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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 2019

#### FINANCIAL HIGHLIGHTS

	For the year ended		Increase/ (decrease)
	31 December		
	2019	2018	
	HK\$'000	HK\$'000	
Revenue	<b>479,472</b>	466,129	2.9%
Gross profit	<b>97,171</b>	91,108	6.7%
Gross profit margin	<b>20.3%</b>	19.5%	
Profit before income tax	<b>53,173</b>	111,037	(52.1%)
Adjusted Profit ( <i>Note</i> )	<b>59,150</b>	59,443	(0.5%)

*Note: The Company defines adjusted profit ("Adjusted Profit") as profit for the year excluding the Listing expenses and gain on disposal of property, plant and equipment, which are non-recurring in nature and are not indicative for evaluating the actual performance of its business. The adjusted profit is solely for reference and the term of adjusted 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 2019 (the “Year”), together with the audited comparative figures for the year ended 31 December 2018 as follows:

### CONSOLIDATED INCOME STATEMENT

*For the year ended 31 December 2019*

		Year ended 31 December	
		2019	2018
	Note	HK\$'000	HK\$'000
Revenue	3	479,472	466,129
Cost of sales	5	<u>(382,301)</u>	<u>(375,021)</u>
Gross profit		97,171	91,108
Other income		1,805	1,704
Other (losses)/gains, net	4	(386)	44,415
Administrative expenses	5	<u>(45,468)</u>	<u>(26,030)</u>
<b>Operating profit</b>		<b>53,122</b>	<b>111,197</b>
Finance income		672	674
Finance costs		<u>(621)</u>	<u>(834)</u>
Finance income/(costs), net		<u>51</u>	<u>(160)</u>
<b>Profit before income tax</b>		<b>53,173</b>	<b>111,037</b>
Income tax expense	6	<u>(12,094)</u>	<u>(12,146)</u>
<b>Profit for the year</b>		<b><u>41,079</u></b>	<b><u>98,891</u></b>

		Year ended 31 December	
		2019	2018
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit attributable to:</b>			
Owners of the Company		40,964	80,135
Non-controlling interests		<u>115</u>	<u>18,756</u>
		<u><b>41,079</b></u>	<u><b>98,891</b></u>
<b>Earnings per share attributable to owners of the Company for the year</b>			
— Basic (HK cents)	8	<u><b>10.01</b></u>	<u><b>20.55</b></u>
— Diluted (HK cents)		<u><b>9.74</b></u>	<u><b>20.55</b></u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>41,079</b>	98,891
<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>(1,760)</u>	<u>(6,456)</u>
Other comprehensive loss for the year	<u>(1,760)</u>	<u>(6,456)</u>
<b>Total comprehensive income for the year</b>	<b><u>39,319</u></b>	<b><u>92,435</u></b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	38,997	75,293
Non-controlling interests	<u>322</u>	<u>17,142</u>
	<b><u>39,319</u></b>	<b><u>92,435</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		As at 31 December	
		2019	2018
	Note	HK\$'000	HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,605	6,207
Deferred income tax assets		545	436
Financial assets at fair value through other comprehensive income		28,323	28,300
Deposits, prepayments and other receivables		<u>691</u>	<u>606</u>
		<u>33,164</u>	<u>35,549</u>
<b>Current assets</b>			
Inventories		10,734	13,484
Trade and retention receivables	9	40,996	50,413
Contract assets	10	196,680	127,478
Deposits, prepayments and other receivables		5,307	21,290
Income tax recoverable		2,093	5,711
Amount due from a director		—	612
Pledged deposits		39,660	44,569
Time deposits		2,518	2,498
Restricted deposits		31,170	—
Cash and cash equivalents		<u>133,257</u>	<u>70,124</u>
		<u>462,415</u>	<u>336,179</u>
<b>Total assets</b>		<u><b>495,579</b></u>	<u><b>371,728</b></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	11	5,200	—
Combined share capital	11	—	2,350
Reserves		<u>369,058</u>	<u>229,238</u>
		<b>374,258</b>	231,588
<b>Non-controlling interests</b>		<u>—</u>	<u>34,852</u>
<b>Total equity</b>		<u><b>374,258</b></u>	<u><b>266,440</b></u>

		<b>As at 31 December</b>	
		<b>2019</b>	<b>2018</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		—	2,032
Deferred income tax liabilities		<b>15</b>	23
Provisions		<b>1,216</b>	<b>1,682</b>
		<u><b>1,231</b></u>	<u><b>3,737</b></u>
<b>Current liabilities</b>			
Trade, bills and retention payables	<i>12</i>	<b>78,474</b>	37,956
Other payables and accruals		<b>11,389</b>	7,496
Contract liabilities	<i>10</i>	<b>7,607</b>	39,568
Amount due to a director		—	80
Income tax liabilities		<b>11,325</b>	2,732
Bank borrowings		<b>6,353</b>	8,856
Lease liabilities		<b>2,032</b>	2,030
Provisions		<b>2,910</b>	<b>2,833</b>
		<u><b>120,090</b></u>	<u><b>101,551</b></u>
<b>Total liabilities</b>		<u><b>121,321</b></u>	<u><b>105,288</b></u>
<b>Total equity and liabilities</b>		<u><b>495,579</b></u>	<u><b>371,728</b></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

### 1.1 General information

Acme International Holdings Limited (the “Company”) 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 (collectively the “Group”) 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 ultimate holding companies of the Company are RR (BVI) Limited (“RR”) and SV (BVI) Limited (“SV”). The ultimate controlling parties of the Group are Mr. Kwan Kam Tim (“Mr. Kwan”) and Mr. Mak Kim Hung (“Mr. Mak”). Mr. Kwan and Mr. Mak are collectively referred to as the Controlling Shareholders (“Controlling Shareholders”) of the Group.

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 November 2019 (the “Listing Date”).

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

### 1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation on 28 February 2019 (the “Reorganisation”), the Listing Business was carried out by Acme Metal Works (International) Limited (“Acme Metal”) and Acme Gondola Systems Limited (“Acme Gondola”) (collectively, the “Operating Entities”) which were under control of Mr. Kwan and Mr. Mak.

In preparation for the Listing, the Group underwent the Reorganisation, pursuant to which the companies engaged in the Listing Business were transferred to the Company. The Reorganisation involved the following steps:

- (i) On 16 July 2018, RR and SV were incorporated in the British Virgin Islands (“BVI”) and were wholly owned by Mr. Kwan and Mr. Mak respectively.
- (ii) On 17 August 2018, the Company was incorporated in the Cayman Islands with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. Upon its incorporation, one share at par value was allotted and issued, credited as fully paid, to the initial subscriber. On the same day, the initial subscriber transferred one share to SV.
- (iii) On 27 August 2018, Acme Metal Works (BVI) Limited (“Acme Metal BVI”) and Acme Gondola Systems (BVI) Limited (“Acme Gondola BVI”) were incorporated in the BVI. Upon the incorporation, the Company subscribed for one ordinary shares each in Acme Metal BVI and Acme Gondola BVI respectively at a subscription price of US\$1.00 per share, which have been fully paid.

- (iv) On 27 December 2018, Mr. Pong Chi Sing (“Mr. Pong”) and Mr. Kwan entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Kwan agreed to purchase 360,000 shares in Acme Metal (representing 12% of the entire issued share capital in Acme Metal) for a consideration of HK\$25,920,000. On the same date, Mr. Pong and Mr. Mak entered into a sale and purchase agreement, pursuant to which Mr. Pong agreed to sell and Mr. Mak agreed to purchase 390,000 shares in Acme Metal (representing 13% of the entire issued share capital in Acme Metal) for a consideration of HK\$28,080,000. Acme Metal was owned as to 50% by Mr. Kwan and 50% by Mr. Mak and Mr. Pong ceased to have any interest in Acme Metal upon the settlement on 31 January 2019.
- (v) On 19 February 2019, the Company allotted and issued one share at par value, credited as fully paid, to RR.
- (vi) On 28 February 2019, Mr. Kwan, Mr. Mak, RR, SV, the Company, Acme Metal BVI and Acme Metal entered into a reorganisation agreement, pursuant to which Mr. Kwan and Mr. Mak transferred their respective interests in Acme Metal to Acme Metal BVI and the Company issued and allotted one share each, all credited as fully paid, to RR and SV. Acme Metal became an indirect wholly-owned subsidiary of the Company upon completion.
- (vii) On 28 February 2019, Mr. Kwan, Mr. Mak, Mr. Poon Pui Kit (“Mr. Poon”), who held 49% equity interests of Acme Gondola on behalf of Mr. Kwan for 24% and Mr. Mak for 25%, RR, SV, the Company, Acme Gondola BVI and Acme Gondola entered into a reorganisation agreement, pursuant to which Mr. Kwan, Mr. Mak and Mr. Poon transferred their respective interests in Acme Gondola to Acme Gondola BVI and the Company issued and allotted one share each, all credited as fully paid, to RR and SV. Acme Gondola became an indirect wholly-owned subsidiary of the Company upon completion.

After the completion of the reorganisation steps as described above, the Company became the holding company of the subsidiaries now comprising the Group.

On 18 October 2019, the Company issued additional 389,999,994 shares by way of capitalisation of HK\$3,900,000 standing to the credit of the Company’s share premium account (the “Capitalisation Issue”). On 8 November 2019, the shares of the Company were listed on the Main Board of the Stock Exchange (the “Listing”). In connection with the Listing completed 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.

### **1.3 Basis of presentation**

The subsidiaries now comprising the Group, engaging in the Façade Works Business and the BMU systems Business, were under common control of Mr. Kwan and Mr. Mak, the ultimate Controlling Shareholders, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control and the consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements has been prepared by including the financial statements of the subsidiaries engaged in the Façade Works Business and the BMU systems Business, under the common control of Mr. Kwan and Mr. Mak immediately before and after the Reorganisation and now comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining subsidiaries first came under the control of Mr. Kwan and Mr. Mak, whichever is a shorter period.

The net assets of the combining subsidiaries were combined using the existing book values from Mr. Kwan and Mr. Mak's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the Controlling Shareholders' interest.

For companies acquired from or disposed to a third party prior to the Reorganisation, they are included in or excluded from the consolidated financial statements of the Group from the date of the acquisition or disposal.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

## 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.

### **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:

		<b>Effective for accounting year beginning on or after</b>
HKFRS 3 (Amendments)	Definition of a Business	1 January 2020
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance Contracts	1 January 2021
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. According to the preliminary assessment made by the management of the Company, management does not anticipate any significant impact on the Group's financial position and results of operations upon adopting the above new standards and amendments to existing standards. 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 2019 is presented (2018: Nil).

Segment assets mainly exclude leasehold land and buildings, right-of-use assets for properties, financial assets at fair value through other comprehensive income, deferred tax assets, prepaid Listing expenses, income tax recoverable, amount due from a director, pledged deposits, time deposits, restricted deposits, cash and cash equivalents and other assets that are managed on a central basis.

Segment liabilities mainly exclude amount due to a director, amount due to a related party, accrued Listing expenses, dividend payable, 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 Listing expenses of HK\$18,071,000 (2018: HK\$7,631,000) and depreciation expenses of HK\$2,177,000 (2018: HK\$1,031,000).

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

	Year ended 31 December	
	2019	2018
	HK\$’000	HK\$’000
Customer A		
— Façade works Business	185,004	188,642
— BMU systems Business	<u>37,031</u>	<u>53,558</u>
	<u>222,035</u>	<u>242,200</u>
Customer B		
— Façade works Business	81,966	54,041
— BMU systems Business	<u>27,129</u>	<u>42,247</u>
	<u>109,095</u>	<u>96,288</u>

The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding dividend income from financial assets at fair value through other comprehensive income, finance income, gain on disposal of property, plant and equipment, finance costs, depreciation on leasehold land and buildings and right-of-use assets of properties and Listing expenses, which are managed on a central basis.

	Façade Works Business		BMU Systems Business		Total	
	Year ended		Year ended		Year ended	
	2019	2018	2019	2018	2019	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised over time	<u>282,984</u>	<u>264,033</u>	<u>196,488</u>	<u>202,096</u>	<u>479,472</u>	<u>466,129</u>
Segment results	<b>22,991</b>	33,099	<b>49,974</b>	38,006	<b>72,965</b>	71,105
Unallocated other operating income					<b>1,783</b>	48,754
Unallocated corporate expenses					<b>(21,626)</b>	(8,662)
Finance income					<b>672</b>	674
Finance costs					<b>(621)</b>	(834)
Profit before income tax					<b>53,173</b>	111,037
Income tax expense					<b>(12,094)</b>	(12,146)
Profit for the year					<b>41,079</b>	<b>98,891</b>
Segment assets	<b>134,496</b>	88,769	<b>120,853</b>	124,074	<b>255,349</b>	212,843
Unallocated assets					<b>240,230</b>	158,885
Total assets					<b>495,579</b>	<b>371,728</b>
Segment liabilities	<b>84,229</b>	71,329	<b>13,018</b>	16,746	<b>97,247</b>	88,075
Unallocated liabilities					<b>24,074</b>	17,213
Total liabilities					<b>121,321</b>	<b>105,288</b>
Other segment information:						
Additions to property, plant and equipment	<b>670</b>	1,660	<b>14</b>	49	<b>684</b>	1,709
Depreciation	<b>1,043</b>	425	<b>66</b>	80	<b>1,109</b>	505

#### 4 OTHER (LOSSES)/GAINS, NET

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Foreign exchange differences, net	(386)	(2,567)
Gain on disposal of property, plant and equipment	—	47,079
Loss on written-off of property, plant and equipment	—	(97)
	<u>(386)</u>	<u>44,415</u>

#### 5 EXPENSES BY NATURE

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Construction costs recognised in cost of sales ( <i>Note a</i> )	381,337	374,083
Entertainment expenses	1,790	1,747
Office expenses	1,661	1,333
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	12,186	8,662
Depreciation of property, plant and equipment	3,286	1,536
Insurance expenses	2,064	1,229
Auditor's remuneration		
— Audit	1,600	88
— Non-audit	—	—
Listing expenses	18,071	7,631
Legal and professional fee	1,510	392
Bank charges	314	467
Travelling expenses	875	850
Warranty expenses	964	938
Other expenses	2,111	2,095
	<u>427,769</u>	<u>401,051</u>
Representing:		
Cost of sales	382,301	375,021
Administrative expenses	45,468	26,030
	<u>427,769</u>	<u>401,051</u>

*Note:*

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

## 6 INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit for the year ended 31 December 2019. 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 to the consolidated income statements represented:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Current income tax	12,211	12,148
Deferred income tax credit	<u>(117)</u>	<u>(2)</u>
	<u>12,094</u>	<u>12,146</u>

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime was applicable to the Group for the year.

## 7 DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.01 per share, amounting to a total of HK\$5,200,000 for the year ended 31 December 2019. The proposed final dividend is subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2020 and is expected to be paid on or about 30 June 2020.

The proposed dividends are not reflected as a dividend payable in the consolidated financial statements for the year ended 31 December 2019.

Dividends of HK\$45,000,000 have been declared and paid by one of the subsidiaries of the Company to their then shareholders during the year ended 31 December 2019 (2018: HK\$65,000,000).

## 8 EARNINGS PER SHARE

### (a) Basic

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

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the years ended 31 December 2018 and 2019 have been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation and the Capitalisation Issue.

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
Profit attributed to owners of the Company ( <i>HK\$'000</i> )	<b>40,964</b>	80,135
Weighted average number of ordinary shares in issue ( <i>thousands</i> )	<b>409,233</b>	390,000
Basic earnings per share ( <i>HK cents</i> )	<b><u>10.01</u></b>	<u>20.55</u>

**(b) Diluted**

Diluted 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 2018, diluted earnings per share is of the same amount as the basic earnings per share as there were no potentially dilutive share outstanding during the year.

For the year ended 31 December 2019, the Company has two categories of potentially dilutive shares, the pre-IPO share option (the “Pre-IPO Share Option”) and over-allotment option (the “Over-allotment Option”) as disclosed in the prospectus of the Group dated 25 October 2019 (the “Prospectus”). 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.

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.

	<b>Year ended 31 December 2019</b>
Profit attributed 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> )	<b><u>9.74</u></b>

## 9 TRADE AND RETENTION RECEIVABLES

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Trade receivables ( <i>Note (a)</i> )	18,400	24,260
Retention receivables ( <i>Note (b)</i> )	<u>22,596</u>	<u>26,153</u>
Trade and retention receivables	<u><u>40,996</u></u>	<u><u>50,413</u></u>

### (a) Trade receivables

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

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
0–30 days	14,899	20,763
31–60 days	2,141	1,354
61–90 days	399	773
91–180 days	492	335
Over 180 days	<u>469</u>	<u>1,035</u>
	<u><u>18,400</u></u>	<u><u>24,260</u></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	
	2019	2018
	HK\$'000	HK\$'000
Will be recovered within twelve months	10,644	18,940
Will be recovered more than twelve months after the end of the year	<u>11,952</u>	<u>7,213</u>
	<u><u>22,596</u></u>	<u><u>26,153</u></u>

## 10 CONTRACT ASSETS/LIABILITIES

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

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Contract assets relating to façade works construction contracts	107,691	58,086
Contract assets relating to BMU systems construction contracts	<u>88,989</u>	<u>69,392</u>
Total contract assets	<u><u>196,680</u></u>	<u><u>127,478</u></u>
	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Contract liabilities relating to façade works construction contracts	4,062	30,590
Contract liabilities relating to BMU systems construction contracts	<u>3,545</u>	<u>8,978</u>
Total contract liabilities	<u><u>7,607</u></u>	<u><u>39,568</u></u>

### (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 2019 (2018: Nil).

Contract liabilities for the construction contracts were 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 2018 and 2019 relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in previous periods.

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	<u><u>38,501</u></u>	<u><u>52,048</u></u>

(c) **Unsatisfied performance obligations**

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

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Aggregate amount of the transaction price allocated to long-term construction contracts that are partially or fully unsatisfied as at year ended	<u><b>800,243</b></u>	<u><b>495,504</b></u>

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2019 will be recognised as revenue during the next corresponding reporting period by referencing to the progress toward completion of the contract activity. The amount disclosed above does not include consideration which is constrained.

**11 SHARE CAPITAL AND COMBINED SHARE CAPITAL**

(a) **Share capital**

	<b>Number of ordinary shares</b>	<b>Share Capital HK\$'000</b>
<b>Authorised:</b>		
As at 17 August 2018 (date of incorporation of the Company), 31 December 2018 and 1 January 2019	38,000,000	380
Increase in authorised shares ( <i>Note(ii)</i> )	<u>3,962,000,000</u>	<u>39,620</u>
As at 31 December 2019	<u><u>4,000,000,000</u></u>	<u><u>40,000</u></u>
<b>Issued and fully paid:</b>		
As at 17 August 2018	—	—
Issue of share as at date of Incorporation of the Company ( <i>Note (i)</i> )	<u>1</u>	<u>—</u>
As at 31 December 2018 and 1 January 2019	1	—
Issue of shares pursuant to the Reorganisation ( <i>Note 1.2</i> )	5	—
Issue of shares pursuant to the Capitalisation issue ( <i>Note (iii)</i> )	389,999,994	3,900
Issue of shares upon the share offer in the Listing ( <i>Note (iv)</i> )	<u>130,000,000</u>	<u>1,300</u>
As at 31 December 2019	<u><u>520,000,000</u></u>	<u><u>5,200</u></u>

*Note (i):* On 17 August 2018, the Company was incorporated in the Cayman Islands with initial authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of par value of HK\$0.01 each. Upon its incorporation, 1 share at par value was allotted and issued, credited as fully paid, to the initial subscriber which then transferred the share to SV (BVI) Limited, a company wholly owned by Mr. Mak.

*Note (ii):* 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 (iii):* 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 (iv):* 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.

**(b) Combined share capital**

The Reorganisation has not been completed as at 31 December 2018. The combined share capital and reserves during the year ended 31 December 2018 represent the combined share capital and reserves of the companies comprising the Group after elimination of inter-company transactions and balances. On 28 February 2019, the balance of combined share capital of HK\$2,350,000 was reclassified to other reserve upon the completion of the Reorganisation (Note 1.2).

**12 TRADE, BILLS AND RETENTION PAYABLES**

	<b>As at 31 December</b>	
	<b>2019</b>	<b>2018</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables ( <i>Note (a)</i> )	<b>66,779</b>	29,078
Bills payable ( <i>Note (b)</i> )	<b>2,620</b>	625
Retention payable ( <i>Note (c)</i> )	<b>9,075</b>	8,253
	<hr/>	<hr/>
Trade, bills and retention payables	<b>78,474</b>	37,956
	<hr/> <hr/>	<hr/> <hr/>

(a) **Trade payables**

Trade payables are unsecured and the credit terms of trade payables granted by suppliers are mostly 30 days from invoice date. The ageing analysis of trade payables based on invoice date as at 31 December 2018 and 2019 were as follows:

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
0–30 days	63,607	21,977
31–60 days	2,158	6,342
61–90 days	50	—
91–120 days	13	759
Over 120 days	951	—
	<u>66,779</u>	<u>29,078</u>

(b) **Bills payables**

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

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Due within 30 days	—	625
Due between 31 to 60 days	2,620	—
	<u>2,620</u>	<u>625</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	
	2019	2018
	HK\$'000	HK\$'000
Will be settled within twelve months	4,052	3,485
Will be settled more than twelve months after the end of the year	5,023	4,768
	<u>9,075</u>	<u>8,253</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 30 years of experience in façade works industry in Hong Kong, and over 19 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.

During the Year, the Group was awarded 33 new design and build projects with total contract value amounted to approximately HK\$736.7 million, representing an increase by approximately 50.4% from approximately HK\$489.9 million for the year ended 31 December 2018.

During the Year, the Group had completed a total of 30 design and build projects, of which 2 projects were related to façade works and 28 projects were related to BMU system works.

As at the 31 December 2019, the Group has 21 and 72 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\$1,146.0 million and HK\$409.2 million, of which approximately HK\$462.5 million and HK\$280.9 million had been recognised as revenue up to 31 December 2019, respectively. It is expected that these projects will contribute revenue to the Group substantially in the coming years.

Subsequent to the end of the Year and up to the date of this announcement, the Group had been awarded one and three projects for design and build projects in relation to façade works and BMU system works, with a total estimated contract sum of approximately HK\$114.9 million and HK\$12.1 million, respectively.

### **Prospects and Business Outlook**

Although Hong Kong economy faced significant downward pressure during 2019, as compared to the year ended 31 December 2018, the Group has recorded an increase in revenue and gross profit, and the Adjusted Profit of the Group remains stable for the Year.

Analysing from a macro perspective, although the US-China trade negotiation has achieved progress in a phased manner, there are still uncertain factors. Furthermore, the social issues in Hong Kong which carried over from 2019 has caused further economic uncertainty. As the Group enters into the year 2020, the outbreak of the coronavirus disease 2019 (“COVID-19”) has further increased the risk of Hong Kong’s economic slowdown and caused in additional uncertainties in the Group’s operating environment going forward.

Looking ahead, the various unfavourable factors mentioned above may exert pressure in Hong Kong property and construction market in general, and it is expected that the Group’s performance will inevitably be affected.

Despite the uncertainties in the global economy, the Group will optimise and manage its resources to seize opportunities and actively engage in those which are beneficial to the long-term development of the Group.

The Group has an operating history of over 30 years in Hong Kong as a one-stop design and build solutions service provider. Throughout the last 30 years, the Group experienced several highs and lows which tested its character and determination. While every project has its own set of challenges, 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 believe that it can overcome potential hardships that may come in its way and scale greater heights.

In the meanwhile, while the Group endeavours to sustain its business in Hong Kong, the Group may also expand its construction market to include 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\$479.5 million, representing an increase of 2.9% as compared to approximately HK\$466.1 million recorded for the year ended 31 December 2018. This increase was primarily attributable to the increase in revenue from façade works and slightly decrease in revenue from BMU system works.

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

	<b>Year ended 31 December</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Façade works	<b>282,984</b>	264,033
BMU System works	<b><u>196,488</u></b>	<u>202,096</u>
Total	<b><u><u>479,472</u></u></b>	<u><u>466,129</u></u>

### **Gross profit and gross profit margin**

The Group's gross profit slightly increased by approximately HK\$6.1 million or 6.7% from approximately HK\$91.1 million for the year ended 31 December 2018 to approximately HK\$97.2 million for the Year.

The gross profit margin of the Group increased from 19.5% for the year ended 31 December 2018 to 20.3% for the year ended 31 December 2019 primarily due to the increase in gross profit margin from the BMU system works and the increase in proportion of gross profit contributed by the BMU system works, which carried higher gross profit margin than façade works in general, from 23.0% for the year ended 31 December 2018 to 29.9% for the Year.

### **Other income**

The other income of the Group consists of (i) dividend income from financial assets at fair value through other comprehensive income ("FVOCI"); and (ii) sundry income.

The other income of the Group remained stable at approximately HK\$1.7 million and approximately HK\$1.8 million for the years ended 31 December 2018 and 2019, respectively.

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

The net of other (losses)/gains of the Group consists of (i) foreign exchange differences, net; (ii) gain on disposal of property, plant and equipment; and (iii) loss on written off of property, plant and equipment.

The Group's other gains decreased by approximately HK\$44.8 million or 100.9% from gains of approximately HK\$44.4 million for the 31 December 2018 to a loss of approximately HK\$0.4 million for the Year. The Group recorded other gains of approximately HK\$44.4 million, mainly due to the gain on disposal of property, plant and equipment amounted to approximately HK\$47.1 million during the year ended 31 December 2018.

## **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 increased by approximately HK\$19.4 million or 74.7% from approximately HK\$26.0 million for the year ended 31 December 2018 to approximately HK\$45.5 million for the Year. Such increase was mainly due to the increase in salaries, allowances and other benefits and the Listing expenses as a result of the Listing and business expansion.

## **Finance income and Finance costs**

The finance income of the Group represents the interest income from bank deposits. The Group's finance income remained relatively stable, remaining at approximately HK\$0.7 million for the year ended 31 December 2018 and 2019.

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 decreased by approximately 25.5% to approximately HK\$0.6 million for the year ended 31 December 2019 from approximately HK\$0.8 million for the year ended 31 December 2018, primarily due to an decrease in bank interest rate.

## **Income tax expense**

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%.

During the Year, the Group recorded income tax expense of approximately HK\$12.1 million (2018: HK\$12.1 million) representing an effective tax rate of approximately 22.7% (2018: 10.9%).

## **Profit for the Year**

The Group's profit for the Year amounted to approximately HK\$41.1 million, representing a decrease of approximately HK\$57.8 million or 58.5% as compared to that of approximately HK\$98.9 million for the year ended 31 December 2018.

Such decrease was mainly due to (i) other gains arising from the disposal of property, plant and equipment amounting to HK\$47.1 million for the year 2018; (ii) the increases in the administrative expenses (excluding the Listing expenses) of HK\$9.0 million for the Year; and (iii) the increase in non-recurring the Listing expenses from approximately HK\$7.6 million incurred for the year ended 31 December 2018 to HK\$18.1 million incurred for the Year.

## 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 Profit as non-HKFRS measures to evaluate the financial performance by eliminating the impact of the Listing expenses and gain on disposal of property, plant and equipment 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 profit for the year and the adjusted profit for the year indicated:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
<b>Profit for the year</b>	<b>41,079</b>	98,891
<b>Adjusted for:</b>		
Listing expenses	<b>18,071</b>	7,631
Gain on disposal of property, plant and equipment	<u>—</u>	<u>(47,079)</u>
<b>Adjusted profit for the year</b>	<b><u>59,150</u></b>	<b><u>59,443</u></b>

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a solid statement of financial position for the Year. As at 31 December 2019, the Group's cash and cash equivalents increased to HK\$133.3 million from HK\$70.1 million as at 31 December 2018, and its pledged and restricted deposits increased to HK\$70.8 million from HK\$44.6 million as at 31 December 2018. The increase in the cash and cash equivalents was primarily attributable to the proceeds from the share offer.

As at 31 December 2019 and 2018, the Group's total bank borrowings amounted to approximately HK\$6.4 million and HK\$8.9 million, respectively. All bank borrowings as at 31 December 2019 were denominated in Hong Kong Dollars and carried at fixed interest rates.

As at 31 December 2019 and 2018, the Group had unutilised banking facilities of HK\$13.3 million and HK\$65.8 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 2.2% and 5.6% as at 31 December 2019 and 2018, 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 shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 8 November 2019. The net proceeds from the Global Offering amounted to HK\$84.4 million (after deducting underwriting fees and commissions and all related expenses), which is slightly lower than the estimated net proceeds of approximately HK\$85.7 million as disclosed in the announcement of allotment results of the Company dated 7 November 2019 (the "Allotment Results"). Such net proceeds have been applied and will continue to be applied in accordance with the proposed application as disclosed in 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 2019 is set out below:

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress up to 31 December 2019</b>
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. However, there was a slightly delay in delivery of construction materials for the projects located in Kwun Tong and Wong Chuk Hang in December 2019.  Up to 29 February 2020, the actual utilised upfront costs in related to the use of proceed plan of the Group was approximately HK\$12.9 million.
	— Funding the issuance of surety bonds required for new projects	The Group has paid the issuance of surety bonds according to the implementation plan.

<b>Business strategy</b>	<b>Implementation plan</b>	<b>Actual business progress up to 31 December 2019</b>
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 availability of suitable candidates.
Enhancing the Group's operational efficiency by implementing an 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. However, there was a delay in the payment schedule due to longer investigation and design progress.

As at 31 December 2019, the net proceeds received were applied as follows:

<b>Implementation plan</b>	<b>Net proceeds (HK\$ million)</b>				<b>Expected timeframe of full utilisation of unutilised amount from the share offer as at 31 December 2019</b>
	<b>Estimated use of proceeds as per Allotment Results</b>	<b>Adjusted use of proceeds as per Prospectus</b>	<b>Actual utilised amount from the Listing date to 31 December 2019</b>	<b>Unutilised balance as at 31 December 2019</b>	
Funding the upfront costs required for new projects	47.6	46.8	8.9	37.9	Second half of 2020
Funding the issuance of surety bonds required for new projects	19.4	19.2	19.2	—	N/A
Recruiting additional staff	6.9	6.8	0.2	6.6	Second half of 2020
Purchasing an ERP system and additional computer equipment and software	3.3	3.2	0.5	2.7	Second half of 2020
Working capital and other general corporate purposes	8.5	8.4	8.4	—	N/A
	<u>85.7</u>	<u>84.4</u>	<u>37.2</u>	<u>47.2</u>	
<b>Total</b>	<u>85.7</u>	<u>84.4</u>	<u>37.2</u>	<u>47.2</u>	

## SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Other than the Reorganisation, the Group did not have any significant investments, material acquisitions or disposals of assets, subsidiaries, associates or joint ventures during the Year.

## FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 31 December 2019, the Group has no plan for any material investments or capital assets.

## PLEDGE OF ASSETS

As at 31 December 2019, pledged deposits in the sum of approximately HK\$39.7 million (2018: HK\$44.6 million) were placed with banks as securities for certain banking facilities of the Group.

## CAPITAL COMMITMENTS

As at 31 December 2019, the Group has capital commitments of HK\$1.6 million relating to the establishment of a customised enterprise resource planning system (2018: Nil).

## CONTINGENT LIABILITIES

At each of the years ended 31 December 2018 and 2019, the Group's contingent liabilities were as follows:

### (i) Surety bonds

	As at 31 December	
	2019	2018
	HK\$'000	HK\$'000
Surety bonds ( <i>Note</i> )	<u>36,615</u>	<u>16,432</u>

*Note:* As at 31 December 2019, the Group provided guarantees of surety bonds in respect of 19 (2018: 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 damage amounting to approximately HK\$3.4 million. Up to the date of this announcement, the claim is at its preliminary stage and is still ongoing, the directors are of the opinion that the final outcome is unable to be determined at this stage and believes 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 2019, the Group had 128 full-time employees (2018: 117 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**

The following significant events took place subsequent to 31 December 2019:

- i. Following the outbreak of COVID-19 in early 2020 and the relevant precautionary and control measures taken place, the Group's construction material suppliers postponed the business resumption which resulted in the delayed suppliers' delivery of construction materials to the construction sites in the short term. In order to minimise the impacts of the outbreak of COVID-19 and changes in the market, the Group has actively coordinated relevant resources and adjusted operation arrangements in a timely manner. The delays of suppliers' delivery of construction materials have resulted in delay in the progress of a few on-going projects of the Group and additional construction costs incurred to cope with the change in operation arrangements.

As at the date of this announcement, the impact of the outbreak of COVID-19 on the construction programme of the Group's on-going projects is still uncertain, and the Group is unable to quantify the related financial effects. The Group will continue to monitor the development of the outbreak of COVID-19 closely, and perform further assessment of its impact and take the appropriate measures.

- ii. On 13 March 2020, the Group has disposed of its financial assets at fair value through other comprehensive income of approximately HK\$28.3 million at a consideration, net of transactions costs, of approximately HK\$20.6 million. As a result, a loss of approximately HK\$7.7 million shall be recognised in the other comprehensive income and the cumulative loss of approximately HK\$6.5 million recognised in the revaluation reserve shall be transferred to retained earnings during the year ended 31 December 2020. For more details, please refer to the announcement of the Company dated 13 March 2020.

## **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 set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) (the “CG Code”) as its own code of corporate governance. To the best knowledge of the Directors, the Company had complied with all applicable code provisions as set out in the CG Code throughout the period from the Listing Date and up to 31 December 2019. 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 2019.

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

Save for the Company’s initial public offering as described in the Prospectus, 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 period from the Listing Date and up to 31 December 2019.

## **ANNUAL GENERAL MEETING**

It is proposed that the forthcoming annual general meeting of the Company (the “AGM”) will be held on Friday, 29 May 2020. The notice of AGM will be published and delivered to the Shareholders in due course.

## **FINAL DIVIDEND**

The Board recommended the payment of a final dividend of HK\$0.01 per share, amounting to a total of HK\$5.2 million for the Year. The proposed final dividend is subject to the approval of Shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 29 May 2020 and if approved, it is expected to be paid on or about 30 June 2020.

## **Closure of Register of Members**

The register of members of the Company will be closed from Tuesday, 26 May 2020 to Friday, 29 May 2020 (both days inclusive), during which period no transfer of Shares will be registered, for 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, 25 May 2020 in order for the holders of the shares to qualify to attend and vote at the AGM or any adjournment thereof. To ascertain entitlement to the proposed final dividend, the register of members of the Company will also be closed from Thursday, 4 June 2020 to Monday, 8 June 2020 (both days inclusive). In order to qualify for the proposed final dividend, which is subject to approval of shareholders at the AGM, holders of shares of the Company must ensure that all transfers of shares be lodged with the Company's branch share registrar and transfer office in Hong Kong for registration no later than 4:30 p.m. on Wednesday, 3 June 2020.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors of the Company 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 2019.

## **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 in this announcement.

**PUBLICATION OF THE 2019 ANNUAL RESULTS AND THE 2019 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 2019 will be dispatched 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 2020

*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.*