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Acme International Holdings Limited

益美國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1870)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

	For the year ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue	435,797	479,472
Gross (loss)/profit	(25,625)	97,171
Gross (loss)/profit margin	(5.9%)	20.3%
(Loss)/profit before income tax	(48,509)	53,173
Adjusted (Loss)/Profit for the year (Note)	(47,838)	59,150

Note: The Company defines adjusted (loss)/profit (“Adjusted (Loss)/Profit”) as (loss)/profit for the year excluding the Listing expenses, which are non-recurring in nature and are not indicative for evaluating the actual performance of its business. The adjusted (loss)/profit is solely for reference and the term of adjusted (loss)/profit is not defined under HKFRS.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of Acme International Holdings Limited (the “Company”) presents the consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2020 (the “Year”), together with the audited comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	435,797	479,472
Cost of sales	5	<u>(461,422)</u>	<u>(382,301)</u>
Gross (loss)/profit		(25,625)	97,171
Other income		6,775	1,805
Other gains/(losses), net	4	599	(386)
Administrative expenses	5	<u>(30,012)</u>	<u>(45,468)</u>
Operating (loss)/profit		(48,263)	53,122
Finance income		365	672
Finance costs		<u>(611)</u>	<u>(621)</u>
Finance (costs)/income, net		(246)	51
(Loss)/profit before income tax		(48,509)	53,173
Income tax credits/(expenses)	6	<u>671</u>	<u>(12,094)</u>
(Loss)/profit for the year		(47,838)	41,079
(Loss)/profit attributable to:			
Owners of the Company		(47,838)	40,964
Non-controlling interests		<u>—</u>	<u>115</u>
		<u>(47,838)</u>	<u>41,079</u>
(Loss)/earnings per share attributable to owners of the Company for the year	8		
— Basic (<i>HK cents</i>)		<u>(9.20)</u>	<u>10.01</u>
— Diluted (<i>HK cents</i>)		<u>(9.20)</u>	<u>9.74</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the year	(47,838)	41,079
Other comprehensive loss:		
<i>Item that will not be reclassified to consolidated income statement</i>		
Changes in the fair value of financial assets at fair value through other comprehensive income	<u>(7,682)</u>	<u>(1,760)</u>
Other comprehensive loss for the year	<u>(7,682)</u>	<u>(1,760)</u>
Total comprehensive (loss)/income for the year	<u>(55,520)</u>	<u>39,319</u>
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(55,520)	38,997
Non-controlling interests	<u>—</u>	<u>322</u>
	<u>(55,520)</u>	<u>39,319</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	Note	HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,769	3,605
Intangible asset		759	—
Deferred income tax assets		6,693	545
Financial assets at fair value through other comprehensive income		—	28,323
Deposits, prepayments and other receivables		<u>2,280</u>	<u>691</u>
		<u>11,501</u>	<u>33,164</u>
Current assets			
Inventories		38,650	10,734
Trade and retention receivables	9	71,970	40,996
Contract assets	10	233,805	196,680
Deposits, prepayments and other receivables		20,654	5,307
Income tax recoverable		—	2,093
Pledged deposits		62,229	39,660
Time deposits		—	2,518
Restricted deposits		2,930	31,170
Cash and cash equivalents		<u>42,135</u>	<u>133,257</u>
		<u>472,373</u>	<u>462,415</u>
Total assets		<u>483,874</u>	<u>495,579</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	11	5,200	5,200
Reserves		<u>312,654</u>	<u>369,058</u>
Total equity		<u>317,854</u>	<u>374,258</u>

		As at 31 December	
		2020	2019
	<i>Note</i>	HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		791	—
Deferred income tax liabilities		12	15
Provisions		<u>1,446</u>	<u>1,216</u>
		<u>2,249</u>	<u>1,231</u>
Current liabilities			
Trade, bills and retention payables	<i>12</i>	137,602	78,474
Contract liabilities	<i>10</i>	6,714	7,607
Other payables and accruals		6,183	11,389
Income tax liabilities		649	11,325
Bank borrowings		5,262	6,353
Lease liabilities		419	2,032
Provisions		<u>6,942</u>	<u>2,910</u>
		<u>163,771</u>	<u>120,090</u>
Total liabilities		<u>166,020</u>	<u>121,321</u>
Total equity and liabilities		<u>483,874</u>	<u>495,579</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Acme International Holdings Limited was incorporated in the Cayman Islands on 17 August 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of design and build solutions for façade works ("Façade Work Business") and provision of design and build solutions for building maintenance unit ("BMU") systems ("BMU Systems Business") in Hong Kong (the "Listing Business").

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The consolidated financial statements are presented in thousands of Hong Kong dollars ("HK\$'000"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements has been prepared under the historical cost convention, as modified by the financial assets at fair value through other comprehensive income which are carried at fair values.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the consolidated financial statements.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material — amendments to HKAS 1 and HKAS 8
- Definition of a Business — amendments to HKFRS 3
- Interest Rate Benchmark Reform — amendments to HKFRS 9, HKAS 39 and HKFRS 7
- Revised Conceptual Framework for Financial Reporting

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New standards and amendments to existing standards not yet adopted by the Group

The following are new standards and amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning after 1 January 2020 or later periods, but have not been early adopted by the Group:

		Effective for accounting year beginning on or after
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions	1 June 2020
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments)	1 January 2021
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS Standards 2018–2020	Annual improvements	1 January 2022
AG 5 (revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HK Int 5 (2020)	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of assessing potential impact of the above other new standards and amendments to existing standards that is relevant to the Group upon initial application. The management of the Group plans to adopt these new standards and amendments to existing standards when they become effective.

3 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Executive Directors of the Company.

Operating segments are reported in the manner consistent with the internal reporting provided to the CODM. The Group is subject to similar business risk, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole.

The Group is principally engaged in the following:

- Façade works Business — provision of design and build solutions for façade works; and
- BMU systems Business — provision of design and build solutions for BMU systems

All of the Group's activities are carried out in Hong Kong and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the year ended 31 December 2020 is presented (2019: Nil).

Segment assets mainly exclude right-of-use assets for properties, intangible asset, financial assets at fair value through other comprehensive income, deferred tax assets, income tax recoverable, pledged deposits, time deposits, restricted deposits, cash and cash equivalents and other assets that are managed on a central basis.

Segment liabilities mainly exclude accrued Listing expenses, bank borrowings, lease liabilities, income tax payable, deferred tax liabilities, and other liabilities that are managed on a central basis.

Unallocated corporate expenses represent costs that are used for all segments, including depreciation expenses of HK\$2,210,000 and amortisation expenses of HK\$26,000 (2019: Listing expenses of HK\$18,071,000 and depreciation expenses of HK\$2,177,000).

Revenue from customers contributing over 10% of the total revenue of the Group for the Year is as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Customer A		
— Façade works Business	144,613	185,004
— BMU systems Business	12,779	37,031
	<u>157,392</u>	<u>222,035</u>
Customer B		
— Façade works Business	92,842	81,966
— BMU systems Business	18,069	27,129
	<u>110,911</u>	<u>109,095</u>
Customer C		
— Façade works Business	40,937	N/A
— BMU systems Business	26,924	N/A
	<u>67,861</u>	<u>N/A</u>
Customer D		
— Façade works Business	56,674	N/A
— BMU systems Business	2,576	N/A
	<u>59,250</u>	<u>N/A</u>

The Executive Directors assess the performance of the operating segments based on their underlying (loss)/profit, which is measured by (loss)/profit before income tax, excluding dividend income from financial assets at fair value through other comprehensive income, finance income, finance costs, depreciation on right-of-use assets of properties, amortisation of intangible asset and Listing expenses, which are managed on a central basis.

	Façade Works Business		BMU Systems Business		Total	
	Year ended		Year ended		Year ended	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised over time	<u>336,203</u>	282,984	<u>99,594</u>	196,488	<u>435,797</u>	479,472
Segment results	(66,744)	22,991	23,951	49,974	(42,793)	72,965
Unallocated other operating income					—	1,783
Unallocated corporate expenses					(5,470)	(21,626)
Finance income					365	672
Finance costs					<u>(611)</u>	<u>(621)</u>
(Loss)/profit before income tax					(48,509)	53,173
Income tax credits/(expenses)					<u>671</u>	<u>(12,094)</u>
(Loss)/profit for the year					<u>(47,838)</u>	<u>41,079</u>
Other segment information:						
Additions to property, plant and equipment	365	670	42	14	407	684
Depreciation	1,283	1,043	65	66	1,348	1,109
	Façade Works Business		BMU Systems Business		Total	
	As at		As at		As at	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	265,239	134,496	102,467	120,853	367,706	255,349
Unallocated assets					<u>116,168</u>	<u>240,230</u>
Total assets					<u>483,874</u>	<u>495,579</u>
Segment liabilities	145,890	84,229	11,636	13,018	157,526	97,247
Unallocated liabilities					<u>8,494</u>	<u>24,074</u>
Total liabilities					<u>166,020</u>	<u>121,321</u>

4 OTHER GAINS/(LOSSES), NET

Year ended 31 December

2020 2019

HK\$'000 HK\$'000

Foreign exchange differences, net 599 (386)

5 EXPENSES BY NATURE

Year ended 31 December

2020 2019

HK\$'000 HK\$'000

Construction costs recognised in cost of sales (<i>Note a</i>)	456,881	381,337
Provision for onerous construction contracts	3,803	—
Entertainment expenses	855	1,790
Office expenses	1,858	1,661
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	14,283	12,186
Depreciation of property, plant and equipment	3,558	3,286
Amortisation expenses	26	—
Insurance expenses	2,294	2,064
Auditor's remuneration		
— Audit	2,000	1,600
— Non-audit	60	—
Listing expenses	—	18,071
Legal and professional fees	2,460	1,510
Bank charges	194	314
Travelling expenses	776	875
Warranty expenses	738	964
Other expenses	1,648	2,111
	<u>491,434</u>	<u>427,769</u>

Representing:

Cost of sales	461,422	382,301
Administrative expenses	<u>30,012</u>	<u>45,468</u>
	<u>491,434</u>	<u>427,769</u>

Note:

- (a) Construction costs mainly included costs of construction materials, subcontracting charges, staff costs, testing, insurance and transportation.

6 INCOME TAX CREDITS/(EXPENSES)

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 16.5%) on the estimated assessable profit for the year ended 31 December 2020. No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

The amount of taxation (credited)/charged to the consolidated income statements represented:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
— Tax for the year	3,776	12,211
— Adjustments for current tax of prior years	1,704	—
Deferred income tax credits	<u>(6,151)</u>	<u>(117)</u>
	<u>(671)</u>	<u>12,094</u>

7 DIVIDENDS

The Board does not recommend payment of a final dividend for the year ended 31 December 2020.

A final dividend in respect of 2019 of HK\$0.01 per share, amounting to a total of HK\$5,200,000, was declared and paid during the year ended 31 December 2020.

8 (LOSS)/EARNINGS PER SHARE

(a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 December	
	2020	2019
(Loss)/profit attributable to owners of the Company (HK\$'000)	(47,838)	40,964
Weighted average number of ordinary shares in issue (thousands)	520,000	409,233
Basic (loss)/earnings per share (HK cents)	<u>(9.20)</u>	<u>10.01</u>

(b) Diluted

Diluted (loss)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares.

For the year ended 31 December 2020, the Company has one (2019: two) type(s) of potentially dilutive shares, the Pre-IPO Share Option (2019: the Pre-IPO Share Option and Over-allotment Option). For the Pre-IPO Share Option, calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is

compared with the number of shares that would have been issued assuming the exercise of the share options. For the Over-allotment Option, calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the listing date (8 November 2019) to the lapse date of the Over-allotment Option (29 November 2019)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option.

Diluted loss per share for the year ended 31 December 2020 is the same as basic loss per share as the conversion of potential ordinary shares in relation to the outstanding Pre-IPO Share Options would have an anti-dilutive effect on the basic loss per share.

For the year ended 31 December 2019, the number of shares calculated as below is compared with the number of shares that would have been issued assuming the exercise of the Pre-IPO Share Option and Over-allotment Option.

	Year ended 31 December 2019
Profit attributable to owners of the Company (<i>HK\$'000</i>)	40,964
Weighted average number of ordinary shares in issue (<i>thousands</i>)	409,233
Effect of potentially dilutive shares from Over-allotment Option granted (<i>thousands</i>)	600
Effect of potentially dilutive shares from Pre-IPO Share Option granted (<i>thousands</i>)	<u>10,673</u>
Weighted average number of ordinary shares in issue for the purpose of calculating diluted earnings per share (<i>thousands</i>)	420,506
Diluted earnings per share (<i>HK cents</i>)	<u><u>9.74</u></u>

9 TRADE AND RETENTION RECEIVABLES

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note (a)</i>)	43,783	18,400
Retention receivables (<i>Note (b)</i>)	<u>28,187</u>	<u>22,596</u>
Trade and retention receivables	<u><u>71,970</u></u>	<u><u>40,996</u></u>

(a) **Trade receivables**

The ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
0–30 days	25,750	14,899
31–60 days	15,620	2,141
61–90 days	2,075	399
91–180 days	230	492
Over 180 days	108	469
	<u>43,783</u>	<u>18,400</u>

(b) **Retention receivables**

Retention receivables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statement of financial position, retention receivables were classified as current assets based on operating cycle. The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Will be recovered within twelve months	4,762	10,644
Will be recovered more than twelve months after the end of the year	23,425	11,952
	<u>28,187</u>	<u>22,596</u>

10 CONTRACT ASSETS/LIABILITIES

The Group has recognised the following assets and liabilities related to contracts with customers:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Contract assets relating to façade works construction contracts	170,929	107,691
Contract assets relating to BMU systems construction contracts	62,876	88,989
Total contract assets	<u>233,805</u>	<u>196,680</u>

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Contract liabilities relating to façade works construction contracts	3,961	4,062
Contract liabilities relating to BMU systems construction contracts	2,753	3,545
Total contract liabilities	6,714	7,607

(a) Significant changes in contract assets and liabilities

Contract assets have increased as the Group has provided more construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts. The Group also applied the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for contract assets. No impairment was made as at 31 December 2020 (2019: Nil).

Contract liabilities for the construction contracts have decreased due to the negotiation of smaller prepayments on overall contract activities.

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 December 2019 and 2020 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	7,067	38,501

(c) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations resulting from fixed-price long-term construction contracts.

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at year end	613,480	800,243

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2020 will be recognised as revenue during the next corresponding reporting periods by referencing to the progress towards completion of the contract activity. The amount disclosed above does not include consideration which is constrained.

11 SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
Authorised:		
As at 1 January 2019	38,000,000	380
Increase in authorised shares (<i>Note (i)</i>)	<u>3,962,000,000</u>	<u>39,620</u>
As at 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>4,000,000,000</u></u>	<u><u>40,000</u></u>
Issued and fully paid:		
As at 1 January 2019	1	—
Issue of shares pursuant to the Reorganisation	5	—
Issue of shares pursuant to the Capitalisation issue (<i>Note (ii)</i>)	389,999,994	3,900
Issue of shares upon the share offer in the Listing (<i>Note (iii)</i>)	<u>130,000,000</u>	<u>1,300</u>
As at 31 December 2019, 1 January 2020 and 31 December 2020	<u><u>520,000,000</u></u>	<u><u>5,200</u></u>

Note (i): On 18 October 2019, the authorised share capital of the Company was increased from HK\$380,000 to HK\$40,000,000 by the creation of an additional 3,962,000,000 shares of HK\$0.01 each.

Note (ii): Pursuant to a shareholders' resolution passed on 18 October 2019, conditional on the share premium account of the Company being credited as a result of the Global Offering, the directors were authorised to and issued a total of 389,999,994 shares (the "Capitalisation Shares") by way of capitalisation of the sum of HK\$3,899,999.94 standing to the credit of the share premium account of the Company upon the Global Offering. On 8 November 2019, the Company issued the Capitalisation Shares, credited as fully paid to the Controlling Shareholders of the Company, by way of capitalisation of HK\$3,899,999.94 standing to the credit of the share premium account of the Company.

Note (iii): On 8 November 2019, the Company issued a total of 130,000,000 shares at a price of HK\$0.97 per share for a total proceeds (before related fees and expenses) of HK\$126,100,000 in connection with the Listing.

12 TRADE, BILLS AND RETENTION PAYABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Trade payables (<i>Note (a)</i>)	119,244	66,779
Bills payable (<i>Note (b)</i>)	5,820	2,620
Retention payable (<i>Note (c)</i>)	<u>12,538</u>	<u>9,075</u>
Trade, bills and retention payables	<u><u>137,602</u></u>	<u><u>78,474</u></u>

(a) Trade payables

Trade payables are unsecured and the credit terms of trade payables granted by suppliers ranges from 30 to 60 days from invoice date. The ageing analysis of trade payables based on invoice date as at 31 December 2019 and 2020 were as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
0–30 days	61,878	63,607
31–60 days	33,005	2,158
61–90 days	7,851	50
91–120 days	7,062	13
Over 120 days	<u>9,448</u>	<u>951</u>
	<u><u>119,244</u></u>	<u><u>66,779</u></u>

(b) Bills payable

The balance represents bank acceptance notes with maturity dates within four months. The maturity days of the bills payable of the Group are as follows.

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Due within 30 days	3,473	—
Due between 31 to 60 days	1,518	2,620
Due between 61 to 120 days	<u>829</u>	<u>—</u>
	<u><u>5,820</u></u>	<u><u>2,620</u></u>

(c) **Retention payables**

Retention payables are settled in accordance with the terms of the respective contracts. The terms and conditions in relation to the release of retention vary from contract to contract, which is subject to practical completion, the expiry of the defect liability period or a pre-agreed time period. In the consolidated statement of financial position, retention payables were classified as current liabilities based on operating cycle. The ageing analysis of these retention payables based on the terms of related contracts was as follows:

	As at 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Will be settled within twelve months	3,408	4,052
Will be settled more than twelve months after the end of the year	9,130	5,023
	<u>12,538</u>	<u>9,075</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works and BMU system works in Hong Kong. Through the Company's principal operating subsidiaries, Acme Metal Works (International) Limited and Acme Gondola Systems Limited, the Group has accumulated over 31 years of experience in façade works industry in Hong Kong, and over 20 years of experience in BMU system works industry in Hong Kong.

The Group's design and build solution services in relation to façade works and BMU system works generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management. To a smaller extent, the Group also provides one-off repair and maintenance services for façade works and one-off and regular repair and maintenance services for BMU system works. The Group's façade works focus on private sector and cover residential buildings and commercial buildings. The Group's BMU system works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities.

2020 has been one of the most challenging years the Group has ever faced, with the local political events commencing from the second half of 2019, and the novel coronavirus ("COVID-19") outbreak at the beginning of 2020, which has created unprecedented challenges for the construction industry and operating environment in Hong Kong. The Group was awarded a number of large-scale unitised curtain walls construction projects in 2019 and started the main construction work in 2020. Due to unforeseeable difficulties with the construction work and the change in construction schedules during the outbreak of the COVID-19, the cost of certain projects increased. As a result, the Facade Work Business recorded a gross loss during the Year.

The revenue of the Group for the Year was approximately HK\$435.8 million, representing a decrease of approximately 9.1% as compared with that of approximately HK\$479.5 million recorded for the year ended 31 December 2019. The decrease in overall revenue was mainly due to the decrease in revenue recorded from the BMU Systems Business as a result of the overall delay in the commencement of new projects and the master programs of certain ongoing projects as a result of COVID-19.

The Group reported a gross loss of approximately HK\$25.6 million and a net loss of approximately HK\$47.8 million for the Year, as compared to a gross profit of approximately HK\$97.2 million and a net profit of approximately HK\$59.2 million for the year ended 31 December 2019, respectively (after excluding the one-off listing expenses of HK\$18.1 million incurred in relation to the listing of the Company's shares on the Main Board (the "Listing") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange")). The turnaround of Group's result was mainly attributable to:

- (i) due to the outbreak of COVID-19, the supply chain management and production capacity of construction material suppliers for the Façade Work Business were affected, resulting in suppliers' delayed delivery and a decline in product quality of construction materials. In order to catch up with the original schedule for the on-going projects and to maintain the quality of the Group's construction work, the Group incurred additional subcontracting charges and material costs to speed up the installation process and to replace the defective construction materials, which had led to a significant loss in certain projects for the Year;
- (ii) one of the core building components used in a number of large-scale construction projects undertaken in the Group's Façade Work Business is unitised curtain walls which need to be prefabricated in factories before delivered to the construction site for on-site installation, which means any delay in the supply chain of prefabricate parts can directly impact the projects. This occurred in the Year as a result of COVID-19, when there was a substantial delay in the delivery by suppliers that had a direct impact on the project progress. Therefore to minimise the impact, the Group proactively negotiated with the main contractors in the second half of 2020 and engaged new approved suppliers of construction materials for certain projects, with a view to reduce the impact brought by the delay in the supply chain of the construction materials. As a result of the engagement of new suppliers, the Group has incurred additional costs in design, moulds, logistics, quality inspection and other expenses. Thus, the overall project expenses increased further;
- (iii) as some large-scale projects undertaken by the Group's BMU Systems Business were close to completion by the end of 2019, therefore a substantial part of such revenue was recognised in 2019. As a result of COVID-19, there was a substantial delay to the master plans for certain new projects and ongoing projects, which had led to a sharp decrease in the revenue generated by the BMU Systems Business in the Year;
- (iv) on account of the prolonged impact of COVID-19, a number of construction projects were delayed. In order to deal with the unexpected changes to the on-site arrangements initiated by contractors and the delay in site progress while the construction was underway, the Group had to incur more subcontracting charges for maintaining sufficient manpower in construction sites during the affected period, and to incur additional storage and transportation cost to facilitate the logistics arrangement; and
- (v) the downturn in the overall economic performance in Hong Kong, together with fierce competition in the market forced the Group to be more competitive in its project pricing, which resulted in a decline in the number of variation orders work and the gross profit margin of the Group.

OUTLOOK

2020 has been one of the most challenging and difficult years; the global population has experienced lockdowns, travel restrictions and various changes caused by the COVID-19 pandemic. Looking ahead, the Group continues to hold a cautiously optimistic outlook for Hong Kong's construction industry. 2021 is expected to remain challenging for Hong Kong's economy. The Group will continue to adopt appropriate measures (such as implementing more stringent cost control measures in order to optimise cost savings and manage cash flow of the Group) to safeguard the interest of its employees and business operations. At the same time, the Group is taking a proactive approach and will continue to strengthen cash flow management to steadily get through this tough period.

The uncertainty in the local property market, the real estate sector and the economic downturn in Hong Kong has caused a reduction in tenders. The limited tendering opportunities increased the competition in the construction industry, which affected the tendering price and profit margin of the projects. The management has made a strategic move to balance the project award success with reasonable profit margins. During the Year, the Group was awarded 37 new design and build projects with total contract value amounted to approximately HK\$278.1 million. As at 31 December 2020, the Group has 23 and 71 design and build projects on hand (i.e. with engagement confirmed and not yet completed) in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$1,256.1 million and HK\$360.7 million, of which approximately HK\$774.1 million and HK\$147.2 million had been recognised as revenue up to 31 December 2020, respectively. Going forward, the Group will continue to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

Despite the ongoing uncertainties in the near term, the Group's long-term values remain steadfast. The Group's principle has always been to fulfil its promises, with excellent quality and commitment. With the perseverance and dedication of the management team and employees, the Group strongly believes that it can overcome potential hardships that may come in its way and scale greater heights.

As part of the Group's continuous efforts to generate better returns for its shareholders and sustain long-term profitable growth, the Group remains open to strategic business opportunities in the Macau and China to reduce the risk of the Group relying on a single geographical market.

FINANCIAL REVIEW

Revenue

During the Year, the Group recorded revenue of approximately HK\$435.8 million, representing an decrease of 9.1% as compared to approximately HK\$479.5 million recorded for the year ended 31 December 2019. Such decrease was attributable to the significant decrease in the BMU Systems Business as compared to the year ended 31 December 2019 as a result of the overall delay in commencement of new projects and the master programs of certain ongoing projects.

The following table sets forth a breakdown of the revenue of the Group by business stream for the year indicated:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Façade works	336,203	282,984
BMU System works	<u>99,594</u>	<u>196,488</u>
Total	<u><u>435,797</u></u>	<u><u>479,472</u></u>

Gross (loss)/profit and gross (loss)/profit margin

The gross profit margin of BMU Systems Business was approximately 29.3% and 29.9% for the year ended 31 December 2020 and 2019. The decline in the gross profit margin for the Year was due to the decrease in the number and gross profit margin of the Group's variation orders works due to the overall economic downturn in Hong Kong and the competitive project pricing arising from intense market competition.

As a result of the reasons mentioned under the section headed "Business Review", the Façade Work Business recorded gross loss of approximately HK\$54.8 million for the Year as compared with the gross profit of approximately HK\$38.4 million recorded for the year ended 31 December 2019.

The following table sets forth a breakdown of the gross (loss)/profit of the Group by business stream for the year indicated:

	Year ended 31 December			
	2020		2019	
	Gross (loss)/ profit <i>HK\$'000</i>	Gross (loss)/ profit margin %	Gross profit <i>HK\$'000</i>	Gross profit margin %
Façade Works Business	(54,765)	(16.3)	38,443	13.6
BMU Systems Business	<u>29,140</u>	<u>29.3</u>	<u>58,728</u>	29.9
Total	<u>(25,625)</u>	<u>(5.9)</u>	<u>97,171</u>	20.3

Other income

The other income of the Group for the Year increased to approximately HK\$6.8 million from approximately HK\$1.8 million for the year ended 31 December 2019.

The other income recorded for the Year mainly represented the government grant under the employment support scheme and the other income recorded for the year ended 31 December 2019 mainly represented the dividend income from financial assets at fair value through other comprehensive income (“FVOCI”).

Other gains/(losses), net

The net of other gains/(losses) of the Group mainly represented the net foreign exchange differences.

Administrative expenses

The administrative expenses of the Group primarily consist of (i) employee benefit expenses for its administrative and management personnel; (ii) insurance expenses; (iii) entertainment expenses; (iv) office expenses; (v) travelling expenses; (vi) depreciation expenses; (vii) bank charges; (viii) legal and professional fees; (ix) auditor’s remuneration; (x) Listing expenses; and (xi) other expenses, which primarily include repair and maintenance expenses, storage charges, motor vehicle expenses and etc.

The Group’s administrative expenses decreased by approximately HK\$15.5 million or 34.0% from approximately HK\$45.5 million for the year ended 31 December 2019 to approximately HK\$30.0 million for the Year. Such decrease was mainly due to the absence of the Listing expenses for the Year whereas HK\$18.1 million was recorded for the year ended 31 December 2019, which was partly offset by the increase in auditor’s remuneration and legal and professional fees by approximately HK\$1.4 million as a result of higher compliance cost for the enhancement of the corporate governance subsequent to Listing.

Finance income and Finance costs

The finance income of the Group represents the interest income from bank deposits. The Group's finance income for the Year decreased to HK\$0.4 million from HK\$0.7 million for the year ended 31 December 2019, which was mainly due to the decrease in deposit interest rate.

The finance costs of the Group represent the interest expenses arising from bank borrowings and, to a lesser extent, its lease liabilities. The Group's finance costs remained relatively stable, at approximately HK\$0.6 million for the year ended 31 December 2019 and 2020 respectively.

Income tax credits/(expenses)

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. The Group recorded income tax credits of approximately HK\$0.7 million, compared to the year ended 31 December 2019 of income tax expenses of HK\$12.1 million. The income tax credits for the Year were mainly attributable to the recognition of deferred tax arising from the tax loss in Façade Works Business.

Net (Loss)/Profit for the Year

As a result of the foregoing, the Group reported a net loss of approximately HK\$47.8 million for the Year compared to an Adjusted Profit of approximately HK\$59.2 million for the year ended 31 December 2019.

Non-HKFRS measures

To supplement the consolidated financial statements of the Group which are presented in accordance with HKFRS, the management also presented the Adjusted (Loss)/Profit as non-HKFRS measures to evaluate the financial performance by eliminating the impact of the Listing expenses in prior year, which are non-recurring in nature and are not indicative for evaluating the actual performance of the business of the Group. The management believes that these non-HKFRS measures provide additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of the peer companies. The following table sets forth a reconciliation between the (loss)/profit for the year and the Adjusted (Loss)/Profit for the year indicated:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
(Loss)/profit for the year	(47,838)	41,079
Adjusted for:		
Listing expenses	<u>—</u>	<u>18,071</u>
Adjusted (Loss)/Profit for the year	<u>(47,838)</u>	<u>59,150</u>

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a solid statement of financial position for the Year. As at 31 December 2020, the Group's cash and cash equivalents decreased to HK\$42.1 million from HK\$133.3 million as at 31 December 2019, and its pledged and restricted deposits slightly decreased to HK\$65.2 million from HK\$70.8 million as at 31 December 2019. The decrease in the cash and cash equivalents was primarily attributable to the net effect of (i) operating cash outflow due to gross loss in Façade Works Business, (ii) receipt of proceed from disposal of financial assets at FOVCI amounted to HK\$20.6 million, and (iii) payment of dividend of HK\$5.2 million.

As at 31 December 2020 and 2019, the Group's total bank borrowings amounted to approximately HK\$5.3 million and HK\$6.4 million, respectively. All bank borrowings as at 31 December 2020 were denominated in Hong Kong Dollars and carried at interest rate of 6.13% per annum.

As at 31 December 2020 and 2019, the Group had unutilised banking facilities of HK\$16.0 million and HK\$13.3 million, respectively.

The Group's gearing ratios (total debt, being the total of bank borrowings and lease liabilities, as at the year ended divided by total equity attributable to shareholder as at the year ended and multiplied by 100%) were approximately 2.0% and 2.2% as at 31 December 2020 and 2019, respectively.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group will have adequate cash for its business operation and business development.

Foreign exchange

The Group mainly operates in Hong Kong and majority of the operating transactions such as revenue, expenses, monetary assets and liabilities are denominated in Hong Kong Dollars. As such, the Directors are of the view that the Group's risk in foreign exchange is insignificant and that the Group should have sufficient resources to meet foreign exchange requirements as and if they arise. Therefore, the Group did not engage in any derivatives contracts to hedge its exposure to foreign exchange risk during the Year.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Listing amounted to HK\$84.4 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds have been applied and will continue to be applied in accordance with the proposed application as disclosed in the prospectus of the Group dated 25 October 2019 (the “Prospectus”). An analysis comparing the business objectives as set out in the Prospectus with the Group’s actual business progress for the period from the Listing Date to 31 December 2020 is set out below:

Business strategy	Implementation plan	Actual business progress up to 31 December 2020
Strengthening the Group’s financial capacity to undertake more design and build projects	— Funding the upfront costs required for new projects	The funding costs for certain projects were utilised according to the implementation plan.
	— Funding the issuance of surety bonds required for new projects	The Group has paid the issuance of surety bonds according to the implementation plan.
Expanding the Group’s workforce to enhance the Group’s capacity to undertake more design and build projects	— Recruiting additional staff	The Group has recruited certain project staff accordingly. However, there was a delay in the recruitment schedule due to the insufficient supply of suitable candidates in the labour market which caused the delay in the utilisation of proceeds.
Enhancing the Group’s operational efficiency by implementing an enterprise resource planning (“ERP”) system	— Purchasing an ERP system and additional computer equipment and software	The Group has acquired an ERP system and certain computer equipment and software according to the implementation plan. However, the upgrading of the ERP system has fallen behind the schedule due to the complication of the Group’s systems which caused the delay in the utilisation of proceeds.

As at 31 December 2020, the net proceeds received were applied as follows:

	<u>Net proceeds (HK\$ million)</u>			Expected timeframe of full utilisation of unutilised amount from the share offer as at 31 December 2020
	Adjusted use of proceeds as per Prospectus	Actual utilised amount from the Listing date to 31 December 2020	Unutilised balance as at 31 December 2020	
Implementation plan				
Funding the upfront costs required for new projects	46.8	46.8	—	N/A
Funding the issuance of surety bonds required for new projects	19.2	19.2	—	N/A
Recruiting additional staff	6.8	4.2	2.6	First half of 2021
Purchasing an ERP system and additional computer equipment and software	3.2	2.6	0.6	First half of 2021
Working capital and other general corporate purposes	8.4	8.4	—	N/A
	<hr/>	<hr/>	<hr/>	
Total	<u>84.4</u>	<u>81.2</u>	<u>3.2</u>	

MATERIAL ACQUISITIONS AND DISPOSALS

During the Year, the Group disposed of its financial assets at FVOCI at a consideration, net of transactions costs, of approximately HK\$20.6 million. A loss of approximately HK\$7.7 million was recognised in the other comprehensive income and the cumulative loss of approximately HK\$6.5 million recognised in the revaluation reserve was transferred to retained earnings for the Year as a result of the disposal. For more details, please refer to the announcement of the Company dated 13 March 2020.

Save as disclosed above, the Group did not have any material acquisitions or disposals of assets, subsidiaries, associated companies or joint ventures during the Year.

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, the Group did not have any significant investments in equity interest as at 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2020, the Group has no plan for any material investments or capital assets.

PLEDGE OF ASSETS

As at 31 December 2020, pledged deposits in the sum of approximately HK\$62.2 million (2019: HK\$39.7 million) were placed with banks as securities for certain banking facilities of the Group.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group has capital commitments of HK\$0.6 million relating to the establishment of a customised ERP system (2019: HK\$1.6 million).

CONTINGENT LIABILITIES

At each of the years ended 31 December 2019 and 2020, the Group's contingent liabilities were as follows:

(i) Surety bonds

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Surety bonds (<i>Note</i>)	<u>43,530</u>	<u>36,615</u>

Note: As at 31 December 2020, the Group provided guarantees of surety bonds in respect of 17 (2019: 19) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

(ii) Claim

In 2018, the Group received a claim from a customer for damage amounting to approximately HK\$3.4 million. There was no material development of this matter during the Year. Up to the date of this announcement, the claim is at a preliminary stage and is still ongoing, the Directors are of the opinion that the final outcome is unable to be determined at this stage. They believe that the Group has reasonable ground to defend the claim which would not result in any material adverse effects to the consolidated financial statements of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 172 full-time employees (2019: 128 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees (including the Directors) is generally structured by reference to market terms and individual merits. Salaries are reviewed annually with reference to market conditions and the performance, qualifications and experience of individual employees.

Discretionary bonuses are paid on an annual basis based on the results of the Group, individual performance and other relevant factors. The Company has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency.

The Company has also adopted a share option scheme and a share award scheme to recognise and reward the eligible employees for their contributions to the business and development of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group had no significant events after the reporting period which need to be disclosed.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) as its own code of corporate governance. To the best knowledge of the Directors, the Company had complied with the applicable code provisions as set out in the CG Code throughout the Year, except for the following deviation:

Code provision A.1.3

Under code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. During the Year, one of the Board meetings was convened with less than 14 days’ notice to facilitate the Directors to make timely decision in respect of certain internal affairs of the Group. Although the Company had not given the Directors 14 days’ notice, all Directors attended the meeting. The Company will use its best endeavor to give 14 days’ notice of before convening a regular Board meeting.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. Further information about the corporate governance practices of the Company will be set out in the annual report of the Company for the year ended 31 December 2020.

Purchase, Sale or Redemption of the Company’s Listed Securities

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

Model code for securities transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as its own code of conduct regarding Directors’ securities transactions. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the Model Code during the Year.

ANNUAL GENERAL MEETING

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 28 May 2021. The notice of AGM will be published and delivered to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend payment of a final dividend for the Year.

Closure of Register of Members

The register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021 (both days inclusive), during which period no transfer of Shares will be registered, for the purpose of determining the right to attend and vote at the AGM. All transfer of the Company’s shares together with the relevant share certificates must be lodged with the Company’s branch share registrar and transfer office in Hong Kong no later than 4:30 p.m. on Monday, 24 May 2021 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors with written terms of reference in accordance with the requirements of the Listing Rules. The Audit Committee has reviewed and has agreed with the auditor of the Company on the Group’s audited final results for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the Year as set out in this announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers (“PwC”), to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC on this announcement.

PUBLICATION OF THE 2020 ANNUAL RESULTS AND THE 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.acmehld.com). The annual report of the Company for the year ended 31 December 2020 will be despatched to Shareholders and made available on the websites of the Stock Exchange and the Company in due course.

By order of the Board of
Acme International Holdings Limited
Mr. Kwan Kam Tim
Chairman and Executive Director

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises six members, of which Mr. Kwan Kam Tim, Mr. Mak Kim Hung and Ms. Leung Ng Mui May are the executive directors of the Company; and Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P. are the independent non-executive directors of the Company.