ATAL

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

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

Financial Highlights

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

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

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

RESULTS

The board of directors (the "Board") of Analogue Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023 ("FY2023").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

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

	NOTE	2023 HK$'000	2022 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**251,500**	114,558
Non-controlling interests		**(94)**	–
		251,406	114,558
Total comprehensive income for the year attributable to:			
Owners of the Company		**244,275**	58,335
Non-controlling interests		**33**	–
		244,308	58,335
		HK cents	*HK cents*
Earnings per share			
Basic	*10*	**18**	8
Diluted	*10*	**18**	8

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Investment properties		**4,480**	589,720
Property, plant and equipment		**851,147**	147,902
Right-of-use assets		**48,616**	87,713
Intangible assets		**1,965**	–
Interests in associates	*11*	**484,056**	440,651
Deposits		**6,113**	13,274
Pledged bank deposits		**4,280**	–
Deferred tax assets		**17,306**	13,154
		1,417,963	1,292,414
Current assets			
Inventories		**88,808**	69,474
Contract assets	*12*	**1,346,713**	1,244,364
Trade receivables	*13*	**1,178,218**	1,047,197
Other receivables, deposits and prepayments		**148,163**	145,309
Amount due from an associate		**–**	–
Amounts due from partners of joint operations		**5,746**	7,142
Derivative financial instruments		**1,468**	–
Tax recoverable		**27,429**	4,468
Pledged bank deposits		**18,418**	25,818
Bank balances and cash		**906,424**	976,028
		3,721,387	3,519,800
Current liabilities			
Trade and retention payables	*14*	**775,641**	724,380
Other payables and accrued expenses		**1,743,574**	1,494,963
Contract liabilities		**78,643**	123,978
Amounts due to partners of joint operations		**9,165**	5,108
Bank borrowings – due within one year		**71,280**	14,625
Derivative financial instruments		**–**	2,776
Lease liabilities		**37,758**	31,717
Tax payable		**14,058**	15,911
		2,730,119	2,413,458
Net current assets		**991,268**	1,106,342
Total assets less current liabilities		**2,409,231**	2,398,756

	2023	2022
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**14,000**	14,000
Reserves	**2,112,376**	2,048,906
Equity attributable to owners of the Company	**2,126,376**	2,062,906
Non-controlling interests	**2,786**	–
Total equity	**2,129,162**	2,062,906
Non-current liabilities		
Long service payment obligation	**6,776**	–
Bank borrowings – due after one year	**248,766**	263,250
Lease liabilities	**8,482**	52,762
Deferred tax liabilities	**14,420**	17,944
Deferred income	**1,625**	1,894
	280,069	355,850
	2,409,231	2,398,756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1. BASIS OF PREPARATION

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

To supplement the consolidated results of the Group prepared in accordance with HKFRSs, a certain non-GAAP financial measure, profit attributable to owners of the Company before dilution gain upon private placement of an associate in Mainland China, the provision on certain healthcare sector contracts and the provision for litigation liabilities, is presented. The Company's management believes that the non-GAAP financial measure provide investors with a more meaningful view on the Group's financial results. Nevertheless, the use of this non-GAAP financial measures has limitations as an analytical tool. The non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with HKFRSs.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs AND CHANGES IN OTHER ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

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

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

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

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

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

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

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

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

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

3. REVENUE

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

(i) Disaggregation of revenue from contracts with customers

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

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and the expected timing of recognising revenue are as follows:

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

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

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

4. SEGMENT INFORMATION

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

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

Building services:	Provision of electrical and mechanical engineering building services, including the design, installation, testing and commissioning and maintenance of heating, ventilation and air-conditioning system, fire service system, plumbing and drainage system and electrical and extra low voltage system
Environmental engineering:	Provision of total solutions for the design, construction, operation and maintenance of environmental engineering systems for treatment of sewage, water, solid waste, sludge and gas
Information, communications and building technologies ("ICBT"):	Provision for design, installation and servicing of a wide range of intelligent systems, information and communications (ICT) systems and building technology systems
Lifts and escalators:	Provision of i) total solution for design, supply and installation of a wide range 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 2023

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

For the year ended 31 December 2022

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

Segment revenue and results

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

For the year ended 31 December 2023

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

For the year ended 31 December 2022

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

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

Inter-segment revenue are charged at prevailing market rates.

Segment assets and liabilities

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

Information about major customers

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

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

* Revenue from all four segments.

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

Geographical information

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

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

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

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

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

5. OTHER GAINS AND LOSSES

	2023	2022
	HK$'000	*HK$'000*
Deemed gain on dilution in interest in an associate *(Note 11)*	**124,125**	626
Gain on disposal of interest in an associate *(Note 11)*	**42,463**	31,717
Impairment loss on interest in an associate *(Note 11)*	**(49,000)**	(75,600)
Gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration *(Note 16)*	**8,581**	–
Loss on disposals of property, plant and equipment	**(834)**	(26)
Net exchange losses	**(9)**	(9,078)
Gain on lease remeasurement	**3,366**	–
(Loss) gain on derecognition of right-of-use assets and lease liabilities under early termination	**(3)**	15
Gain from change in fair value of contingent consideration payables	**–**	19,290
Loss from change in fair value of investment properties	**(240)**	(210)
	128,449	(33,266)

6. FINANCE COSTS

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

7. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

8. PROFIT FOR THE YEAR

	2023 HK$'000	2022 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration) *(Note)*:		
– Directors' remuneration	**30,998**	37,290
– Salaries and other benefits	**1,241,659**	1,137,692
– Retirement benefit scheme contributions (excluding directors)	**58,626**	53,504
– Share-based payment expense (excluding directors)	**6,713**	39,109
	1,337,996	1,267,595
Cost of inventories recognised as expenses (included in cost of sales and services)	**302,966**	266,265
Amortisation of intangible assets	**415**	–
Depreciation of property, plant and equipment	**27,184**	22,826
Depreciation of right-of-use assets	**41,377**	37,723
Write-down of inventories, net	**5,250**	3,797
Gain from change in fair value of derivative financial instruments	**(4,244)**	(1,510)
Rental income from investment properties	**(129)**	(6,807)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**19**	2,874
	(110)	(3,933)
Auditors' remuneration	**5,668**	5,169

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

9. DIVIDENDS

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

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

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

10. EARNINGS PER SHARE

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

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share (profit for the year attributable to the owners of the Company)	**251,500**	114,558

	2023	2022
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,392,445,682**	1,389,172,877
Effect of dilutive potential ordinary shares	**3,016,329**	146,240
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,395,462,011**	1,389,319,117

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

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

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

11. INTERESTS IN ASSOCIATES

	2023	2022
	HK$'000	*HK$'000*
Investment cost		
Listed outside Hong Kong *(Note i)*	**91,817**	98,393
Unlisted	**240,840**	240,840
Impairment loss recognised *(Note ii)*	**(124,600)**	(75,600)
Share of post-acquisition profits and other comprehensive income, net of dividends received	**275,999**	177,018
Interests in associates	**484,056**	440,651

Notes:

(i) During the year ended 31 December 2023, Nanjing Canatal Data-Centre Environmental Tech Company Ltd. ("NCA") issued an aggregate of approximately 83,221,000 new ordinary shares to 15 new investors, and resulted in the decrease of the Group's interest in NCA from 21.44% as at 31 December 2022 to 16.83%. A deemed gain on dilution of approximately HK$124,125,000 was recognised for the year ended 31 December 2023.

During the year ended 31 December 2023, the Group disposed of 1.13% of its shareholding in NCA at an aggregate consideration of approximately RMB62,625,000 (equivalent to approximately HK$67,914,000). The net proceeds from the disposal amounted to approximately RMB60,182,000 (equivalent to approximately HK$65,264,000), net of transaction cost of approximately RMB2,443,000 (equivalent to approximately HK$2,650,000). As a result of the disposal, the Group's interest in NCA decreased from 16.83% to 15.83% as at 30 June 2023 and from 15.83% to 15.70% as at 31 July 2023, and a gain on disposal of approximately HK$42,463,000 was recognised for the year ended 31 December 2023.

During the year ended 31 December 2022, the number of ordinary shares of NCA increased as a result of the conversion of the convertible bonds issued by NCA and a deemed gain on dilution of approximately HK$626,000 was recognised.

During the year ended 31 December 2022, the Group disposed of 1% of its shareholding in NCA at an aggregate consideration of approximately RMB35,672,000 (equivalent to approximately HK$43,681,000). The net proceeds from the disposal amounted to approximately RMB34,499,000 (equivalent to approximately HK$42,243,000), net of transaction cost of approximately RMB1,173,000 (equivalent to approximately HK$1,438,000). As a result of the disposal, the Group's interest in NCA decreased from 22.44% as at 31 December 2021 to 21.44% as at 31 December 2022, and a gain on disposal of approximately HK$31,717,000 was recognised for the year ended 31 December 2022.

The Group is able to exercise significant influence over NCA because the Company owns 15.70% and 21.44% of NCA as at 31 December 2023 and 2022, respectively, and appointed two directors out of nine directors.

(ii) The Group performed impairment assessment on the interest in Transel Elevator & Electric Inc. ("TEI"), an associate of the Group, for the years ended 31 December 2023 and 2022. The Group engaged a third party qualified valuer to perform the valuation. Determining whether impairment loss should be recognised requires an estimation of the recoverable amount of the relevant associate which is the higher of value in use and fair value less costs of disposal. The recoverable amount of the Group's interest in TEI has been determined based on a value in use calculation. The recoverable amount is based on certain key assumptions including discount rate and the estimated cash flows. The value in use calculation uses cash flow projections based on financial forecasts approved by management covering a 5-year period with a pre-tax discount rate of 25% (2022: 23%). Cash flow projections beyond the 5-year period are extrapolated using a steady 2.1% (2022: 2%) growth rate. This growth rate does not exceed the average long-term growth rate for the relevant industry in which the business of TEI operates.

Cash flow projections during the forecast period for TEI are also based on management's estimation of cash inflows/outflows including gross revenue, gross margin, operating expenses and working capital requirements during the forecast period. The assumptions and estimations are based on TEI's past performance, management's expectations of the market development. Due to the continuing unfavourable market conditions in the USA, TEI faced a lower than expected demand during the year ended 31 December 2023, its financial performance is less satisfactory than expected. As a result, an impairment loss of HK$49,000,000 (2022: HK$75,600,000) has been recognised in respect of the Group's interest in TEI during the year ended 31 December 2023.

12. CONTRACT ASSETS

	2023	2022
	HK$'000	*HK$'000*
Contract assets	**1,368,359**	1,260,232
Less: allowances for credit losses	**(21,646)**	(15,868)
	1,346,713	1,244,364

As at 1 January 2022, contract assets amounted to approximately HK$986,895,000.

As at 31 December 2023, contract assets include retention receivables of approximately HK$489,459,000 (2022: HK$394,171,000). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will provide a final inspection and acceptance certificate and pay the retention within the term specified in the contract.

Retention receivables are interest-free and repayable at the end of the retention period of the respective construction contract.

Details of the impairment assessment are set out in Note 13.

13. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**1,068,590**	859,266
Less: allowances for credit losses	**(65,504)**	(51,097)
	1,003,086	808,169
Unbilled revenue *(Note)*	**173,732**	238,692
Bills receivables	**1,400**	336
	1,178,218	1,047,197

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

As at 1 January 2022, total trade receivables including unbilled revenue and bills receivables amounted to approximately HK$1,116,614,000.

As at 31 December 2023, the Group's bills receivables are of age within one year (2022: within one year).

The Group generally allows credit period ranging from 14 to 90 days (2022: 14 to 90 days). The Group will assess the credit quality of each potential customer and define rating and credit limit for each customer. In addition, the Group will review the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of trade receivables. The Group does not hold any collateral over these balances.

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**533,985**	481,296
31 – 90 days	**355,195**	258,568
91 – 360 days	**113,249**	61,342
Over 1 year	**657**	6,963
Total	**1,003,086**	808,169

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK$466,256,000 (2022: HK$394,000,000) which are past due as at the reporting date. Out of the past due balances, approximately HK$59,961,000 (2022: HK$50,403,000) has been past due 90 days or more and is not considered as in default due to the long-term/on-going relationship, good repayment record and continuous repayment from these customers.

During the year ended 31 December 2023, the Group recognised impairment allowance of approximately HK$21,544,000 (2022: HK$15,787,000) and reversed impairment allowance of approximately HK$12,679,000(2022: HK$11,201,000) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$19,403,000 (2022: HK$13,057,000) was made and approximately HK$17,272,000 (2022: HK$12,630,000) was reversed on credit-impaired trade receivables. During the year ended 31 December 2023, trade debtors with gross carrying amount of approximately HK$8,944,000 (2022: HK$2,892,000) became credit-impaired and therefore, approximately HK$8,944,000 (2022: HK$2,892,000) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the year ended 31 December 2023, impairment allowance of approximately HK$5,788,000 (2022: HK$4,234,000) was recognised on contract assets based on the collective assessment.

14. TRADE AND RETENTION PAYABLES

	2023	2022
	HK$'000	*HK$'000*
Trade payables	**537,801**	496,420
Trade payables (unbilled)	**52,099**	54,602
Retention payables	**185,741**	173,358
	775,641	724,380

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

	2023	2022
	HK$'000	*HK$'000*
0 – 30 days	**273,155**	247,742
31 – 90 days	**202,301**	129,953
91 – 360 days	**39,037**	88,665
Over 1 year	**23,308**	30,060
	537,801	496,420

15. PLEDGE OF ASSETS

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

	2023	2022
	HK$'000	*HK$'000*
Properties *(Note i)*	**791,345**	68,300
Investment properties *(Note i)*	**4,480**	589,720
Bank deposits	**22,698**	25,818
Others *(Note ii)*	**35,476**	15,979
	853,999	699,817

Notes:

(i) The increase in "Properties" under pledge of assets mainly represents (i) transfer of building located in Kwai Chung from an investment property pledged to properties pledged following the commencement of revitalisation on 1 April 2023, and (ii) the revitalisation cost incurred during the year ended 31 December 2023.

(ii) Included in others, there was the assignment of certain trade receivables of a wholly-owned subsidiary of the Company of approximately HK$19,524,000 (2022: HK$7,360,000) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$15,952,000 (2022: HK$8,619,000).

16. ACQUISITION OF SUBSIDIARIES

(a) Acquisition of JCW Lifts Ltd. ("JCW")

On 24 July 2023, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with two independent individuals, to purchase 51% of the equity interests in JCW for an aggregate consideration of GBP500,000 (equivalent to approximately HK$4,753,000). JCW is a corporation incorporated in England and Wales that is principally engaged in the business of providing installation and maintenance services for lifts. This acquisition was completed on 24 July 2023 and accounted for as acquisition of business using the acquisition method. The non-controlling interests (49%) in JCW of approximately HK$2,753,000 recognised at the acquisition date were measured by reference to the proportionate share of recognised amounts of net assets of JCW of approximately HK$5,619,000 (including intangible assets of approximately HK$2,282,000, plant and machinery of approximately HK$216,000 and borrowing of approximately HK$294,000).

The consideration of the acquisition also includes deferred consideration based on the actual number of units under the brand name of "Anlev" sold by JCW in second, third and fourth year after the completion of the acquisition ("Sales Targets"). The deferred consideration is payable as below:

- GBP100,000 if the sales units reach 100 or more units for the period from 24 July 2023 to 24 July 2025;

- GBP125,000 if the sales units reach 225 or more units for the period from 24 July 2023 to 24 July 2026; and

- GBP150,000 if sales units reach 400 or more units for the period from 24 July 2023 to 24 July 2027.

During negotiations with the selling shareholders of JCW, the Sales Targets were agreed, and the directors of the Company believed the Sales Targets are remote. Consequently, the fair value of such deferred consideration is assessed to be minimal.

(b) Acquisition of Precision Lift Services Limited ("Precision")

On 30 September 2023, a wholly owned subsidiary of the Company entered into a share purchase agreement with an independent third party, to purchase 100% of the equity interests in Precision. The purchase price is the aggregate of completion payment of GBP300,000 (equivalent to approximately HK$2,852,000), as well as GBP64,591 (equivalent to approximately HK$614,000) being the difference of relevant working capital balance of Precision at date of completion and the target working capital as stipulated in the share purchase agreement. Precision is a corporation incorporated in England and Wales that is principally engaged in the business of providing installation and maintenance services for lifts, escalators and travellators. This acquisition was completed on 30 September 2023 and accounted for an acquisition of business using the acquisition method.

A gain on acquisition of a subsidiary in which fair value of the acquiree exceeds the consideration of approximately HK$8,581,000 was recognised during the year ended 31 December 2023, the total consideration of GBP364,591 (equivalent to approximately HK$3,466,000), was below the fair value acquired of approximately GBP1,267,000, (equivalent to approximately HK$12,047,000), it was because the seller publicly announced that Precision was its non-core business and planned for divestment.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

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

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

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

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

Building Services

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

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

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

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

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

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

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

Environmental Engineering

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

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

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

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

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

Information, Communications and Building Technologies (ICBT)

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

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

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

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

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

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

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

Lifts & Escalators

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

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

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

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

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

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

Innovation, Resources Management and Other Operations Initiatives

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

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

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

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

COVID-19 Impact

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

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

FINANCIAL REVIEW

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

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

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

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

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

Revenue

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

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

Gross Profit

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

Other Income

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

Other Gains and Losses

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

Administrative Expenses

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

Share of Results of Associates

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

Liquidity and Financial Resources

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

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

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

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

Foreign Exchange Risk

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

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

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

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

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

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

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

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

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

Future Plans for Material Investment or Capital Assets

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

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

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

Gearing Ratio and Indebtedness

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

Charges on Group Assets

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

Capital Commitments

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

Contingent Liabilities

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

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

FINANCIAL HIGHLIGHTS

Key Financials

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

Notes:

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

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

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

Human Resources

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

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

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

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

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

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

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

OUTLOOK

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

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

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

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

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

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

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

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

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

SECOND INTERIM DIVIDEND

The Board has resolved to pay a second interim dividend of HK1 cent per share of the Company (each, a "Share") for the year ended 31 December 2023 (the "Second Interim Dividend") to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Thursday, 18 April 2024. The Second Interim Dividend is expected to be paid to the Shareholders on or around Monday, 29 April 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Second Interim Dividend, the Register of Members will be closed from Wednesday, 17 April 2024 to Thursday, 18 April 2024, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Monday, 15 April 2024. In order to be entitled to the Second Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration by no later than 4:30 p.m. on Tuesday, 16 April 2024.

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. During the year ended 31 December 2023, the Company has complied with all applicable code provisions set out in the CG Code.

REVIEW OF AUDITED ANNUAL RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive directors and one non-executive director of the Company. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

PUBLICATION OF THE ANNUAL RESULTS AND 2023 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual results announcement is published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.atal.com). The Company's annual report for the year ended 31 December 2023 containing all the information required under the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course and a notice of publication will be sent to the Shareholders. The printed version of the annual report will also be despatched to the Shareholders in accordance with their individual request.

On behalf of the Board of
ANALOGUE HOLDINGS LIMITED
Dr. Poon Lok To, Otto
Founder and Executive Director

Hong Kong, 25 March 2024

As at the date of this announcement, the executive directors of the Company are Dr. Poon Lok To, Otto, Dr. Mak Kin Wah, Mr. Chan Hoi Ming, Mr. Cheng Wai Lung and Mr. Cheng Wai Keung, Peter; the non-executive director of the Company is Ms. Or Siu Ching, Rerina and the independent non-executive directors of the Company are Mr. Chan Fu Keung, Mr. Lam Kin Fung, Jeffrey and Ms. Shing Mo Han, Yvonne.