



# 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 Report 2020



# CONTENTS

- 02** Corporate Information
- 04** Financial Highlights
- 05** Management Discussion and Analysis
- 13** Other Information
- 19** Interim Condensed Consolidated Income Statement
- 20** Interim Condensed Consolidated Statement of Comprehensive Income
- 21** Interim Condensed Consolidated Statement of Financial Position
- 23** Interim Condensed Consolidated Statement of Changes in Equity
- 25** Interim Condensed Consolidated Statement of Cash Flows
- 26** Notes to the Interim Condensed Consolidated Financial Statements

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Kwan Kam Tim (*Chairman*)  
Mr. Mak Kim Hung (*Chief Executive Officer*)  
Ms. Leung Ng Mui May

### Independent Non-Executive Directors

Mr. Keung Kwok Hung  
Mr. Tse Wai Kit  
Prof. Lau Chi Pang, *J.P.*

## AUDIT COMMITTEE

Mr. Keung Kwok Hung (*Chairman*)  
Mr. Tse Wai Kit  
Prof. Lau Chi Pang, *J.P.*

## REMUNERATION COMMITTEE

Prof. Lau Chi Pang, *J.P.* (*Chairman*)  
Mr. Mak Kim Hung  
Mr. Tse Wai Kit

## NOMINATION COMMITTEE

Mr. Tse Wai Kit (*Chairman*)  
Mr. Kwan Kam Tim  
Mr. Keung Kwok Hung

## AUTHORISED REPRESENTATIVES

Mr. Mak Kim Hung  
Mr. Lung Shei Kei

## COMPANY SECRETARY

Mr. Lung Shei Kei

## REGISTERED OFFICE

Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units A & B, 12/F  
Yin Da Commercial Building  
No. 181 Wai Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## COMPLIANCE ADVISOR

Dongxing Securities (Hong Kong) Company Limited  
Room 6805-6806A, 68/F  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

# CORPORATE INFORMATION

## LEGAL ADVISER

Sidley Austin  
Level 39  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## INDEPENDENT AUDITOR

PricewaterhouseCoopers  
*Certified Public Accountants*  
Registered Public Interest Entity Auditor  
22/F, Prince's Building  
Central  
Hong Kong

## PRINCIPAL BANKERS

Citibank N.A., Hong Kong Branch  
Industrial and Commercial Bank of China (Asia) Limited  
The Bank of East Asia, Limited

## COMPANY WEBSITE

[www.acmehld.com](http://www.acmehld.com)

## STOCK CODE

1870

# FINANCIAL HIGHLIGHTS

	<b>Six months ended 30 June</b>	
	<b>2020 (unaudited) HKD'000</b>	<b>2019 (unaudited) HKD'000</b>
Revenue	<b>136,793</b>	229,640
Gross (loss)/profit	<b>(13,651)</b>	54,190
(Loss)/profit before income tax	<b>(27,006)</b>	32,269
Adjusted (Loss)/Profit (Note)	<b>(24,815)</b>	36,000
(Loss)/earnings per share		
– Basic	HKD cents	<b>(4.77)</b>
– Diluted	HKD cents	<b>(4.77)</b>

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

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of Acme International Holdings Limited (the “**Company**”) is pleased to announce the results of the Company and its subsidiaries (collectively as the “**Group**”) for the six months ended 30 June 2020 (the “**Period**”).

## BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works (“**Façade Work Business**”) and building maintenance unit systems (“**BMU Systems Business**”) in Hong Kong. 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 first half of 2020 has been one of the most challenging time the Group has ever faced, with the local political events commencing from second half of 2019, and the novel coronavirus (“**COVID-19**”) outbreak in the beginning of 2020, which has created unprecedented challenges for the construction industry and operating environment in Hong Kong.

The revenue of the Group for the Period was approximately HK\$136.8 million, representing a decrease of approximately 40.4% as compared with that of approximately HK\$229.6 million recorded for the corresponding period in 2019. The decrease in overall revenue was mainly due to the decrease in revenue recorded from the BMU Systems Business as a result of the overall delay in commencement of new projects and the master programs of certain ongoing projects.

The Groups reported a gross loss of approximately HK\$13.7 million, as compared with the gross profit of approximately HK\$54.2 million recorded for the same period in 2019. The gross loss performance of the Façade Work Business for the Period fell short of the Group’s expectations. This was largely due to unforeseeable difficulties with the construction work and the delay in construction programs during the outbreak of the COVID-19, which resulted in the reduction of revenue and increase in costs for the Façade Work Business. Following the outbreak of the COVID-19 and the relevant precautionary and control measures implemented during the Period, the supply chain management and production capacity across the construction material suppliers have been affected, which resulted in a delay in suppliers’ delivery and a decline in product quality of construction materials. In order to catch up with the original schedule of the on-going projects and maintain the quality of the Group’s construction work, the Group incurred additional subcontracting charges and material costs to speed up the installation process and replace the defective construction materials, which led to a significant loss in certain projects for the Period. In addition, there was an unexpected prolonged completion for several façade work projects in completion stage and additional construction costs were incurred towards the defective maintenance works. The gross profit of BMU Systems Business for the Period decreased substantially compared with the corresponding period in 2019 due to the decrease in the number of projects and gross profit margin of the Group’s variation orders works as a result of the overall economic downturn in Hong Kong and the competitive project pricing arising from intense market competition. The aforementioned factors significantly undermined the overall profitability of the Group.

The Group reported a net loss of approximately HK\$24.8 million for the Period, as compared to a net profit of approximately HK\$36.0 million for the same period in 2019 (after excluding the one-off listing expenses of HK\$10.8 million incurred in relation to the listing of the Company’s shares on the Main Board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”)). The turnaround of Group’s result was mainly attributable to:

- (i) an unexpected increase in project cost of certain façade work projects during the Period. As mentioned above, additional subcontracting charges and material costs were incurred due to the delay in suppliers’ delivery and a decline in product quality of construction materials as a result of the outbreak of the COVID-19;
- (ii) the cost overrun resulting from unexpected prolonged completion and additional construction costs incurred towards the completion stage of certain projects for the defective maintenance works;

## MANAGEMENT DISCUSSION AND ANALYSIS

- (iii) the significant decrease in revenue recorded from BMU Systems Business as a result of the overall delay in commencement of new projects and the master programmes of certain ongoing projects;
- (iv) the decrease in the number and gross profit margin for the Group's variation orders works due to the overall economic downturn in Hong Kong and the competitive project pricing arising from intense market competition; and
- (v) the increase in legal and compliance costs, professional fees due to the enhancement of the corporate governance after the Listing.

### OUTLOOK

While the COVID-19 pandemic remains fluid and rapidly evolving, the Group will remain vigilant and closely monitor its development. The Group will continue to adopt appropriate measures to safeguard the interest of its employees and business operations. At the same time, the Group takes a proactive approach and will continue to strengthen cash flow management to steadily get through this tough period.

The uncertainty in the local property market and the real estate sector in Hong Kong and the economic downturn in Hong Kong has caused a reduction in tenders. The limited tendering opportunities increased the competition in the construction industry, which affected the tendering price and profit margin of the projects. The management has made a strategic move to balance the project award success with reasonable profit margins. During the Period, the Group was awarded 16 new design and build projects with total contract value amounted to approximately HK\$205.0 million. As at 30 June 2020, the Group has 22 and 74 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\$1,253.8 million and HK\$435.1 million, of which approximately HK\$540.7 million and HK\$263.0 million had been recognised as revenue up to 30 June 2020, respectively. Going forward, the Group will continue to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

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

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

### INTERIM DIVIDEND

The Board does not recommend payment of any dividend for the Period (six months ended 30 June 2019 : Nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

### Revenue

During the Period, the Group recorded a revenue of approximately HK\$136.8 million, representing a significant decrease of approximately 40.4% as compared with approximately HK\$229.6 million for the corresponding period in 2019. Such significant decrease was attributable to the significant decrease in the BMU Systems Business as compared to the corresponding period in 2019 as a result of the overall delay in commencement of new projects and the master programs of certain ongoing projects.

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

	<b>Six months ended 30 June</b>	
	<b>2020 (unaudited) HK\$'000</b>	2019 (unaudited) HK\$'000
Façade Works Business	95,875	103,532
BMU Systems Business	40,918	126,108
<b>Total</b>	<b>136,793</b>	229,640

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

The gross profit margin of BMU Systems Business was approximately 20.6% and 30.7% for the six months ended 30 June 2020 and 2019. The decline in the gross profit margin for the Period was due to the decrease in the number and gross profit margin of the Group's variation orders works due to the overall economic downturn in Hong Kong and the competitive project pricing arising from intense market competition.

As a result of the reasons mentioned under the section headed "Business Review", the Façade Work Business record gross loss of approximately HK\$22.1 million for the Period as compared with the gross profit of approximately HK\$15.4 million recorded for the corresponding period in 2019.

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>2020 (unaudited)</b>		2019 (unaudited)	
	<b>Gross (loss)/ profit HK\$'000</b>	<b>Gross (loss)/ profit margin %</b>	<b>Gross (loss)/ profit HK\$'000</b>	<b>Gross (loss)/ profit margin %</b>
Façade Works Business	(22,094)	(23.0)	15,415	14.9
BMU Systems Business	8,443	20.6	38,775	30.7
<b>Total</b>	<b>(13,651)</b>	<b>(10.0)</b>	54,190	23.6

# MANAGEMENT DISCUSSION AND ANALYSIS

## Other income

The other income of the Group remained stable at approximately HK\$1.1 million and approximately HK\$1.2 million for the six months ended 30 June 2019 and 2020, respectively.

The other income recorded for the Period mainly represented the government grant under the employment support scheme and the other income recorded in the corresponding period of 2019 mainly represented the dividend income from financial assets at fair value through other comprehensive income (“**FVOCI**”).

## Other losses, net

The net of other losses of the Group mainly represented the net foreign exchange differences.

## Administrative expenses

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

The Group's administrative expenses decreased by approximately HK\$8.7 million or 38.1% from approximately HK\$22.9 million for the corresponding period of 2019 to approximately HK\$14.2 million for the Period. Such decrease was mainly attributable to the absence of the Listing expenses for the Period whereas HK\$10.8 million was recorded in the corresponding period of 2019, which was partly offset by the increase in auditor's remuneration and legal and professional fees by approximately HK\$1.4 million as a result of higher compliance cost for the enhancement of the corporate governance subsequent to Listing.

## Income tax credits/(expenses)

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. The Group recorded income tax credits of approximately HK\$2.2 million, compared to the corresponding period in 2019 of income tax expenses of HK\$7.1 million. The income tax credits for the Period was mainly attributable to the recognition of deferred tax arising from the tax loss in Façade Works Business.

## Net (Loss)/Profit for the Period

As a result of the foregoing, the Group reported a net loss of approximately HK\$24.8 million for the Period compared to an Adjusted Profit of approximately HK\$36.0 million for the corresponding period in 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Non-HKFRS measures

To supplement the interim condensed consolidated financial statements of the Group which are presented in accordance with the 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 in prior period, 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 interim 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 period and the Adjusted Profit for the period indicated:

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>(Loss)/profit for the period</b>	<b>(24,815)</b>	25,202
<b>Adjusted for:</b>		
Listing expenses	—	10,798
<b>Adjusted (Loss)/Profit for the period</b>	<b>(24,815)</b>	36,000

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group maintained a solid financial position for the Period. As at 30 June 2020, the Group's monetary assets, including cash and cash equivalents, time deposit, pledged bank deposits and restricted deposit were approximately HK\$148.4 million (31 December 2019: approximately HK\$206.6 million).

As at 30 June 2020, the Group's total bank borrowings amounted to approximately HK\$6.2 million (31 December 2019: approximately HK\$6.4 million). The bank borrowings of the Group as at 30 June 2020 were denominated in Hong Kong Dollars and United States Dollars, and carried at interest rates of 5.25% to 6.00% per annum.

As at 30 June 2020, the Group had unutilised banking facilities of HK\$27.7 million (31 December 2019: approximately HK\$13.3 million).

As at 30 June 2020, the Group's gearing ratios (total debt, being the total of bank borrowings and lease liabilities, as at the period ended divided by total equity attributable to shareholder as at the period ended and multiplied by 100%) was approximately 2.1% (31 December 2019: approximately 2.2%).

## 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 to ensure that the Group would meet its cash requirements from time to time.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 amounted to HK\$84.4 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds have been applied and will continue to be applied in accordance with the proposed application as disclosed in the prospectus of the Group dated 25 October 2019 (the "**Prospectus**"). An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2020 is set out below:

Business strategy	Implementation plan	Actual business progress up to 30 June 2020
Strengthening the Group's financial capacity to undertake more design and build projects	<ul style="list-style-type: none"><li>— Funding the upfront costs required for new projects</li><li>— Funding the issuance of surety bonds required for new projects</li></ul>	<p>The funding costs for certain projects were utilised according to the implementation plan.</p> <p>The Group has paid the issuance of surety bonds according to the implementation plan.</p>
Expanding the Group's workforce to enhance the Group's capacity to undertake more design and build projects	<ul style="list-style-type: none"><li>— Recruiting additional staff</li></ul>	<p>The Group has recruited certain project staff accordingly. However, there was a delay in the recruitment schedule due to certain projects' delay and availability of suitable candidates.</p>
Enhancing the Group's operational efficiency by implementing an enterprise resource planning ("ERP") system	<ul style="list-style-type: none"><li>— Purchasing an ERP system and additional computer equipment and software</li></ul>	<p>The Group has acquired an ERP system and certain computer equipment and software according to the implementation plan.</p>

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2020, the net proceeds received were applied as follows:

Implementation plan	Net proceeds (HK\$ million)			Expected timeframe of full utilisation of unutilised amount from the share offer as at 30 June 2020
	Adjusted use of proceeds as per Prospectus	Actual utilised amount from the Listing date to 30 June 2020	Unutilised balance as at 30 June 2020	
Funding the upfront costs required for new projects	46.8	34.0	12.8	Second half of 2020
Funding the issuance of surety bonds required for new projects	19.2	19.2	—	N/A
Recruiting additional staff	6.8	1.8	5.0	First half of 2021
Purchasing an ERP system and additional computer equipment and software	3.2	2.2	1.0	Second half of 2020
Working capital and other general corporate purposes	8.4	8.4	—	N/A
Total	84.4	65.6	18.8	

## MATERIAL ACQUISITIONS AND DISPOSALS

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

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

## SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, the Group did not have any significant investments in equity interest as at 30 June 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2020, the Group does not have any other plans for material investments or capital assets.

### PLEDGE OF ASSETS

As at 30 June 2020, pledged deposits in the sum of approximately HK\$62.2 million (31 December 2019: HK\$39.7 million) were placed with banks to secure certain banking facilities of the Group.

### CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in Note 17 to the interim condensed consolidated financial statements.

# OTHER INFORMATION

## 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.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company had complied with all applicable code provisions as set out in the CG Code throughout the Period. The Company will continue to review and enhance its corporate governance practices to ensure on-going compliance with the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she complied with the Model Code throughout the Period.

## AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company with written terms of reference in accordance with the requirements of the Listing Rules, 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 statements of the Group for the Period have been reviewed by the Audit Committee.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the “**SFO**”)) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, are as follows:

#### Long position in shares and underlying shares of the Company

Name of Director	Capacity/Nature of interest	Number of shares interested	Percentage of shareholding <sup>(1)</sup>
Mr. Kwan Kam Tim <sup>(2)</sup>	Interest in a controlled corporation	195,000,000	37.5%
Mr. Mak Kim Hung <sup>(3)</sup>	Interest in a controlled corporation	195,000,000	37.5%
Ms. Leung Ng Mui May <sup>(4)</sup>	Beneficial owner	3,900,000	0.75%

Notes:

1. The calculation is based on the total number of 520,000,000 shares in issue as at 30 June 2020.
2. RR (BVI) Limited is the registered and beneficial owner holding 37.5% of the issued shares of the Company. The issued share capital of RR (BVI) Limited is wholly owned by Mr. Kwan. Under the SFO, Mr. Kwan is deemed to be interested in the 195,000,000 shares held by RR (BVI) Limited.
3. SV (BVI) Limited is the registered and beneficial owner holding 37.5% of the issued shares of the Company. The issued share capital of SV (BVI) Limited is wholly owned by Mr. Mak. Under the SFO, Mr. Mak is deemed to be interested in the 195,000,000 shares held by SV (BVI) Limited.
4. Ms. Leung Ng Mui May was granted options under the Pre-IPO Share Option Scheme (as defined below) to purchase up to 3,900,000 shares of the Company.

Save as disclosed above, as at 30 June 2020, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the directors are aware, as at 30 June 2020, the interest and short positions of the persons, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

#### Long position in shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of shares interested	Percentage of shareholding <sup>(1)</sup>
RR (BVI) Limited	Beneficial owner	195,000,000	37.5%
SV (BVI) Limited	Beneficial owner	195,000,000	37.5%
Ms. Ma Lai Ling <sup>(2)</sup>	Interest of spouse	195,000,000	37.5%
Ms. Chow Yin Yu <sup>(3)</sup>	Interest of spouse	195,000,000	37.5%

Notes:

1. The calculation is based on the total number of 520,000,000 shares in issue as at 30 June 2020.
2. Ms. Ma Lai Ling is the spouse of Mr. Kwan Kam Tim and is deemed, or taken to be, interested in all shares in which Mr. Kwan has interest in under the SFO.
3. Ms. Chow Yin Yu is the spouse of Mr. Mak Kim Hung and is deemed, or taken to be, interested in all shares in which Mr. Mak has interest in under the SFO.

Save as disclosed above, as at 30 June 2020, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 151 full-time employees (31 December 2019: 128 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

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

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

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

## OTHER INFORMATION

### SHARE OPTION SCHEME

#### Pre-IPO Share Option Scheme

A pre-IPO share option scheme (“**Pre-IPO Share Option Scheme**”) was adopted by the Company on 21 March 2019 and will expire on 21 March 2029 to recognise the contribution of certain members of the Board and chief executives of the Group to the growth of the Group and/or to the listing of the Shares on the Stock Exchange by granting options to them as incentive or reward, and to attract, retain and motivate the employees of the Group to contribute to the Group and/or strive for future development and expansion of The Group. No options have been granted, exercised or cancelled during the Period and up to the date of this interim report.

The total number of shares in respect of all options granted under the Pre-IPO Share Option Scheme is 23,400,000 shares, representing approximately 4.5% of the issued shares as at the date of this report. No further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right was terminated upon the Listing.

The following table sets forth a summary of the grantees who have been granted options under the Pre-IPO Share Option Scheme:

Name of grantee	Position of grantee	Date of grant	Exercise price per share	Number of share options granted as at 30 June 2020
Ms. Leung Ng Mui May	Executive director	21 March 2019	HK\$0.115	3,900,000
Mr. Poon Pui Kit	Project director	21 March 2019	HK\$0.115	11,700,000
Mr. Wong Lap Sun Sunny	General manager	21 March 2019	HK\$0.115	3,900,000
Mr. Lau Bing Shing	Contract manager	21 March 2019	HK\$0.115	3,900,000

Save as disclosed above, as at 30 June 2020, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the Pre-IPO Share Option Scheme.

Details of the share options granted under the Pre-IPO Share Option Scheme in the Period is set out in Note 14 to the interim condensed consolidated financial statements.

#### Share Option Scheme

On 18 October 2019, the Company adopted a share option scheme (“**Scheme**”) for the primary purpose of motivating the Eligible Persons (as defined below) to optimise their future contributions to the Group and/or to reward them for their past contributions, attracting and retaining or otherwise maintaining on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of Executives (as defined below), enabling the Group to attract and retain individuals with experience and ability and/or rewarding them for their past contributions. Subject to the terms of the Scheme, the Board shall be entitled at any time during the life of the Scheme to offer the grant of any options to subscribe for such number of shares to any Eligible Person as the Board may in its absolute discretion select. The basis of eligibility shall be determined by the Board from time to time.

## OTHER INFORMATION

Persons satisfying any of the following ("Eligible Persons") may be offered with options by the Board, at its absolute discretion:

- (a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of the Group ("Executive");
- (b) any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of the Group;
- (c) a Director or proposed Director (including an independent non-executive director ("INED")) of any member of the Group;
- (d) a direct or indirect shareholder of any member of the Group;
- (e) a supplier of goods or services to any member of the Group;
- (f) a client, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Group;
- (g) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Group; and
- (h) an associate (as defined in the Listing Rules) of any of the persons referred to in paragraphs (a) to (g) above.

The Board shall set out the terms in the offer on which the option is to be granted. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other schemes of the Company must not exceed 30% of the shares in issue from time to time. No options shall be granted under the Scheme at any time if such grant shall result in the scheme limit being exceeded.

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date which was 52,000,000, representing 10% of the total number of shares in issue as at the date of this report. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

The maximum number of shares issued and to be issued upon exercise of the options granted to each Eligible Person (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue for the time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Any grant of options to any Director, chief executive or substantial shareholder (as such term as defined in the Listing Rules) of the Company, or any of their respective associates under the Scheme is subject to the prior approval of the INEDs (excluding INEDs who or whose associates is the grantees of an options). Where any grant of options to a substantial shareholder or an INED, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue on the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK\$5.0 million, such further grant of the options shall be subject to prior approval of the shareholders with such person and his associates abstaining from voting in favour of general meeting.

## OTHER INFORMATION

An offer for the grant of option must be accepted within 28 days from the offer date. Options granted shall be taken up upon payment of HK\$1 as consideration for the grant of option. Options may be exercised at any time from the date which option is deemed to be granted and accepted and expired on the date as the Board in its absolute discretion determine and which shall not exceed a period of 10 years from the date on which the share options are deemed to be granted and accepted but subject to the provisions for early termination thereof contained in the Scheme.

The subscription price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date.

The Scheme shall be valid and effective for a period of 10 years commencing from 18 October 2019. No share options have been granted, forfeited or expired since its adoption.

### DISCLOSURE OF INFORMATION OF DIRECTORS UNDER RULES 13.51(2) AND 13.51B(1) OF THE LISTING RULES

Changes in Directors' biographical details since the date of the 2019 annual report of the Company, which are required to be disclosed pursuant to Rules 13.51(2) and 13.51B(1) of the Listing Rules, are set out below:

The Remuneration Committee held a meeting in June 2020 to approve the remuneration of executive directors, and concluded their monthly salaries and other allowances and benefits in kind (excluding discretionary bonuses) as followings:

Name of director	Position	Monthly salary and benefits in kind	Other allowances
Mr. Kwan Kam Tim	Executive director and chairman	HK\$171,500	HK\$8,000
Mr. Mak Kim Hung	Executive director and chief executive officer	HK\$182,300	HK\$36,000
Ms. Leung Ng Mui May	Executive director	HK\$90,000	—

Save as mentioned above, there is no change of information of each Director that is required to be disclosed under Rules 13.51(2) and 13.51B(1) of the Listing Rules since the publication of the 2019 annual report of the Company.

### IMPORTANT EVENTS AFTER THE PERIOD

No important events have occurred subsequent to the end of the Period which has affected the Group.

# INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	2020 (unaudited) HK\$'000	Six months ended 30 June 2019 (unaudited) HK\$'000
Revenue	4	<b>136,793</b>	229,640
Cost of sales	5	<b>(150,444)</b>	(175,450)
Gross (loss)/profit		<b>(13,651)</b>	54,190
Other income		<b>1,175</b>	1,088
Other losses, net		<b>(231)</b>	(172)
Administrative expenses	5	<b>(14,187)</b>	(22,907)
<b>Operating (loss)/profit</b>		<b>(26,894)</b>	32,199
Finance income		<b>265</b>	331
Finance costs		<b>(377)</b>	(261)
Finance (costs)/income, net		<b>(112)</b>	70
<b>(Loss)/profit before income tax</b>	6	<b>(27,006)</b>	32,269
Income tax credits/(expenses)		<b>2,191</b>	(7,067)
(Loss)/profit for the period		<b>(24,815)</b>	25,202
<b>(Loss)/profit attributable to:</b>			
Owners of the Company		<b>(24,815)</b>	25,087
Non-controlling interests		<b>—</b>	115
		<b>(24,815)</b>	25,202
<b>(Loss)/earnings per share attributable to owners of the Company for the period</b>			
— Basic (HK cents)	7	<b>(4.77)</b>	6.43
— Diluted (HK cents)	7	<b>(4.77)</b>	6.43

The above interim condensed consolidated income statement should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>(Loss)/profit for the period</b>		<b>(24,815)</b>	25,202
<b>Other comprehensive (loss)/income:</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	9	(7,682)	1
Other comprehensive (loss)/income for the period		(7,682)	1
<b>Total comprehensive (loss)/income for the period</b>		<b>(32,497)</b>	25,203
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(32,497)	24,881
Non-controlling interests		—	322
		<b>(32,497)</b>	25,203

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>2,190</b>	3,605
Deferred income tax assets		<b>5,713</b>	545
Financial assets at fair value through other comprehensive income	9	—	28,323
Deposits, prepayments and other receivables	12	<b>2,093</b>	691
		<b>9,996</b>	33,164
<b>Current assets</b>			
Inventories		<b>16,418</b>	10,734
Trade and retention receivables	10	<b>27,086</b>	40,996
Contract assets	11	<b>195,563</b>	196,680
Deposits, prepayments and other receivables	12	<b>17,458</b>	5,307
Income tax recoverable		<b>458</b>	2,093
Pledged deposits		<b>62,224</b>	39,660
Time deposits		<b>2,477</b>	2,518
Restricted deposits		<b>10,155</b>	31,170
Cash and cash equivalents		<b>73,552</b>	133,257
		<b>405,391</b>	462,415
<b>Total assets</b>		<b>415,387</b>	495,579
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	13	<b>5,200</b>	5,200
Reserves		<b>333,519</b>	369,058
<b>Total equity</b>		<b>338,719</b>	374,258

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		10	15
Provisions		1,297	1,216
		<b>1,307</b>	1,231
<b>Current liabilities</b>			
Trade, bills and retention payables	15	<b>56,482</b>	78,474
Other payables and accruals	15	<b>2,061</b>	11,389
Contract liabilities	11	<b>6,478</b>	7,607
Income tax liabilities		<b>140</b>	11,325
Bank borrowings	16	<b>6,244</b>	6,353
Lease liabilities		<b>969</b>	2,032
Provisions		<b>2,987</b>	2,910
		<b>75,361</b>	120,090
<b>Total liabilities</b>		<b>76,668</b>	121,321
<b>Total equity and liabilities</b>		<b>415,387</b>	495,579

The interim condensed consolidated financial statements on pages 19 to 46 were approved by the Board of Directors on 28 August 2020 and were signed on its behalf:

**Mr. Kwan Kam Tim**  
*Director*

**Mr. Mak Kim Hung**  
*Director*

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company  
(unaudited)

	Share capital HK\$'000	Combined share capital HK\$'000	Revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Balances as at 1 January 2019</b>									
Comprehensive income	—	2,350	3,135	—	—	226,103	231,588	34,852	266,440
Profit for the period	—	—	—	—	—	25,087	25,087	115	25,202
<b>Other comprehensive loss</b>									
Fair value (loss)/gain on financial assets at fair value through other comprehensive income	—	—	(206)	—	—	—	(206)	207	1
<b>Total comprehensive (loss)/income</b>	—	—	(206)	—	—	25,087	24,881	322	25,203
<hr/>									
<b>Transaction with owners in their capacity as owners</b>									
Issue of share pursuant to the Reorganisation (Note 1.2)	—	—	—	—	—	—	—	—	—
Reclassification of combined share capital to other reserve pursuant to reorganisation (Note 1.2)	—	(2,350)	—	—	2,350	—	—	—	—
Transaction with non-controlling shareholder (Note 18)	—	—	—	—	35,174	—	35,174	(35,174)	—
Share-based payment expenses (Note 14)	—	—	—	1,204	—	—	1,204	—	1,204
Dividends (Note 20)	—	—	—	—	(45,000)	(45,000)	—	(45,000)	—
<b>Total transaction with owners in their capacity as owners</b>	—	(2,350)	—	1,204	37,524	(45,000)	(8,622)	(35,174)	(43,796)
<hr/>									
<b>Balances as at 30 June 2019</b>	—	—	2,929	1,204	37,524	206,190	247,847	—	247,847

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<b>Attributable to owners of the Company (unaudited)</b>						
	<b>Share-based</b>						
	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	payment reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
<b>Balances as at 1 January 2020</b>	5,200	104,943	1,168	3,356	37,524	222,067	374,258
<b>Comprehensive loss</b>	—	—	—	—	—	(24,815)	(24,815)
<b>Other comprehensive loss</b>	—	—	(7,682)	—	—	—	(7,682)
<b>Total comprehensive loss</b>	—	—	(7,682)	—	—	(24,815)	(32,497)
<b>Transaction with owners in their capacity as owners</b>	—	—	—	—	—	—	—
Reclassification of revaluation reserve to retained earnings (Note 9)	—	—	6,514	—	—	(6,514)	—
Share-based payment expenses (Note 14)	—	—	—	2,158	—	—	2,158
Final dividend 2019 declared and paid (Note 20)	—	(5,200)	—	—	—	—	(5,200)
<b>Total transaction with owners in their capacity as owners</b>	—	(5,200)	6,514	2,158	—	(6,514)	(3,042)
<b>Balances as at 30 June 2020</b>	5,200	99,743	—	5,514	37,524	190,738	338,719

The above interim condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 30 June	
	Note	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations		<b>(57,932)</b>	11,691
Income tax paid		<b>(12,533)</b>	—
Net cash (used in)/generated from operating activities		<b>(70,465)</b>	11,691
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(1,705)</b>	(1,043)
Proceed from disposal of financial assets at fair value through other comprehensive income	9	<b>20,641</b>	—
Increase in time deposits		<b>(7)</b>	(95)
Interest received		<b>265</b>	331
Net cash generated from/(used in) investing activities		<b>19,194</b>	(807)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	16	<b>35,812</b>	24,782
Repayments of borrowings	16	<b>(35,110)</b>	(19,549)
Principal elements of lease payments		<b>(1,062)</b>	(999)
(Increase)/decrease in pledged deposits		<b>(22,674)</b>	3,543
Decrease/(increase) in restricted deposits		<b>21,015</b>	(10,000)
Dividends paid		<b>(5,200)</b>	(45,000)
Interest paid		<b>(377)</b>	(261)
Listing expense paid		<b>(754)</b>	(1,689)
<b>Net cash used in financing activities</b>		<b>(8,350)</b>	(49,173)
<b>Net decrease in cash and cash equivalents</b>		<b>(59,621)</b>	(38,289)
Cash and cash equivalents at beginning of the period		<b>133,257</b>	70,124
Effect of foreign exchange rate changes		<b>(84)</b>	(43)
Cash and cash equivalents at end of the period		<b>73,552</b>	31,792

The above interim condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE INTERIM CONDENSED 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 and SV (BVI) Limited. 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 (the "Listing") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 8 November 2019 (the "Listing Date").

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

This interim condensed consolidated financial information has not been audited.

### 1.2 Reorganisation

Prior to the incorporation of the Company and the completion of the Reorganisation (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. For details of the Reorganisation, please refer to note 1.2 to the consolidated financial statements in the Annual Report 2019 of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION (Continued)

### 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 interim condensed 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 interim condensed 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 interim condensed 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 AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements 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 interim condensed consolidated financial statements have 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 accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2020 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, 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 2020:

HKFRS 3 (Amendments)	Definition of a Business
HKAS 1 and HKAS 8 (Amendments)	Definition of material
Conceptual Framework for Financial Reporting 2018	Revised conceptual framework for financial reporting
HKAS 39, HKFRS 7 and HKFRS 9 (Amendments)	Hedge accounting
HKFRS 16 (Amendments)	COVID-19-related rent concessions

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statements.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and price risk. The interim condensed consolidated financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2019. There have been no change in the risk management policies since year end.

### 3.2 Fair value measurements on financial instruments

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2019 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**Level 1**  
HK\$'000

#### As at 31 December 2019 (audited)

##### Assets

Financial assets at fair value through other comprehensive income	28,323
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As at 30 June 2020 and 31 December 2019, the Group had no derivative financial instruments. There were no transfers between levels 1, 2 and 3 during the six months ended 30 June 2020 and year ended 31 December 2019.

#### (a) Financial instruments in level 1

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (Continued)

### 3.2 Fair value measurements on financial instruments (Continued)

#### (b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

#### (c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

## 4 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 six months ended 30 June 2019 and 2020 is presented.

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

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

Unallocated corporate expenses represent costs that are used for all segments, including Listing expenses of HK\$10,798,000 for six months ended 30 June 2019 and depreciation expenses of HK\$1,088,000 and HK\$1,088,000 for six months ended 30 June 2019 and 2020 respectively.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4 REVENUE AND SEGMENT INFORMATION (Continued)

Revenue from customers contributing over 10% of the total revenue of the Group for the six months ended 30 June 2019 and 2020 are as follows:

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Customer A		
– Façade works Business	<b>50,191</b>	75,819
– BMU systems Business	<b>4,440</b>	23,234
	<b>54,631</b>	99,053
Customer B		
– Façade works Business	<b>40,090</b>	20,033
– BMU systems Business	<b>3,138</b>	17,733
	<b>43,228</b>	37,766
Customer C		
– Façade works Business	<b>3,771</b>	—
– BMU systems Business	<b>16,334</b>	12,285
	<b>20,105</b>	12,285

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, finance costs, depreciation on right-of-use assets of properties and listing expenses, which are managed on a central basis.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 4 REVENUE AND SEGMENT INFORMATION (Continued)

	Façade Works Business		BMU Systems Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Revenue from external customer recognised over time	<b>95,875</b>	103,532	<b>40,918</b>	126,108	<b>136,793</b>	229,640
Segment results	<b>(30,885)</b>	7,268	<b>6,777</b>	36,025	<b>(24,108)</b>	43,293
Unallocated other operating income					—	1,069
Unallocated corporate expenses					<b>(2,786)</b>	(12,163)
Finance income					<b>265</b>	331
Finance costs					<b>(377)</b>	(261)
(Loss)/profit before income tax					<b>(27,006)</b>	32,269
Income tax credits/(expenses)					<b>2,191</b>	(7,067)
(Loss)/profit for the period					<b>(24,815)</b>	25,202
Other segment information:						
Additions to property, plant and equipment	<b>295</b>	653	—	14	<b>295</b>	667
Depreciation	<b>589</b>	431	<b>33</b>	37	<b>622</b>	468

	Façade Works Business		BMU Systems Business		Total	
	As at 30 June 2020 (unaudited) HK\$'000		As at 30 June 2020 (unaudited) HK\$'000		As at 30 June 2020 (unaudited) HK\$'000	
	As at 31 December 2019 (audited) HK\$'000					
Segment assets	<b>159,737</b>	134,496	<b>99,878</b>	120,853	<b>259,615</b>	255,349
Unallocated assets					<b>155,772</b>	240,230
Total assets					<b>415,387</b>	495,579
Segment liabilities	<b>65,109</b>	84,229	<b>8,335</b>	13,018	<b>73,444</b>	97,247
Unallocated liabilities					<b>3,224</b>	24,074
Total liabilities					<b>76,668</b>	121,321

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 5 EXPENSES BY NATURE

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Construction costs recognised in cost of sales (Note a)	<b>150,368</b>	175,425
Entertainment expenses	573	952
Office expenses	911	886
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	6,573	5,341
Depreciation of property, plant and equipment	1,710	1,556
Insurance expenses	970	940
Auditor's remuneration	1,052	142
Listing expenses	—	10,798
Legal and professional fee	1,270	825
Bank charges	92	148
Travelling expenses	276	376
Warranty expenses	76	25
Other expenses	760	943
	<b>164,631</b>	198,357
Representing:		
Cost of sales	150,444	175,450
Administrative expenses	14,187	22,907
	<b>164,631</b>	198,357

Note:

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 6 INCOME TAX CREDITS/(EXPENSES)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2019: 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 (credited)/charged to the interim condensed consolidated income statement represented:

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Current income tax	2,981	7,073
Deferred income tax	(5,172)	(6)
	<b>(2,191)</b>	7,067

## 7 (LOSS)/EARNINGS PER SHARE

### (a) Basic

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2019 and 2020.

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the six months ended 30 June 2019 have been retrospectively adjusted for the effects of the issue of shares in connection with the reorganisation completed on 28 February 2019 (the "Reorganisation").

	Six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
(Loss)/profit attributed to owners of the Company (HK\$'000)	(24,815)	25,087
Weighted average number of ordinary shares in issue (thousands)	520,000	390,000
Basic (loss)/earnings per share (HK cents)	<b>(4.77)</b>	6.43

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 7 (LOSS)/EARNINGS PER SHARE (Continued)

### (b) Diluted

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

For the six months ended 30 June 2019, the Company has one category of potentially dilutive share, the Pre-IPO Share Option. In determining the dilutive earnings per share for the period ended 30 June 2019, no share options were deemed to have been exercised as the share options are considered as contingently issuable shares, which the condition has not been met as at 30 June 2019. Dilutive earnings per share for the period ended 30 June 2019 is therefore the same as the basic earnings per share.

For the six months ended 30 June 2020, 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 is the same as basic loss per share as the conversion of potential ordinary shares in relation to the outstanding share options would have an anti-dilutive effect on the basic loss per share.

## 8 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Opening balance	3,605	6,207
Additions	295	667
Depreciation	(1,710)	(1,556)
Closing balance	2,190	5,318

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>Equity investments, listed in Hong Kong</b>		
As at 1 January	<b>28,323</b>	28,300
Additions — stock dividend in lieu of cash	—	1,069
Disposal	<b>(20,641)</b>	—
Changes in fair value recognised in other comprehensive income	<b>(7,682)</b>	1
As at 30 June	<b>—</b>	29,370

During the six months ended 30 June 2020, the Group has disposed its financial assets at fair value through other comprehensive income at a consideration, net of transactions costs, of approximately HK\$20,641,000. A loss of approximately HK\$7,682,000 was recognised in the other comprehensive income and approximately HK\$6,514,000 was reclassified from revaluation reserve to retained earnings as a result of the disposal.

## 10 TRADE AND RETENTION RECEIVABLES

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Trade receivables (Note (a))	<b>3,716</b>	18,400
Retention receivables (Note (b))	<b>23,370</b>	22,596
Trade and retention receivables	<b>27,086</b>	40,996

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 10 TRADE AND RETENTION RECEIVABLES (Continued)

### (a) Trade receivables

The Group generally grants credit period other than the retention receivables that ranges from 30 to 60 days to its customers. The Group may at its discretion grant a longer credit period to specific customers after considering various factors, including (i) business relationship with the customer; (ii) credit quality of the customer and (iii) the Group's liquidity and level of unutilised banking facilities.

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

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
0–30 days	1,595	14,899
31–60 days	805	2,141
61–90 days	562	399
91–180 days	569	492
Over 180 days	185	469
	<b>3,716</b>	18,400

### (b) Retention receivables

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

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Will be recovered within twelve months	8,429	10,644
Will be recovered more than twelve months after the end of the period/year	14,941	11,952
	<b>23,370</b>	22,596

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 11 CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Contract assets relating to façade works construction contracts	<b>129,433</b>	107,691
Contract assets relating to BMU systems construction contracts	<b>66,130</b>	88,989
<b>Total contract assets</b>	<b>195,563</b>	196,680
Contract liabilities relating to façade works construction contracts	<b>4,016</b>	4,062
Contract liabilities relating to BMU systems construction contracts	<b>2,462</b>	3,545
<b>Total contract liabilities</b>	<b>6,478</b>	7,607

## 12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
<b>Non-current</b>		
Prepayments	<b>2,093</b>	691
	<b>2,093</b>	691
<b>Current</b>		
Deposits and other receivables	<b>3,720</b>	1,071
Prepayments for construction materials	<b>13,262</b>	1,044
Other prepayments	<b>476</b>	3,192
	<b>17,458</b>	5,307
	<b>19,551</b>	5,998

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 13 SHARE CAPITAL

	<b>Number of ordinary shares</b>	<b>Share Capital</b>
	HK\$'000	
	(unaudited)	
<b>Authorised:</b>		
As at 1 January 2019 and 30 June 2019	38,000,000	380
Increase in authorised shares (Note (i))	3,962,000,000	39,620
As at 1 January 2020 and 30 June 2020	4,000,000,000	40,000
<b>Issued and fully paid:</b>		
As at 1 January 2019	1	—
Issue of shares pursuant to the Reorganisation (Note 1.2)	5	—
As at 30 June 2019	6	—
Issue of shares pursuant to the Capitalisation Issue (Note (ii))	389,999,994	3,900
Issue of shares upon the share offer in the Listing (Note (iii))	130,000,000	1,300
As at 1 January 2020 and 30 June 2020	520,000,000	5,200

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

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

Note (iii): On 8 November 2019, the shares of the Company were listed on the Main Board of the Hong Kong Stock Exchange. 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.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14 SHARE-BASED PAYMENTS

### Pre-IPO Share Option Scheme

The establishment of the Pre-IPO Share Option Scheme was approved by the shareholders on 21 March 2019, which is designed to recognise the contribution of the senior management for the growth of the Group, by granting options to them as incentive or reward, to attract, retain and motivate them to make contributions to the Group and strive for future development and expansion of the Group.

Under the Pre-IPO Share Option Scheme, the options granted are subject to the following vesting schedule:

- 30% of the options granted shall vest on the third anniversary of the date on which the grant was accepted by the grantee ("Acceptance Date");
- 30% of the options granted shall vest on the sixth anniversary of the Acceptance Date; and
- 40% of the options granted shall vest on the tenth anniversary of the Acceptance Date, or upon the retirement of the grantee at the age of 65, whichever is earlier.

The options granted are also subject to a non-vesting condition, i.e. upon Listing.

The consideration payable by each of the grantees for the grant of the options is HK\$1.00. The options granted carry no dividend or voting rights before they are vested.

When exercisable, each option is convertible into one ordinary share. The exercise price of options is HK\$0.115 per share.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14 SHARE-BASED PAYMENTS (Continued)

### Pre-IPO Share Option Scheme (Continued)

Set out below are summaries of options granted under the Pre-IPO Share Option Scheme:

	<b>Exercise price per share option</b>	<b>Number of options</b>
At 1 January 2019	—	—
Granted during the year ended 31 December 2019	HK\$0.115	23,400,000
At 31 December 2019 and 30 June 2020	HK\$0.115	23,400,000

No options were exercisable, exercised, forfeited and expired during the six months ended 30 June 2020 and 2019.

Share options outstanding as at 31 December 2019 and 30 June 2020 have the following expiry date and exercise price:

<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price</b>	<b>Number of options</b>
21 March 2019	21 March 2029	HK\$0.115	23,400,000

The weighted average remaining contractual life of options outstanding at end of 31 December 2019 and 30 June 2020 were 9.23 years and 8.73 years respectively. No outstanding share options as at 31 December 2019 and 30 June 2020 were vested.

Total expenses arising from share-based payment transactions during the six months ended 30 June 2020 and 2019 were as follows:

	<b>Six months ended 30 June</b>	
	<b>2020 (unaudited) HK\$'000</b>	<b>2019 (unaudited) HK\$'000</b>
Share-based payment expenses charged in the interim condensed consolidated statement of comprehensive income	2,158	1,204

The valuation of the share options were undertaken by APAC Asset Valuation and Consulting Limited, an independent qualified professional valuer. The valuer has appropriate professional qualifications and recent experience in the valuation of similar business enterprise. The fair values of the share options are derived using the binomial model that takes into account the exercise price, the term of option, the share price at grant date, expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 14 SHARE-BASED PAYMENTS (Continued)

### Pre-IPO Share Option Scheme (Continued)

The model inputs for options granted included:

- (a) Exercise price: HK\$0.115
- (b) Grant date: 21 March 2019
- (c) Expiry date: 21 March 2029
- (d) Spot price at grant date: HK\$1.15
- (e) Expected price volatility: 48%
- (f) Expected dividend yield: 1.77%
- (g) Risk free interest rate: 1.68%

The expected price volatility is based on the historic volatility of certain listed companies considered by the valuer to be comparable to the Company (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

## 15 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Trade payables (Note (a))	44,800	66,779
Bills payables (Note (b))	2,529	2,620
Retention payables (Note (c))	9,153	9,075
Trade, bills and retention payables	<b>56,482</b>	78,474
Accrued staff costs	108	4,962
Accrued listing expenses	—	3,016
Other accrued operating expenses	1,689	2,400
Other payables	264	1,011
Other payables and accruals	<b>2,061</b>	11,389
	<b>58,543</b>	89,863

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS (Continued)

### (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 was as follows:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
0–30 days	<b>27,218</b>	63,607
31–60 days	<b>526</b>	2,158
61–90 days	<b>1,175</b>	50
91–120 days	<b>751</b>	13
Over 120 days	<b>15,130</b>	951
	<b>44,800</b>	66,779

### (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 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Due within 30 days	<b>2,529</b>	—
Due between 31 to 60 days	<b>—</b>	2,620
	<b>2,529</b>	2,620

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 15 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS (Continued)

### (c) Retention payables

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

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Will be settled within twelve months	2,789	4,052
Will be settled more than twelve months after the end of the period/year	6,364	5,023
	<b>9,153</b>	9,075

## 16 BANK BORROWINGS

During the Period, the Group obtained new bank loans amounting to HK\$35,812,000 (six months ended 30 June 2019: HK\$24,782,000) and repaid bank loans amounting to HK\$35,110,000 (six months ended 30 June 2019: HK\$19,549,000).

The weighted effective interest rates as at 30 June 2020 and 31 December 2019 were as follows:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Import loans	5.94%	6.08%

As at 30 June 2020 and 31 December 2019, the total bank borrowings were guaranteed/secured by pledged deposits of the Group.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 17 CONTINGENCIES

At 30 June 2020 and 31 December 2019, the Group's contingent liabilities were as follows:

### (i) Surety bonds

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Surety bonds (Note)	30,494	36,615

Note: As at 30 June 2020, the Group provided guarantees of surety bonds in respect of 14 (as at 31 December 2019: 19) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

### (ii) Claim

In 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. Up to the date of this report, 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 grounds to defend the claim which would not result in any material adverse impact on the Group.

### (iii) Capital commitments

Significant capital expenditure contracted for at the end of the period/year but not recognised as liabilities is as follows:

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Plant and equipment	915	1,598

The above commitment represents capital expenditure commitment relating to the establishment of customised Enterprise Resource Planning Systems.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 18 TRANSACTION WITH NON-CONTROLLING INTERESTS

Pursuant to the Reorganisation (Note 1.2), on 31 January 2019, the Controlling Shareholders acquired 25% of the equity interests of Acme Metal from Mr. Pong (the non-controlling interests of the Group) for a total consideration of HK\$54,000,000. This is regarded as a capital contribution to the Group and was recognised as an increase in equity attributable to owners of the Company under “other reserve” of HK\$54,000,000. Immediately prior to the transaction, the carrying amount of the 25% non-controlling interests was approximately HK\$35,174,000. The Group recognised a decrease in non-controlling interests of approximately HK\$35,174,000 and a decrease in equity attributable to owners of the Company under “other reserve” of approximately HK\$18,826,000. The effect of the transaction on the equity attributable to owners under “other reserve” is summarised as follows:

	As at 31 December 2019 HK\$'000
<b>Increase in other reserve due to capital contribution from the Controlling Shareholders</b>	<b>54,000</b>
Carrying amount of non-controlling interests acquired	35,174
Consideration paid to non-controlling interests	(54,000)
Decrease in other reserve due to acquisition of non-controlling interests	(18,826)
Net increase in other reserve	35,174

## 19 RELATED PARTY TRANSACTIONS

Parties are considered to be related if an entity, a person or a close member of that person’s family has control, joint control or significant influence over the other party in making financial and operating decisions.

The Directors are of the view that the following companies were related parties that had transactions or balances with the Group as at 31 December 2019 and 30 June 2020 and during the six months ended 30 June 2019 and 2020:

Name of related parties	Relationship with the Group
Hope Harvest Limited	Controlled by Mr. Kwan and Mr. Mak

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 19 RELATED PARTY TRANSACTIONS (Continued)

### (a) Transactions with related parties:

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
<b>Rent paid to:</b>		
Related party		
— Hope Harvest Limited (Note)	<b>240</b>	240

Note: The tenancy agreement was signed on 27 September 2018. The rent was charged at fixed price of HK\$40,000 monthly and was mutually agreed with the respective counterparty.

### (b) Key management compensation

Key management includes Executive Directors and the senior management of the Group.

Compensation of the key management personnel of the Group, including Director's remunerations is as follows:

	Six months ended 30 June	
	2020 (unaudited) HK\$'000	2019 (unaudited) HK\$'000
Wages, salaries and allowances	<b>3,989</b>	3,285
Discretionary bonuses	—	—
Share-based payments	<b>1,801</b>	1,005
Pension costs — defined contribution plans	<b>45</b>	54
	<b>5,835</b>	4,344

## 20 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020.

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 six months ended 30 June 2019.

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