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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)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021**

#### **FINANCIAL HIGHLIGHTS**

	<b>For the six months ended 30 June</b>	
	<b>2021 (unaudited) HK\$'000</b>	<b>2020 (unaudited) HK\$'000</b>
Revenue	<b>244,113</b>	136,793
Gross loss	<b>(48,944)</b>	(13,651)
Loss before income tax	<b>(63,433)</b>	(27,006)
Loss for the period	<b>(73,073)</b>	(24,815)

## INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Acme International Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2021 (the “Period”), together with the unaudited comparative figures for the six months ended 30 June 2020 as follows:

### INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 30 June 2021*

		Six months ended 30 June	
		2021	2020
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	3	244,113	136,793
Cost of sales	4	<u>(293,057)</u>	<u>(150,444)</u>
Gross loss		(48,944)	(13,651)
Other income		768	1,175
Other gains/(losses), net		11	(231)
Administrative expenses	4	<u>(14,686)</u>	<u>(14,187)</u>
<b>Operating loss</b>		<b>(62,851)</b>	<b>(26,894)</b>
Finance income		49	265
Finance costs		<u>(631)</u>	<u>(377)</u>
Finance costs, net		----- (582) -----	----- (112) -----
<b>Loss before income tax</b>		<b>(63,433)</b>	<b>(27,006)</b>
Income tax (expenses)/credits	5	<u>(9,640)</u>	<u>2,191</u>
Loss for the period attributable to owners of the Company		<u><b>(73,073)</b></u>	<u><b>(24,815)</b></u>
<b>Loss per share attributable to owners of the Company for the period</b>			
— Basic and diluted (HK cents)	7	<u><b>(14.05)</b></u>	<u><b>(4.77)</b></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Loss for the period	(73,073)	(24,815)
<b>Other comprehensive loss:</b>		
<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>—</u>	<u>(7,682)</u>
Other comprehensive loss for the period	<u>—</u>	<u>(7,682)</u>
<b>Total comprehensive loss for the period attributable to owners of the Company</b>	<b><u>(73,073)</u></b>	<b><u>(32,497)</u></b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at <b>30 June</b> <b>2021</b> <b>(unaudited)</b> <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,026</b>	1,769
Intangible asset		<b>720</b>	759
Deferred income tax assets		—	6,693
Financial assets at fair value through other comprehensive income		—	—
Deposits, prepayments and other receivables		<u><b>3,063</b></u>	<u>2,280</u>
		<u><b>9,809</b></u>	<u>11,501</u>
<b>Current assets</b>			
Inventories		<b>19,545</b>	38,650
Trade and retention receivables	8	<b>69,995</b>	71,970
Contract assets	9	<b>207,321</b>	233,805
Deposits, prepayments and other receivables		<b>15,435</b>	20,654
Pledged deposits		<b>65,299</b>	62,229
Restricted deposits		<b>5,101</b>	2,930
Cash and cash equivalents		<u><b>43,300</b></u>	<u>42,135</u>
		<u><b>425,996</b></u>	<u>472,373</u>
<b>Total assets</b>		<u><b>435,805</b></u>	<u>483,874</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	10	<b>5,200</b>	5,200
Reserves		<u><b>241,738</b></u>	<u>312,654</u>
<b>Total equity</b>		<u><b>246,938</b></u>	<u>317,854</u>

		As at <b>30 June</b> <b>2021</b> <b>(unaudited)</b> <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		3,402	791
Deferred income tax liabilities		17	12
Provisions		<u>1,087</u>	<u>1,446</u>
		<u>4,506</u>	<u>2,249</u>
<b>Current liabilities</b>			
Trade, bills and retention payables	<i>11</i>	117,242	137,602
Contract liabilities	<i>9</i>	8,741	6,714
Other payables and accruals		2,938	6,183
Income tax liabilities		3,590	649
Bank and other borrowings		33,257	5,262
Lease liabilities		2,179	419
Provisions		<u>16,414</u>	<u>6,942</u>
		<u>184,361</u>	<u>163,771</u>
<b>Total liabilities</b>		<u>188,867</u>	<u>166,020</u>
<b>Total equity and liabilities</b>		<u>435,805</u>	<u>483,874</u>

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

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

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial information of the Group have been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange (the "Listing Rules").

The interim condensed consolidated financial information have been prepared under the historical cost convention.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2021 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the estimation of income tax and the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2021:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments)

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

### 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.

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 six months ended 30 June 2020 and 2021 is presented.

Segment assets mainly exclude right-of-use assets for properties, intangible asset, deferred tax assets, pledged deposits, restricted deposits, cash and cash equivalents and other assets that are managed on a central basis.

Segment liabilities mainly exclude bank and other 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, mainly including depreciation expenses of HK\$1,121,000 and amortisation of HK\$39,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: depreciation expenses of HK\$1,088,000).

The Executive Directors assess the performance of the operating segments based on their underlying profit or loss, which is measured by profit or loss before income tax, excluding finance income, finance costs, depreciation on right-of-use assets of properties and amortisation of intangible asset, which are managed on a central basis.

	Façade Works Business		BMU Systems Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Revenue from external customer recognised over time	<u>182,831</u>	<u>95,875</u>	<u>61,282</u>	<u>40,918</u>	<u>244,113</u>	<u>136,793</u>
Segment results	(77,029)	(30,885)	16,817	6,777	(60,212)	(24,108)
Unallocated corporate expenses					(2,639)	(2,786)
Finance income					49	265
Finance costs					<u>(631)</u>	<u>(377)</u>
Loss before income tax					(63,433)	(27,006)
Income tax (expenses)/credits					<u>(9,640)</u>	<u>2,191</u>
Loss for the period					<u><u>(73,073)</u></u>	<u><u>(24,815)</u></u>
Other segment information:						
Additions to property, plant and equipment	30	295	55	—	85	295
Depreciation	<u>98</u>	<u>589</u>	<u>21</u>	<u>33</u>	<u>119</u>	<u>622</u>
	Façade Works Business		BMU Systems Business		Total	
	As at					
	30 June	31 December	30 June	31 December	30 June	31 December
	2021	2020	2021	2020	2021	2020
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	214,921	265,239	100,864	102,467	315,785	367,706
Unallocated assets					<u>120,020</u>	<u>116,168</u>
Total assets					<u><u>435,805</u></u>	<u><u>483,874</u></u>
Segment liabilities	128,101	145,890	16,418	11,636	144,519	157,526
Unallocated liabilities					<u>44,348</u>	<u>8,494</u>
Total liabilities					<u><u>188,867</u></u>	<u><u>166,020</u></u>

#### 4 EXPENSES BY NATURE

##### Six months ended 30 June

	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000

Construction costs recognised in cost of sales ( <i>Note a</i> )	283,585	150,368
Provision for onerous construction contracts	9,371	—
Entertainment expenses	744	573
Office expenses	866	911
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	7,002	6,573
Depreciation of property, plant and equipment	1,240	1,710
Amortisation expenses	39	—
Insurance expenses	1,299	970
Auditor's remuneration	1,000	1,052
Legal and professional fee	1,114	1,270
Bank charges	203	92
Travelling expenses	395	276
Warranty expenses	101	76
Other expenses	784	760
	<u>307,743</u>	<u>164,631</u>
Representing:		
Cost of sales	293,057	150,444
Administrative expenses	<u>14,686</u>	<u>14,187</u>
	<u>307,743</u>	<u>164,631</u>

*Note:*

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

#### 5 INCOME TAX EXPENSES/(CREDITS)

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2020: 16.5%) on the estimated assessable profit for the Period. 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 charged/(credited) to the interim condensed consolidated income statement represented:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Current income tax	<b>2,941</b>	2,981
Deferred income tax	<b>6,699</b>	(5,172)
	<b>9,640</b>	(2,191)

## 6 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

A final dividend in respect of 2019 of HK\$5,200,000 was paid during the six months ended 30 June 2020.

## 7 LOSS PER SHARE

### (a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2021.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(unaudited)</b>	(unaudited)
Loss attributed to owners of the Company (HK\$'000)	<b>(73,073)</b>	(24,815)
Weighted average number of ordinary shares in issue (thousands)	<b>520,000</b>	520,000
Basic loss per share (HK cents)	<b>(14.05)</b>	(4.77)

### (b) Diluted

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

For the six months ended 30 June 2020 and 2021, the Company has one category of potentially dilutive shares, the Pre-IPO Share 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.

Diluted loss per share for the six months ended 30 June 2020 and 2021 are 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 antidilutive effect on the basic loss per share.

## 8 TRADE AND RETENTION RECEIVABLES

	As at <b>30 June</b> <b>2021</b> (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Trade receivables ( <i>Note (a)</i> )	32,063	43,783
Retention receivables ( <i>Note (b)</i> )	<u>37,932</u>	<u>28,187</u>
Trade and retention receivables	<u><b>69,995</b></u>	<u><b>71,970</b></u>

### (a) Trade receivables

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

	As at <b>30 June</b> <b>2021</b> (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
0–30 days	31,522	25,750
31–60 days	120	15,620
61–90 days	178	2,075
91–180 days	166	230
Over 180 days	<u>77</u>	<u>108</u>
	<u><b>32,063</b></u>	<u><b>43,783</b></u>

### (b) Retention receivables

The ageing analysis of these retention receivables based on the terms of related contracts was as follows:

	As at <b>30 June</b> <b>2021</b> (unaudited) <i>HK\$'000</i>	As at 31 December 2020 (audited) <i>HK\$'000</i>
Will be recovered within twelve months	4,261	4,762
Will be recovered more than twelve months after the end of the period/year	<u>33,671</u>	<u>23,425</u>
	<u><b>37,932</b></u>	<u><b>28,187</b></u>

## 9 CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Contract assets relating to façade works construction contracts	143,841	170,929
Contract assets relating to BMU systems construction contracts	<u>63,480</u>	<u>62,876</u>
Total contract assets	<u><u>207,321</u></u>	<u><u>233,805</u></u>
Contract liabilities relating to façade works construction contracts	160	3,961
Contract liabilities relating to BMU systems construction contracts	<u>8,581</u>	<u>2,753</u>
Total contract liabilities	<u><u>8,741</u></u>	<u><u>6,714</u></u>

## 10 SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
<i>Authorised:</i>		
As at 31 December 2020 and 30 June 2021	<u>4,000,000,000</u>	<u>40,000</u>
<i>Issued and fully paid:</i>		
As at 31 December 2020 and 30 June 2021	<u>520,000,000</u>	<u>5,200</u>

## 11 TRADE, BILLS AND RETENTION PAYABLES

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Trade payables (Note (a))	99,209	119,244
Bills payable (Note (b))	2,636	5,820
Retention payable (Note (c))	<u>15,397</u>	<u>12,538</u>
Trade, bills and retention payables	<u><u>117,242</u></u>	<u><u>137,602</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 30 June 2021 and 31 December 2020 were as follows:

	As at <b>30 June</b> <b>2021</b> <b>(unaudited)</b> <i>HK\$'000</i>	As at 31 December 2020 <b>(audited)</b> <i>HK\$'000</i>
0–30 days	54,442	61,878
31–60 days	9,774	33,005
61–90 days	9,683	7,851
91–120 days	5,120	7,062
Over 120 days	<u>20,190</u>	<u>9,448</u>
	<u><b>99,209</b></u>	<u><b>119,244</b></u>

(b) **Bills payables**

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

	As at <b>30 June</b> <b>2021</b> <b>(unaudited)</b> <i>HK\$'000</i>	As at 31 December 2020 <b>(audited)</b> <i>HK\$'000</i>
Due within 30 days	2,636	3,473
Due between 31 to 60 days	—	1,518
Due between 61 to 120 days	<u>—</u>	<u>829</u>
	<u><b>2,636</b></u>	<u><b>5,820</b></u>

(c) **Retention payables**

The ageing analysis of these retention payables based on the terms of related contracts was as follows:

	<b>As at 30 June 2021 (unaudited) HK\$'000</b>	As at 31 December 2020 (audited) HK\$'000
Will be settled within twelve months	<b>3,580</b>	3,408
Will be settled more than twelve months after the end of the period/year	<u><b>11,817</b></u>	<u>9,130</u>
	<u><b>15,397</b></u>	<u>12,538</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 its principal operating subsidiaries, Acme Metal Works (International) Limited and Acme Gondola Systems Limited, the Group has 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.

Since the outbreak of the novel coronavirus (“COVID-19”), the construction and materials delivery schedules and the operating environment of the construction industry have been affected to varying degree. Even though the Group has taken a number of measures in 2020 to cope with the various changes caused by the COVID-19 epidemic, the Group still faces many challenges in the first half of 2021. The ongoing and unforeseen changes to the construction timetable, as well as substantial fluctuations in the building materials prices, have substantially increased the cost of certain projects of the Group, and the Façade Work Business recorded gross losses for the Period.

The revenue of the Group for the Period was approximately HK\$244.1 million, representing an increase of approximately 78.5% as compared with that of approximately HK\$136.8 million recorded for the corresponding period in 2020. Details of the revenue of the Group are set out in the section headed “Financial Review” below.

While the revenue and gross profit of the Group’s BMU System business for the Period recorded increase of 49.8% and 122.9%, respectively, as compared to the corresponding period in 2020, such increase could not offset the loss incurred by various works in relation to the Group’s Façade Work Business due to the reasons set out below, resulting in an increase in the consolidated net loss of the Group.

The net loss of the Group was primarily due to the combined effect of the following:

- (i) the Group was awarded a number of large-scale unitised curtain wall projects in 2019 and the main construction works thereof were commenced in 2020. The progress of the projects was directly impacted by the significant delay in the delivery of construction material parts by some unitised curtain wall suppliers as a result of COVID-19 pandemic. Therefore, the Group has engaged new approved suppliers to supply construction material parts for certain projects in the second half of 2020, with a view to reduce the impact brought by any delay in the supply chain. However, upon on-site inspection conducted on certain projects during the Interim Period, the Group realised that the quality of certain construction material parts for unitised curtain wall construction which were purchased from the new suppliers failed to meet the main contractor’s requirements. Accordingly, the Group had to incur additional subcontracting charges and material costs to replace and repair the defective construction materials, which had led to a significant loss in certain projects;

- (ii) a number of façade construction projects were delayed and construction plans were altered on account of the prolonged impact of COVID-19 pandemic. In order to deal with any unexpected change to the on-site arrangements initiated by any contractor and delay in progress on site 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 additional storage and transportation cost for making corresponding logistics arrangements;
- (iii) the supply chain management of some construction material suppliers for Façade Work Business were affected to a large extent by the prolonged impact of COVID-19 pandemic, which resulted in suppliers' delay in the delivery of construction materials. For the purpose of aligning the progress of on-going projects to its original schedule, the Group had to incur additional subcontracting charges and material costs to catch up with the construction plans;
- (iv) during the Period the costs of various projects further increased due to the substantial increase in the purchase costs of raw materials for major construction materials (mainly aluminum, steel and glass) used in the Façade Work Business and the appreciation of RMB; and
- (v) in respect of a façade construction project in Kwun Tong undertaken by the Group in 2019, the Group was still in negotiation with the contractors for the relevant amount incurred by variation orders due to the substantial modification and delay of the contracted construction plan of the third phase which involved certain variation orders, and the final amount of variation orders was uncertain at this stage. Based on the current estimation by the Board, the Group recorded a loss of approximately HK\$33 million regarding this project for the Period in accordance with the relevant accounting standards after taking into account the increase in construction material costs and subcontracting fees, as well as the additional costs arising from the delay in construction. This estimation was not finalised and subject to change as a result of further negotiation with the counterparty. For further details, please refer to the section headed "Financial Review" below.

## **OUTLOOK**

Although the prospects for global economic recovery and the operation of the Group are still full of uncertainties due to the COVID-19 outbreak, the Group will continue to be cautiously optimistic about the construction industry in Hong Kong and stick to its principles and fulfill its promises with outstanding quality and firm attitude. In order to deal with the uncertainties faced by the Group, the Group may consider different financing options such as equity fundraising and bank and other borrowings as and when it considers appropriate to ensure that it has sufficient working capital for its operation.

The Group has been closely monitoring the market conditions and adjusting its business strategies and operations to mitigate the Group's operational risks in response to the challenges brought by the business environment. With a view to dealing with the intensified competition and challenges in the façade works business, the Group has adopted a more conservative tendering strategy in this business

and will continue to strengthen the development of the BMU System Business, including the expansion of BMU System Business in Macau market. Looking ahead, the Board will continue to review the Group's operations and strategies from time to time to cope with challenges in the future.

## FINANCIAL REVIEW

### Revenue

During the Period, the revenue of the Group was approximately HK\$244.1 million. As compared with approximately HK\$136.8 million for the corresponding period in 2020, the revenue of the Group significantly increased by HK\$107.3 million or 78.5%, which was attributable to the increase in Façade Works Business and BMU System Business amounting to HK\$86.9 million and HK\$20.4 million respectively. Such increase was mainly attributable to the delay in construction programs during the outbreak of the COVID-19 in 2020.

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Façade works	<b>182,831</b>	95,875
BMU System works	<b><u>61,282</u></b>	<u>40,918</u>
Total	<b><u><u>244,113</u></u></b>	<u><u>136,793</u></u>

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

As compared to the corresponding period in 2020, the gross profit margin of BMU Systems Business was increased from approximately 20.6% to approximately 30.7% for the Period. The increase was mainly due to that the Group received certain variation orders during the Period and such variation orders had relatively higher profit margin as minimal extra costs were incurred for the relevant works.

On the other hand, the Façade Work Business recorded a gross loss and a gross loss margin of approximately HK\$67.8 million and 37.1% for the Period respectively. As mentioned under the section headed "Business Review", the gross loss for the Period was caused by the significant additional costs incurred or to be incurred in certain projects, especially the façade construction project in Kwun Tong mentioned. Based on the current estimation of the Group, the overall gross loss regarding this project was expected to be approximately HK\$19.6 million. With reference to HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", onerous contracts provision should be recognised as an expenses immediately when there are unavoidable costs of meeting the obligations under a contract which exceed the economic benefits expected to be received under it. Thus, the loss regarding this project for the Period would be equal to the overall gross loss of the project plus the gross profit

recognised in previous years, which was approximately HK\$13.5 million. As a result, based on the best estimation by management, the Group recorded a loss of approximately HK\$33.1 million regarding this project for the Period. This was not finalised and subject to change as a result of further negotiation with the counterparty and may have impact on the Group's profit or loss in the future period.

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

	<b>Six months ended 30 June</b>			
	<b>2021</b>		<b>2020</b>	
	<b>(unaudited)</b>		<b>(unaudited)</b>	
	<b>Gross (loss)/ profit</b>	<b>Gross (loss)/ profit margin</b>	<b>Gross (loss)/ profit</b>	<b>Gross (loss)/ profit margin</b>
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Façade works	(67,762)	(37.1)	(22,094)	(23.0)
BMU System works	<u>18,818</u>	<u>30.7</u>	<u>8,443</u>	20.6
Total	<u><u>(48,944)</u></u>	<u><u>(20.0)</u></u>	<u><u>(13,651)</u></u>	(10.0)

#### **Other income**

The other income of the Group slightly decreased to HK\$0.8 million for the Period from approximately HK\$1.2 million for the six months ended 30 June 2020.

The other income recorded for the Period mainly represented the discount received from suppliers and the other income recorded in the corresponding period in 2020 mainly represented the government grant under the employment support scheme.

#### **Other gains/(losses), net**

The net of other gains/(losses) of the Group mainly represented the 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; and (x) other expenses, which primarily include repair and maintenance expenses, storage charges and motor vehicle expenses.

The administrative expenses of the Group remained stable at approximately HK\$14.7 million for the Period and HK\$14.2 for the corresponding period in 2020.

## **Income tax (expenses)/credits**

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 expenses of approximately HK\$9.6 million, as compared to the corresponding period in 2020 of income tax credits of HK\$2.2 million. The income tax expenses for the Period were mainly attributable to the current tax charges on BMU System Business and the reversal of deferred tax credits regarding to the tax loss in Façade Works Business.

## **Net loss for the Period**

As a result of the foregoing, the Group reported a net loss of approximately HK\$73.1 million for the Period as compared to a net loss of approximately HK\$24.8 million for the corresponding period in 2020.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 30 June 2021, the Group's monetary assets, including cash and cash equivalents, time deposit, pledged bank deposits and restricted deposit were approximately HK\$113.7 million (31 December 2020: approximately HK\$107.3 million).

As at 30 June 2021, the Group's total bank and other borrowings amounted to approximately HK\$33.3 million (31 December 2020: approximately HK\$5.3 million). The bank and other borrowings of the Group as at 30 June 2021 were denominated in Hong Kong Dollars, and carried interest rates of 6.00% to 6.50% per annum.

As at 30 June 2021, the Group had unutilised banking facilities of HK\$20.3 million (31 December 2020: approximately HK\$16.0 million).

As at 30 June 2021, the Group's gearing ratio (total debt, being the total of bank and other borrowings and lease liabilities, as at the end of the Period divided by total equity attributable to shareholder as at the end of the Period and multiplied by 100%) significantly increased to approximately 15.7%, compared to gearing ratio of 2.0% as at 31 December 2020. The increase in gearing ratio was mainly attributable to the increase in total debt from approximately HK\$6.5 million as at 31 December 2020 to approximately HK\$38.8 million as at 30 June 2021 and the decrease in total equity due to net loss for the Period.

## **TREASURY POLICIES**

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period. 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 RISK AND HEDGING

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 Period.

## USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the listing of the Company's shares on the Main Board of the Stock Exchange on 8 November 2019 (the "Listing") amounted to HK\$84.4 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds were applied in accordance with the proposed application as disclosed in the prospectus of the Group dated 25 October 2019 (the "Prospectus"). As at 30 June 2021, the net proceeds were fully utilised as follows:

	<b>Net proceeds (HK\$ million)</b>		
	<b>Adjusted use of proceeds as per Prospectus</b>	<b>Actual utilised amount up to 31 December 2020</b>	<b>Utilisation during the Period</b>
<b>Implementation plan</b>			
Funding the upfront costs required for new projects	46.8	46.8	—
Funding the issuance of surety bonds required for new projects	19.2	19.2	—
Recruiting additional staff	6.8	4.2	2.6
Purchasing an enterprise resource planning ("ERP") system and additional computer equipment and software	3.2	2.6	0.6
Working capital and other general corporate purposes	<u>8.4</u>	<u>8.4</u>	<u>—</u>
Total	<u>84.4</u>	<u>81.2</u>	<u>3.2</u>

## MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals of assets, subsidiaries, associated companies or joint ventures during the Period.

## SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, the Group did not have any significant investments in equity interest as at 30 June 2021.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2021, the Group has no plan for any material investments or capital assets.

## PLEDGE OF ASSETS

As at 30 June 2021, pledged deposits in the sum of approximately HK\$65.3 million (31 December 2020: HK\$62.2 million) were placed with banks to secure certain banking facilities of the Group.

## CAPITAL COMMITMENTS

As at 30 June 2021, the Group has capital commitments of HK\$0.6 million relating to the establishment of a customised ERP system (31 December 2020: HK\$0.6 million).

## CONTINGENT LIABILITIES

At 30 June 2021 and 31 December 2020, the Group's contingent liabilities were as follows:

### (i) Surety bonds

	<b>As at 30 June 2021 (unaudited) HK\$'000</b>	<b>As at 31 December 2020 (audited) HK\$'000</b>
Surety bonds ( <i>Note</i> )	<b><u>48,803</u></b>	<b><u>43,530</u></b>

*Note:* As at 30 June 2021, the Group provided guarantees of surety bonds in respect of 24 (31 December 2020: 17) 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

During the year ended 31 December 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3.4 million. During the Period, the Group received a revised claim of approximately HK\$2.9 million from the customer. Up to the date of this announcement, 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 interim condensed consolidated financial information of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2021, the Group had 160 full-time employees (As at 31 December 2020: 172 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 employees (including the Directors) are 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 share option schemes to recognise and reward the eligible employees for their contributions to the business and development of the Group.

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

### **(i) Façade construction project in Tai Wai**

In July 2021, the Group received a suspension notice from the main contractor in relation to a façade project in Tai Wai as a result of a construction defect. Based on an estimation of the information currently available to the management of the Group, an extra cost of more than HK\$10 million will be incurred due to the delay of the construction schedule (i.e. material inflation and storage for progressing materials) and additional costs for purchasing new materials for rebuilding as some of the installed materials are not removable and could not be re-used. Up to the date of this announcement, the Group is still negotiating with the main contractor regarding the relevant compensation, which means the impact to the Group is uncertain. Accordingly, the Group is unable to quantify the related financial effects. The Group will continue to closely monitor the development of this project and will make a further announcement if the Group is aware of any material development and significant impact caused in this regard.

### **(ii) Placing and Subscription**

On 30 July 2021, the Company entered into a placing agreement and a subscription agreement in relation to allot and issue an aggregate of 104,000,000 new shares of the Company to independent third parties at a price of HK\$0.19 per share (the “Placing and Subscription”).

The Placing and Subscription were completed on 20 August 2021 with the total net proceeds raised of approximately HK\$19.5 million. Details of the Placing and Subscription are set out in the announcements of the Company dated 30 July 2021, 5 August 2021 and 20 August 2021.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practices**

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance. To the best knowledge of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the Period. The Company will continue to review and enhance its corporate governance practices to ensure the compliance with the CG Code.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### **Model Code for Securities Transactions**

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (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 complied with the Model Code throughout the Period.

### **INTERIM DIVIDEND**

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2020: Nil).

### **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”) comprises three independent non-executive Directors, namely Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P.. Mr. Keung Kwok Hung is the chairman of the Audit Committee. The unaudited interim condensed consolidated financial information of the Group for the Period have been reviewed by the Audit Committee.

**PUBLICATION OF THE 2021 INTERIM RESULTS AND THE 2021 INTERIM 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](http://www.hkexnews.hk)) as well as the website of the Company ([www.acmehld.com](http://www.acmehld.com)). The interim report of the Company for the six months ended 30 June 2021 will be despatched to shareholders of the Company 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, 27 August 2021

*As at the date of this announcement, the Board comprises seven 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, Prof. Lau Chi Pang, J.P. and Mr. Chin Wai Keung Richard are the independent non-executive directors of the Company.*