the year ended 31 December 2022

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

For the year ended 31 December 2021

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the year ended 31 December 2022

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	4,257,138	1,233,509	631,388	352,615	–	6,474,650
– inter-segment	3,476	16	81,609	132	(85,233)	–
Total revenue	4,260,614	1,233,525	712,997	352,747	(85,233)	6,474,650
Segment profit	178,020	103,082	35,290	42,071	–	358,463
Share of results of an associate						9,180
Impairment loss on interest in an associate						(75,600)
Provision for litigation liabilities						(150,000)
Bank interest income						9,762
Finance costs						(12,095)
Unallocated income						59,962
Unallocated expenses						(23,211)
Profit before tax						176,461
Income tax expense						(61,903)
Profit for the year						114,558
Other segment information						
Depreciation of property, plant and equipment	2,007	1,951	931	4,092	13,845	22,826
Depreciation of right-of-use assets	5,677	1,377	5,045	1,451	24,173	37,723
Impairment losses under expected credit loss model, net	3,688	218	3,473	1,843	25	9,247
Loss (gain) on disposals of property, plant and equipment	24	5	(1)	(2)	–	26
Gain on derecognition of right-of-use assets and lease liabilities	(15)	–	–	–	–	(15)
Share of results of associates	–	–	–	8,899	9,180	18,079
Write-down of inventories, net	303	–	877	2,617	–	3,797

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the year ended 31 December 2021

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	3,378,709	1,117,276	494,740	359,995	–	5,350,720
– inter-segment	5,935	270	61,312	3,660	(71,177)	–
Total revenue	3,384,644	1,117,546	556,052	363,655	(71,177)	5,350,720
Segment profit	130,737	98,609	36,970	70,933	–	337,249
Share of results of an associate						23,896
Bank interest income						5,051
Finance costs						(4,910)
Unallocated income						68,420
Unallocated expenses						(50,840)
Profit before tax						378,866
Income tax expense						(64,567)
Profit for the year						314,299
Other segment information						
Depreciation of property, plant and equipment	2,048	1,661	1,118	4,290	21,459	30,576
Depreciation of right-of-use assets	7,425	1,668	4,149	1,500	22,009	36,751
(Reversal of impairment losses) impairment losses under expected credit loss model, net	(13,713)	(12,446)	15	11,434	–	(14,710)
(Gain) loss on disposals of property, plant and equipment	(95)	82	–	(4)	5	(12)
Gain on derecognition of right-of-use assets and lease liabilities	–	–	–	(4)	–	(4)
Share of results of associates	–	–	–	50,300	23,896	74,196
Write-down of inventories, net	428	8,209	465	6,502	–	15,604

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

Inter-segment revenue are charged at prevailing market rates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

Information about major customers

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

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

* Revenue from all four segments.

Geographical information

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

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

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

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Rental income	**6,807**	652
Bank interest income	**9,762**	5,051
Government subsidies	**10,532**	8,680
Sundry income	**3,567**	4,054
	30,668	18,437

8. OTHER GAINS AND LOSSES

	2022 HK$'000	2021 HK$'000
Gain (loss) from change in fair value of contingent consideration payables (Note 36)	**19,290**	(47,850)
Gain on disposal of interest in an associate (Note 19)	**31,717**	63,246
Impairment loss on interest in an associate (Note 19)	**(75,600)**	–
Deemed gain on dilution in interest in an associate (Note 19)	**626**	–
(Loss) gain on disposals of property, plant and equipment	**(26)**	12
Gain on derecognition of right-of-use assets and lease liabilities	**15**	4
Net exchange (losses) gains	**(9,078)**	2,299
(Loss)gain from change in fair value of investment properties	**(210)**	400
	(33,266)	18,111

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

9. FINANCE COSTS

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

10. INCOME TAX EXPENSE

	2022 HK$'000	2021 HK$'000
Current tax		
Hong Kong	**58,203**	45,732
Macau	**1,059**	3,729
PRC Enterprise Income Tax	**7,343**	16,594
	66,605	66,055
Under(over)provision in prior years		
Hong Kong	**13**	6
Macau	**–**	(1,837)
PRC Enterprise Income Tax	**192**	–
	205	(1,831)
	66,810	64,224
Deferred tax (Note 34)	**(4,907)**	343
	61,903	64,567

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

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both years. A subsidiary of the Company is qualified as advanced technology enterprise and has obtained approval from the relevant tax authority for the applicable tax rate reduced to 15% for a period of three years up to 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

The Company's subsidiaries and an associate of the Group that are tax residents in the PRC are subject to the PRC dividend withholding tax at 10% when and if undistributed earnings out of profits that arose on or after 1 January 2008 are declared to be paid as dividends to its immediate holding company which is a non-PRC tax resident. According to the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" and Guoshuifa [2008] No. 112, where the Hong Kong resident company directly owns at least 25% of the capital of the Mainland company, 5% dividend withholding tax rate is applicable. Whereas the Hong Kong resident company directly owns less than 25% of the capital of the Mainland company, 10% dividend withholding tax rate is applicable. During the year ended 31 December 2022, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (2021: 5% and 10%, respectively). A provision for dividend withholding tax of approximately HK$399,000 was charged to profit or loss for the year ended 31 December 2022 (2021: a provision for dividend withholding tax of approximately HK$6,902,000 was charged). During the year ended 31 December 2022, withholding tax of approximately HK$1,365,000 (2021: HK$1,484,000) was paid by the Group. The above resulted in a net provision for dividend withholding tax of approximately HK$966,000 credited to profit or loss for the year ended 31 December 2022 (2021: a net provision of approximately HK$5,418,000 was charged to profit or loss).

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

	2022 HK$'000	2021 HK$'000
Profit before tax	**176,461**	378,866
Tax at Hong Kong Profits Tax rate of 16.5%	**29,116**	62,513
Tax effect of share of results of associates	**(2,983)**	(12,243)
Tax effect of expenses not deductible for tax purpose	**47,395**	13,980
Tax effect of income not taxable for tax purpose	**(14,822)**	(2,079)
Tax effect of super deduction for research and development expenses (Note)	**(2,717)**	(2,640)
Tax effect of tax losses not recognised	**7,641**	5,232
Utilisation of tax losses not recognised in prior years	**(1,961)**	(2,647)
Effect of different tax rate of subsidiaries operating in other jurisdictions	**(481)**	(1,789)
Withholding tax on distributable profits of subsidiaries and an associate	**399**	6,902
Income tax at concessionary rate	**(423)**	(165)
Under(over)provision in prior years	**205**	(1,831)
Others	**534**	(666)
Income tax expense for the year	**61,903**	64,567

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

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For the year ended 31 December 2022

10. INCOME TAX EXPENSE (CONTINUED)

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

	2022			2021		
	Before-tax amount HK$'000	**Tax credit HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
(Loss) gain on revaluation of properties	**(1,935)**	**319**	**(1,616)**	6,854	(1,131)	5,723

11. PROFIT FOR THE YEAR

	2022 HK$'000	2021 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) (Note):		
– Directors' remuneration (Note 12)	**37,290**	18,928
– Salaries and other benefits	**1,137,692**	1,149,261
– Retirement benefit scheme contributions (excluding directors)	**53,504**	51,674
– Share-based payment expense (excluding directors)	**39,109**	–
	1,267,595	1,219,863
Cost of inventories recognised as expenses (included in cost of sales and services)	**266,265**	247,956
Depreciation of property, plant and equipment	**22,826**	30,576
Depreciation of right-of-use assets	**37,723**	36,751
Write-down of inventories, net	**3,797**	15,604
Inventories written off	**–**	845
(Gain) loss from change in fair value of derivative financial instruments	**(1,510)**	4,602
Rental income from investment properties	**(6,807)**	(495)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**2,874**	28
	(3,933)	(467)
Auditor's remuneration	**5,169**	4,808

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

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For the year ended 31 December 2022

12. EMOLUMENTS OF DIRECTORS, CHIEF EXECUTIVE AND EMPLOYEES

(a) Directors and chief executive

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

For the year ended 31 December 2022

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

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For the year ended 31 December 2022

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

(a) Directors and chief executive (Continued)

For the year ended 31 December 2021

	Directors' fee HK$'000	Salaries and other allowances HK$'000	Performance related bonus HK$'000 (Note i)	Retirement benefit scheme contributions HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors:						
Dr. Poon (Chairman)	–	2,778	1,740	93	–	4,611
Mr. Law Wei Tak	–	2,599	2,417	119	–	5,135
Mr. Chan Hoi Ming	–	2,317	2,312	105	–	4,734
Non-executive director:						
Dr. Mak Kin Wah	–	1,705	1,525	18	–	3,248
Independent non-executive directors:						
Mr. Chan Fu Keung	400	–	–	–	–	400
Mr. Lam Kin Fung, Jeffrey	400	–	–	–	–	400
Mr. Wong King On, Samuel	400	–	–	–	–	400
	1,200	9,399	7,994	335	–	18,928

Notes:

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

(ii) Mr. Chan Hoi Ming has been appointed as the Chief Executive Officer with effect from 1 January 2023. There was no Chief Executive Officer appointed during the years ended 31 December 2022 and 2021.

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

None of the directors of the Company has waived or agreed to waive any remuneration during the year (2021: Nil).

During the year, certain directors were granted share awards, in respect of their services to the Group under the share award schemes of the Company. Details of the share award schemes are set out in the Note 48 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

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

(b) Five highest paid employees

The five highest paid individuals of the Group included four directors (2021: three), whose emoluments are included in the disclosures above. The emoluments of the remaining one (2021: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022 **HK$'000**	2021 HK$'000
Salaries and other benefits	**2,316**	4,241
Performance related bonus	**1,729**	3,261
Retirement benefit scheme contributions	**105**	194
	4,150	7,696

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

	Number of employees	
	2022	2021
HK$3,500,001 to HK$4,000,000	**–**	2
HK$4,000,001 to HK$4,500,000	**1**	–

No amount was paid by the Group to the directors of the Company or the top five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2021: Nil).

13. DIVIDENDS

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

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

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

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14. EARNINGS PER SHARE

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

	2022 HK$'000	2021 HK$'000
Earnings		
Earnings for the purpose of calculating basic earnings per share (profit for the year attributable to the owners of the Company)	**114,558**	314,299
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of an associate based on dilution of its earnings per share	**–**	(895)
Earnings for the purpose of calculating diluted earnings per share	**114,558**	313,404
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,389,172,877**	1,397,260,542
Effect of dilutive potential ordinary shares	**146,240**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,389,319,117**	1,397,260,542

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

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

During the year ended 31 December 2021, the earnings for the purpose of calculating diluted earnings per share were adjusted for any changes in the Group's share of results of an associate that was attributable to the increase in the number of ordinary shares of the associate as a result of the conversion of convertible bonds issued by the associate.

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15. INVESTMENT PROPERTIES

	2022 HK$'000	2021 HK$'000
FAIR VALUE		
At beginning of the year	**589,930**	4,530
Acquired on acquisition of assets through acquisition of subsidiaries (Note 40)	**–**	585,000
Change in fair value	**(210)**	400
At end of the year	**589,720**	589,930

The fair value of the Group's investment properties as at 31 December 2022 and 2021 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used in prior year.

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

	Fair value hierarchy	Fair value 2022 HK$'000	Fair value 2021 HK$'000
Commercial property units located in Hong Kong	Level 2	**4,720**	4,930
Industrial premises located in Hong Kong	Level 2	**585,000**	585,000
		589,720	589,930

The Group's investment properties in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for similar properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of investment properties, and thus the fair value hierarchy is classified as Level 2. The rental income earned by the Group from the investment properties for the year ended 31 December 2022 amounted to approximately HK$6,807,000 (2021: HK$495,000).

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.

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16. PROPERTY, PLANT AND EQUIPMENT

	Buildings in Hong Kong HK$'000	Building in the PRC HK$'000	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Machinery and equipment HK$'000	Motor vehicles HK$'000	Moulds HK$'000	Assets under construction HK$'000	Total HK$'000
COST OR VALUATION									
At 1 January 2021	65,600	36,396	16,330	5,251	113,765	17,934	395	39	255,710
Exchange realignment	–	921	62	50	546	76	–	374	2,029
Additions	–	–	13,420	1,884	7,090	3,477	–	23,848	49,719
Disposals	–	–	(5,110)	(599)	(511)	(1,343)	–	–	(7,563)
Gain on revaluation	5,800	–	–	–	–	–	–	–	5,800
Transfers	–	–	–	–	594	–	–	(594)	–
At 31 December 2021 and 1 January 2022	**71,400**	**37,317**	**24,702**	**6,586**	**121,484**	**20,144**	**395**	**23,667**	**305,695**
Exchange realignment	**–**	**(3,203)**	**(214)**	**(176)**	**(3,071)**	**(279)**	**–**	**(1,332)**	**(8,275)**
Additions	**–**	**403**	**–**	**78**	**8,413**	**1,764**	**–**	**9,182**	**19,840**
Disposals	**–**	**–**	**–**	**–**	**(1,619)**	**(372)**	**–**	**–**	**(1,991)**
Loss on revaluation	**(3,100)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,100)**
Transfers	**–**	**–**	**–**	**–**	**25,580**	**–**	**–**	**(25,580)**	**–**
At 31 December 2022	**68,300**	**34,517**	**24,488**	**6,488**	**150,787**	**21,257**	**395**	**5,937**	**312,169**
Comprising:									
At cost	**–**	**34,517**	**24,488**	**6,488**	**150,787**	**21,257**	**395**	**5,937**	**243,869**
At valuation	**68,300**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**68,300**
	68,300	**34,517**	**24,488**	**6,488**	**150,787**	**21,257**	**395**	**5,937**	**312,169**
DEPRECIATION									
At 1 January 2021	–	23,432	8,600	3,627	76,874	12,401	395	–	125,329
Exchange realignment	–	621	22	33	405	54	–	–	1,135
Charged for the year	1,054	1,700	3,582	570	21,430	2,240	–	–	30,576
Eliminated on disposals	–	–	(5,110)	(588)	(464)	(1,165)	–	–	(7,327)
Eliminated on revaluation	(1,054)	–	–	–	–	–	–	–	(1,054)
At 31 December 2021 and 1 January 2022	**–**	**25,753**	**7,094**	**3,642**	**98,245**	**13,530**	**395**	**–**	**148,659**
Exchange realignment	**–**	**(2,256)**	**(118)**	**(122)**	**(1,507)**	**(181)**	**–**	**–**	**(4,184)**
Charged for the year	**1,165**	**1,364**	**4,139**	**648**	**12,936**	**2,574**	**–**	**–**	**22,826**
Eliminated on disposals	**–**	**–**	**–**	**–**	**(1,539)**	**(330)**	**–**	**–**	**(1,869)**
Eliminated on revaluation	**(1,165)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,165)**
At 31 December 2022	**–**	**24,861**	**11,115**	**4,168**	**108,135**	**15,593**	**395**	**–**	**164,267**
CARRYING VALUES									
At 31 December 2022	**68,300**	**9,656**	**13,373**	**2,320**	**42,652**	**5,664**	**–**	**5,937**	**147,902**
At 31 December 2021	71,400	11,564	17,608	2,944	23,239	6,614	–	23,667	157,036

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Buildings in Hong Kong	Over the lease term of the land lease
Building in the PRC	2.6% – 5%
Leasehold improvements	Over the shorter of lease term, or 15% – 20%
Furniture and fixtures	15% – 18%
Machinery and equipment	9% – 33⅓%
Motor vehicles	18% – 25%
Moulds	15%

Fair value measurement of the Group's buildings in Hong Kong

The fair value of the Group's buildings in Hong Kong as at 31 December 2022 and 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 buildings in Hong Kong is at its highest and best use. There has been no changes from the valuation technique used in prior year.

Details of the Group's buildings located in Hong Kong and information about the fair value hierarchy are as follows:

	Fair value hierarchy	Fair value 2022 HK$'000	2021 HK$'000
Buildings located in Hong Kong	Level 2	**68,300**	71,400

In the opinion of the directors of the Company, inputs, other than quoted prices (unadjusted) in active markets for similar properties that the Group can access at the measurement dates, that are observable for the properties are used in the valuation of leasehold properties, and thus the fair value hierarchy is classified as Level 2.

As at 31 December 2022, if buildings in Hong Kong had not been revalued, they would have been included in the consolidated financial statements at historical cost less accumulated depreciation and accumulated impairment losses with a carrying value of approximately HK$68,258,000 (2021: HK$69,424,000).

The buildings in Hong Kong have been pledged to secure general banking facilities granted to certain subsidiaries of the Company.

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17. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Total HK$'000
As at 31 December 2022					
Carrying amount	**2,618**	**83,405**	**33**	**1,657**	**87,713**
As at 31 December 2021					
Carrying amount	2,956	72,084	175	2,260	77,475
For the year ended 31 December 2022					
Depreciation charge	**90**	**36,888**	**142**	**603**	**37,723**
For the year ended 31 December 2021					
Depreciation charge	93	35,434	621	603	36,751

	2022 HK$'000	2021 HK$'000
Expense relating to short-term leases	**7,289**	7,608
Total cash outflow for leases	**44,001**	46,548
Additions to right-of-use assets	**49,139**	42,703

The Group leases various offices, warehouses, motor vehicles and office equipment for its operations. Lease contracts are entered into for fixed term of one to five years (2021: one to five years) with fixed lease payments, but may have extension options as described below. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

The Group has extension options in a number of leases for its offices and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. In addition, the Group reassesses whether it is reasonable certain to exercise an extension upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the years ended 31 December 2022 and 2021, there is no such triggering event.

The Group regularly entered into short-term leases for offices and warehouses. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses as disclosed above.

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18. INTANGIBLE ASSETS

	Patents HK$'000
COST	
At 1 January 2021, 31 December 2021, 1 January 2022	**9,622**
Write-off	**(180)**
At 31 December 2022	**9,442**
AMORTISATION AND IMPAIRMENT	
At 1 January 2021, 31 December 2021, 1 January 2022	**9,622**
Eliminated on write-off	**(180)**
At 31 December 2022	**9,442**
CARRYING VALUES	
At 31 December 2022	**–**
At 31 December 2021	–

The above patents were amortised on a straight-line basis over 17 years (2021: 7 and 17 years) based on the licensing periods.

19. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	2022 HK$'000	2021 HK$'000
Investment cost		
Listed outside Hong Kong (Note i)	**98,393**	102,982
Unlisted (Notes ii and iii)	**240,840**	240,840
Impairment loss recognised (Note iii)	**(75,600)**	–
Share of post-acquisition profits and other comprehensive income, net of dividends received	**177,018**	200,892
Interests in associates	**440,651**	544,714
Fair value of listed investment (Note iv)	**914,873**	874,611
Amount due from an associate (Note v)	**96,575**	96,575
Less: Share of post-acquisition losses in excess of the cost of investment	**(96,575)**	(96,575)
	–	–

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

Notes:

(i) As at 31 December 2022, included in the investment cost, there is a goodwill of approximately HK$16,209,000 (2021: HK$16,968,000) arising from the investment in Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA").

(ii) As at 31 December 2022, included in the investment cost, there is a goodwill of approximately HK$137,245,000 (2021: HK$137,245,000) arising from the investment in TEI. During the year ended 31 December 2022, an impairment loss of HK$75,600,000 (2021: Nil) has been recognised in respect of the Company's investment in TEI and details are set out in Note 19 (iii) below.

(iii) The Group performed impairment assessment on the interest in TEI, an associate of the Group, for the years ended 31 December 2022 and 2021. The Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in TEI has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and revenue growth rate. The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period with a pre-tax discount rate of 23% (2021: 24%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2% (2021: 2%) growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry in which the business of TEI operates.

Cash flow projections during the forecast period for TEI are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the forecast period. The assumptions and estimations are based on TEI's past performance, management's expectations of the market development. Due to the continuing unfavourable market conditions in the USA, TEI faced a lower than expected demand during the year ended 31 December 2022, its financial performance is less satisfactory than expected. As a result, an impairment loss of HK$75,600,000 (2021: Nil) has been recognised in respect of the Group's interest in TEI during the year ended 31 December 2022.

(iv) As at 31 December 2022, the fair value of the Group's interest in NCA, of which shares are listed on the Shanghai Stock Exchange since 1 November 2017, was approximately HK$914,873,000 (2021: HK$874,611,000) based on the quoted market price available on the Shanghai Stock Exchange multiplied by the quantity of shares held by the Group, which is a Level 1 input under of HKFRS 13 *Fair Value Measurement*.

(v) As at 31 December 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 (2021: HK$96,575,000), in which approximately HK$13,000,000 (2021: HK$13,000,000) carries interest at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.1% (2021: HIBOR plus 1.1%) per annum, non-trade nature, unsecured and repayable on demand, the remaining balance of approximately HK$83,575,000 (2021: HK$83,575,000) 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 31 December 2022 and 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 (2021: HK$96,575,000) as at 31 December 2022.

As at 31 December 2022, the amount due from OBJV of approximately HK$13,852,000 (2021: HK$13,852,000) 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.

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

Details of the Group's associates at the end of the reporting period are as follows:

Name of associate	Form of business structure	Place of incorporation/ registration/ operation	Percentage of interest held by the Group		Percentage of voting rights held by the Group		Nature of business
			2022	2021	**2022**	2021	
OBJV	Unincorporated	Hong Kong	**40%**	40%	**40%**	40%	Engineering contractor for construction and operation projects
NCA (Note i)	Incorporated	The PRC	**21.44%**	22.44%	**21.44%**	22.44%	Manufacturing and sale of precision air-conditioners
TEI (Note ii)	Incorporated	The USA	**49%**	49%	**49%**	49%	Providing new construction, modernisation, repair and maintenance services in the vertical transportation

Notes:

(i) During the year ended 31 December 2022, the Group disposed of 1% of its shareholding in NCA at an aggregate consideration of approximately RMB35,672,000 (equivalent to approximately HK$43,681,000). The net proceeds from the disposal amounted to approximately RMB34,499,000 (equivalent to approximately HK$42,243,000), net of transaction cost of approximately RMB1,173,000 (equivalent to approximately HK$1,438,000). As a result of the disposal, the Group's interest in NCA decreased from 22.44% as at 31 December 2021 to 21.44% as at 31 December 2022, and a gain on disposal of approximately HK$31,717,000 was recognised for the year ended 31 December 2022.

During the year ended 31 December 2022, the number of ordinary shares of NCA increased as a result of the conversion of the convertible bonds issued by NCA and a deemed gain on dilution of approximately HK$626,000 was recognised (2021: Nil).

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

The Group is able to exercise significant influence over NCA because the Company owns 21.44% and 22.44% of NCA as at 31 December 2022 and 2021, and appointed two directors out of nine directors.

(ii) The Group has right to appoint two directors out of the four directors but the Group has no sufficiently dominant voting rights to direct the relevant activities of TEI unilaterally, the directors of the Company conclude that the Group has significant influence over TEI and therefore it is classified as an associate of the Group.

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

The summarised financial information in respect of the Group's interest in associates which are accounted for using equity method is set out as below:

	OBJV		NCA		TEI	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Revenue	**86,529**	91,105	**729,400**	802,812	**881,101**	1,070,742
(Loss) profit for the year	**(7,371)**	(5,379)	**42,616**	102,482	**18,163**	102,653
Other comprehensive (expense) income for the year	**–**	–	**(105,078)**	31,107	**–**	–
Total comprehensive (expense) income for the year	**(7,371)**	(5,379)	**(62,462)**	133,589	**18,163**	102,653
Dividends from the associate during the year	**–**	–	**13,654**	14,841	**–**	–
Non-current assets	**1,681**	497	**690,959**	485,067	**83,017**	86,804
Current assets	**37,631**	52,568	**1,568,555**	1,934,406	**450,959**	479,660
Total assets	**39,312**	53,065	**2,259,514**	2,419,473	**533,976**	566,464
Current liabilities	**(302,124)**	(308,505)	**(807,941)**	(700,207)	**(153,708)**	(196,712)
Non-current liabilities	**–**	–	**(331,432)**	(475,150)	**(32,641)**	(40,288)
Net (liabilities) assets	**(262,812)**	(255,440)	**1,120,141**	1,244,116	**347,627**	329,464

Reconciliation of the above summarised financial information to the carrying amount of the interests in associates recognised in the consolidated financial statements:

	OBJV		NCA		TEI	
	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000	2022 HK$'000	2021 HK$'000
Net (liabilities) assets	**(262,812)**	(255,440)	**1,120,141**	1,244,116	**347,627**	329,464
Proportion of the Group's interest	**40%**	40%	**21.44%**	22.44%	**49%**	49%
Goodwill	**–**	–	**16,209**	16,968	**137,245**	137,245
Impairment loss recognised	**–**	–	**–**	–	**(75,600)**	–
Others	**–**	–	**(47,700)**	(50,170)	**–**	–
Carrying amount of the Group's interests in associates	**–**	–	**208,669**	246,032	**231,982**	298,682

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20. JOINT ARRANGEMENTS

Joint operations

The Group has joint arrangements carrying out construction projects in the form of joint operations. Details of the Group's principal joint operations at the end of the reporting period are as follows:

Name of project	Form of business structure	Place of operation	Percentage of interest held by the Group 2022	Percentage of interest held by the Group 2021	Nature of business
ATAL – Degremont Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
Veolia – ATAL Joint Venture (formerly known as SITA-ATAL Joint Venture)*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**48.7%**	48.7%	Engineering contractor for construction projects
ATAL – Degremont - China State Joint Venture*	Unincorporated	Hong Kong	**27.2%**	27.2%	Engineering contractor for construction projects
ATAL – Suez Infrastructure Joint Venture*	Unincorporated	Hong Kong	**50%**	50%	Engineering contractor for construction projects
China State – ATAL Joint Venture*	Unincorporated	Hong Kong	**49.8%**	49.8%	Engineering contractor for construction projects
ATAL – Degremont - China Harbour Joint Venture*	Unincorporated	Hong Kong	**31.3%**	31.3%	Engineering contractor for construction projects
Suez – ATAL San Wai Joint Venture*	Unincorporated	Hong Kong	**35%**	35%	Engineering contractor for maintenance projects
ATAL – CW – MH Joint Venture*	Unincorporated	Hong Kong	**51.96%**	51.96%	Engineering contractor for construction projects
ATAL – BEOD Joint Venture	Unincorporated	Hong Kong	**73.2%**	73.2%	Engineering contractor for construction projects

* The project was awarded from the HKSAR Government.

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21. INVENTORIES

	2022 HK$'000	2021 HK$'000
Raw materials, consumable stores and spare parts	**58,962**	64,754
Work in progress	**8,817**	18,146
Finished goods	**1,695**	2,505
	69,474	85,405

22. CONTRACT ASSETS

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

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

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

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

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

Details of the impairment assessment are set out in Note 38b(ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

23. TRADE RECEIVABLES

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

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

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

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

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

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

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

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

Details of the impairment assessment are set out in Note 38b(ii).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

24. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 HK$'000	2021 HK$'000
Other receivables	**14,382**	4,406
Deposits and prepayments (Note)	**144,201**	105,950
	158,583	110,356
Less: Deposits paid for acquisition of property, plant and equipment (classified as non-current assets)	**(6,147)**	(1,110)
Less: Rental deposits (classified as non-current assets)	**(7,127)**	–
	145,309	109,246

Note: Balance mainly includes prepayments to suppliers, tendering deposits, rental deposits and miscellaneous deposits and prepayments.

25. AMOUNTS DUE FROM (TO) PARTNERS OF JOINT OPERATIONS

The amounts are non-trade nature, unsecured, non-interest bearing and repayable on demand.

26. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits carry interest rates from 1.35% to 2.85% (2021: 1.35% to 2.85%) per annum representing deposits pledged to banks to secure general short-term banking facilities granted to certain of the Company's subsidiaries. They are classified as current assets and will be released upon the release of relevant banking facilities.

Bank balances carry interest at market rates from 0% to 5.65% (2021: 0% to 2.4%) per annum.

27. TRADE AND RETENTION PAYABLES

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

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27. TRADE AND RETENTION PAYABLES (CONTINUED)

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

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

28. OTHER PAYABLES AND ACCRUED EXPENSES

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

Note: In November 2022, a cooperation agreement was entered into with the Hong Kong Competition Commission in relation to the resolution of certain legal proceedings. As part of the cooperation agreement, a pecuniary penalty of HK$150 million was agreed to be paid by a subsidiary of the Company. The Group has accordingly made a provision of HK$150 million for this litigation settlement during the year ended 31 December 2022. An announcement relating to the cooperation agreement was issued by the Company on 4 November 2022.

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29. CONTRACT LIABILITIES

	2022 HK$'000	2021 HK$'000
Contract liabilities	**123,978**	77,174

As at 1 January 2021, contract liabilities amounted to approximately HK$106,181,000.

Revenue recognised during the current year included the amount of contract liabilities at the beginning of the reporting period amounted to approximately HK$61,381,000 (2021: HK$106,181,000).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

The increase in the current year is mainly attributable to increase in cash advances for the projects awarded from the HKSAR Government.

Construction contracts

When the Group receives a deposit before the construction activity or receives advanced payment during the construction activity, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit or advanced payment.

Sales of goods

The Group receives 30% of the contract value as deposits from customers when they sign the sales contracts. This will result in contract liabilities being recognised until the customers obtain the control of the goods.

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30. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 HK$'000	2021 HK$'000
Foreign-currency forward contracts classified as current liabilities	**2,776**	4,286

Major terms of the foreign-currency forward contracts which were entered into between the Group and banks (banks to sell) are as follows:

As at 31 December 2022:

Notional approximate amount	Maturity	Exchange rate
Sell European dollars ("EUR") 477,000	1 August 2023	HK$8.013/EUR
Sell EUR 2,285,000	20 January 2023	HK$8.6/EUR
Sell EUR 50,000	29 March 2023	HK$8.4598/EUR
Sell EUR 271,000	3 May 2023	HK$8.2035/EUR
Sell EUR 449,000	25 May 2023	HK$7.963/EUR
Sell EUR 52,000	8 June 2023	HK$7.9648/EUR
Sell EUR 239,000	17 July 2023	HK$7.8/EUR
Sell EUR 56,000	14 August 2023	HK$8.0336/EUR
Sell EUR 43,000	8 September 2023	HK$8.3435/EUR
Sell EUR 205,000	15 September 2023	HK$8.47/EUR
Sell EUR 521,000	22 September 2023	HK$8.433/EUR
Sell EUR 576,000	16 March 2023	HK$8.3396/EUR
Sell EUR 519,000	1 March 2023	HK$8.5825/EUR
Sell EUR 43,000	1 March 2023	HK$8.5735/EUR
Sell EUR 49,000	8 June 2023	HK$7.9654/EUR
Sell EUR 168,000	8 June 2023	HK$7.9658/EUR
Sell Australian dollars ("AUD") 585,000	3 May 2023	HK$5.5156/AUD
Sell AUD 1,979,000	13 February 2023	HK$5.5872/AUD
Sell AUD 257,000	23 June 2023	HK$5.3065/AUD
Sell British pounds ("GBP") 17,000	13 February 2023	HK$9.736/GBP
Sell GBP 9,000	11 April 2023	HK$9.4535/GBP
Sell GBP 26,000	8 June 2023	HK$9.146/GBP
Sell GBP 559,000	14 June 2023	HK$9.075/GBP
Sell GBP 271,000	26 June 2023	HK$8.8868/GBP
Sell GBP 1,378,000	23 January 2023	HK$9.8967/GBP
Sell Swedish krona ("SEK") 3,652,000	7 March 2023	HK$0.8031/SEK
Sell SEK 454,000	15 March 2023	HK$0.79395/SEK
Sell Renminbi ("RMB") 20,632,000	30 May 2023	HK$1.155/RMB
Sell RMB 6,819,000	8 September 2023	HK$1.141/RMB
Sell RMB 172,000	12 January 2023	HK$1.2335/RMB
Sell RMB 392,000	13 March 2023	HK$1.177/RMB
Sell RMB 1,859,000	29 March 2023	HK$1.177/RMB
Sell RMB 512,000	26 June 2023	HK$1.1304/RMB

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30. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2021:

Notional approximate amount	Maturity	Exchange rate
Sell EUR 18,000	17 February 2022	HK$9.4625/EUR
Sell EUR 5,000	31 March 2022	HK$9.332/EUR
Sell EUR 679,000	21 June 2022	HK$9.2483/EUR
Sell EUR 113,000	3 August 2022	HK$9.0715/EUR
Sell AUD 65,000	14 February 2022	HK$6.084/AUD
Sell AUD 1,979,000	6 May 2022	HK$5.7805/AUD
Sell GBP 500,000	18 January 2022	HK$10.495/GBP
Sell GBP 56,000	4 May 2022	HK$10.8275/GBP
Sell GBP 289,000	16 September 2022	HK$10.365/GBP
Sell GBP 89,000	5 October 2022	HK$10.543/GBP
Sell SEK 63,028,000	17 March 2022	HK$0.9211/SEK
Sell RMB 332,000	1 March 2022	HK$1.2197/RMB

31. BANK BORROWING

	2022 HK$'000	2021 HK$'000
Secured variable-rate bank loan	**277,875**	292,500
Less: amount due within one year shown under current liabilities	**(14,625)**	(14,625)
Amount shown under non-current liabilities	**263,250**	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	**204,750**	219,375
	277,875	292,500

At 31 December 2022 and 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 3.525% (2021: 1.309% to 1.345%).

The fair value of bank borrowing approximated its carrying amount.

At 31 December 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$8,619,000 (2021: HK$1,756,000) 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.

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32. LEASE LIABILITIES

	2022 HK$'000	2021 HK$'000
Lease liabilities payable:		
Within one year	**31,717**	31,157
Within a period of more than one year but not more than two years	**26,743**	12,460
Within a period of more than two years but not more than five years	**26,019**	30,694
More than five years	**–**	3,098
	84,479	77,409
Less: Amount due for settlement within 12 months shown under current liabilities	**(31,717)**	(31,157)
Amount due for settlement after 12 months shown under non-current liabilities	**52,762**	46,252

The weighted average incremental borrowing rates applied to lease liabilities range from 5% to 5.625% per annum (2021: 5% to 5.125%).

33. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Note: During the year ended 31 December 2022, the Company repurchased 10,800,000 (2021: 14,000,000) 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 (2021: HK$1.7872 to HK$1.99) per share for an aggregate consideration of approximately HK$19,586,000. As at 31 December 2022, 4,562,000 (2021: 14,000,000) of the Company's own ordinary shares are held by the trustees.

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34. DEFERRED TAX

For the purposes of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2022 HK$'000	2021 HK$'000
Deferred tax liabilities	**17,944**	21,092
Deferred tax assets	**(13,154)**	(10,458)
	4,790	10,634

Deferred tax liabilities (assets) recognised by the Group and the movements thereon during the current and prior years are as follows:

	Withholding tax on distributable profits of subsidiaries and associates HK$'000	Temporary difference on tax depreciation HK$'000	Revaluation of properties HK$'000	ECL provision HK$'000	Tax loss HK$'000	Others HK$'000	Total HK$'000
At 1 January 2021	9,251	5,179	(805)	(4,648)	–	–	8,977
Charged (credited) to profit or loss	5,418	202	–	(3,502)	(227)	(1,548)	343
Income tax relating to gain on revaluation of properties	–	–	1,131	–	–	–	1,131
Exchange realignment	340	–	–	(130)	–	(27)	183
At 31 December 2021 and 1 January 2022	**15,009**	**5,381**	**326**	**(8,280)**	**(227)**	**(1,575)**	**10,634**
Credited to profit or loss	**(966)**	**(968)**	**–**	**(1,020)**	**(68)**	**(1,885)**	**(4,907)**
Income tax relating to loss on revaluation of properties	**–**	**–**	**(319)**	**–**	**–**	**–**	**(319)**
Exchange realignment	**(1,197)**	**–**	**–**	**435**	**–**	**144**	**(618)**
At 31 December 2022	**12,846**	**4,413**	**7**	**(8,865)**	**(295)**	**(3,316)**	**4,790**

At the end of the reporting period, the Group had estimated unused tax losses of approximately HK$140,774,000 (2021: HK$105,938,000) available for offset against future profits. Deferred tax assets have been recognised in respect of approximately HK$1,786,000 (2021: HK$1,373,000) of such losses as at 31 December 2022. No deferred tax asset has been recognised in respect of the remaining tax losses due to the unpredictability of future profit streams.

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34. DEFERRED TAX (CONTINUED)

Unrecognised tax losses will be expired as follows:

	2022 HK$'000	2021 HK$'000
– 2022	–	11,808
– 2023	–	6,042
– 2024	**788**	15,175
– 2025	–	13,832
– 2026	**4,863**	23,034
– 2027	**5,878**	–
– 2028	**9,601**	–
– 2029	**13,512**	–
– 2030	**16,614**	–
– 2031	**24,502**	–
– 2032	**21,276**	–
	97,034	69,891
– Indefinite	**41,954**	34,674
	138,988	104,565

35. DEFERRED INCOME

	2022 HK$'000	2021 HK$'000
At beginning of the year	**2,432**	2,701
Amortised	**(269)**	(269)
At end of the year	**2,163**	2,432
Analysed for reporting purposes as:		
Current (included in other payables and accrued expenses)	**269**	269
Non-current	**1,894**	2,163
	2,163	2,432

In 2015, a joint operation was required to provide a 15-year performance bond to Drainage Services Department of the HKSAR Government for a construction project. The performance bond covers the period from January 2015 to December 2029. Under the arrangement, Drainage Services Department would reimburse bond charges incurred on the performance bond and a lump sum of approximately HK$442,000 was received from Drainage Services Department in 2015. It is amortised on a straight-line basis over 15 years.

In 2016, a joint operation is required to operate a 15-year maintenance workshop for Drainage Services Department for a construction site. The operation of the workshop covers the period from March 2016 to February 2031. Under the arrangement, Drainage Services Department would reimburse the expenses incurred for the workshop and a lump sum of approximately HK$3,595,000 was received from Drainage Services Department in 2016. It is amortised on a straight-line basis over 15 years.

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36. CONTINGENT CONSIDERATION PAYABLES

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

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

The Deferred Payments are payable as follows:

(i) US$10.71 million (equivalent to approximately HK$83.54 million) (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, representing the estimated fair value of the First Deferral Payment and Second Deferral Payment.

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

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

The details of the fair value measurement of the contingent consideration payables are set in Note 38(c).

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For the year ended 31 December 2022

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior year.

The capital structures of the Group consist of net debt, which includes the bank borrowing and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of the review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through payment of dividends, new share issues, raising of new debts and repayment of existing debts.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022	2021
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost (including bank balances and cash)	**2,081,702**	1,912,245
Financial liabilities		
Derivative financial instruments	**2,776**	4,286
Financial liabilities at FVTPL	**–**	52,706
Financial liabilities at amortised cost	**1,023,043**	914,415

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, other receivables and deposits, amount due from an associate, amounts due from (to) partners of joint operations, pledged bank deposits and bank balances and cash, trade and retention payables, other payables, bank borrowing, lease liabilities, contingent consideration payables and derivative financial instruments. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

Currency risk

The Group has foreign-currency bank balances, trade receivables, other receivables, trade and retention payables, other payables and contingent consideration payables, which expose the Group to foreign currency risk. The Group had entered into foreign-currency forward contracts to mitigate its foreign currency risk exposure.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2022 HK$'000	2021 HK$'000	**2022 HK$'000**	2021 HK$'000
EUR	**1,993**	1,676	**4,304**	224
GBP	**1,459**	230	**180**	1,023
RMB	**117,760**	73,389	**59,093**	2,686
United States dollars ("USD")	**14,309**	23,388	**14,419**	63,286

Sensitivity analysis

The Group is mainly exposed to fluctuation in EUR, GBP, RMB and USD against HK$. As HK$ is pegged to USD under the Hong Kong's linked exchange rate system, the management of the Group is of the opinion that the Group's exposure to the foreign exchange rate risk of USD is minimal.

The following table details the Group's sensitivity to increase and decrease by 4.38%, 3.56% and 0.4% (2021: 1.58%, 1.71% and 4.71%) in HK$ against RMB, GBP and EUR respectively. 0.4% to 4.38% (2021: 1.58% to 4.71%) are the sensitivity rates used when reporting foreign currency risk internally to the key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates by reference to the fluctuation of HK$ against the relevant foreign currencies during the relevant year. The sensitivity analysis includes only outstanding foreign currency denominated monetary items adjusting the translation for a change in foreign currency rates of 0.4% to 4.38% (2021: 1.58% to 4.71%).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(i) Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

A positive number indicates an increase, while a negative number indicates a decrease in post-tax profit for the year below when HK$ is weakened by 0.4% to 4.38% (2021: 1.58% to 4.71%) against the relevant foreign currencies. For a 0.4% to 4.38% (2021: 1.58% to 4.71%) strengthening of HK$ against the relevant foreign currencies, there would be an equal but opposite impact on the post-tax profit for the year.

	Profit for the year	
	2022	2021
	HK$'000	HK$'000
EUR	**(8)**	57
GBP	**38**	(11)
RMB	**2,146**	933

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities (see Note 32 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate pledged bank deposits and bank balances and variable-rate bank borrowing (see Note 31 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on pledged bank deposits and bank balances and HIBOR arising from the Group's HK$ denominated borrowing. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

The directors of the Company consider that the exposure of cash flow interest rate risk arising from pledged bank deposits and bank balances is not significant as the fluctuation of the interest rates on pledged bank deposits and bank balances is minimal. Accordingly, no sensitivity analysis is prepared and presented.

At 31 December 2022, if interest rates on bank borrowing had been 100 basis points (2021: 100 basis points) higher/lower with all other variables held constant, post-tax profit for the year would be decreased/increased by approximately HK$3,577,000 (2021: HK$96,000), mainly as a result of higher/lower interest expense on variable-rate bank borrowing.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, contract assets, other receivables and deposits, amounts due from partners of joint operations, pledged bank deposits and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets and contract assets.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables and contract assets arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt with significant outstanding balances or credit-impaired at the end of the reporting period to ensure that adequate impairment loss is recognised for irrecoverable amount. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2022 on the trade receivables from one of the Group's major customers amounting to approximately HK$112,835,000 (2021: HK$110,019,000) and accounted for 10% (2021: 10%) of the Group's total trade receivables. The same customer also amounting to approximately HK$157,946,000 (2021: HK$150,261,000) and accounted for 13% (2021: 15%) of the Group's total contract assets. In the opinion of the directors of the Company, this customer is reputable organisation in the market. The directors of the Company consider that the credit risk is limited in this regard.

In addition, the Group performs impairment assessment under ECL model on trade balances individually or based on collective assessment. Except for debtors with significant outstanding balances or credit-impaired, which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped under a collective assessment based on shared credit risk characteristics by reference to repayment histories for recurring customers and current past due exposure for the new customers. During the year ended 31 December 2022, net impairment losses of approximately HK$5,013,000 and HK$4,234,000 are recognised (2021: HK$12,630,000 and HK$2,080,000 are reversed) for trade receivables and contract assets, respectively. Details of the quantitative disclosures are set out below in this note.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Other receivables and deposits and amounts due from partners of joint operations

For other receivables and deposits and amounts due from partners of joint operations, the directors of the Company make periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables and deposits and amounts due from partners of joint operations were insignificant and thus no loss allowance was recognised.

Pledged bank deposits and bank balances

Credit risk on pledged bank deposits and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12-month ECL for pledged bank deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12-month ECL on pledged bank deposits and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2022 Gross carrying amount HK$'000	2022 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000	2021 Gross carrying amount HK$'000
Financial assets at amortised cost								
Trade receivables (Note)	23	N/A	Low risk	Lifetime ECL (not credit-impaired) (collective assessment)	**60,484**		108,430	
			Watch list	Lifetime ECL (not credit-impaired) (collective assessment)	**274,226**		424,336	
			Low risk	Lifetime ECL (not credit-impaired) (individual assessment)	**725,772**		545,507	
			Loss	Lifetime ECL (credit-impaired) (individual assessment)	**37,812**	**1,098,294**	38,341	1,116,614
Other receivables and deposits	24	N/A	Low risk	12-month ECL	**25,517**		15,405	
Amount due from an associate	19	N/A	Loss	Lifetime ECL (credit-impaired) (individual assessment)	**13,852**		13,852	
Amounts due from partners of joint operations	25	N/A	Low risk	12-month ECL	**7,142**		10,354	
Pledged bank deposits	26	AA2 to A2 (2021: AA1 to BAA1)	N/A	12-month ECL	**25,818**		18,188	
Bank balances	26	AA2 to A2 (2021: AA1 to BAA1)	N/A	12-month ECL	**976,028**		801,738	
Other item								
Contract assets (Note)	22	N/A	Low risk	Lifetime ECL (not credit-impaired) (collective assessment)	**178,997**		141,384	
			Watch list	Lifetime ECL (not credit-impaired) (collective assessment)	**258,026**		375,234	
			Low risk	Lifetime ECL (not credit-impaired) (individual assessment)	**823,209**	**1,260,232**	470,277	986,895

Note: For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a collective assessment, grouped by internal credit rating.

Notes to the Consolidated Financial Statements

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating

As part of the Group's credit risk management, the Group applies internal credit rating for its customers. The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on collective assessment within lifetime ECL (not credit-impaired). Trade receivables and contract assets with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$763,584,000 and approximately HK$823,209,000 respectively as at 31 December 2022 (2021: approximately HK$583,848,000 and approximately HK$470,277,000) were assessed individually. The average loss rates for debtors with significant outstanding balances that are not credit-impaired are assessed to be less than 1% (2021: less than 1%).

Gross carrying amount

	2022			2021		
Internal credit rating	**Average loss rate**	**Trade receivables HK$'000**	**Contract assets HK$'000**	Average loss rate	Trade receivables HK$'000	Contract assets HK$'000
Low risk	**1.32%**	**60,484**	**178,997**	0.52%	108,430	141,384
Watch list	**2.47%**	**274,226**	**258,026**	2.05%	424,336	375,234
		334,710	**437,023**		532,766	516,618

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and forward-looking information (for example, the macroeconomic conditions affecting the industry and the impact that may result in debtor ability to make payments) that is available without undue cost or effort. The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and long-term/continuous business with the Group. Large number of small customers are assessed collectively based on historical credit loss experience adjusted by forward looking estimates. Individual customers with significant balances are assessed individually for the credit risk based on their probability of default and exposure of default. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating (Continued)

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

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

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2021	10,684	52,342	63,026
Impairment losses recognised	20,376	22,227	42,603
Impairment losses reversed	(11,020)	(44,213)	(55,233)
Transfer	(8,408)	8,408	–
Write-offs	–	(997)	(997)
Exchange realignment	81	574	655
As at 31 December 2021 and 1 January 2022	**11,713**	**38,341**	**50,054**
Impairment losses recognised	**15,787**	**13,057**	**28,844**
Impairment losses reversed	**(11,201)**	**(12,630)**	**(23,831)**
Transfer	**(2,892)**	**2,892**	**–**
Write-offs	**–**	**(2,188)**	**(2,188)**
Exchange realignment	**(122)**	**(1,660)**	**(1,782)**
As at 31 December 2022	**13,285**	**37,812**	**51,097**

None of the trade receivables that have been written off is subject to enforcement activities.

Notes to the Consolidated Financial Statements

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38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(ii) Credit risk and impairment assessment (Continued)

Collective assessment – internal credit rating (Continued)

The following table shows the movement in lifetime ECL that has been recognised for contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000
As at 1 January 2021	13,755
Impairment losses reversed	(2,080)
Exchange realignment	9
As at 31 December 2021	**11,684**
Impairment losses recognised	**4,234**
Exchange realignment	**(50)**
As at 31 December 2022	**15,868**

(iii) Liquidity risk

In managing the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on available cash generated from operations and banking facilities to finance its operation. As at 31 December 2022, the Group had available unutilised aggregate banking facilities in respect of bank overdrafts, bank guarantees and trade financing of approximately HK$1,690,765,000 (2021: HK$1,316,728,000).

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that require net settlement. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management of the Group considers that the contractual maturities are essential for understanding of the timing of cash flows of derivatives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

Liquidity tables

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2022										
Non-derivative financial liabilities										
Trade and retention payables		532,224	184,170	7,923	63	–	–	–	724,380	724,380
Other payables	–	15,680	–	–	–	–	–	–	15,680	15,680
Amounts due to partners of joint operations	–	5,108	–	–	–	–	–	–	5,108	5,108
Bank borrowing	1.278 to 3.525	–	2,035	2,035	2,035	18,315	95,534	280,076	400,030	277,875
		553,012	186,205	9,958	2,098	18,315	95,534	280,076	1,145,198	1,023,043
Lease liabilities	5 to 5.625	–	2,655	2,632	3,204	26,583	57,392	–	92,466	84,479
Derivatives – net settlement										
Foreign-currency forward contracts – outflows net	–	–	1,354	770	388	264	–	–	2,776	2,776

	Weighted average interest rate %	Repayable on demand HK$'000	Less than 30 days HK$'000	31 – 60 days HK$'000	61 – 90 days HK$'000	91 days – 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 December 2021										
Non-derivative financial liabilities										
Trade and retention payables	–	368,451	204,104	27,371	–	3	–	–	599,929	599,929
Other payables	–	10,874	–	–	–	–	–	–	10,874	10,874
Amounts due to partners of joint operations	–	11,112	–	–	–	–	–	–	11,112	11,112
Bank borrowing	1.309 to 1.345	–	1,536	1,536	1,536	13,821	72,234	245,253	335,916	292,500
Contingent consideration payables	–	–	–	–	–	55,692	–	–	55,692	52,706
		390,437	205,640	28,907	1,536	69,516	72,234	245,253	1,013,523	967,121
Lease liabilities	5 to 5.125	–	2,723	2,638	3,154	26,121	48,561	3,164	86,361	77,409
Derivatives – net settlement										
Foreign-currency forward contracts – (inflow) outflows net	–	–	(16)	38	3,734	530	–	–	4,286	4,286

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

b. Financial risk management objectives and policies (Continued)

(iii) Liquidity risk (Continued)

Interest rate benchmark reform

The Group's HIBOR bank loan may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators, if any.

HIBOR

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The Group's bank loan linked to HIBOR will continue till maturity.

c. Fair value measurements of financial instruments

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

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

Financial assets/liabilities	Fair value		Fair value hierarchy	Valuation technique and key input
	2022 HK$'000	2021 HK$'000		
Derivative financial liabilities (Note 30)	**2,776**	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 36)	**N/A**	52,706	Level 3	Discounted cash flow. Discounted cash flow method was used to capture the present value of the expected future economic benefits will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate (Note).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

38. FINANCIAL INSTRUMENTS (CONTINUED)

c. Fair value measurements of financial instruments (Continued)

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

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.

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 (increase by HK$225,000).

(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.

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 (decrease by HK$2,606,000).

There were no transfers between Level 1 or 2 during the current and prior years.

As at 31 December 2021, the only financial liability subsequently measured at fair value on Level 3 fair value measurement represents contingent consideration relating to the acquisition of TEI. There is no contingent consideration payable as at 31 December 2022. During the year ended 31 December 2022, a gain from change in fair value of approximately HK$19,290,000 (2021: loss of HK$47,850,000) relating to this contingent consideration has 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 consolidated financial statements approximate to their fair values based on discounted cash flows analysis.

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For the year ended 31 December 2022

39. OPERATING LEASE ARRANGEMENTS

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants in respect of leased properties for the next one to two years (2021: one to three years).

	2022 HK$'000	2021 HK$'000
Undiscounted lease payments receivable on leases are as follows:		
Within one year	**297**	5,120
In the second year	**47**	766
In the third year	**–**	202
	344	6,088

40. 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 was concentrated in a single identifiable assets and conclude that the acquired Target Group was not a business.

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

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

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

41. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

a. Capital commitments

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

	2022 HK$'000	2021 HK$'000
Enterprise resources planning system	–	145
Expanding existing manufacturing facilities	**10,622**	13,853
Human resources management system	**125**	–
Revitalisation of existing investment properties	**6,832**	8,988
	17,579	22,986

b. Contingent liabilities

The Group is involved in lawsuits during its normal course of operations. As at 31 December 2022, there were few legal proceedings related to these lawsuits outstanding against the Group. The Group has made adequate provision for any probable losses based on the current facts and circumstances.

42. PERFORMANCE BONDS

At the end of the reporting period, the Group had outstanding performance bonds of approximately HK$584,871,000 (2021: HK$447,163,000) given by banks in favor of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

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43. PLEDGE OF ASSETS

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

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

Note: Included in others, there was the assignment of certain trade receivables of a wholly owned subsidiary of the Company of approximately HK$7,360,000 (2021: Nil) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$8,619,000 (2021: HK$1,756,000) (Note 31).

44. RELATED PARTY TRANSACTIONS

(a) Details of the balances with the related parties are disclosed in the consolidated statement of financial position on pages 80 and 81 and Notes 19 and 25. The Group entered into the following transactions with related parties during the current and prior years:

Name of related company	Relationship	Nature of transactions	2022 HK$'000	2021 HK$'000
OBJV	Associate	Sales	**10,444**	4,186
OBJV	Associate	Interest income	**191**	223
OBJV	Associate	Service fee income	**–**	914
Perfect Motive Limited ("Perfect Motive")	Related party (Note)	Repayment of lease liabilities	**16,200**	16,200
Perfect Motive	Related party (Note)	Direct expense recharge	**568**	561
TEI	Associate	Sales	**2,289**	1,537

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 of the Company, being the key management is set out in Note 12.

Notes to the Consolidated Financial Statements

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45. FINANCIAL ASSETS AND FINANCIAL LIABILITIES SUBJECT TO ENFORCEABLE MASTER NETTING ARRANGEMENTS

The Group has entered into the International Swaps and Derivatives Association Master Netting Agreements ("ISDA Agreements") with certain banks. The following recognised financial assets and financial liabilities are not offset in the consolidated statement of financial position as the ISDA Agreements are in place with a right of set off only in the event of default, insolvency or bankruptcy so that the Group currently has no legally enforceable right to set off the recognised amounts:

As at 31 December 2022

	Gross amounts presented on consolidated statement of financial position HK$'000	Related amount not set off in consolidated statement of financial position Financial instrument HK$'000	Net amount HK$'000
Recognised financial assets:			
– Bank balances	**170,561**	**(2,776)**	**167,785**
Recognised financial liabilities:			
– Derivative financial instruments	**(2,776)**	**2,776**	**–**

As at 31 December 2021

	Gross amounts presented on consolidated statement of financial position HK$'000	Related amount not set off in consolidated statement of financial position Financial instrument HK$'000	Net amount HK$'000
Recognised financial assets:			
– Bank balances	801,738	(4,286)	797,452
Recognised financial liabilities:			
– Derivative financial instruments	(4,286)	4,286	–

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For the year ended 31 December 2022

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to partners of joint operations HK$'000	Bank borrowing HK$'000	Lease liabilities HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Total HK$'000
	(Note 25)	(Note 31)	(Note 32)			
At 1 January 2021	2,300	–	70,904	–	–	73,204
Financing cash flow	8,812	292,082	(38,940)	–	(154,280)	107,674
Interest accruals	–	418	4,492	–	–	4,910
Cash dividend declared (Note 13)	–	–	–	–	154,280	154,280
New leases entered/lease modification	–	–	41,039	–	–	41,039
Early termination of a lease	–	–	(84)	–	–	(84)
Rent reduction	–	–	(19)	–	–	(19)
Exchange realignment	–	–	17	–	–	17
At 31 December 2021 and 1 January 2022	**11,112**	**292,500**	**77,409**	**–**	**–**	**381,021**
Financing cash flow	**(6,004)**	**(23,146)**	**(36,712)**	**–**	**(160,035)**	**(225,897)**
Interest accruals	**–**	**8,521**	**3,293**	**281**	**–**	**12,095**
Cash dividend declared (Note 13)	**–**	**–**	**–**	**–**	**160,035**	**160,035**
New leases entered/lease modification	**–**	**–**	**40,934**	**–**	**–**	**40,934**
Early termination of a lease	**–**	**–**	**(371)**	**–**	**–**	**(371)**
Rent reduction	**–**	**–**	**(2)**	**–**	**–**	**(2)**
Exchange realignment	**–**	**–**	**(72)**	**–**	**–**	**(72)**
At 31 December 2022	**5,108**	**277,875**	**84,479**	**281**	**–**	**367,743**

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For the year ended 31 December 2022

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2022	2021	2022	2021	
安樂工程貿易有限公司 Analogue Technical Agencies Limited*	Hong Kong	HK$1,014,973	**100%**	100%	**100%**	100%	Supplying electrical and mechanical materials and equipment and providing associated installation services
安諾電梯有限公司 Anlev (HK) Limited	Hong Kong	HK$4,000,000	**100%**	100%	**100%**	100%	Designing and trading of escalators and moving walkways
安樂工程有限公司 ATAL Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and environmental engineering contractor on construction and infrastructure projects
安樂機電設備工程有限公司 ATAL Building Services Engineering Limited*	Hong Kong	HK$40,000,000	**100%**	100%	**100%**	100%	Electrical, mechanical and building services contractor in design, installation and maintenance of building and infrastructure projects
安樂數據中心基建有限公司 ATAL Data Centre Infrastructure Limited*	Hong Kong	HK$20,000,000	**100%**	100%	**100%**	100%	Providing data centre and critical facilities infrastructure supports
安樂工程(澳門)有限公司 ATAL Engineering (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂設備安裝工程(上海)有限公司(Note ii)	The PRC	RMB52,000,000	**100%**	100%	**100%**	100%	Electrical, material and environmental engineering contractor on construction and infrastructure projects
安樂科技工程有限公司 ATAL Technologies Limited*	Hong Kong	HK$19,000,000	**100%**	100%	**100%**	100%	Provision of solution to the integration of information technology, communications and security systems, and in the development of related technologies and applications

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2022	2021	2022	2021	
安力電梯有限公司 Anlev Elex Elevator Limited	Hong Kong	HK$55,000,000	**100%**	100%	**100%**	100%	Providing installation and maintenance services for lifts, escalators and travellators
安樂建築工程服務(上海)有限公司* (Note ii)	The PRC	RMB35,569,907	**100%**	100%	**100%**	100%	Supplying electrical, mechanical and environmental materials and equipment and providing associated installation and maintenance services
南京安諾電梯有限公司 (Note ii)	The PRC	RMB161,300,000	**100%**	100%	**100%**	100%	Manufacturing and sale of escalators and moving walkways
南京安樂軟件科技有限公司* (Note ii)	The PRC	USD210,000	**100%**	100%	**100%**	100%	Manufacturing and sale of hardware, software and electronic systems
安諾工業有限公司 Anlev Industrial Limited*	Hong Kong	HK$119,340,001	**100%**	100%	**100%**	100%	Investment holding
安樂屋宇服務(澳門)有限公司 ATAL Building Services (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering
安諾屋宇服務(澳門)有限公司 Analogue Building Services (Macao) Limited (Note i)	Macau	MOP25,000	**100%**	100%	**100%**	100%	Designing, installing and maintenance services on building systems and fire systems engineering
Pedarco International Limited	Hong Kong	HK$203,000	**100%**	100%	**100%**	100%	Development, production and marketing of automated movement system
安樂管理服務有限公司 ATAL Management Services Limited*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Provision of property management services
LATA Limited*	Hong Kong	HK$10,000	**100%**	100%	**100%**	100%	Investment holding
Anlev (US) LLC	Delaware, USA	-	**100%**	100%	**100%**	100%	Investment holding

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47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share capital/ registered capital	Proportion of nominal value of share capital/ registered capital held by the Company		Proportion of voting power held by the Company		Principal activity
			2022	2021	2022	2021	
Anlev (UK) Limited	England and Wales	GBP100,000	**100%**	100%	**100%**	100%	Designing, manufacturing, selling, installing, renovating and providing services of lifts, escalators and parts
Anlev (UK) Holdings Limited	England and Wales	GBP100,000	**100%**	100%	**100%**	100%	Investment holding
Future Chance Developments Limited*	British Virgin Islands	USD100	**100%**	100%	**100%**	100%	Investment holding
Black Tie Holdings Limited	British Virgin Islands	USD100	**100%**	100%	**100%**	100%	Investment holding
榮俊投資有限公司 Fame Smart Investment Limited	Hong Kong	HK$1	**100%**	100%	**100%**	100%	Property investment
Meta Infrastructure Limited* (Note iii)	British Virgin Islands	USD10,000	**100%**	N/A	**100%**	N/A	Investment holding
X-i Data Limited (Note iv)	Hong Kong	HK$1	**100%**	N/A	**100%**	N/A	Inactive

Notes:

* Directly held by the Company.

(i) Each of ATAL Engineering (Macao) Limited, Analogue Building Services (Macao) Limited and ATAL Building Services (Macao) Limited is owned as to 96% by the Company and 4% by the Company's wholly owned subsidiary, LATA Limited.

(ii) These subsidiaries are wholly foreign-owned enterprises established in the PRC.

(iii) This subsidiary was incorporated on 23 May 2022.

(iv) This subsidiary was incorporated on 27 September 2022.

The directors of the Company are of the opinion that a complete list of the particulars of all the subsidiaries will be of excessive length and therefore the above table lists only the particulars of the subsidiaries which materially affect the results or financial position of the Group.

None of the subsidiary had issued any debt securities during the year or at the end of the year and prior year.

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For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS

Share Award Schemes

A. Share Award Schemes of the Company

The Company adopted two share award schemes (the "Share Award Schemes"), with the similar terms except that the eligible participants of one of the Share Award Schemes ("Eligible Participants") shall not be connected persons of the Company. The Share Award Schemes are administered by independent trustees appointed by the Group. The award(s) and vesting period(s) of the awarded shares are determined by the board of directors.

During the year ended 31 December 2022, 45,594,000 awarded shares were granted to awardees under the Share Award Schemes. During the year ended 31 December 2022, 20,238,000 awarded shares were vested, 646,000 awarded shares lapsed/forfeited and no awarded shares were cancelled. As at 31 December 2022, there were 24,710,000 awarded shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

The table below sets out details of share awards granted to various participants/categories of participants under the Share Award Schemes:

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Unvested awards as at 31 December 2022
					(Notes 4 & 5)	(Note 6)		
Directors (Note 3)								
– Mr. Chan Hoi Ming	A (Note 1)	21/01/2022	21/01/2022-30/06/2022	–	**4,200,000**	**(4,200,000)**	**–**	**–**
	B (Note 1)	21/01/2022	21/01/2022-30/06/2023	–	**4,200,000**	**–**	**–**	**4,200,000**
	C (Note 1)	21/01/2022	21/01/2022-30/06/2024	–	**5,600,000**	**–**	**–**	**5,600,000**
– Mr. Law Wei Tak	D (Note 2)	15/07/2022	15/07/2022-15/08/2022	–	**4,500**	**(4,500)**	**–**	**–**
			Subtotal (Note 3)	–	**14,004,500**	**(4,204,500)**	**–**	**9,800,000**

Notes to the Consolidated Financial Statements

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48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

A. Share Award Schemes of the Company (Continued)

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2022	Granted during the year	Vested during the year	Lapsed/ forfeited during the year	Unvested awards as at 31 December 2022
					(Notes 4 & 5)	(Note 6)		
Employees	A (Note 1)	21/01/2022	21/01/2022-30/06/2022	–	6,600,000	(6,570,000)	(30,000)	–
	B (Note 1)	21/01/2022	21/01/2022-30/06/2023	–	6,600,000	–	(210,000)	6,390,000
	C (Note 1)	21/01/2022	21/01/2022-30/06/2024	–	8,800,000	–	(280,000)	8,520,000
	D (Note 2)	15/07/2022	15/07/2022-15/08/2022	–	9,589,500	(9,463,500)	(126,000)	–
			Subtotal	–	31,589,500	(16,033,500)	(646,000)	14,910,000
			Total	–	45,594,000	(20,238,000)	(646,000)	24,710,000

Notes:

1. Subject to fulfilment of all the vesting criteria and conditions, the awarded shares granted on 21 January 2022 would be vested in three tranches as follows: (i) 30% of the awarded shares were vested on 30 June 2022 (Batch A); (ii) 30% of the awarded shares would be vested on 30 June 2023 (Batch B); and (iii) the remaining 40% of the awarded shares would be vested on 30 June 2024 (Batch C).

2. The awarded shares were legally transferred to the eligible employees on 15 July 2022 (Batch D). Such awards were communicated and the Company and the employees have a shared understanding of the relevant terms and conditions on 28 March 2022.

3. The two directors named in the table are amongst the five highest paid individuals during the year ended 31 December 2022. During the year ended 31 December 2022, save and except the two directors mentioned above, no share awards were granted, vested, cancelled or lapsed/forfeited in respect of any other person under the category of five highest paid individuals. As such, the sub-totals in the category of "Directors" also represent the totals for the five highest paid individuals during the year, in aggregate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

A. *Share Award Schemes of the Company (Continued)*

Notes: (Continued)

4. The fair values of the share awards granted during the year ended 31 December 2022 were determined using the Black-Scholes valuation model. The closing price of the shares immediately before the date on which the share awards were granted, other key inputs into the model and the estimated fair value of the share awards at the date of grant are set out below:

	Batch			
	A	B	C	D
Closing price before the date of grant (HK$)	1.81	1.81	1.81	1.28
Expected volatility	21.94%	30.15%	42.49%	31.93%
Expected dividend yield	6.40%	6.40%	6.40%	6.94%
Expected life	5 months	17 months	29 months	3 months
Risk-free rate	0.23%	0.77%	0.77%	0.10%
Estimated fair value at the date of grant (HK$)	1.75	1.64	1.53	1.63

5. There are no performance targets attached to any awarded shares.

6. The weighted average closing price of the shares immediately before the dates on which the share awards were vested during the year ended 31 December 2022 was approximately HK$1.31.

The Group recognised the total expense of approximately HK$54,493,000 (2021: Nil) for the year ended 31 December 2022 in relation to awarded shares granted by the Company.

B. *Major terms of the Share Award Schemes*

The principal terms of the Share Award Schemes, which are subject always to the requirements of the Listing Rules, are summarised below:

1. *Purpose of the Share Award Schemes*

The purpose of the Share Award Schemes is to (i) recognise and reward the contribution of certain Eligible Participants (as mentioned below) to the growth and development of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group; and (ii) attract suitable personnel for further development of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

2. Eligible Participants

According to the relevant scheme rules, the Eligible Participants of one of the Share Award Schemes include any person belonging to the following classes of participants: (a) an employee of the Company (full time employee, including any executive director but excluding any non-executive director) of the Company, any subsidiary of the Company and any entity in which any member of the Group holds any equity interest ("Invested Entity") (the "Employee"); (b) any non-executive directors (including independent non-executive directors) of the Company, any subsidiary of the Company or any Invested Entity; (c) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and (d) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group. According to the relevant scheme rules, the Eligible Participants of the other Share Award Scheme include the above Eligible Participants except the connected persons of the Company. Nevertheless, the grant of share awards to any Eligible Participant shall be subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

3. Selection Criteria

A Selected Participant is an Eligible Participant for whom Shares have been provisionally set aside pursuant to an award (the "Award") granted by the board of directors of the Company. The eligibility of any of the Eligible Participants to an Award granted by the board of directors of the Company to a Selected Participant shall be determined by the board of directors of the Company from time to time on the basis of the opinion of the board of directors of the Company as to his contribution and/or future contribution to the development and growth of the Group, subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

4. Satisfaction of Awards

To satisfy the Award, the Company shall transfer to the trustees for the trusts in respect of the Share Award Schemes (the "Trustees") the necessary funds from the Company's internal resources and instruct the Trustees to acquire the shares of the Company (the "Shares") through either on-market and/or off-market transactions at the prevailing market price. The Company shall not instruct the Trustees to acquire any Shares where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance ("SFO") or other applicable laws from time to time.

5. Scheme Limit and Maximum Number of Shares to be Granted

The total number of awarded shares under the Awards (the "Awarded Shares") made pursuant to the Share Award Schemes shall not exceed 10% of the total number of issued shares of the Company as at 27 November 2020 ("SAS Adoption Date") (i.e. 140,000,000 Shares). As at the date of the issuance of these consolidated financial statements, the total number of awarded shares available for grant is 95,052,000 Shares, representing approximately 6.79% of the Company's total number of issued Shares as at the date of these financial statements. Subject to the provisions of Chapter 17 of the Listing Rules as amended from time to time, the maximum number of Shares which may be subject to an Award or Awards to a Selected Participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the SAS Adoption Date (i.e. 14,000,000 Shares).

Notes to the Consolidated Financial Statements

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48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

6. Voting Rights

Neither the Selected Participant nor the Trustees may exercise any of the voting rights in respect of any Awarded Shares that have not yet vested.

7. Duration of the Share Award Schemes

The Share Award Schemes shall be valid and effective for a term of 10 years commencing from the SAS Adoption Date i.e. until 26 November 2030, and after the expiry of such 10-year term no further Awards may be made but the rules of the Share Award Schemes shall remain in full force and effect to the extent necessary to give effect to any Awards made prior thereto and the administration of the trust property held by the Trustees.

8. Timing of Awards and/or Instructions to the Trustees

No Award shall be made to Selected Participants and no instructions shall be given to the Trustees to acquire Shares under the Share Award Schemes:

(a) when inside information has come to the Company's knowledge until such inside information has been published in accordance with the SFO; and

(b) during the periods or times in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company. In particular, during the period preceding the publication of financial results in which the directors of the Company are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company and up to the date of publication of the relevant financial results.

9. Vesting Conditions and/or Performance Targets

The board of directors of the Company is entitled to impose any condition(s) and/or performance target(s), if any, that must be attained by the relevant Selected Participant before any of the Awarded Shares may be transferred to and vested in such Selected Participant under an Award (including but not limited to a period of continued service within the Group after the Award), and shall inform the Trustees and such Selected Participant the relevant conditions and/or performance targets of the Award and the Awarded Shares.

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48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

10. Vesting Period

There is no minimum period for which an Award must be held before it can be vested. The board of directors of the Company is entitled to prescribe the earliest date ("Earliest Vesting Date") and other subsequent date(s), if any, on which the Trustee may vest the legal and beneficial ownership of the Awarded Shares. The Trustees shall transfer to and vest in any Selected Participant the legal and beneficial ownership of the Awarded Shares to which such Selected Participant is entitled under the relevant Award as soon as practicable after the latest of:

(i) the Earliest Vesting Date as specified in the award notice to which such Award relates; and

(ii) where applicable, the date on which the condition(s) and/or performance target(s) (if any) to be attained or paid by such Selected Participant as specified in the related award notice have been attained or paid and notified to the Trustee by the board of directors of the Company.

11. Subscription Price for the Awards or Awarded Shares

There is no amount payable on acceptance of the Awards or the Awarded Shares.

12. Lapse and Forfeiture of Award

In the event that a Selected Participant does not satisfy the vesting condition(s) and/or performance target(s) set out in the award letter issued to such Selected Participant, the Award does not vest and the Award shall lapse and the Award Shares shall be deemed to be returned shares (the "Returned Shares").

In respect of a Selected Participant who dies or retires at his normal retirement date or by agreement with a member of the Group at any time prior to or on the vesting date, all the Awarded Shares of the relevant Selected Participant shall be deemed to be vested on the day immediately prior to his death or the day immediately prior to his retirement with the relevant member of the Group.

In the event that any Selected Participant who is an Employee ceases to be an Employee by virtue of a corporate reorganisation of the Group or the Invested Entity, then any Award made to such Selected Participant shall forthwith lapse and be cancelled.

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48. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes (Continued)

B. Major terms of the Share Award Schemes (Continued)

12. Lapse and Forfeiture of Award (Continued)

In the event (i) a Selected Participant is found to be excluded in accordance with the Share Award Scheme (the "Excluded Participant") or (ii) a Selected Participant fails to return duly executed transfer documents prescribed by the Trustees for the relevant Awarded Shares within the stipulated period, the relevant part of an Award made to such Selected Participant shall automatically lapse forthwith and the relevant Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme.

Upon the occurrence of any of the following events, the Award shall automatically lapse forthwith and all the Awarded Shares shall not vest on the relevant vesting date but shall become Returned Shares for the purposes of the Share Award Scheme:

(i) when a Selected Participant ceases to be an Employee other than because of his death or retirement at his normal retirement date or by agreement with the relevant member of the Group;

(ii) when the Subsidiary or Invested Entity by which a Selected Participant is employed ceases to be a subsidiary or Invested Entity of the Group;

(iii) when the board of directors of the Company shall at its absolute discretion determine in respect of a Selected Participant (other than a Selected Participant who is an Employee) that:

- (a) the Selected Participant or his associate has committed any breach of any contract entered into between the Selected Participant or his associate on one part and any member of the Group or any Invested Entity on the other part;

- (b) the Selected Participant has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or

- (c) the Selected Participant could no longer make any contribution to the growth and development of any member of the Group or the Invested Entity by reason of the cessation of its relationship with the Group or its Invested Entity or by any other reasons whatsoever; or

(iv) an order for the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company.

The Trustees shall hold the Returned Shares exclusively for the benefit of all or one or more of the Eligible Participants (excluding any Excluded Participants) as the board of directors of the Company shall in its absolute discretion at any time determine and select in writing as the Selected Participant(s).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme

A share option scheme (the "Share Option Scheme") was adopted by resolutions in writing passed by the then shareholders of the Company on 14 September 2018 to take effect on the date of listing of the Shares on the Stock Exchange on 12 July 2019. The Share Option Scheme was adopted to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, and remains in force until 11 July 2029. The principal terms of the Share Option Scheme, which are subject always to the requirements of the Listing Rules, are summarised below:

(i) Who may join

According to the rules of the Share Option Scheme, the directors of the Company may, at their absolute discretion, invite any person belonging to any of the following classes of participants, to take up options to subscribe for Shares:

a) any employee (whether full-time or part-time including any executive director but excluding any non-executive director) of the Company, any of the subsidiaries of the Company or any Invested Entity;

b) any non-executive directors (including independent non-executive directors) of the Company, any of the subsidiaries of the Company or any Invested Entity;

c) any supplier of goods or services to any member of the Group or any Invested Entity;

d) any customer of any member of the Group or any Invested Entity;

e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of the Group or any Invested Entity;

h) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group;

and, for the purposes of the Share Option Scheme, the offer for the grant of option may be made to any company wholly owned by one or more persons belonging to any of the above classes of participants. Nevertheless, the grant of share options to any participant shall be subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(ii) Maximum number of Shares available for issue

The total number of Shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme is 140,000,000 Shares, representing 10% of the Company's total number of issued Shares as at the date of these financial statements.

(iii) Maximum entitlement of each participant

According to the rules of the Share Option Scheme, the total number of Shares issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (excluding any options lapsed in accordance with the terms of the scheme) to each grantee in any 12-month period shall not exceed 1% of the number of Shares in issue for the time being ("Individual Limit"), subject always to the provisions of Chapter 17 of the Listing Rules as amended from time to time. Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant must be separately approved by the shareholders in general meeting of the Company with such grantee and his close associates (as defined in the Listing Rules) (or his associates (as defined in the Listing Rules) if the grantee is a connected person (as defined in the Listing Rules) of the Company) abstaining from voting. Further, according to the rules of the Share Option Scheme, options granted to a substantial shareholder and/or an independent non-executive director or any of their respective associates (as defined in the Listing Rules) in any 12-month period in excess of 0.1% of the total number of Shares in issue and having an aggregate value exceeding HK$5 million must be approved by the shareholders in general meeting (with such grantee, his associates (as defined in the Listing Rules) and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting in favour at such general meeting) in advance, subject further to the provisions of chapter 17 of the Listing Rules as amended from time to time.

(iv) The period within which the securities must be taken up under an option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the directors of the Company to each grantee, which period may commence from the date of the offer for the grant of option is made, but shall end in any event not later than 10 years from the date of the offer for the grant of the option, subject to the provisions for early termination thereof.

(v) Minimum period for which an option must be held before it can be exercised

There is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised unless otherwise determined by the directors of the Company and stated in the offer for the grant of options to the grantee.

(vi) Time of acceptance and exercise of option

An option may be accepted by a participant within 21 days from the date of the offer of grant of the option.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

48. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme (Continued)

(vii) Subscription price for the Shares and consideration for the option

The subscription price for the Shares under the Share Option Scheme shall be a price determined by the directors of the Company, but shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the date of the offer for the grant, which must be a business day; (ii) the average closing price of Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer for the grant; and (iii) the nominal value of a Share.

A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

No share option has ever been granted since the adoption of the Share Option Scheme up to the date of the issuance of these consolidated financial statements.

49. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their basic payroll to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the required contributions under the schemes.

The employees employed in Macau are required to join the Social Security Fund (the "FSS"). Contributions to FSS are made in accordance with the statutory limits prescribed by the Social Security System of Macau.

There is a defined contribution plan for its employees in United Kingdom. A defined contribution plan is a pension plan under which the subsidiary pays fixed contributions into a separate entity. Once the contributions have been paid the subsidiary has no further payment obligations.

No forfeited contribution is available to reduce the contribution payable in future years.

During the year ended 31 December 2022, the total expenses recognised in the profit or loss for the above schemes amounted to approximately HK$53,848,000 (2021: HK$52,009,000).

Notes to the Consolidated Financial Statements
For the year ended 31 December 2022

49. RETIREMENT BENEFITS PLANS (CONTINUED)

Defined benefit plan

Obligation to pay long service payment under Hong Kong Employment Ordinance, Chapter 57.

Pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula:

Last monthly wages (before termination of employment) × 2/3 × Years of service

Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post -employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement'). The LSP obligation, if any, is presented on a net basis.

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the HKSAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2022 HK$'000	2021 HK$'000
Non-current assets			
Interests in subsidiaries		**622,885**	620,812
Interest in an associate		**208,669**	246,032
Amount due from a subsidiary		**320,010**	320,010
		1,151,564	1,186,854
Current assets			
Other receivables, deposits and prepayments		**4,637**	1,151
Dividend receivable		**41,882**	–
Amounts due from subsidiaries		**618,741**	496,449
Bank balances and cash		**65,585**	119,828
		730,845	617,428
Current liabilities			
Other payables and accrued expenses		**5,345**	6,758
Amounts due to subsidiaries		**1,069,330**	897,259
Derivative financial instruments		**153**	–
Financial guarantee liabilities		**280**	193
Bank borrowing – due within one year	31	**14,625**	14,625
		1,089,733	918,835
Net current liabilities		**(358,888)**	(301,407)
Total assets less current liabilities		**792,676**	885,447
Capital and reserves			
Share capital	33	**14,000**	14,000
Reserves		**507,294**	584,008
Total equity		**521,294**	598,008
Non-current liabilities			
Bank borrowing – due after one year	31	**263,250**	277,875
Deferred tax liability		**8,132**	9,564
		271,382	287,439
		792,676	885,447

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves is as follows:

	Share premium HK$'000	Treasury share reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2021	358,704	–	–	5	4,072	136,682	499,463
Profit for the year	–	–	–	–	–	258,150	258,150
Exchange differences arising from translation of an associate	–	–	–	–	7,682	–	7,682
Exchange differences arising from disposal of interest in an associate	–	–	–	–	(797)	–	(797)
Total comprehensive income for the year	–	–	–	–	6,885	258,150	265,035
Dividends recognised as distribution (Note 13)	–	–	–	–	–	(154,280)	(154,280)
Purchase of shares under share award schemes (Note 33)	–	(26,210)	–	–	–	–	(26,210)
At 31 December 2021 and 1 January 2022	**358,704**	**(26,210)**	**–**	**5**	**10,957**	**240,552**	**584,008**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**71,387**	**71,387**
Exchange differences arising from translation of an associate	**–**	**–**	**–**	**–**	**(22,473)**	**–**	**(22,473)**
Exchange differences arising from disposal of interest in an associate	**–**	**–**	**–**	**–**	**(500)**	**–**	**(500)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(22,973)**	**71,387**	**48,414**
Dividends recognised as distribution (Note 13)	**–**	**–**	**–**	**–**	**–**	**(160,035)**	**(160,035)**
Recognition of equity-settled share-based payment expense (Note 48)	**–**	**–**	**54,493**	**–**	**–**	**–**	**54,493**
Shares vested under share award schemes	**–**	**37,440**	**(34,273)**	**–**	**–**	**(3,167)**	**–**
Purchase of shares under share award schemes (Note 33)	**–**	**(19,586)**	**–**	**–**	**–**	**–**	**(19,586)**
At 31 December 2022	**358,704**	**(8,356)**	**20,220**	**5**	**(12,016)**	**148,737**	**507,294**

Five-Year Financial Summary

RESULTS
For the year ended 31 December

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Revenue					
– Building services	4,426,520	2,676,315	3,169,846	3,378,709	**4,257,138**
– Environmental engineering	865,796	1,086,886	896,583	1,117,276	**1,233,509**
– ICBT	424,473	444,382	453,317	494,740	**631,388**
– Lifts and escalators	249,257	274,328	605,435	359,995	**352,615**
Total revenue	5,966,046	4,481,911	5,125,181	5,350,720	**6,474,650**
Gross profit					
– Building services	557,747	344,689	407,318	432,358	**519,726**
– Environmental engineering	95,476	192,717	150,747	194,859	**216,415**
– ICBT	139,773	137,076	153,636	114,743	**127,392**
– Lifts and escalators	95,398	112,251	197,430	136,412	**148,014**
Total gross profit	888,394	786,733	909,131	878,372	**1,011,547**
Segment profit					
– Building services	252,169	141,024	155,673	130,737	**178,020**
– Environmental engineering	4,176	67,535	20,077	98,609	**103,082**
– ICBT	72,935	64,700	81,370	36,970	**35,290**
– Lifts and escalators	16,952	26,022	56,662	70,933	**42,071**
Total segment profit	346,232	299,281	313,782	337,249	**358,463**
Profit for the year attributable to owners of the Company	315,282	245,001	301,350	314,299	**114,558**

ASSETS, LIABILITIES AND EQUITY
As at 31 December

	2018 HK$'000	2019 HK$'000	2020 HK$'000	2021 HK$'000	**2022 HK$'000**
Total assets	3,052,971	3,423,255	3,869,727	4,449,158	**4,812,214**
Total liabilities	1,846,364	1,661,451	1,896,095	2,319,459	**2,749,308**
Total Equity	1,206,607	1,761,804	1,973,632	2,129,699	**2,062,906**

FINANCIAL INFORMATION PER SHARE
For the year ended 31 December/As at 31 December

	2018	2019	2020	2021	**2022**
Earnings (HK$)	0.30	0.20	0.22	0.22	**0.08**
Net assets (HK$)	1.15	1.45	1.41	1.52	**1.48**

KEY RATIOS
For the year ended 31 December/As at 31 December

	2018	2019	2020	2021	**2022**
Return on assets	9.7%	7.6%	8.3%	7.6%	**2.5%**
Return on equity	20.6%	16.5%	16.3%	15.3%	**5.5%**
Current ratio (times)	1.5	1.9	1.8	1.6	**1.5**
Gearing ratio	N/A	N/A	N/A	13.7%	**13.5%**

Corporate Information

BOARD OF DIRECTORS

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

Non-executive Director
Dr. Mak Kin Wah *(Deputy Chairman)*
Ms. Or Siu Ching, Rerina *(Note)*

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

Note: Ms. Or Siu Ching, Rerina has been appointed as a non-executive director of the Company with effect from 1 April 2023.

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Analogue Holdings Limited

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