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

2024
Interim Report

About Analogue Holdings Limited

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

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

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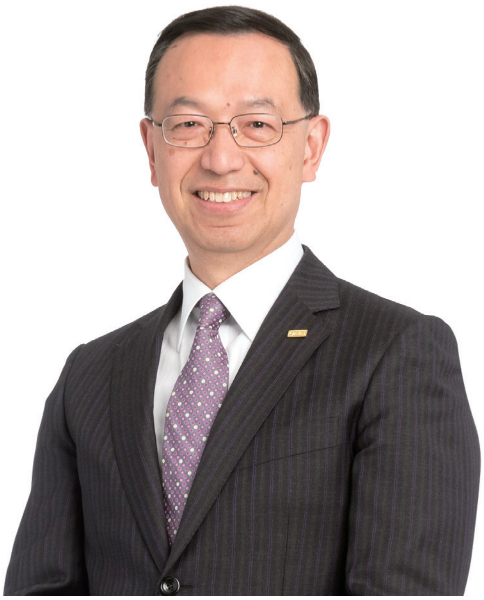
Financial Highlights

	For the six months ended 30 June	
	2024	2023
	HK$'M	HK$'M
Revenue	**3,265.4**	2,841.1
Gross profit	**477.7**	453.8
Profit attributable to the owners of the Company	**82.4**	237.5
Basic earnings per share	**HK$0.06**	HK$0.17

The Board has resolved to pay an interim dividend of HK2.38 cents per share for the six months ended 30 June 2024.(i)

(i) The interim dividend for the six months ended 30 June 2024 of HK2.38 cents per share, amounted to approximately HK$33.0 million in aggregate.

Chairman's Statement



"We remain steadfast not only in embracing innovation but also in upholding our other core values, including 'Trust', 'Integrity' and 'Customer Focus'. We recognise creating added value for customers is fundamental to earning their trust and ultimately forging a strong and long-lasting partnership with them."

Continuing a Legacy of Excellence

It is my great privilege to present this Interim Report as my first after taking on the chairmanship in March 2024. Owing to the decades of exceptional leadership of our Founder, Dr. Otto Poon, since the establishment of the Group in 1977, we have grown to become an innovative leader not only in multi-disciplinary Electrical & Mechanical ("E&M") engineering, but also distinctively an Information & Communications Technology ("ICT") service provider.

Enhancing Our Industry Leadership

Having been a member of the Analogue family for years, I have had the pleasure of witnessing the Group's iconic projects, significant market share and diverse opportunities in Building Services and Environmental Engineering, both businesses being well positioned in growth sectors including data centre and infrastructure. Consistently forging its one-stop business model that ranges from manufacturing through installation to excellent maintenance service, the Group's renowned brand of lifts and escalator business, Anlev, has grown from Hong Kong through Mainland China to the United States and then Europe. Distinct from its peers, the Group's Information, Communications and Building Technologies ("ICBT") business has been built up as a market leader on our realisation since decades ago of the importance of innovation, and our commitment to investment in research & development ("R&D") and technologies.

With continuous enhancement of our core businesses as our goal, we shall continue to build on our competitiveness and productivity, and enhance our edge achieved through strategic early adoption of emerging construction technologies including Multi-trade Integrated Mechanical, Electrical, and Plumbing ("MiMEP"), Building Information Modelling ("BIM"), and Modular Integrated Construction ("MiC").

Chairman's Statement

Leveraging our own R&D team as well as collaboration with universities and other partners, we shall in the future focus on developing technologies to advance the digital business and the green and environmental business. For example, our continuous development of AI-enabled Digital Twin solutions has brought proven benefits to our customers in varied applications including energy optimisation and all aspects of building operations, delivering Environmental, Social and Governance ("ESG") performances, automation and optimisation of water treatment, sewage treatment and other industrial processes, and even mission-critical operations and maintenance ("O&M") as required in a data centre.

In the future, we shall also continue to explore projects that will support new market development and extension of our business model in suitable overseas markets.

Upholding Our Core Values

We remain steadfast not only in embracing innovation but also in upholding our other core values, including "Trust", "Integrity" and "Customer Focus". We recognise creating added value for customers is fundamental to earning their trust and ultimately forging a strong and long-lasting partnership with them. We shall uphold our motto "**We Commit. We Perform. We Deliver**."

What Analogue has achieved would not have been possible without our dedicated and capable staff. Recruiting and retaining talents remains one of our top priorities. We are committed to providing comprehensive training to our employees to support their development, and cultivating a corporate culture that values professionalism and craftsmanship.

Marching into the Future

We are pleased to announce the unveiling of our new headquarters, ATAL Tower, in July 2024. This marks a new era and a significant milestone for the Group's development. ATAL Tower boasts superior infrastructure for better serving customers as well as providing our employees with a pleasant work environment to enhance productivity.

We take pride in being able to provide a comprehensive suite of quality services, not only to the benefit of our customers, employees and shareholders, but also to contribute to the betterment of society in Hong Kong and around the globe.

Dr. MAK Kin Wah
Chairman

Hong Kong, 26 August 2024

Management Discussion and Analysis

INTERIM BUSINESS REVIEW

Overview

The Group recorded a profit attributable to the owners of the Company of HK$82.4 million for the six months ended 30 June 2024 ("1H2024"). Excluding the Group's share of a once-off net insurance claim income of approximately HK$15.2 million (net of associated expenses) received by our associate in the United States of America ("USA"), the adjusted profit attributable to the owners of the Company for the six months ended 30 June 2024 was HK$67.2 million. This is comparable to the adjusted profit attributable to the owners of the Company of HK$74.7 million for the six months ended 30 June 2023 ("1H2023") (being the balance of profit attributable to the owners of the Company of HK$237.5 million after excluding the once-off dilution gain of HK$124.1 million and the once-off gain on disposal of interest in an associate of HK$38.7 million) as shown in the announcement of the Company dated 27 May 2024. The difference in the adjusted profit attributable to the owners of the Company between the first six months of 2024 and 2023 is mainly due to phasing difference of projects (being approximately 10.0% or HK$7.5 million).

The revenue generated by the Group for the six months ended 30 June 2024 amounted to HK$3,265.4 million, compared with HK$2,841.1 million for the six months ended 30 June 2023, representing an increase of HK$424.3 million or 14.9%. This is mainly due to the effective execution of a variety of data centre, healthcare, building and infrastructure projects, including new projects scheduled to reach the threshold for profit recognition progressively and are expected to contribute to the future profit pipeline in phases, and also due to the consolidation of revenue of two recently acquired lift companies in the United Kingdom ("UK") under the Group.

The Group's contracts-in-hand amounted to HK$11,704.3 million as at 30 June 2024 (30 June 2023: HK$12,276.0 million). It is noteworthy that the Group maintained active tendering activities throughout the reporting period and submitted a total of 581 tenders or quotations valued at over HK$1 million each (six months ended 30 June 2023: 570 tenders or quotations valued over HK$1 million). In accordance with the tendering schedules, the award of many of the submitted tenders is due for announcement in phases later in the year.

Revenue
HK$3,265.4 million

Gross profit margin
14.6%

Contracts-in-hand
HK$11,704.3 million

Profit attributable to owners of the Company
HK$82.4 million

Management Discussion and Analysis

Despite the challenging worldwide business environment, the Group achieved a solid consolidated gross profit of HK$477.7 million in the first half of 2024 (six months ended 30 June 2023: HK$453.8 million) while staying vigilant to risks and opportunities to ensure our commitment to customers and the delivery of high-quality services.

Building on our competitive advantage as a market leader, the Group continuously enhanced its core businesses in the electrical and mechanical ("E&M") engineering markets during the six months ended 30 June 2024. The Group has a significant market share and is well positioned in the growth sectors including data centres, infrastructure and technology services. Moreover, the Group continuously invested to enhance its distinctive market edge as a successful technology service provider in Information, Communications and Building Technologies ("ICBT"), which provides strong impetus for the Group's growth in line with its three strategic pillars of "New Technology", "New Market" and "New Business Model". In particular, the Group focused its investment in research and development ("R&D") and business development in innovative building technologies including Multi-trade Integrated Mechanical, Electrical and Plumbing ("MiMEP"), Design for Manufacture and Assembly ("DfMA"), and Building Information Modelling ("BIM"); smart solutions including AI-enabled Digital Twin, energy management technologies for buildings as well as industrial plants, renewable energy, ESG dashboards, Indoor Environment Quality ("IEQ") Management, data management and analytics, robotic solutions, smart building management systems, and smart lampposts; and new environmental technologies for climate solutions, clean water, and waste and sewage treatment to meet customer needs and create value for the community. In addition to actively advancing our business expansion in the Lifts and Escalators segment in the UK and the USA to build on our through-train business model that includes design, through manufacturing and construction, to excellent services, the Group also explored new markets in the Middle East and other countries.

In addition to engineering and technical capabilities, the Group upholds integrity and sincere customer-centric service with the view to maintaining our leading market position. Our commitment to business ethics and avoiding conflicts of interest is clearly communicated to every employee through the Code of Conduct, reinforced through operating procedures, and continuously enhanced through regular staff training. Maintaining quality, safety, health and environment is also part of our core values. Under the Construction Sites Safety and Housekeeping Award Scheme 2023 organised by the Drainage Services Department, the Group received a merit award in the Maintenance Contracts of E&M Branch category in May 2024.

ATAL Tower, our new headquarters in Kwai Chung, has been completed. Our operation units from different offices are now moving in by phases to be consolidated under one roof and to enjoy the remarkable infrastructure of this new headquarter building, which will become fully operational by the third quarter of 2024. In addition to creating better infrastructure for serving our customers and partners, closer collaboration and synergy among the operation units will significantly enhance productivity.

The global market will become more competitive, but abundant demand for E&M and ICT solutions remain, especially in line with the fast growth of innovative technologies, healthcare needs, impetus for economic and environmental transformation and extension of the service life of existing facilities, and many opportunities arise in the current market conditions. To position for these opportunities and maximise our chances of success, the Group is continuously strengthening our overall capabilities, upskilling our workforce through dedicated professional training, appointing new and retaining talents, reorganising our operation units to further improve effectiveness, developing enhanced procedures, and exploring cautiously synergistic equity participation opportunities and other partnerships.

Building Services

Delivering effectively on the strong order book throughout the first half of 2024, which included new projects starting this year, revenue for our Building Services segment for the six months ended 30 June 2024 was HK$2,111 million (six months ended 30 June 2023: HK$1,748 million).

As at 30 June 2024, the Building Services segment had contracts-in-hand valued at HK$5,585 million (30 June 2023: HK$6,150 million). The total value of new contracts received in the first half of 2024 was HK$1,881 million (six months ended 30 June 2023: HK$2,461 million). In accordance with tendering schedules, the award of many of the submitted tenders is due for announcement in phases later in the year.

The Group has maintained its leadership in this field, with a substantial market share and solid reputation among prestigious customers. With the recent achievement of significant new projects for providing E&M services, including a Grade A office building in Caroline Hill Road, Causeway Bay with one of the highest levels of innovative MiMEP construction technologies for a commercial building as well as a number of large-scale projects in Macau, we currently have large and sustainable contracts-in-hands which will contribute to profit going forward.

Recurring maintenance revenue was HK$205 million for the six months ended 30 June 2024, representing an increase of 11.3% compared with HK$184 million for the six months ended 30 June 2023. This was further augmented by new maintenance contracts of HK$125 million secured from infrastructure operations, data centres and housing programmes in the first half of 2024 (six months ended 30 June 2023: HK$549 million).

The Group continues to invest in technologies including BIM and MiMEP to enhance productivity, safety and quality, including adding a new MiMEP facility in Mainland China to augment our established MiMEP facility in Hong Kong.

Environmental Engineering

Delivering effectively on the order book throughout the first half of 2024, revenue for our Environmental Engineering segment for the six months ended 30 June 2024 was HK$621 million (six months ended 30 June 2023: HK$623 million).

Two notable projects were awarded during the reporting period, including significant barrage and nullah improvement works in Yuen Long that would help enhance climate resilience, and a new landfill leachate treatment plant at Nim Wan, Tuen Mun. In accordance with tendering schedules, the award of many other submitted tenders is due for announcement in phases later in the year.

As at 30 June 2024, the Environmental Engineering segment had contracts-in-hand valued at HK$4,514 million (30 June 2023: HK$4,599 million), including eight new contracts or significant variation orders, demonstrating our expertise in delivering quality project management services for varied environmental infrastructure. These projects will support the sustainable development of Hong Kong in the areas of water supply, sewage treatment, waste management, environmental protection, power station and public housing.

In addition to technologies for climate solutions, clean water, waste and sewage treatment including AI-enabled Digital Twin, the Group has adopted various innovative approaches to the strengthening, protection, operation and maintenance of environmental infrastructure to extend its life cycle and ensure that it provides excellent serviceability for Hong Kong. These approaches not only apply to design-and-build projects, but also to operation and maintenance projects for electrical and mechanical works for water and sewage treatment and solid waste management.

During the reporting period, tendering activities were extended beyond Hong Kong and Mainland China to include water treatment works in Teresa in the Philippines, and a pumping station project in Dubai.

Management Discussion and Analysis

Information, Communications and Building Technologies (ICBT)

Delivering on the order book throughout the first half of 2024, revenue for our ICBT segment in the six months ended 30 June 2024 was HK$295 million (six months ended 30 June 2023: HK$311 million). As at 30 June 2024, the ICBT segment had contracts-in-hand valued at HK$938 million (30 June 2023: HK$941 million). In accordance with tendering schedules, the award of many other submitted tenders is due for announcement in phases later in the year.

The Group is well positioned for the opportunities arising from driving Hong Kong's transformation into a "Smart City" and a "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, renewable energy, ESG dashboards, 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.

Our cutting-edge CCTV systems with artificial intelligence ("AI") video analytics have been adopted by the largest lifestyle shopping mall in the Southern District of Hong Kong Island. This new complex, stretching over 510,000 square feet and housing over 100 retail stores, restaurants, and a cinema, is leveraging our advanced surveillance and analytics capabilities to enhance security and optimise operations.

Beyond the commercial sector, the Group has secured a contract to supply and install the Extra Low Voltage ("ELV") and Building Management Systems for a residential development project at Tseung Kwun O. This is the largest residential development above a MTR station in the district.

The Group has also secured a contract for an automated vehicle clearance support system for ensuring smooth border clearance. This innovative solution will streamline the growing demand on the border crossing process, enhancing efficiency and convenience for both commercial and private vehicle users.

We are actively seeking to collaborate with various manufacturers to expand our technology reach. We are currently working with a globally recognised leading pump company to provide digital solutions including ready-to-use BIM assets, prefabrication, Internet of Things ("IoT") integration and AI analytics.

These recent achievements showcase the Group's continued technological leadership and ability to deliver cutting-edge solutions across diverse sectors. As we extend our reach and deepen our expertise, we remain committed to working closely with our customers to drive innovation and transform the way people live, work and interact with their surroundings.

Lifts and Escalators

Delivering on the order book throughout the first half of 2024, revenue for our Lifts and Escalators segment in the six months ended 30 June 2024 was HK$239 million (six months ended 30 June 2023: HK$160 million). Our success in overseas projects in the UK had positively contributed to this high revenue; the two recently acquired lift companies in the UK were consolidated under the Group's operations.

As at 30 June 2024, the contracts-in-hand of Anlev Elevator Group ("Anlev"), the Group's global brand of lifts, escalators and moving walkways, amounted to HK$667 million (30 June 2023: HK$586 million). In accordance with tendering schedules, the award of many other submitted tenders is due for announcement in phases later in the year. Maintenance contracts for both commercial and government buildings in Hong Kong were major profit contributors during the reporting period.

Anlev, as the Group's well-known brand and the market leader in lifts, escalators and moving walkways, has served millions of users in Asia, America and Europe. Its performance, in terms of both safety and service quality, is well recognised by our customers. Anlev has received the "Safety Star" and five "Quality Stars" for 46 consecutive quarters in the Lift and Escalator Contractors' Performance Ratings issued by the Electrical and Mechanical Services Department of the Hong Kong SAR Government as a certification of the highest level of safety and service quality performance.

As part of the Group's growth strategies, Anlev has been making progress to expand its business in the UK. Its associate in the USA is also making progress in New York, which was impacted by COVID, as well as expanding its business in the south. The operations of the associate in the USA turned from loss-making to profit-making during the six months ended 30 June 2024 mainly due to higher gross profit margins recognised in the period and once-off net insurance claim income, but partly offset by impairment loss on brand name. For details, please refer to Note 12(ii) on Page 36 of this report.

Leveraging its comprehensive capability from designing, through manufacturing and construction, to servicing lifts and escalators, Anlev has been continuously developing its products, which will not only meet customer needs but will enable it to be ahead of the competition. In the process, Anlev is building critical mass to enhance the efficiency of production, to improve operational efficiency, quality, and price competitiveness, and to extend the benefits of our excellent Six Star service from Hong Kong to other markets.

Innovation, Resources Management and Other Operations Initiatives

The Group fosters a culture of innovation to continuously develop a wide range of solutions for our customers in AI, robotics solutions, energy optimisation, energy storage, renewable energy, digitalisation and environmental protection that ultimately benefit society. Aligned with the latest innovative solutions, the new business development unit of Smart Data Automation ("SDA") was established to bring the benefits to customers in water treatment plant, sewerage treatment plant, operations and maintenance ("O&M") of mission critical facilities such as data centre and other industrial facilities. In addition, mechanical handling solutions, including a comprehensive crane and hoisting system and smart options for the E&M system, have been launched under another new business development unit to support a wide variety of customer needs. These business development approaches cater to emerging customer needs, consolidate our market-leading position in the industry and contribute to our long-term sustainable business growth.

As an industry pioneer in the adoption of advanced construction technologies, the Group has successfully implemented BIM, DfMA and MiMEP in more than 50% of our building services projects as at 30 June 2024. These technologies have significantly improved project management efficiency, quality and safety, and facilitated the digital transformation of the industry.

The Group's overall BIM capability has been enhanced through various high-quality education and training opportunities in line with Hong Kong's BIM roadmap. Our engineering staff are encouraged to obtain the industry-recognised qualifications of CIC-Certified BIM Manager/CIC-Certified BIM Coordinator (BIM CCBM/CCBC).

Our strength also extends to data analytics and programming. The automated calculation algorithms for each of the Mechanical, Electrical and Plumbing ("MEP") disciplines are designed to improve accuracy and speed by reducing the need for manual calculations.

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

As the world gradually recovers from the COVID-19 pandemic, the Group has been seizing every opportunity arising from the economic recovery.

Management Discussion and Analysis

Business exchange and cooperation between Hong Kong and Mainland China are facilitated by the full reopening of the border and the convenient road infrastructure such as the high-speed rail, the Hong Kong-Macau-Zhuhai Bridge and the Shenzhen-Zhongshan Bridge. The Group has leveraged this to attract and retain talents in the Greater Bay Area to respond to the dynamic human resources situation in Hong Kong and to support our core and expanding businesses.

FINANCIAL REVIEW

In the first half of 2024, the Group's revenue was HK$3,265.4 million, which was HK$424.3 million or 14.9% higher than the same period last year, and such increase is mainly attributable to the Building Services segment. Gross profit for the six months ended 30 June 2024 was HK$477.7 million, which was HK$23.9 million or 5.3% above the same period last year. The gross profit margin of 14.6% in 1H2024 was 1.4% lower than the same period last year (1H2023: 16.0%).

Profit attributable to the owners of the Company in the first half of 2024 was HK$82.4 million. It should be noted that, in the first half of 2024, our associate in the USA was entitled to and recorded a once-off net insurance claim income of HK$31.0 million. Accordingly, the Group's share of results of associates in the period included a HK$15.2 million share of this once-off net insurance claim income. Excluding this, the adjusted profit attributable to the owners of the Company for the six months ended 30 June 2024 would be HK$67.2 million, which was close to the consolidated net profit estimate of HK$60 million to HK$65 million as shown in the announcement of the Company dated 27 May 2024. This is comparable to the adjusted profit attributable to the owners of the Company of HK$74.7 million for the six months ended 30 June 2023 (being the balance of profit attributable to the owners of the Company of HK$237.5 million after excluding the once-off dilution gain of HK$124.1 million and the once-off gain on disposal of interest in an associate of HK$38.7 million) as shown in the announcement of the Company dated 27 May 2024. The difference in the adjusted profit attributable to the owners of the Company between the first six months of 2024 and 2023 is mainly due to phasing difference of projects (being approximately 10.0% or HK$7.5 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$1,147.3 million as at 30 June 2024 (31 December 2023: HK$906.4 million). Net cash inflow in the six-months ended 30 June 2024 was HK$240.9 million, including the drawdown of revitalisation and green loans in the total amount of HK$238.7 million during the period.

As at 30 June 2024, the Group's bank borrowing balance was HK$519.5 million (31 December 2023: HK$320.0 million), which mainly included the outstanding balance of mortgage loan (for the purchase of ATAL Tower in 2021) of HK$255.9 million (31 December 2023: HK$263.3 million), the revitalisation loans of HK$134.3 million (31 December 2023: Nil) and the green loan of HK$100.0 million (31 December 2023: Nil).

Out of the total bank borrowing balance of HK$519.5 million, HK$347.9 million (31 December 2023: HK$248.8 million) was non-current liabilities which mainly represent the mortgage loan balance of HK$241.3 million (31 December 2023: HK$248.6 million) and the revitalisation loans balance of HK$106.5 million (31 December 2023: Nil).

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

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

Revenue

In the first half of 2024, the Group reported a total revenue of HK$3,265.4 million, representing an increase of HK$424.3 million or 14.9% compared to the first half of 2023. The increase in revenue in the Building Services segment was HK$363.4 million.

Gross Profit

The Group's gross profit was HK$477.7 million in the first half of 2024 (six months ended 30 June 2023: HK$453.8 million). The gross profit margin of the Group for the six months ended 30 June 2024 was 14.6% (six months ended 30 June 2023: 16.0%), which is 1.4% lower compared to the same period last year. The lower margins in the Building Services segment and the Environmental Engineering segment were partly offset by the higher margin in the ICBT segment.

Other Income

The Group's other income for the six months ended 30 June 2024 was HK$12.3 million (six months ended 30 June 2023: HK$11.9 million) which mainly included bank interest income and government subsidies.

Other Gains and Losses

The Group's other gains and losses in the first half of 2024 was a net loss of HK$16.4 million, as compared to a net gain of HK$144.5 million in the same period last year. In the first half of 2023, the Group recorded a dilution gain of HK$124.1 million upon the completion of a private placement of an associate in Mainland China and a gain on disposal of interest in an associate of HK$38.7 million. No such once-off gain was recognised in the first half of 2024.

Administrative Expenses

The Group's administrative expenses increased by HK$42.6 million or 13.4% to HK$360.9 million during the first half of 2024 (six months ended 30 June 2023: HK$318.3 million). If the administrative expenses of HK$15.7 million attributable to the two UK subsidiaries acquired in the second half of 2023 were excluded, the period-on-period increase would be HK$26.9 million or 8.5%, mainly due to annual salary increment and increase in other administrative expenses.

Share of Results of Associates

The Group's share of results of associates during the first half of 2024 increased by HK$7.8 million when compared to the first half of 2023. The increase is mainly attributable to the share of profit of HK$1.4 million in a USA associate during the first half of 2024 (six months ended 30 June 2023: share of loss of HK$9.4 million). The operations of the associate in the USA turned from loss-making to profit-making during the six months ended 30 June 2024 mainly due to higher gross profit margins recognised in the period and share of its once-off net insurance claim income of HK$15.2 million, but partly offset by share of its impairment loss on brand name (net of tax) of approximately HK$18.9 million (six months ended 30 June 2023: Nil).

Management Discussion and Analysis

Liquidity and Financial Resources

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

As at 30 June 2024, the Group's total cash and bank balances (excluding pledged bank deposits) amounted to HK$1,147.3 million (31 December 2023: HK$906.4 million), of which 71.1%, 27.1%, 1.2% and 0.6% (31 December 2023: 68.4%, 29.0%, 1.3% and 1.3%) were denominated in Hong Kong dollars ("HKD") or Macau Pataca, Renminbi ("RMB"), United States dollars and other currencies respectively.

As at 30 June 2024, the Group's bank borrowing was HK$519.5 million (31 December 2023: HK$320.0 million), mainly representing the mortgage loan and revitalisation loans outstanding for ATAL Tower, and a short-term green loan. Except the mortgage loan, which is scheduled to be repaid by the end of the year 2041, the remaining borrowings will be settled within 5 years. The loans are mainly denominated in HKD and RMB, and bearing at floating interest rate.

In addition, as at 30 June 2024, the Group had banking facilities in the form of bonds, bank overdraft and loans, and trade financing of approximately HK$2,704.7 million (31 December 2023: HK$2,673.4 million), of which approximately HK$1,251.4 million had been utilised (31 December 2023: HK$949.8 million).

Foreign Exchange Risk

The Group operates primarily in Hong Kong, Macau, Mainland China and the UK 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 listing of shares of the Company

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 30 June 2024, the Group had utilised HK$275.9 million of the Net Proceeds. As disclosed in the Company's annual report for the year ended 31 December 2023, the Net Proceeds were not fully utilised in the year ended 31 December 2023 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 and have not been used during 1H2024.

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 of 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 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 30 June 2024:

	Original allocation of Net Proceeds	Utilised amount of Net Proceeds up to 31 October 2020	Revised allocation of the unutilised Net Proceeds as at 31 October 2020	Utilised amount of Net Proceeds from 1 November 2020 to 31 December 2023	Unutilised amount of Net Proceeds as at 31 December 2023	Utilised amount of Net Proceeds from 1 January 2024 to 30 June 2024	Unutilised amount of Net Proceeds as at 30 June 2024
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*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	67.1	–	–	–
Acquisition of, or investment in, companies	–	–	68.0	8.2	59.8	–	59.8
General working capital	33.7	31.8	8.4	8.4	–	–	–
Total	335.7	90.0	245.7	185.9	59.8	–	59.8

Future Plans For Material Investment or Capital Assets

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

Management Discussion and Analysis

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 at 30 June 2024, the gearing ratio of the Group (being gross bank borrowings divided by equity attributable to the owners of the Company) increased to 23.9% (31 December 2023: 15.1%) mainly due to the drawdown of the revitalisation loans and a short-term green loan during the six months ended 30 June 2024.

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 the revitalisation and renovation of ATAL Tower, totalling HK$938.9 million as at 30 June 2024 (31 December 2023: HK$854.0 million). Part of the Group's properties and the bank deposits were denominated in RMB. The increase mainly represents the higher value of ATAL Tower due to the revitalisation cost incurred.

Capital Commitment

As at 30 June 2024, the Group had capital commitments of HK$26.9 million contracted but not provided for in the condensed consolidated financial statements. Out of the aforesaid capital commitments, HK$24.6 million is in relation to the revitalisation of ATAL Tower and the related plant and equipment and HK$2.3 million is for the expansion of the Group's existing lift and escalator manufacturing facilities in Nanjing.

Save as disclosed in Liquidity and Financial Resources, apart from the Group's certain banking facilities, approximately HK$180.0 million (31 December 2023: HK$180.0 million) is designated for the purpose of revitalisation and HK$138.7 million (31 December 2023: Nil) was utilised as at 30 June 2024.

Contingent Liabilities

As at 30 June 2024, the Group had outstanding performance bonds of approximately HK$596.6 million (31 December 2023: HK$586.6 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 30 June 2024, 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.

Events after Reporting Period

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

Human Resources

As at 30 June 2024, the Group had 2,725 employees (30 June 2023: 2,701) in Hong Kong, Macau, Mainland China, and the UK.

The Group continually invests in training for our employees at different levels to enhance our competence, knowledge, skills, integrity, customer focus and leadership. A total of 252 internal training courses with over 21,000 training hours were conducted for the Group's employees in the first half of 2024. The Group has been maintaining 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 1,100 young engineers and technicians to successfully complete their training. In the first half of 2024, more than 130 young employees were nurtured in these remarkable training programmes. In addition to the mechanical, electrical, environmental, building services and energy disciplines under the HKIE Graduate Training Scheme, the Group recently successfully applied for the new disciplines of Control, Automation and Instrumentation (CAI) and Electronics (ENS). This remarkable milestone will strengthen our development of young talents.

The Group prioritises the continuous development of our employees to foster a positive and productive work environment that encourages the realisation of individual potential. By creating a sustainable platform for career development for individuals, together with competitive remuneration and benefits to incentivise employees to do their best, the Group will be successful not only in attracting talents who share our vision and values, but also retaining current employees. The Group has established a comprehensive goal-setting and performance appraisal system, and linked remuneration to performance, enabling us to share our success with employees and achieve our business objectives.

The Group prioritised employee safety by appropriately updating internal procedures and work instructions, focusing on heat stress risk assessment and control measures. Our dedicated "Task Force on Smart Site Safety System" has 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 working 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 advancement positions us as an industry leader.

Our commitment to craftsmanship and professionalism in work is fundamental to our corporate culture. Additionally, we have the ATAL Recreational and Welfare Affairs Club ("ARWA Club") to strengthen the sense of belonging of staff. To promote a happy and healthy workplace, ARWA Club has actively organised a range of sports and welfare activities. Various sports teams have been formed, including the Dragon Boat Team, Bowling Team, Badminton Team, Basketball Team and Football Team.

The Group maintains high ethical standards in serving 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, the Construction Workers Registration Ordinance, the Equal Opportunities Ordinance, the Personal Data Privacy Ordinance, and the Prevention of Bribery Ordinance, etc.

As a result of our strategies and efforts, the Group received prestigious awards at the "HR Excellence Awards 2023/2024" organised by the Hong Kong Institute of Human Resources Management (HKIHRM), including the "Management Trainee Programme Award – Elite Award", "Learning & Development Award – Merit Award" and "Talent Acquisition Award – Merit Award".

Management Discussion and Analysis

OUTLOOK

The Group's positive business outlook is underpinned by the high contracts-in-hand, our leadership position in growth segments, and our strong ongoing tender activities. Our continuous success in securing new business opportunities and winning contract augers well for remaining competitive in the industry and growing 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.

While annual construction output has been projected to reach approximately HK$300 billion in year 2031/32 in Hong Kong alone, the Group expects to see an increase in renovation, refurbishment and maintenance works, along with new construction. The government's planned annual capital works expenditure for year 2024/25 of about HK$90.2 billion presents significant opportunities for us. Overall, we also see potential in healthcare, infrastructure, data centres, smart technologies, advanced food waste treatment technology, and retrofitting of existing buildings, and aim to contribute to sustainable urban development.

Our investment in BIM, MiC, MiMEP, robotic solutions and other advanced construction technologies, increases productivity and efficiency, improves safety and quality and hence strengthens our competitiveness.

To leverage our distinctive lead in the digital business, and green and environmental business built up through early recognition of the importance of R&D, we are prioritising continuous R&D investment in the development of Digital Twin, IoT, AI, and Big Data Analytics and other cutting-edge technologies. With the government's commitment to implementing advanced digital initiatives and increasing the use of open data, this is a great opportunity for us not only to compete in existing markets such as data centres, but also to create new market segments and enhance growth and profitability. With a proven track record in deploying intelligent automation systems and a customer-centric approach, the Group has become the preferred provider for new fast-track projects and O&M services for both established and emerging industries.

The Group collaborates with varied partners including design institutions in the Mainland China, technology providers, and agents of global products that add value to our businesses. Guided by our strategic pillars of "New Technology", "New Market" and "New Business Model", we are not only maintaining our market leadership, but also expanding our operation and maintenance capacity, setting new standards of excellence, and continuously improving our services.

The Group is committed to continuous enhancement of governance, with guidelines regularly reviewed and updated to ensure effective and efficient work processes, guide collective actions, and improve communications so that we can overcome challenges and become stronger. Progress has been made in attracting and retaining employees, and a range of staff development opportunities and talent acquisition activities are in place. In parallel, the Group is proactively addressing manpower challenges in Hong Kong by utilising the government initiatives of sector-specific labour import schemes including the Enhanced Supplementary Labour Scheme.

The Group has healthy liquidity, low debt levels and strong recurring operating cash flows, which assures the financial flexibility to take on new projects in tendering pipeline as well as to capture the opportunities arising in the current market condition, to optimise the long-term future of the business. The Group will continue to explore suitable potential synergistic business opportunities, including expansion into East Asia, Southeast Asia, the Middle East and other areas, as appropriate. Our core values and spirit of craftsmanship inspire our employees to strive for excellence and uphold our motto of "We Commit. We Perform. We Deliver.". By applying these principles to our new opportunities, promising pipelines and solid contracts-in-hand, we build trust with our stakeholders, and maintain our position as a market leader. We are confident that we will continue to deliver business growth and optimal returns to our shareholders.

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Analogue Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 18 to 45, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2024

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June 2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Revenue	3	**3,265,383**	2,841,055
Cost of sales and services		**(2,787,685)**	(2,387,255)
Gross profit		**477,698**	453,800
Other income		**12,260**	11,929
Other gains and losses	4	**(16,385)**	144,546
Impairment losses under expected credit loss model, net of reversal	14	**1,649**	(9,747)
Selling and distribution expenses		**(545)**	(1,647)
Administrative expenses		**(360,896)**	(318,304)
Share of results of associates		**53**	(7,797)
Finance costs	5	**(8,366)**	(5,318)
Profit before tax		**105,468**	267,462
Income tax expense	6	**(23,188)**	(29,942)
Profit for the period	7	**82,280**	237,520
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
(Loss) gain on revaluation of properties		**(2,655)**	565
Income tax relating to (loss) gain on revaluation of properties		**438**	(93)
		(2,217)	472
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising from translation of foreign operations		**(17,749)**	(26,238)
Reclassification of cumulative translation reserve upon disposal of interest in an associate		**–**	1,405
Reclassification of cumulative translation reserve upon dilution of interest in an associate		**–**	1,504
Reclassification of cumulative translation reserve upon dissolution of interest in a subsidiary		**267**	–
		(17,482)	(23,329)
Other comprehensive expense for the period, net of tax		**(19,699)**	(22,857)
Total comprehensive income for the period		**62,581**	214,663
Profit (loss) for the period attributable to:			
Owners of the Company		**82,409**	237,520
Non-controlling interests		**(129)**	–
		82,280	237,520
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**62,734**	214,663
Non-controlling interests		**(153)**	–
		62,581	214,663
		HK cents	HK cents
Earnings per share			
Basic	9	**6**	17
Diluted	9	**6**	17

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	NOTES	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Non-current assets			
Investment properties	10	**4,260**	4,480
Property, plant and equipment	11	**925,506**	851,147
Right-of-use assets	11	**37,075**	48,616
Intangible assets		**1,648**	1,965
Interests in associates	12	**457,885**	484,056
Deposits		**18,591**	6,113
Pledged bank deposits		**1,157**	4,280
Deferred tax assets		**16,791**	17,306
		1,462,913	1,417,963
Current assets			
Inventories		**82,742**	88,808
Contract assets	13	**1,294,436**	1,346,713
Trade receivables	14	**1,175,270**	1,178,218
Other receivables, deposits and prepayments		**133,614**	148,163
Amount due from an associate	12	**–**	–
Amounts due from partners of joint operations		**7,506**	5,746
Derivative financial instruments		**–**	1,468
Tax recoverable		**16,468**	27,429
Pledged bank deposits		**25,103**	18,418
Bank balances and cash		**1,147,345**	906,424
		3,882,484	3,721,387
Current liabilities			
Trade and retention payables	15	**644,237**	775,641
Other payables and accrued expenses	16	**1,825,998**	1,743,574
Contract liabilities		**79,455**	78,643
Amounts due to partners of joint operations		**10,768**	9,165
Bank borrowings – due within one year	17	**171,638**	71,280
Derivative financial instruments		**1,079**	–
Lease liabilities		**20,848**	37,758
Tax payable		**25,904**	14,058
		2,779,927	2,730,119
Net current assets		**1,102,557**	991,268
Total assets less current liabilities		**2,565,470**	2,409,231

Condensed Consolidated Statement of Financial Position

As at 30 June 2024

	NOTES	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Capital and reserves			
Share capital	18	**14,000**	14,000
Reserves		**2,163,767**	2,112,376
Equity attributable to owners of the Company		**2,177,767**	2,126,376
Non-controlling interests		**2,633**	2,786
Total equity		**2,180,400**	2,129,162
Non-current liabilities			
Long service payment obligation		**7,653**	6,776
Bank borrowings – due after one year	17	**347,866**	248,766
Lease liabilities		**14,960**	8,482
Deferred tax liabilities		**13,101**	14,420
Deferred income		**1,490**	1,625
		385,070	280,069
		2,565,470	2,409,231

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Share capital HK$'000	Share premium HK$'000	Treasury share reserve HK$'000	Share award reserve HK$'000	Capital redemption reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
			(Note b)					(Note a)				
At 1 January 2023 (audited)	14,000	358,704	(8,356)	20,220	5	32,306	(27,974)	20,024	1,653,977	2,062,906	–	2,062,906
Profit for the period	–	–	–	–	–	–	–	–	237,520	237,520	–	237,520
Other comprehensive income (expense) for the period	–	–	–	–	–	472	(23,329)	–	–	(22,857)	–	(22,857)
Total comprehensive income (expense) for the period	–	–	–	–	–	472	(23,329)	–	237,520	214,663	–	214,663
Dividends recognised as distribution (Note 8)	–	–	–	–	–	–	–	–	(62,795)	(62,795)	–	(62,795)
Recognition of equity-settled share-based payment expense	–	–	–	9,251	–	–	–	–	–	9,251	–	9,251
Cancellation of share awards	–	–	–	(16,876)	–	–	–	–	16,876	–	–	–
At 30 June 2023 (unaudited)	14,000	358,704	(8,356)	12,595	5	32,778	(51,303)	20,024	1,845,578	2,224,025	–	2,224,025
At 1 January 2024 (audited)	**14,000**	**358,704**	**(20,568)**	**16,108**	**5**	**30,414**	**(38,329)**	**25,046**	**1,740,996**	**2,126,376**	**2,786**	**2,129,162**
Profit (loss) for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**82,409**	**82,409**	**(129)**	**82,280**
Other comprehensive expense for the period	**–**	**–**	**–**	**–**	**–**	**(2,217)**	**(17,458)**	**–**	**–**	**(19,675)**	**(24)**	**(19,699)**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**–**	**(2,217)**	**(17,458)**	**–**	**82,409**	**62,734**	**(153)**	**62,581**
Dividends recognised as distribution (Note 8)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,863)**	**(13,863)**	**–**	**(13,863)**
Recognition of equity-settled share-based payment expense	**–**	**–**	**–**	**3,109**	**–**	**–**	**–**	**–**	**–**	**3,109**	**–**	**3,109**
Purchase of shares under share award schemes (Note 18)	**–**	**–**	**(451)**	**–**	**–**	**–**	**–**	**–**	**–**	**(451)**	**–**	**(451)**
Dissolution of interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(138)**	**–**	**(138)**	**–**	**(138)**
At 30 June 2024 (unaudited)	**14,000**	**358,704**	**(21,019)**	**19,217**	**5**	**28,197**	**(55,787)**	**24,908**	**1,809,542**	**2,177,767**	**2,633**	**2,180,400**

Notes:

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

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

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

(b) During the six months ended 30 June 2024, the Company purchased its own ordinary shares of an aggregate of 430,000 (unaudited) (six months ended 30 June 2023: Nil (unaudited)) shares in the market through the trustees of the Company's share award schemes. Details of the treasury shares and the share award schemes are set out in Notes 18 and 19, respectively.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	**168,291**	181,644
Decrease (increase) in inventories	**1,421**	(24,956)
Decrease (increase) in contract assets	**51,276**	(51,989)
Decrease in trade receivables	**1,257**	33,567
Decrease in other receivables, deposits and prepayments	**18,848**	2,309
Decrease in trade and retention payables	**(129,514)**	(170,296)
Increase (decrease) in other payables and accrued expenses	**94,896**	(24,516)
Increase (decrease) in contract liabilities	**1,182**	(21,529)
Decrease in deferred income	**(135)**	(134)
Cash generated from (used in) operations	**207,522**	(75,900)
Tax paid	**(755)**	(408)
Payments arising from net settlement of derivative financial instruments	**(637)**	–
Net cash generated from (used in) operating activities	**206,130**	(76,308)
Bank interest income received	**5,358**	7,227
Additions of property, plant and equipment	**(105,084)**	(19,541)
Deposits paid for acquisition of property, plant and equipment	**(13,614)**	(3,611)
Proceeds on disposal of property, plant and equipment	**12**	156
Payments for rental deposits	**(440)**	(1,889)
Refund of rental deposits	**206**	–
Placement of pledged bank deposits	**(4,222)**	(881)
Advance to partners of joint operations	**(1,760)**	(7,106)
Advance to an associate	**–**	(2,000)
Dividend received from an associate	**7,344**	7,144
Proceeds on disposal of interest in an associate	**–**	58,899
Net cash (used in) generated from investing activities	**(112,200)**	38,398

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Finance costs paid	**(8,447)**	(5,010)
Interest paid and capitalised in assets under construction	**(1,269)**	–
Purchase of shares under share award schemes	**(451)**	–
Repayment of lease liabilities	**(21,453)**	(17,113)
New bank borrowings raised	**238,711**	30,000
Repayment of bank borrowings	**(38,931)**	(37,312)
Dividends paid to owners of the Company	**(13,863)**	(62,795)
Advance from partners of joint operations	**1,603**	–
Repayments to partners of joint operations	**–**	(4,814)
Net cash generated from (used in) financing activities	**155,900**	(97,044)
Net increase (decrease) in cash and cash equivalents	**249,830**	(134,954)
Cash and cash equivalents at the beginning of the period	**906,424**	976,028
Effect of foreign exchange rate changes	**(8,909)**	(5,935)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	**1,147,345**	835,139

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2023.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION

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

(i) Disaggregation of revenue from contracts with customers

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

	Six months ended 30 June	
	2024 HK$'000 (Unaudited)	2023 HK$'000 (Unaudited)
Timing of revenue recognition and category of revenue		
Recognised over time and long-term contracts		
Contracting work	**2,585,340**	2,219,660
Maintenance work	**614,741**	565,122
	3,200,081	2,784,782
Recognised at a point in time and short-term contracts		
Sales of goods	**65,302**	56,273
	3,265,383	2,841,055
Geographical information		
Hong Kong	**2,795,938**	2,459,875
Macau	**291,946**	221,971
Mainland China	**110,284**	152,024
United Kingdom ("UK")	**63,657**	5,303
United States of America ("USA")	**37**	18
Others	**3,521**	1,864
	3,265,383	2,841,055

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

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

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Contracting work	**9,398,274**	8,952,639
Maintenance work	**2,124,567**	2,384,439
Sales of goods	**181,450**	122,483
	11,704,291	11,459,561

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Reconciliation of segment revenue

For the six months ended 30 June 2024 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	**1,905,922**	**363,480**	**202,741**	**113,197**	**2,585,340**
– Maintenance work	**205,128**	**223,898**	**68,344**	**117,371**	**614,741**
– Sales of goods	**298**	**33,210**	**23,485**	**8,309**	**65,302**
Total revenue	**2,111,348**	**620,588**	**294,570**	**238,877**	**3,265,383**

For the six months ended 30 June 2023 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Total HK$'000
Revenue					
– Contracting work	1,561,499	365,565	227,060	65,536	2,219,660
– Maintenance work	184,358	232,891	58,028	89,845	565,122
– Sales of goods	2,111	24,068	25,830	4,264	56,273
Total revenue	1,747,968	622,524	310,918	159,645	2,841,055

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

For the six months ended 30 June 2024 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	2,111,348	620,588	294,570	238,877	–	3,265,383
– inter-segment	35,297	–	27,079	2,688	(65,064)	–
Total revenue	2,146,645	620,588	321,649	241,565	(65,064)	3,265,383
Segment profit	68,616	35,406	12,247	17,587	–	133,856
Share of result of an associate						1,856
Impairment loss on interest in an associate						(12,645)
Bank interest income						5,358
Finance costs						(8,366)
Unallocated income/gains						1,055
Unallocated expenses/losses						(15,646)
Profit before tax						105,468
Income tax expense						(23,188)
Profit for the period						82,280
Other segment information						
Depreciation of property, plant and equipment	682	942	362	2,781	5,993	10,760
Depreciation of right-of-use assets	3,346	2,511	2,173	1,538	13,208	22,776
Amortisation of intangible assets	–	–	–	–	301	301
Impairment losses recognised (reversed) under expected credit loss model, net	2,780	(1,671)	1,298	(4,056)	–	(1,649)
(Gain) loss on disposal of property, plant and equipment	(9)	(3)	11	–	9	8

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

For the six months ended 30 June 2023 (Unaudited)

	Building services HK$'000	Environmental engineering HK$'000	ICBT HK$'000	Lifts and escalators HK$'000	Inter segment elimination/ unallocated HK$'000	Total HK$'000
Revenue						
– external	1,747,968	622,524	310,918	159,645	–	2,841,055
– inter-segment	2,930	–	26,554	1,013	(30,497)	–
Total revenue	1,750,898	622,524	337,472	160,658	(30,497)	2,841,055
Segment profit (loss)	82,326	45,675	(17,850)	12,427	–	122,578
Share of result of an associate						3,580
Deemed gain on dilution in interest in an associate						124,125
Impairment loss on interest in an associate						(19,000)
Gain on lease remeasurement						3,366
Bank interest income						7,227
Finance costs						(5,318)
Unallocated income/gains						39,372
Unallocated expenses/losses						(8,468)
Profit before tax						267,462
Income tax expense						(29,942)
Profit for the period						237,520
Other segment information						
Depreciation of property, plant and equipment	745	891	389	2,736	7,281	12,042
Depreciation of right-of-use assets	3,439	805	2,419	629	12,319	19,611
Impairment losses recognised (reversed) under expected credit loss model, net	3,165	8,128	(633)	(887)	(26)	9,747
Loss (gain) on disposal of property, plant and equipment	495	–	–	(2)	–	493

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) 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, gain on lease remeasurement and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment revenue are charged at prevailing market rates.

Segment assets and liabilities

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Gain on disposal of interest in an associate (Note 12)	**–**	38,725
Impairment loss on interest in an associate (Note 12)	**(12,645)**	(19,000)
Deemed gain on dilution in interest in an associate (Note 12)	**–**	124,125
Loss on disposal of property, plant and equipment	**(8)**	(493)
Net exchange losses	**(3,457)**	(2,177)
Gain on lease remeasurement	**126**	3,366
Gain on derecognition of right-of-use assets and lease liabilities under early termination	**86**	–
Loss on dissolution of interest in a subsidiary	**(267)**	–
Loss from change in fair value of investment property	**(220)**	–
	(16,385)	144,546

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	**5,998**	2,251
Interest on lease liabilities	**1,063**	1,712
Ancillary costs in respect of banking facilities	**1,305**	1,355
	8,366	5,318

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current tax		
Hong Kong	**20,707**	30,454
Macau	**2,130**	1,126
PRC Enterprise Income Tax	**764**	443
	23,601	32,023
(Over)underprovision in prior years		
PRC Enterprise Income Tax	**(1)**	46
UK	**(99)**	–
	(100)	46
	23,501	32,069
Deferred tax	**(313)**	(2,127)
	23,188	29,942

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

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Group is 25% for both periods. 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 six months ended 30 June 2024, 5% and 10% withholding tax rates were used for the Company's subsidiaries and the Group's associate, respectively (six months ended 30 June 2023: 5% and 10%, respectively).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

6. INCOME TAX EXPENSE (CONTINUED)

A reversal for deferred tax liabilities on dividend withholding tax of approximately HK$20,000 (unaudited) (six months ended 30 June 2023: HK$897,000 (unaudited)) was credited to profit or loss for the six months ended 30 June 2024. During the six months ended 30 June 2024, withholding tax of approximately HK$764,000 (unaudited) (six months ended 30 June 2023: HK$714,000 (unaudited)) was paid by the Group. The above resulted in a reversal for deferred tax liabilities on dividend withholding tax of approximately HK$784,000 (unaudited) (six months ended 30 June 2023: HK$1,611,000 (unaudited)) credited to profit or loss for the six months ended 30 June 2024.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs (including directors' remuneration):		
– Directors' remuneration	**14,747**	20,551
– Salaries and other benefits	**690,811**	603,247
– Retirement benefit scheme contributions (excluding directors)	**31,466**	27,913
– Share-based payment expense (excluding directors)	**1,297**	5,012
	738,321	656,723
Cost of inventories recognised as expenses (included in cost of sales and services)	**140,083**	129,517
Amortisation of intangible assets	**301**	–
Depreciation of property, plant and equipment	**10,760**	12,042
Depreciation of right-of-use assets	**22,776**	19,611
Write-down of inventories, net	**3,378**	3,774
Loss (gain) from change in fair value of derivative financial instruments	**2,547**	(1,155)
Rental income from investment properties	**–**	(73)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**–**	69
	–	(4)
Auditor's remuneration	**3,043**	2,755

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

8. DIVIDENDS

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

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
2023 second interim dividend – HK1 cent (2023: 2022 special dividend – HK4.5 cents) per share	**13,863**	62,795

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK2.38 cents per share amounting to approximately HK$32,993,000 in aggregate will be paid to owners of the Company whose names appear in the register of members of the Company as at the close of business on 16 September 2024.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of calculating basic and diluted earnings per share (profit for the period attributable to the owners of the Company)	**82,409**	237,520

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**1,386,528,000**	1,395,438,000
Effect of dilutive potential ordinary shares	**12,620,220**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,399,148,220**	1,395,438,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

9. EARNINGS PER SHARE (CONTINUED)

During the six months ended 30 June 2024 and 2023, 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 the Company's awarded shares for the six months ended 30 June 2024. Save as the awarded shares mentioned above, there were no other dilutive potential ordinary shares in existence during the six months ended 30 June 2024 and 2023.

During the six months ended 30 June 2024 and 2023, 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.

10. INVESTMENT PROPERTIES

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
FAIR VALUE		
At beginning of the period/year	**4,480**	589,720
Transfer to property, plant and equipment	**–**	(585,000)
Change in fair value	**(220)**	(240)
At end of the period/year	**4,260**	4,480

The fair value of the Group's investment properties in Hong Kong as at 30 June 2024 and 31 December 2023 has been arrived at on the basis of a valuation carried out on the respective dates by Jones Lang LaSalle Limited, an independent qualified professional valuer not connected with the Group. Jones Lang LaSalle Limited is a member of the Hong Kong Institute of Surveyors having appropriate qualifications and recent experience in valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, is arrived at direct comparison method by reference to market evidence of transaction prices for similar properties in the same locations and conditions, and on the assumption that the Group's current use of its investment properties is at its highest and best use. There has been no changes from the valuation technique used in prior period.

The Group's investment properties in Hong Kong for rental purpose are measured by using the fair value model and are classified and accounted for as investment properties. The rental income earned by the Group from the investment properties for the six months ended 30 June 2023 amounted to approximately HK$73,000 (unaudited). The investment properties have been pledged to secure the general banking facilities granted to certain subsidiaries of the Company for both periods.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

During the six months ended 30 June 2024, approximately HK$1,431,000 (unaudited) of bank interest expenses related to a property located in Kwai Chung ("ATAL Tower") were capitalised under assets under construction. ATAL Tower has been pledged to secure the bank borrowing of the Company for both periods.

During the six months ended 30 June 2024, the Group incurred approximately HK$87,997,000 (unaudited) (six months ended 30 June 2023: HK$16,767,000 (unaudited)) on the acquisition of property, plant and equipment, out of which approximately HK$78,849,000 (unaudited) (six months ended 30 June 2023: Nil (unaudited)) related to ATAL Tower recognised under assets under construction.

During the six months ended 30 June 2024, the Group entered into several new lease agreements with lease terms ranged from two to five years. On lease commencement, the Group recognised right-of-use assets of approximately HK$13,826,000 (unaudited) (six months ended 30 June 2023: HK$11,835,000 (unaudited)) and lease liabilities of approximately HK$13,826,000 (unaudited) (six months ended 30 June 2023: HK$11,835,000 (unaudited)).

12. INTERESTS IN ASSOCIATES/AMOUNT DUE FROM AN ASSOCIATE

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Investment cost		
Listed outside Hong Kong (Note i)	**91,817**	91,817
Unlisted	**240,840**	240,840
Impairment loss recognised (Note ii)	**(137,245)**	(124,600)
Share of post-acquisition profits and other comprehensive income, net of dividends received (Note ii)	**262,473**	275,999
Interests in associates	**457,885**	484,056
Fair value of listed investment	**546,255**	827,944
Amount due from an associate (Note iii)	**118,427**	118,427
Less: Share of post-acquisition losses in excess of the cost of investment	**(121,631)**	(118,427)
Obligations in excess of interest in an associate (Note 16)	**(3,204)**	–

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

Notes:

(i) During the six months ended 30 June 2023, Nanjing Canatal Data-Centre Environmental Tech Co., Ltd ("NCA") issued an aggregate of approximately 83,221,000 (unaudited) new ordinary shares to 15 new investors, and resulted in the decrease of the Group's interest in NCA from 21.44% (audited) as at 31 December 2022 to 16.83% (unaudited). A deemed gain on dilution of approximately HK$124,125,000 (unaudited) was recognised for the six months ended 30 June 2023.

During the six months ended 30 June 2023, the Group disposed of 1% of its shareholding in NCA at an aggregate consideration of approximately Renminbi ("RMB") 56,513,000 (unaudited) (equivalent to approximately HK$61,316,000 (unaudited)). The net proceeds from the disposal amounted to approximately RMB54,285,000 (unaudited) (equivalent to approximately HK$58,899,000 (unaudited)), net of transaction cost of approximately RMB2,228,000 (unaudited) (equivalent to approximately HK$2,417,000 (unaudited)). As a result of the disposal, the Group's interest in NCA decreased from 16.83% (unaudited) to 15.83% (unaudited) as at 30 June 2023, and a gain on disposal of approximately HK$38,725,000 (unaudited) was recognised for the six months ended 30 June 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 (audited) (equivalent to approximately HK$67,914,000 (audited)). The net proceeds from the disposals amounted to approximately RMB60,182,000 (audited) (equivalent to approximately HK$65,264,000 (audited)), net of transaction costs of approximately RMB2,443,000 (audited) (equivalent to approximately HK$2,650,000 (audited)). As a result of the disposals, the Group's interest in NCA decreased from 16.83% (unaudited) to 15.83% (unaudited) as at 30 June 2023 and from 15.83% (unaudited) to 15.70% (audited) as at 31 July 2023, and a gain on disposals of approximately HK$42,463,000 (audited) was recognised for the year ended 31 December 2023.

(ii) The Group performed impairment assessment on the interest in Transel Elevator & Electric Inc. ("TEI"), an associate of the Group, for the six months ended 30 June 2024 and 2023. 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% (unaudited) (six months ended 30 June 2023: 25% (unaudited)). Cash flow projections beyond the 5-year period are extrapolated using a steady 2.1% (unaudited) (six months ended 30 June 2023: 2.1% (unaudited)) 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 return during the six months ended 30 June 2024, its financial performance is less satisfactory than expected. As a result, (i) an impairment loss on goodwill of approximately HK$12,645,000 (unaudited) (six months ended 30 June 2023: HK19,000,000 (unaudited)) has been recognised and included in "other gains and losses", and (ii) an impairment loss on brand name (net of tax) of approximately HK$18,921,000 (unaudited) (six months ended 30 June 2023: Nil (unaudited)) has been recognised and included in the Group's "share of post-acquisition profits and other comprehensive income, net of dividends" received from TEI during the six months ended 30 June 2024.

(iii) As at 30 June 2024, the amount due from Oscar Bioenergy Joint Venture ("OBJV"), before the Group's share of post-acquisition losses, of approximately HK$118,427,000 (unaudited) (31 December 2023: HK$118,427,000 (audited)) is non-interest bearing, non-trade nature, unsecured and repayable on demand.

The directors of the Company consider the amount due from OBJV forms part of the net investment in OBJV as at 30 June 2024 and 31 December 2023. The Group has shared post-acquisition losses that are in excess of the cost of investment amounting to approximately HK$121,631,000 (unaudited) (31 December 2023: HK$118,427,000 (audited)) as at 30 June 2024.

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For the six months ended 30 June 2024

13. CONTRACT ASSETS

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Contract assets	**1,316,657**	1,368,359
Less: allowances for credit losses	**(22,221)**	(21,646)
	1,294,436	1,346,713

As at 30 June 2024, contract assets include retention receivables of approximately HK$511,695,000 (unaudited) (31 December 2023: HK$489,459,000 (audited)). The Group generally provides their customers with one-year warranty period. Upon the expiration of retention period, the customers will arrange a final inspection with acceptance certificate and settle the retention based on the term specified in the contract.

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

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

14. TRADE RECEIVABLES

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Trade receivables	**1,074,481**	1,068,590
Less: allowances for credit losses	**(62,405)**	(65,504)
	1,012,076	1,003,086
Unbilled revenue (Note)	**161,930**	173,732
Bills receivables	**1,264**	1,400
	1,175,270	1,178,218

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

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14. TRADE RECEIVABLES (CONTINUED)

As at 30 June 2024, the Group's bills receivables are of age within one year (31 December 2023: within one year).

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

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

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
0 – 30 days	**610,367**	533,985
31 – 90 days	**236,227**	355,195
91 – 360 days	**163,909**	113,249
Over 1 year	**1,573**	657
Total	**1,012,076**	1,003,086

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

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

During the six months ended 30 June 2024, the Group recognised impairment allowance of approximately HK$17,273,000 (unaudited) (six months ended 30 June 2023: HK$11,807,000 (unaudited)) and reversed impairment allowance of approximately HK$12,160,000 (unaudited) (six months ended 30 June 2023: HK$9,215,000 (unaudited)) for not credit-impaired trade receivables, based on the collective assessment. Impairment allowance of approximately HK$5,822,000 (unaudited) (six months ended 30 June 2023: HK$10,127,000 (unaudited)) was made and approximately HK$13,177,000 (unaudited) (six months ended 30 June 2023: HK$5,573,000 (unaudited)) was reversed on credit-impaired trade receivables, based on individual assessment. During the six months ended 30 June 2024, trade debtors with gross carrying amount of approximately HK$2,743,000 (unaudited) (six months ended 30 June 2023: HK$3,719,000 (unaudited)) became credit-impaired and therefore, approximately HK$2,743,000 (unaudited) (six months ended 30 June 2023: HK$3,719,000 (unaudited)) lifetime ECL was transferred from not credit-impaired to credit-impaired.

During the six months ended 30 June 2024, impairment allowance of approximately HK$593,000 (unaudited) (six months ended 30 June 2023: HK$2,601,000 (unaudited)) was recognised on contract assets, based on the collective assessment.

Notes to the Condensed Consolidated Financial Statements

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15. TRADE AND RETENTION PAYABLES

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Trade payables	**415,923**	537,801
Trade payables (unbilled)	**41,124**	52,099
Retention payables	**187,190**	185,741
	644,237	775,641

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

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
0 – 30 days	**206,480**	273,155
31 – 90 days	**142,290**	202,301
91 – 360 days	**41,137**	39,037
Over 1 year	**26,016**	23,308
	415,923	537,801

16. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Accrued contract costs	**1,469,251**	1,379,053
Accrued staff costs	**143,029**	129,708
Provision for litigation liabilities (Note)	**150,000**	150,000
Obligations in excess of interest in an associate (Note 12)	**3,204**	–
Others	**60,514**	84,813
	1,825,998	1,743,574

Note: In November 2022, a cooperation agreement was entered into with the Hong Kong Competition Commission in relation to the resolution of certain legal proceedings. As part of the cooperation agreement, a pecuniary penalty of HK$150 million was agreed to be paid by a subsidiary of the Company. The Group has accordingly made a provision of HK$150 million (audited) for this litigation settlement during the year ended 31 December 2022. An announcement relating to the cooperation agreement was issued by the Company on 4 November 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

17. BANK BORROWINGS

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Secured variable-rate bank loans	**266,638**	274,271
Secured fixed-rate bank loan	**100,000**	–
Unsecured variable-rate bank loans	**152,761**	45,535
Unsecured fixed-rate bank loan	**105**	240
Less: amount due within one year shown under current liabilities	**(171,638)**	(71,280)
Amount shown under non-current liabilities	**347,866**	248,766
The carrying amounts of the above loans are repayable as follows:		
– within one year	**171,638**	71,280
– within a period of more than one year but not exceeding two years	**42,374**	14,725
– within a period of more than two years but not exceeding five years	**122,680**	43,916
– more than five years	**182,812**	190,125
	519,504	320,046

As at 30 June 2024 and 31 December 2023, the Group's bank borrowings are denominated in HK$, RMB and GBP and carry interest rates at Hong Kong Interbank Offered Rate plus a margin per annum, loan prime rate in Mainland China minus a margin per annum, and fixed rate at 2.5% per annum, respectively.

The effective interest rates of bank borrowings range from 2.50% to 6.58% (unaudited) (31 December 2023: 2.440% to 6.035% (audited)).

The fair values of bank borrowings approximated their carrying amounts.

At 30 June 2024, the secured bank borrowings are pledged by (i) ATAL Tower in Hong Kong, (ii) building in Nanjing, (iii) the assignment of rental income from ATAL Tower, (iv) debenture containing fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$39,797,000 (unaudited) (31 December 2023: HK$15,952,000 (audited)) and their issued share capital, and (v) the assignment of certain trade receivables of a wholly owned subsidiary of approximately HK$827,000 (unaudited).

The Group is required to comply with certain restrictive financial and other covenants at the end of each financial year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

18. SHARE CAPITAL

	Number of shares	Number of value per share	Share capital	Presented as HK$'000
Authorised:				
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	**100,000,000,000**	**HK$0.01**	**HK$1,000,000,000**	
Issued and fully paid:				
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	**1,400,000,000**	**HK$0.01**	**HK$14,000,000**	**14,000**

Note: During the six months ended 30 June 2024, the Company repurchased its own ordinary shares on the Stock Exchange through the trustees of the Company's share award schemes as follows:

Month of repurchase	Number of ordinary shares of HK$0.01 each	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
April 2024	**430,000**	**1.08**	**1.04**	**451**

As at 30 June 2024, 13,720,000 (unaudited) (31 December 2023: 13,290,000 (audited)) of the Company's own ordinary shares are held by the trustees.

19. SHARE-BASED PAYMENTS

Share Award Schemes of the Company

The Company adopted two share award schemes (the "Share Award Schemes"), with the similar terms except that the eligible participants of one of the Share Award Schemes ("Eligible Participants") shall not be connected persons of the Company. The Share Award Schemes are administered by independent trustees appointed by the Group. The award(s) and vesting period(s) of the awarded shares are determined by the board of directors.

During the six months ended 30 June 2024, no (unaudited) awarded shares were granted, vested or cancelled to awardees under the Share Award Schemes, and 600,000 (unaudited) awarded shares were lapsed/forfeited. As at 30 June 2024, there were 12,560,000 (unaudited) awarded shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. SHARE-BASED PAYMENTS (CONTINUED)

Share Award Schemes of the Company (Continued)

During the year ended 31 December 2023, no awarded shares were granted or vested to awardees under the Share Award Schemes. During the year ended 31 December 2023, 1,260,000 (audited) awarded shares were lapsed/forfeited and 10,290,000 (audited) awarded shares were cancelled. As at 31 December 2023, there were 13,160,000 (audited) awarded shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

The tables below set out details of share awards granted to various participants/categories of participants under the Share Award Schemes as at 30 June 2024 and 31 December 2023 respectively:

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2024	Lapsed/ forfeited during the period	Cancelled during the period	Unvested awards as at 30 June 2024
			(Note)				
Directors							
– Mr. Chan Hoi Ming	C	21/01/2022	21/01/2022-23/12/2024	5,600,000	–	–	5,600,000
– Mr. Cheng Wai Lung	C	21/01/2022	21/01/2022-23/12/2024	320,000	–	–	320,000
			Subtotal	5,920,000	–	–	5,920,000
Employees	C	21/01/2022	21/01/2022-23/12/2024	7,240,000	(600,000)	–	6,640,000
			Total	13,160,000	(600,000)	–	12,560,000

Grantees/Category	Batch	Grant date	Vesting period	Unvested awards as at 1 January 2023	Lapsed/ forfeited during the year	Cancelled during the year	Unvested awards as at 31 December 2023
			(Note)				
Directors							
– Mr. Chan Hoi Ming	B	21/01/2022	21/01/2022-30/06/2023	4,200,000	–	(4,200,000)	–
	C	21/01/2022	21/01/2022-30/06/2024	5,600,000	–	–	5,600,000
– Mr. Cheng Wai Lung	B	21/01/2022	21/01/2022-30/06/2023	240,000	–	(240,000)	–
	C	21/01/2022	21/01/2022-30/06/2024	320,000	–	–	320,000
			Subtotal	10,360,000	–	(4,440,000)	5,920,000
Employees	B	21/01/2022	21/01/2022-30/06/2023	6,150,000	(300,000)	(5,850,000)	–
	C	21/01/2022	21/01/2022-30/06/2024	8,200,000	(960,000)	–	7,240,000
			Subtotal	14,350,000	(1,260,000)	(5,850,000)	7,240,000
			Total	24,710,000	(1,260,000)	(10,290,000)	13,160,000

Note: Subject to fulfilment of all the vesting criteria and conditions, the awarded shares granted on 21 January 2022 would be vested in three tranches as follows: (i) 30% of the awarded shares were vested on 30 June 2022 (Batch A); (ii) 30% of the awarded shares would be vested on 30 June 2023 (Batch B) but were not vested and cancelled during the year ended 31 December 2023 as not all of the vesting conditions were fulfilled; and (iii) the remaining 40% of the awarded shares would be vested on 30 June 2024 (Batch C) but the vesting date of Batch C was postponed to 23 December 2024 pursuant to the supplemental award letter dated 17 June 2024.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

19. SHARE-BASED PAYMENTS (CONTINUED)

Share Option Scheme

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

Details of the Share Award Schemes and the Share Option Scheme adopted by the Company are set out in the annual report for the year ended 31 December 2023.

20. PLEDGE OF ASSETS

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

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Properties	**867,797**	791,345
Investment properties	**4,260**	4,480
Bank deposits	**26,260**	22,698
Others (Note)	**40,624**	35,476
	938,941	853,999

Note: Included in others, there was the assignment of certain trade receivables of a wholly owned subsidiary of the Company of approximately HK$827,000 (unaudited) (31 December 2023: HK$19,524,000 (audited)) and fixed and floating charges over all assets of several wholly owned subsidiaries of the Company amounting to approximately HK$39,797,000 (unaudited) (31 December 2023: HK$15,952,000 (audited)).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

	Fair value			
Financial (liabilities)/ assets	**As at 30 June 2024 HK$'000 (Unaudited)**	As at 31 December 2023 HK$'000 (Audited)	**Fair value hierarchy**	**Valuation technique and key input**
Derivative financial (liabilities) assets	**(1,079)**	1,468	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between Level 1 or Level 2 during both periods.

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

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

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

22. PERFORMANCE BONDS

As at 30 June 2024, the Group had outstanding performance bonds of approximately HK$596,639,000 (unaudited) (31 December 2023: HK$586,620,000 (audited)), given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance bonds have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance bonds will be released upon completion of the contracting works.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

23. RELATED PARTY TRANSACTIONS

(a) In addition to the balances with the related parties disclosed in the condensed consolidated statement of financial position on pages 19 to 20, the Group entered into the following transactions with related parties during the respective reporting period:

Name of related company	Relationship	Nature of transactions	Six months ended 30 June **2024** **HK$'000** **(Unaudited)**	 2023 HK$'000 (Unaudited)
OBJV	Associate	Sales	**3,409**	1,604
Perfect Motive Limited ("Perfect Motive")	Related party (Notes i & ii)	Repayment of lease liabilities	**7,956**	7,956
Perfect Motive	Related party (Note i)	Direct expenses recharge	**273**	280
TEI	Associate	Sales	**37**	40

Notes:

(i) Perfect Motive is a subsidiary of Arling Investment Limited, the Company's immediate holding company.

(ii) As at 30 June 2024, lease liabilities related to Perfect Motive amounted to approximately HK$5,222,000 (unaudited) (31 December 2023: HK$15,527,000 (audited)).

(b) Compensation of key management personnel

The remuneration of directors, being the key management personnel, during the six months ended 30 June 2024 and 2023 are set out in Note 7.

24. CAPITAL COMMITMENTS

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

	As at 30 June 2024 HK$'000 (Unaudited)	As at 31 December 2023 HK$'000 (Audited)
Expanding existing manufacturing facilities	**2,334**	4,470
Revitalisation of ATAL Tower	**17,807**	92,044
Plant and equipment for ATAL Tower	**6,755**	–
	26,896	96,514

Interim Dividend

The Board has declared an interim dividend of HK2.38 cents per share of the Company (the "Share(s)") for the reporting period (the "Interim Dividend") to the shareholders whose names appear on the register of members of the Company (the "Register of Members") as at the close of business on Monday, 16 September 2024. The Interim Dividend is expected to be paid to the shareholders of the Company (the "Shareholders") on or about Friday, 27 September 2024.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to the Interim Dividend, the Register of Members will be closed from Friday, 13 September 2024 to Monday, 16 September 2024, both days inclusive, during which period no transfer of Shares will be registered. The Shares will be traded ex-dividend as from Wednesday, 11 September 2024. In order to be entitled to the Interim Dividend, Shareholders must lodge all transfer documents accompanied by the relevant share certificates with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by no later than 4:30 p.m. on Thursday, 12 September 2024.

Other Information

INTERNATIONAL SANCTIONS

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

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

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

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

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

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company was established by the Board for the purposes of, among other things, reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises two independent non-executive Directors and one non-executive Director. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 and this report, and discussed financial related matters with the management and the external auditors of the Company.

The unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2024 have been reviewed by the Company's external auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the securities dealing code (the "Securities Dealing Code") on terms no less exacting than those set out in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix C3 to the Listing Rules (the "Model Code"). In response to specific enquiries made by the Company, save and except Dr. Poon Lok To, Otto, Founder and Executive Director ("Dr. Poon"), all the Directors confirmed that they have complied with the required standards set out in the Securities Dealing Code and the Model Code during the six months ended 30 June 2024.

Dr. Poon informed the Company that, due to his inadvertent oversight, he disposed of an aggregate of 2,332,000 Shares through his dealing representative between 10 May 2024 and 21 May 2024 (the "Disposals") without first obtaining clearance to deal from the chairman of the Board or the designated Director under the Securities Dealing Code. The Disposals constituted non-compliance with rule A.1 and rule B.8 of the Securities Dealing Code and the Model Code. Upon becoming aware of Dr. Poon's non-compliance, the Company issued a letter to Dr. Poon regarding his non-compliance and emphasized to him the express requirements under rule A.1 and rule B.8 of the Securities Dealing Code and the Model Code. In response to the aforesaid letter, the Company received a written commitment from Dr. Poon of his full commitment to comply with the Company's internal control procedures as well as all provisions of the Securities Dealing Code and the Model Code in any future dealings in the Shares. As confirmed by Dr. Poon, save for the Disposals, he has complied with the required standards set out in the Securities Dealing Code and the Model Code throughout the six months ended 30 June 2024.

UPDATE ON DIRECTORS' INFORMATION

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

1) Mr. Lam Kin Fung, Jeffrey was appointed as an independent non-executive director and a member of each of nomination committee and remuneration committee of Golden Resources Development International Limited, a company with its shares listed on the Stock Exchange, with effect from 2 April 2024.

2) The salaries of the following Directors were increased as follows:

Name of Directors	Amount of new salary (HK$)	Effective Date
Mr. Chan Hoi Ming	215,250 per month	1 April 2024
Mr. Cheng Wai Lung	174,900 per month	1 April 2024
Mr. Cheng Wai Keung, Peter	195,000 per month	1 April 2024

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2024, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

Name of Director	Capacity/ Nature of interest	Number of Shares held (Note 1)	Number of underlying Shares held (Note 1)	Approximate percentage of shareholding (Note 5)
Dr. Poon	Founder of a discretionary trust (Note 2)	888,650,000	–	63.48%
Dr. Poon	Beneficial owner	32,198,000	–	2.29%
Mr. Chan Hoi Ming	Beneficial owner	4,200,000 (Note 3)	–	0.30%
Mr. Chan Hoi Ming	Beneficial owner	–	5,600,000 (Note 3)	0.40%
Mr. Cheng Wai Lung	Beneficial owner	244,500 (Note 4)	–	0.02%
Mr. Cheng Wai Lung	Beneficial owner	–	320,000 (Note 4)	0.02%

Notes:

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

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

3. Mr. Chan Hoi Ming was awarded with 14,000,000 Shares on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 14,000,000 awarded Shares, (i) 4,200,000 Shares were vested on 30 June 2022; (ii) 4,200,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled; and (iii) the original vesting date for 5,600,000 awarded Shares was postponed from 30 June 2024 to 23 December 2024 on 17 June 2024. Accordingly, assuming all the vesting criteria and conditions would be fulfilled, the remaining 5,600,000 awarded Shares will be vested on 23 December 2024.

4. Mr. Cheng Wai Lung was awarded with 800,000 Shares on 21 January 2022 pursuant to a share award scheme of the Company. Out of the 800,000 awarded Shares, (i) 240,000 Shares were vested on 30 June 2022; (ii) 240,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled; and (iii) the original vesting date for 320,000 awarded Shares was postponed from 30 June 2024 to 23 December 2024 on 17 June 2024. Accordingly, assuming all the vesting criteria and conditions would be fulfilled, the remaining 320,000 awarded Shares will be vested on 23 December 2024.

5. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2024.

Other Information

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

Name of Director	Capacity/ Nature of interest	Name of associated corporations (Note 2)	Number of shares held (Note 1)	Percentage of shareholding
Dr. Poon	Founder of a discretionary trust (Note 2)	Arling Investment Limited	2	100.00%
Dr. Poon	Founder of a discretionary trust (Note 2)	Wise Eagle Holdings Limited	8,463	84.63%
Dr. Poon	Founder of a discretionary trust (Note 2)	Perfect Motive Limited	1	100.00%

Notes:

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

2. As at 30 June 2024, Arling Investment Limited owned approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited also owned 8,463 shares of Wise Eagle Holdings Limited, representing 84.63% of the total issued share capital of Wise Eagle Holdings Limited, which in turn owned 1 share of Perfect Motive Limited, representing 100% of the issued share capital of Perfect Motive Limited. Accordingly, Arling Investment Limited, being the holding company of the Company; and Wise Eagle Holdings Limited and Perfect Motive Limited, being subsidiaries of Arling Investment Limited, are therefore associated corporations of the Company within the meaning of Part XV of the SFO. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon is the settlor and protector of the trust. Accordingly, Dr. Poon is deemed to be interested in (i) the shares of Arling Investment Limited; and (ii) the shares of Wise Eagle Holdings Limited and Perfect Motive Limited in which Arling Investment Limited is deemed to be interested, under Part XV of the SFO.

Save as disclosed above, as at 30 June 2024, none of the Directors or the chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated associations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS/OTHER PERSON'S INTERESTS IN SECURITIES

As at 30 June 2024, as far as being known to the Directors, the following persons (other than the Directors) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

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

Name	**Capacity/ Nature of interest**	**Number of shares held** (Note 1)	**Approximate shareholding percentage** (Note 3)
HSBC International Trustee Limited	Trustee of a discretionary trust (Note 2)	888,650,000	63.48%
Ardik Investment Limited	Interest of controlled corporation (Note 2)	888,650,000	63.48%
Arling Investment Limited	Beneficial owner	888,650,000	63.48%
Ms. Cheng Teresa Yeuk Wah ("Ms. Cheng")	Interest of Spouse (Note 2)	920,848,000	65.77%

Notes:

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

2. Arling Investment Limited directly held 888,650,000 Shares, representing approximately 63.48% of the total issued share capital of the Company. Arling Investment Limited is wholly owned by Ardik Investment Limited which is in turn wholly owned by HSBC International Trustee Limited as trustee of a trust. Dr. Poon is the settlor and protector of the trust. Accordingly, each of Ardik Investment Limited, HSBC International Trustee Limited and Dr. Poon is deemed to be interested in the 888,650,000 Shares held by Arling Investment Limited under Part XV of the SFO. Dr. Poon owns 32,198,000 Shares as beneficial owner. As Ms. Cheng is the spouse of Dr. Poon, Ms. Cheng is deemed to be interested in the same number of Shares that Dr. Poon is interested in under Part XV of the SFO. According to section 316(1)(a) of the SFO, Ms. Cheng is deemed to be interested in any voting shares in a Hong Kong listed company in which her spouse is interested. Accordingly, Ms. Cheng is taken to be interested in 920,848,000 Shares, while Ms. Cheng does not have any legal or beneficial ownership or financial interests in any of the Shares, directly or indirectly. It follows that Ms. Cheng does not have any rights to the Shares, has no rights to dividend, has no rights to vote and has no rights to deal in respect of the Shares.

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2024.

Other Information

(ii) Other person's interests in securities

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

Notes:

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

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

3. The percentage of shareholding is calculated on the basis of 1,400,000,000 Shares in issue as at 30 June 2024.

Save as disclosed above, as at 30 June 2024, the Company had not been notified of any other interests or short positions in the Shares or underlying Shares which would fall to be disclosed in the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME AND SHARE AWARD SCHEMES

The share option scheme of the Company (the "Share Option Scheme") was adopted by written resolutions of shareholders on 14 September 2018 and came into effect on 12 July 2019, the date on which the Shares first listed on the Stock Exchange. The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as defined in the Share Option Scheme as incentives or rewards for their contribution to the Group. No share option was granted, exercised, cancelled or lapsed under the Share Option Scheme during the reporting period nor remained outstanding as at 30 June 2024. The total number of Shares which may be issued upon exercise of all the share options to be granted under the Share Option Scheme at the beginning and the end of the six months ended 30 June 2024 is 140,000,000 Shares, representing 10% of the Company's total number of issued Shares as at 30 June 2024.

The share award schemes of the Company (the "Share Award Schemes") were adopted on 27 November 2020. The purpose of the Share Award Schemes is to recognise and reward the contributions of certain eligible participants to the growth and development of the Group and to provide incentive in order to retain them for the continual operation and development of the Group. During the reporting period, no awarded Shares were granted to awardees under the Share Award Schemes. During the reporting period, 600,000 awarded Shares lapsed and no awarded Shares were cancelled. On 17 June 2024, the vesting date of 12,560,000 awarded Shares was postponed from 30 June 2024 to 23 December 2024. Accordingly, as at 30 June 2024, there were 12,560,000 awarded Shares which are yet to be vested subject to the fulfilment of the vesting criteria and conditions.

Details of the interests of Mr. Chan Hoi Ming and Mr. Cheng Wai Lung, each an executive Director, in awarded Shares granted under the relevant Share Award Scheme are set out below. No other Directors have any interest in awarded Shares under the Share Award Schemes as at 30 June 2024.

For the six months ended 30 June 2024

	Date of award	Vesting Period	Number of awarded Shares: Unvested awarded Shares as at 01/01/2024	Granted During the period	Vested during the period	Lapsed during the period	Cancelled during the period	Unvested awarded Shares as at 30/06/2024
Mr. Chan Hoi Ming	21/01/2022	21/01/2022 to 23/12/2024 (Note 1)	5,600,000 (Note 1)	–	–	–	–	5,600,000 (Note 1)
Mr. Cheng Wai Lung	21/01/2022	21/01/2022 to 23/12/2024 (Note 2)	320,000 (Note 2)	–	–	–	–	320,000 (Note 2)

Notes:

1. Mr. Chan Hoi Ming was awarded with 14,000,000 Shares on 21 January 2022 pursuant to one of the Share Award Schemes. Out of the 14,000,000 awarded Shares, (i) 4,200,000 Shares were vested on 30 June 2022; (ii) 4,200,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled; and (iii) the original vesting date for 5,600,000 awarded Shares was postponed from 30 June 2024 to 23 December 2024 on 17 June 2024. Accordingly, assuming all the vesting criteria and conditions would be fulfilled, the remaining 5,600,000 awarded Shares will be vested on 23 December 2024.

2. Mr. Cheng Wai Lung was awarded with 800,000 Shares on 21 January 2022 pursuant to one of the Share Award Schemes. Out of the 800,000 awarded Shares, (i) 240,000 Shares were vested on 30 June 2022; (ii) 240,000 awarded Shares with vesting date of 30 June 2023 were not vested and were cancelled as not all the vesting conditions were fulfilled; and (iii) the original vesting date for 320,000 awarded Shares was postponed from 30 June 2024 to 23 December 2024 on 17 June 2024. Accordingly, assuming all the vesting criteria and conditions have been fulfilled, the remaining 320,000 awarded Shares will be vested on 23 December 2024.

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

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

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Poon Lok To, Otto *(Founder)*
Dr. Mak Kin Wah *(Chairman)*
Mr. Chan Hoi Ming *(Chief Executive Officer)*
Mr. Cheng Wai Lung
Mr. Cheng Wai Keung, Peter *(Chief Financial Officer)*

Non-executive Director
Ms. Or Siu Ching, Rerina

Independent non-executive Directors
Mr. Chan Fu Keung
Mr. Lam Kin Fung, Jeffrey
Ms. Shing Mo Han, Yvonne

AUDIT COMMITTEE

Ms. Shing Mo Han, Yvonne *(Chairman)*
Mr. Chan Fu Keung
Ms. Or Siu Ching, Rerina

REMUNERATION COMMITTEE

Mr. Chan Fu Keung *(Chairman)*
Ms. Or Siu Ching, Rerina
Ms. Shing Mo Han, Yvonne

NOMINATION COMMITTEE

Mr. Lam Kin Fung, Jeffrey *(Chairman)*
Ms. Or Siu Ching, Rerina
Mr. Chan Fu Keung
Ms. Shing Mo Han, Yvonne

COMPANY SECRETARY

Ms. Li Kit Chi, Fiona

AUDITOR

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

PRINCIPAL BANKERS

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

China Construction Bank (Asia) Corporation Limited
3 Connaught Road Central
Central
Hong Kong

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

ATAL Tower
45-51 Kwok Shui Road
Kwai Chung, New Territories
Hong Kong
(with effect from 19 September 2024)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN BERMUDA

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

1977

WEBSITE

www.atal.com