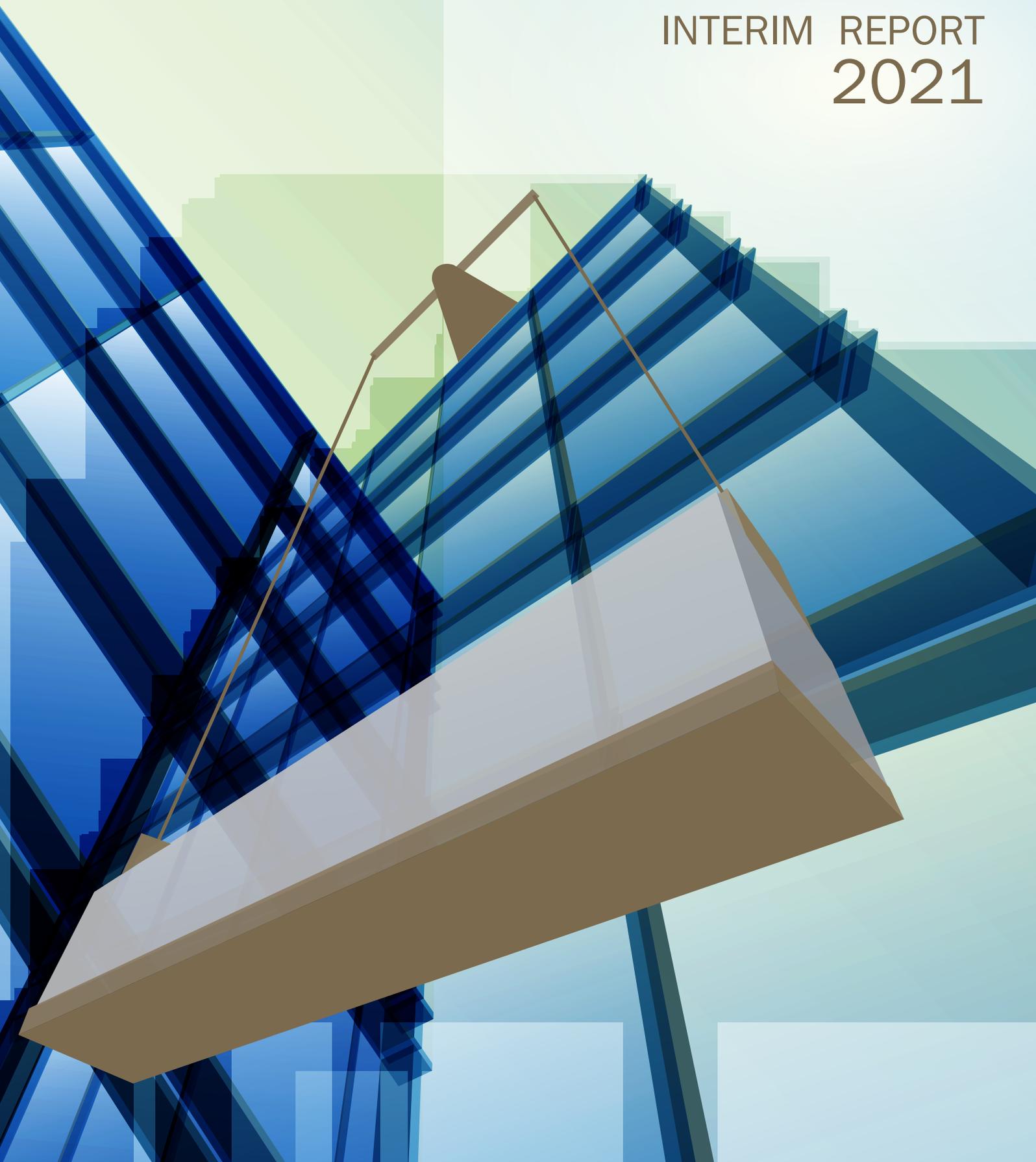




Acme International Holdings Limited
益美國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1870

INTERIM REPORT
2021



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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.*
Mr. Chin Wai Keung Richard (*Appointed on 25 August 2021*)

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

JOINT COMPANY SECRETARY

Mr. Lung Shei Kei
Mr. Lam Tsz Chung (*Appointed on 17 August 2021*)

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

LEGAL ADVISER

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

CORPORATE INFORMATION

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.acmehd.com

STOCK CODE

1870



FINANCIAL HIGHLIGHTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) of Acme International Holdings Limited (the “**Company**”) announces the results of the Company and its subsidiaries (collectively as the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”).

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works (“**Façade Works Business**”) and building maintenance unit (“**BMU**”) systems works (“**BMU Systems Business**”) in Hong Kong. Through its principal operating subsidiaries, Acme Metal Works (International) Limited and Acme Gondola Systems Limited, the Group has over 31 years of experience in façade works industry in Hong Kong, and over 20 years of experience in BMU system works industry in Hong Kong.

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

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

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

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

- (i) the Group was awarded a number of large-scale unitised curtain wall projects in 2019 and the main construction works thereof were commenced in 2020. The progress of the projects was directly impacted by the significant delay in the delivery of construction material parts by some unitised curtain wall suppliers as a result of COVID-19 pandemic. Therefore, the Group has engaged new approved suppliers to supply construction material parts for certain projects in the second half of 2020, with a view to reduce the impact brought by any delay in the supply chain. However, upon on-site inspection conducted on certain projects during the Period, the Group realised that the quality of certain construction material parts for unitised curtain wall construction which were purchased from the new suppliers failed to meet the main contractor’s requirements. Accordingly, the Group had to incur additional subcontracting charges and material costs to replace and repair the defective construction materials, which had led to a significant loss in certain projects;
- (ii) a number of façade construction projects were delayed and construction plans were altered on account of the prolonged impact of COVID-19 pandemic. In order to deal with any unexpected change to the on-site arrangements initiated by any contractor and delay in progress on site while the construction was underway, the Group had to incur more subcontracting charges for maintaining sufficient manpower in construction sites during the affected period and additional storage and transportation cost for making corresponding logistics arrangements;

MANAGEMENT DISCUSSION AND ANALYSIS

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

OUTLOOK

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

The Group has been closely monitoring the market conditions and adjusting its business strategies and operations to mitigate the Group's operational risks in response to the challenges brought by the business environment. With a view to dealing with the intensified competition and challenges in the Façade Works Business, the Group has adopted a more conservative tendering strategy in this business and will continue to strengthen the development of the BMU Systems Business, including the expansion of BMU Systems Business in Macau market. Looking ahead, the Board will continue to review the Group's operations and strategies from time to time to cope with challenges in the future.

INTERIM DIVIDEND

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

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

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

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

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

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

On the other hand, the Façade Works Business recorded a gross loss and a gross loss margin of approximately HK\$67.8 million and 37.1% for the Period respectively. As mentioned under the section headed "Business Review", the gross loss for the Period was caused by the significant additional costs incurred or to be incurred in certain projects, especially the façade construction project in Kwun Tong mentioned. Based on the current estimation of the Group, the overall gross loss regarding this project was expected to be approximately HK\$19.6 million. With reference to HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets", onerous contracts provision should be recognised as an expenses immediately when there are unavoidable costs of meeting the obligations under a contract which exceed the economic benefits expected to be received under it. Thus, the loss regarding this project for the Period would be equal to the overall gross loss of the project plus the gross profit recognised in previous years, which was approximately HK\$13.5 million. As a result, based on the best estimation by management, the Group recorded a loss of approximately HK\$33.1 million regarding this project for the Period. This was not finalised and subject to change as a result of further negotiation with the counterparty and may have impact on the Group's profit or loss in the future period.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Other income

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

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

Other gains/(losses), net

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

Administrative expenses

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

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

Income tax (expenses)/credits

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. The Group recorded income tax expenses of approximately HK\$9.6 million, as compared to the corresponding period in 2020 of income tax credits of HK\$2.2 million. The income tax expenses for the Period were mainly attributable to the current tax charges on BMU Systems Business and the reversal of deferred tax credits regarding to the tax loss in Façade Works Business.

Net loss for the Period

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

GEARING RATIO

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

TREASURY POLICIES

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

FOREIGN EXCHANGE RISK AND HEDGING

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



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM THE SHARE OFFER

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in Note 18 to the interim condensed consolidated financial information.



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 shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. To the best knowledge of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the Period. The Company will continue to review and enhance its corporate governance practices to ensure 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 set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. Having made specific inquiries with all the Directors, each of the Directors has confirmed that he/she complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P.. Mr. Keung Kwok Hung is the chairman of the Audit Committee. The unaudited interim condensed consolidated financial information of the Group for the Period and this interim report 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 2021, 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 ⁽¹⁾
Mr. Kwan Kam Tim ⁽²⁾	Interest in a controlled corporation	195,000,000	37.5%
Mr. Mak Kim Hung ⁽³⁾	Interest in a controlled corporation	195,000,000	37.5%
Ms. Leung Ng Mui May ⁽⁴⁾	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 2021.
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 2021, 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 2021, 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 ⁽¹⁾
RR (BVI) Limited	Beneficial owner	195,000,000	37.5%
SV (BVI) Limited	Beneficial owner	195,000,000	37.5%
Ms. Ma Lai Ling	Interest of spouse	195,000,000	37.5%
Ms. Chow Yin Yu	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 2021.
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 2021, 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 2021, the Group had 160 full-time employees (as at 31 December 2020: 172 employees). The Group enters into employment contracts with its employees to cover matters such as position, terms of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

The Group also conducts a range of targeted training programs through various institutions to strengthen employees' skills and knowledge, with an aim to well equip them to cope with its development in the industry.

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

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

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

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, or agreed to be granted by the Company, exercised, cancelled or lapsed 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 3.75% 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 1 January 2021	Number of share options granted as at 30 June 2021
Ms. Leung Ng Mui May	Executive director	21 March 2019	HK\$0.115	3,900,000	3,900,000
Mr. Poon Pui Kit	Project director	21 March 2019	HK\$0.115	11,700,000	11,700,000
Mr. Wong Lap Sun Sunny	General manager	21 March 2019	HK\$0.115	3,900,000	3,900,000
Mr. Lau Bing Shing	General manager and Project director	21 March 2019	HK\$0.115	3,900,000	3,900,000

Save as disclosed above, as at 30 June 2021, 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 information.

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 date of the Listing which was 52,000,000, representing approximately 8.33% 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 grantee 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 exceeding 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, or agreed to be granted by the Company, exercised, cancelled or lapsed, forfeited or expired since its adoption.

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

The monthly salary of Ms. Leung Ng Mui May, executive Director, was revised from HK\$90,000 to HK\$100,000 in May 2021.

Save as disclosed above, there is no other change to the Directors' biographical details since the date of the 2020 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.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Details of the significant events after the reporting period of the Group are set out in Note 20 to the interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Revenue	4	244,113	136,793
Cost of sales	5	(293,057)	(150,444)
Gross loss		(48,944)	(13,651)
Other income		768	1,175
Other gains/(losses), net		11	(231)
Administrative expenses	5	(14,686)	(14,187)
Operating loss		(62,851)	(26,894)
Finance income		49	265
Finance costs		(631)	(377)
Finance costs, net		(582)	(112)
Loss before income tax		(63,433)	(27,006)
Income tax (expenses)/credits	6	(9,640)	2,191
Loss for the period attributable to owners of the Company		(73,073)	(24,815)
Loss per share attributable to owners of the Company for the period			
— Basic and diluted (HK cents)	7	(14.05)	(4.77)

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	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Loss for the period		(73,073)	(24,815)
Other comprehensive loss:			
<i>Item that will not be reclassified to consolidated income statement</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	9	—	(7,682)
Other comprehensive loss for the period		—	(7,682)
Total comprehensive loss for the period attributable to owners of the Company		(73,073)	(32,497)

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 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	6,026	1,769
Intangible asset		720	759
Deferred income tax assets		—	6,693
Financial assets at fair value through other comprehensive income	9	—	—
Deposits, prepayments and other receivables	12	3,063	2,280
		9,809	11,501
Current assets			
Inventories		19,545	38,650
Trade and retention receivables	10	69,995	71,970
Contract assets	11	207,321	233,805
Deposits, prepayments and other receivables	12	15,435	20,654
Pledged deposits		65,299	62,229
Restricted deposits		5,101	2,930
Cash and cash equivalents		43,300	42,135
		425,996	472,373
Total assets		435,805	483,874
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	5,200	5,200
Reserves		241,738	312,654
Total equity		246,938	317,854

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		3,402	791
Deferred income tax liabilities		17	12
Provisions		1,087	1,446
		4,506	2,249
Current liabilities			
Trade, bills and retention payables	15	117,242	137,602
Contract liabilities	11	8,741	6,714
Other payables and accruals	15	2,938	6,183
Income tax liabilities		3,590	649
Bank and other borrowings	16	33,257	5,262
Lease liabilities		2,179	419
Provisions		16,414	6,942
		184,361	163,771
Total liabilities		188,867	166,020
Total equity and liabilities		435,805	483,874

The financial statements on pages 18 to 44 were approved by the Board of Directors on 27 August 2021 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	Share premium HK\$'000	Revaluation reserve HK\$'000	Share- based payment reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balances as at 1 January 2020	5,200	104,943	1,168	3,356	37,524	222,067	374,258
Comprehensive income							
Loss for the period	—	—	—	—	—	(24,815)	(24,815)
Other comprehensive loss							
Fair value loss on financial assets at fair value through other comprehensive income	—	—	(7,682)	—	—	—	(7,682)
Total comprehensive loss	—	—	(7,682)	—	—	(24,815)	(32,497)
Transaction with owners in their capacity as owners							
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 21)	—	(5,200)	—	—	—	—	(5,200)
Total transaction with owners in their capacity as owners	—	(5,200)	6,514	2,158	—	(6,514)	(3,042)
Balances as at 30 June 2020	5,200	99,743	—	5,514	37,524	190,738	338,719

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company (unaudited)					
	Share capital HK\$'000	Share premium HK\$'000	Share- based payment reserve HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balances as at 1 January 2021	5,200	99,743	7,672	37,524	167,715	317,854
Comprehensive income Loss for the period and total comprehensive loss	—	—	—	—	(73,073)	(73,073)
Transaction with owners in their capacity as owners Share-based payment expenses (Note 14)	—	—	2,157	—	—	2,157
Balances as at 30 June 2021	5,200	99,743	9,829	37,524	94,642	246,938

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

	Note	Six months ended 30 June	
		2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Cash flows from operating activities			
Cash used in operations	17	(19,730)	(57,932)
Income tax paid		—	(12,533)
Net cash used in operating activities		(19,730)	(70,465)
Cash flows from investing activities			
Purchases of property, plant and equipment		(746)	(1,705)
Proceed from disposal of financial assets at fair value through other comprehensive income	9	—	20,641
Increase in time deposits		—	(7)
Interest received		49	265
Net cash (used in)/generated from investing activities		(697)	19,194
Cash flows from financing activities			
Proceeds from borrowings	16	50,816	35,812
Repayments of borrowings	16	(23,124)	(35,110)
Principal elements of lease payments		(1,041)	(1,062)
Increase in pledged deposits		(3,021)	(22,674)
(Increase)/decrease in restricted deposits		(2,171)	21,015
Dividends paid		—	(5,200)
Interest paid		(385)	(377)
Listing expense paid		—	(754)
Net cash generated from/(used in) financing activities		21,074	(8,350)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the period		42,135	133,257
Effect of foreign exchange rate changes		518	(84)
Cash and cash equivalents at end of the period		43,300	73,552

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 INFORMATION

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 Works Business”) and provision of design and build solutions for building maintenance unit (“BMU”) systems (“BMU Systems Business”) in Hong Kong.

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

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

This interim condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKAS 39, HKFRS 4, HKFRS7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 (amendments)

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

3 FINANCIAL RISK MANAGEMENT

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 2020. There have been no change in the risk management policies since year end.

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 Director 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 2020 and 2021 is presented.

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

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

Unallocated corporate expenses represent costs that are used for all segments, mainly including depreciation expenses of HK\$1,121,000 and amortisation of HK\$39,000 for the six months ended 30 June 2021 (six months ended 30 June 2020: depreciation expenses of HK\$1,088,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 2020 and 2021 are as follows:

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Customer A		
— Façade works Business	93,850	50,191
— BMU systems Business	12,914	4,440
	106,764	54,631
Customer B		
— Façade works Business	N/A	40,090
— BMU systems Business	N/A	3,138
	N/A	43,228
Customer C		
— Façade works Business	31,131	3,771
— BMU systems Business	9,414	16,334
	40,545	20,105
Customer D		
— Façade works Business	38,740	2,247
— BMU systems Business	5,207	936
	43,947	3,183

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Façade works Business		BMU systems Business		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2021	2020	2021	2020	2021	2020
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised over time	182,831	95,875	61,282	40,918	244,113	136,793
Segment results	(77,029)	(30,885)	16,817	6,777	(60,212)	(24,108)
Unallocated corporate expenses					(2,639)	(2,786)
Finance income					49	265
Finance costs					(631)	(377)
Loss before income tax					(63,433)	(27,006)
Income tax (expenses)/credits					(9,640)	2,191
Loss for the period					(73,073)	(24,815)
Other segment information:						
Additions to property, plant and equipment	30	295	55	—	85	295
Depreciation	98	589	21	33	119	622

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

4 REVENUE AND SEGMENT INFORMATION (Continued)

	Façade works Business		BMU systems Business		Total	
	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Segment assets	214,921	265,239	100,864	102,467	315,785	367,706
Unallocated assets					120,020	116,168
Total assets					435,805	483,874
Segment liabilities	128,101	145,890	16,418	11,636	144,519	157,526
Unallocated liabilities					44,348	8,494
Total liabilities					188,867	166,020

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

5 EXPENSES BY NATURE

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Construction costs recognised in cost of sales (Note a)	283,585	150,368
Provision for onerous construction contracts	9,371	—
Entertainment expenses	744	573
Office expenses	866	911
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	7,002	6,573
Depreciation of property, plant and equipment	1,240	1,710
Amortisation expenses	39	—
Insurance expenses	1,299	970
Auditor's remuneration	1,000	1,052
Legal and professional fee	1,114	1,270
Bank charges	203	92
Travelling expenses	395	276
Warranty expenses	101	76
Other expenses	784	760
	307,743	164,631
Representing:		
Cost of sales	293,057	150,444
Administrative expenses	14,686	14,187
	307,743	164,631

Note:

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

6 INCOME TAX EXPENSES/(CREDITS)

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2020: 16.5%) on the estimated assessable profit for the Period. No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

6 INCOME TAX EXPENSES/(CREDITS) (Continued)

The amount of taxation charged/(credited) to the interim condensed consolidated income statement represented:

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

7 LOSS PER SHARE

(a) Basic

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

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

(b) Diluted

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

For the six months ended 30 June 2020 and 2021, the Company has one category of potentially dilutive shares, the Pre-IPO Share Option. For the Pre-IPO Share Option, calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Diluted loss per share for the six months ended 30 June 2020 and 2021 are the same as basic loss per share as the conversion of potential ordinary shares in relation to the outstanding Pre-IPO Share Options would have an antidilutive effect on the basic loss per share.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

8 PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Opening balance	1,769	3,605
Additions	5,497	295
Depreciation	(1,240)	(1,710)
Closing balance	6,026	2,190

9 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(b) Retention receivables

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

11 CONTRACT ASSETS/LIABILITIES

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

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

12 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Non-current		
Prepayments	2,782	1,905
Deposits and other receivables	281	375
	3,063	2,280
Current		
Deposits and other receivables	829	419
Prepayments for construction materials	11,154	14,706
Other prepayments	3,452	5,529
	15,435	20,654
	18,498	22,934

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

13 SHARE CAPITAL

	Number of ordinary shares	Share Capital (unaudited) HK\$'000
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	4,000,000,000	40,000
Issued and fully paid:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	520,000,000	5,200

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 INFORMATION

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:

	Exercise price per share option	Number of options
At 31 December 2020 and 30 June 2021	HK\$0.115	23,400,000

No options were exercisable, exercised, forfeited and expired during the six months ended 30 June 2021 and 2020.

Share options outstanding as at 31 December 2020 and 30 June 2021 have the following expiry date and exercise price:

Grant date	Expiry date	Exercise price	Number of options
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 2020 and 30 June 2021 were 8.23 years and 7.73 years respectively. No outstanding share options as at 31 December 2020 and 30 June 2021 were vested.

Total expenses arising from share-based payment transactions during the year were as follows:

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Share-based payment expenses charged in the interim condensed consolidated income statement	2,157	2,158

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 INFORMATION

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 PAYABLES AND OTHER PAYABLES AND ACCRUALS

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Trade payables (Note (a))	99,209	119,244
Bills payable (Note (b))	2,636	5,820
Retention payable (Note (c))	15,397	12,538
Trade, bills and retention payables	117,242	137,602
Accrued staff costs	501	3,596
Other accrued operating expenses	2,342	2,538
Other payables	95	49
Other payables and accruals	2,938	6,183
	120,180	143,785

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

(a) Trade payables

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

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

(b) Bills payables

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

15 TRADE, BILLS AND RETENTION PAYABLES 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 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Will be settled within twelve months	3,580	3,408
Will be settled more than twelve months after the end of the period/year	11,817	9,130
	15,397	12,538

16 BANK AND OTHER BORROWINGS

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Bank borrowings	23,011	5,262
Other borrowings	10,246	—
	33,257	5,262

In January 2021, the Group entered into a new loan facility to finance the general operation of the Group. The total available amount under the facility is HK\$18,000,000 of which HK\$5,000,000 were drawn down on 27 January 2021 and HK\$5,000,000 were drawn down on 1 March 2021 as other borrowings, respectively. The other borrowings are repayable within six months from the drawn down date, commencing from 8 January 2021.

The other borrowings are at a fixed rate and denominated in Hong Kong dollar. It therefore did not have any impact on the Group's exposure to foreign exchange and cash flow interest rate risk.

During the Period, the Group obtained new bank loan amounting to HK\$40,816,000 (six months ended 30 June 2020: HK\$35,812,000) and repaid bank loans amounting to HK\$23,124,000 (six months ended 30 June 2020: HK\$35,110,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

16 BANK AND OTHER BORROWINGS (Continued)

The weighted effective interest rates as at 30 June 2021 and 31 December 2020 were as follows:

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Bank borrowings	6.09%	6.13%
Other borrowings	6.50%	N/A

As at 30 June 2021 and 31 December 2020, the total bank borrowings were guaranteed/secured by pledged deposits of the Group, and the other borrowings were unsecured.

17 CASH USED IN OPERATIONS

Reconciliation of loss before income tax to cash used in operations:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Loss before income tax	(63,433)	(27,006)
Adjustments for:		
Depreciation of property, plant and equipment	1,240	1,710
Amortisation of intangible asset	39	—
Finance income	(49)	(265)
Finance costs	631	377
Non-cash employee benefits expense — share based payments	2,157	2,158
Net exchange differences	(1,125)	(556)
	(60,540)	(23,582)
Changes in working capital		
Inventories	19,507	(5,715)
Trade and retention receivables	1,976	13,910
Deposits, prepayments and other receivables	5,209	(12,085)
Contract assets and liabilities, net	28,510	(12)
Trade, bills and retention payables	(20,260)	(22,032)
Other payables and accruals	(3,245)	(8,573)
Provisions	9,113	157
Cash used in operations	(19,730)	(57,932)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

18 CONTINGENCIES

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

(i) Surety bonds

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

Note: As at 30 June 2021, the Group provided guarantees of surety bonds in respect of 24 (as at 31 December 2020: 17) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

(ii) Claim

During the year ended 31 December 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. During the Period, the Group received a revised claim of approximately HK\$2,859,000 from the customer. 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 ground to defend the claim which would not result in any material adverse effects to the interim condensed consolidated financial information of 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 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
Intangible assets	556	556

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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 2020 and 30 June 2021 and during the six months ended 30 June 2020 and 2021:

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

(a) Transactions with related parties:

	Six months ended 30 June	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Leases arrangement with: Related party — Hope Harvest Limited (Note)		
— Rent paid	240	240
— Depreciation on right-of-use assets	219	224
— Interest expense on lease liabilities	34	8

Note: The initial tenancy agreement was signed on 27 September 2018 and renewed on 26 September 2020. The rent was charged at fixed price of HK\$40,000 monthly and was mutually agreed with the respective counterparty.

(b) Balances with related parties

	As at 30 June 2021 (unaudited) HK\$'000	As at 31 December 2020 (audited) HK\$'000
	Related party — Hope Harvest Limited	
— Right-of-use assets	950	1,169
— Lease liabilities	1,003	1,210

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (Continued)

(c) 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	
	2021 (unaudited) HK\$'000	2020 (unaudited) HK\$'000
Wages, salaries and allowances	5,689	3,989
Discretionary bonuses	—	—
Share-based payments	2,157	1,801
Pension costs — defined contribution plans	54	45
	7,900	5,835

20 SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

(i) Façade construction project in Tai Wai

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

(ii) Placing and Subscription

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

21 DIVIDENDS

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

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