



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

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



ANNUAL REPORT 2020

Contents

02	Corporate Information
04	Financial Highlights
05	Chairman's Statement
08	Management Discussion and Analysis
16	Biographical Details of Directors and Senior Management
20	Corporate Governance Report
31	Environmental, Social and Governance Report
46	Report of the Directors
59	Independent Auditor's Report
64	Consolidated Income Statement
65	Consolidated Statement of Comprehensive Income
66	Consolidated Statement of Financial Position
68	Consolidated Statement of Changes in Equity
70	Consolidated Statement of Cash Flows
71	Notes to the Consolidated Financial Statements
144	Five-Year Financial Summary



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

COMPANY SECRETARY

Mr. Lung Shei Kei (*HKICPA*)

REGISTER 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

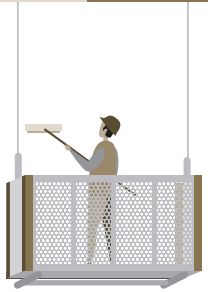
HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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
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1 Austin Road West
Kowloon
Hong Kong

Corporate Information



LEGAL ADVISER

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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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

COMPANY WEBSITE

www.acmehld.com

STOCK CODE

1870

Financial Highlights

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

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

Chairman's Statement



Dear Shareholders,
On behalf of the board (the “Board”) of directors (the “Directors”, each the “Director”) of Acme International Holdings Limited (the “Company”), I hereby present the annual results of the Company and its subsidiaries (collectively as the “Group”) for the year ended 31 December 2020 (the “Year”).



RESULTS OVERVIEW

In 2020, the business and economic conditions in Hong Kong were significantly impact by the novel coronavirus (“COVID-19”) outbreak. Due to the widespread and limitation of epidemic prevention measures, the construction and materials delivery schedules have been become more unpredictable. In order to deal with the continuously changing business environment and construction schedules, the Group incurred additional subcontracting charges and material costs for certain façade work business (“**Façade Works Business**”) projects during the Year. As a result, the Façade Works Business segment recorded an operating loss despite the increase in segment revenue compared to the year 2019, and consequently, the Group recorded our first operating loss attributable to the owners of the Company.

Chairman's Statement

FINANCIAL PERFORMANCE

The revenue of the Group decreased by approximately HK\$43.7 million or 9.1% from approximately HK\$479.5 million for the year ended 31 December 2019 to approximately HK\$435.8 million for the Year due to the overall delay in certain buildings maintenance unit (“**BMU**”) systems business (“**BMU Systems Business**”) projects by the outbreak of COVID-19.

As compared to a gross profit of approximately HK\$97.2 million and a net profit after excluding the one-off listing expenses of HK\$18.1 million incurred in relation to the listing of the Company's shares on the Main Board (the “**Listing**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) of approximately HK\$59.2 million for the year ended 31 December 2019, the Group reported a gross loss of approximately HK\$25.6 million and a net loss of approximately HK\$47.8 million for the Year, respectively. For the major contributing factors, please refer to the “Management Discussion and Analysis” section of this annual report.

OUTLOOK

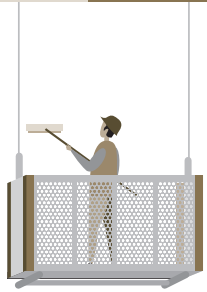
2020 has been one of the most challenging and difficult years; the global population has experienced lockdowns, travel restrictions and various changes caused by the COVID-19 pandemic. Looking ahead, the Group continues to hold a cautiously optimistic outlook for Hong Kong's construction industry. 2021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

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

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

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

Chairman's Statement



APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers, suppliers, business partners, management team as well as our employees for their steadfast support during this challenging times. We are confident that with your trust and support, we will be able to bring back the sustainable profitability and growth of our business operations in the long term.

Acme International Holdings Limited

Kwan Kam Tim

Chairman and Executive Director

26 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

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

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

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

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

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

- (i) due to the outbreak of COVID-19, the supply chain management and production capacity of construction material suppliers for the Façade Work Business were affected, resulting in suppliers' delayed delivery and a decline in product quality of construction materials. In order to catch up with the original schedule for the on-going projects and to maintain the quality of the Group's construction work, the Group incurred additional subcontracting charges and material costs to speed up the installation process and to replace the defective construction materials, which had led to a significant loss in certain projects for the Year;

Management Discussion and Analysis



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

FINANCIAL REVIEW

Revenue

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

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

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

Management Discussion and Analysis

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

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

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

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

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

Other income

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

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

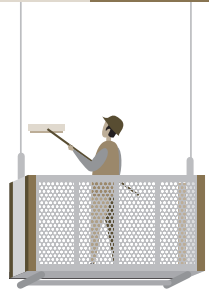
Other gains/(losses), net

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

Administrative expenses

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

Management Discussion and Analysis



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

Finance income and Finance costs

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

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

Income tax credits/(expenses)

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

Net (Loss)/Profit for the Year

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

Non-HKFRS measures

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

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

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

EFFECT OF COVID-19

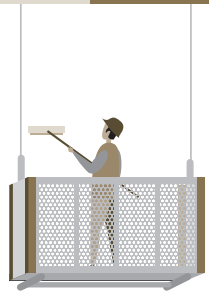
The effects of COVID-19 outbreak from the initial crisis at the beginning of 2020 have rippled across the sector to the construction industry and operating environment in Hong Kong. The unforeseeable difficulties with the construction work, which included the delay in the supply chain of the construction materials, shortages of labour, the change in construction schedules and the delay in construction certification and payment, caused significant impact to the Group's operations, in particular suspension of operations and disruption to supply chains, logistics and storage arrangement.

As a result of the above, the Façade Work Business segment has incurred additional projects cost (including subcontracting charges and material costs to speed up and to replace the defective construction materials due to the decline in suppliers' product quality, and the Façade Work Business recorded gross loss of approximately HK\$54.8 million in 2020 as compared with the gross profit of approximately HK\$38.4 million recorded in 2019. The revenue from BMU Systems Business segment also decreased significantly by HK\$96.9 million or 49.3% to HK\$99.6 million in 2020 due to the overall delay in certain projects.

As the outbreak of COVID-19 has brought additional uncertainties to the Group's operations, the Group will explore any short-term funding in order to ensure that it maintains sufficient cash balance and adequate credit facilities to meet its liquidity requirements. In order to improve the Group's operating performance and alleviate its liquidity risk, the management of the Group will continue to adopt appropriate measures (such as implementing more stringent cost control measures in order to optimise cost savings and manage cash flow of the Group) to safeguard the interest of its employees and business operation.

After several measures were implemented by the Hong Kong government to bring COVID-19 under control in the 1st quarter of 2021, the Group saw a steady recovery in the property and construction market. However, it remains uncertain when the COVID-19 pandemic will be completely brought under control in both Hong Kong and the rest of the world. The Board considers that the development direction of the Company is still in line with the disclosure in the Prospectus and there is no material change in the business nature of the Group as set out in the Prospectus. The Board will continue to pay close attention to the development of COVID-19 and further assess its financial impact.

Management Discussion and Analysis



TREASURY POLICIES

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

FOREIGN EXCHANGE 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 Year.

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the Listing amounted to HK\$84.4 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds have been applied and will continue to be applied in accordance with the proposed application as disclosed in the prospectus of the Group dated 25 October 2019 (the "**Prospectus**"). An analysis comparing the business objectives as set out in the Prospectus with the Group's actual business progress for the period from the Listing on 8 November 2019 ("Listing Date") to 31 December 2020 is set out below:

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

Management Discussion and Analysis

As at 31 December 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 31 December 2020
	Adjusted use of proceeds as per Prospectus	Actual utilised amount from the Listing date to 31 December 2020	Unutilised balance as at 31 December 2020	
Funding the upfront costs required for new projects	46.8	46.8	—	N/A
Funding the issuance of surety bonds required for new projects	19.2	19.2	—	N/A
Recruiting additional staff	6.8	4.2	2.6	First half of 2021
Purchasing an ERP system and additional computer equipment and software	3.2	2.6	0.6	First half of 2021
Working capital and other general corporate purposes	8.4	8.4	—	N/A
Total	84.4	81.2	3.2	

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

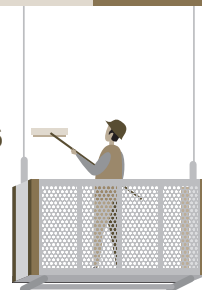
SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

Management Discussion and Analysis



PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

Details of the capital commitments and contingent liabilities are set out in Note 31 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors believe that there are certain risks and uncertainties involved in the operations, some of which are beyond the Group's control. Description of the principal risks and uncertainties faced by the Group can be found throughout this annual report. The Directors believe the major significant risks relating to the business are as follows:

- the Group's revenue mainly relies on successful tenders of or acceptance of its quotations for construction projects which are non-recurring in nature and any failure of the Group to secure projects from its existing customers and/or new customers in the future would affect the Group's business operation and financial results;
- a significant portion of the Group's revenue was generated from contracts awarded by a limited number of customers, and any significant decrease in the number of projects with the major customers may materially and adversely affect the Group's financial condition and operating results;
- the Group relies substantially on subcontractors to help to complete the projects;
- the Group depends on key management personnel with relevant knowledge, experience and expertise; and
- the Group determines the price of its quotation or tender based on the estimated time and costs to be involved in a project and the actual time and costs incurred may deviate from its estimate due to unexpected circumstances, thereby leading to cost overruns and adversely affecting the Group's operations and financial results.

ANALYSIS OF FINANCIAL KEY PERFORMANCE INDICATORS

The financial key performance indicators and analysis of the Group's business are set out in "Five-Year Financial Summary" on page 144 and "Management Discussion and Analysis" on pages 8 to 15 of this annual report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kwan Kam Tim (關錦添), aged 66, is the chairman of the Board and was appointed as a Director on 19 February 2019 and was re-designated as an executive Director on 14 March 2019. He is one of the founding Shareholders of the Group and is primarily responsible for formulating overall business strategies of the Group and overseeing the Board. Mr. Kwan is the sole director of RR (BVI) Limited, which is the registered and beneficial owner holding 37.5% of the issued shares of the Company.

Mr. Kwan has over 39 years of experience in the construction industry in Hong Kong. Mr. Kwan obtained a certificate in mechanical engineering craft in July 1973 and a general certificate for the General Course in the preparation for admission to Technical Courses in July 1974 from The Morrison Hill Technical Institute.

Mr. Kwan had entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the annual general meetings ("AGM") in accordance with the articles of association of the Company ("Articles of Association"). No director's fee will be payable to Mr. Kwan but he is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for his appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

Mr. Mak Kim Hung (麥劍雄), aged 60, is the chief executive officer and was appointed as a Director on 17 August 2018 and was re-designated as an executive Director on 14 March 2019. He is one of the founding Shareholders of the Group and is primarily responsible for the overall management of day-to-day operations and business development of the Group. Mr. Mak is the sole director of SV (BVI) Limited, which is the registered and beneficial owner holding 37.5% of the issued shares of the Company.

Mr. Mak has over 34 years of experience in the construction industry in Hong Kong. Mr. Mak obtained a higher diploma in structural engineering from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. Since 2015, Mr. Mak has been the vice president of Hong Kong Facade Association, where he has been a vice chairman of the financial auditing committee since 2015.

Mr. Mak had entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. No director's fee will be payable to Mr. Mak but he is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of his duties to the Company for his appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

Ms. Leung Ng Mui May (梁五妹), aged 59, was appointed as a Director on 5 March 2019 and was re-designated as an executive Director on 14 March 2019. She is primarily responsible for supervising and managing the overall financial reporting, accounting operations and financial control matters of the Group.

Ms. Leung passed The London Chamber of Commerce & Industry International Qualification Level 3 Examination in 1989, Accounting Technician Examinations of the Hong Kong Association of Accounting Technicians in June 1999 and completed her Professional Part 2 examinations of corporate reporting from The Association of Chartered Certified Accountants in December 2001.

Biographical Details of Directors and Senior Management



Ms. Leung had entered into a service contract with the Company for a term of three years commencing from the Listing Date and shall continue thereafter until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. No director's fee will be payable to Ms. Leung but she is entitled to the reimbursement of all reasonable out-of-pocket expenses incurred in relation to the discharge of her duties to the Company for her appointment as executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to her duties and responsibilities with the Company and the market rate for her position.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Keung Kwok Hung (姜國雄), aged 48, was appointed as an independent non-executive Director ("INED") on 18 October 2019. He is responsible for supervising and providing independent advice to the Board. Mr. Keung has over 20 years of experience in accounting and financial management. Mr. Keung is the chief financial officer, a member of the investment committee, the company secretary, an executive and a member of executive committee of Ming Fai International Holdings Limited (stock code: 3828) which shares are listed on the Stock Exchange. Mr. Keung also served as an independent non-executive director of Milestone Builder Holdings Limited (a stock listed on the Main Board, stock code: 1667) from March 2017 to December 2020.

Mr. Keung became a fellow of the Hong Kong Institute of Certified Public Accountants in July 2006 and a fellow of the Association of Chartered Certified Accountants in December 2002. Mr. Keung obtained a bachelor of arts degree in Accountancy from The Hong Kong Polytechnic University in November 1994.

Mr. Keung had entered into an appointment letter with the Company for a term of three years commencing from the Listing Date renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Mr. Keung is entitled to a director's fee of HK\$144,000 per annum as an independent non-executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

Mr. Tse Wai Kit (謝偉傑), aged 60, was appointed as an INED on 18 October 2019. He is responsible for supervising and providing independent advice to the Board. Mr. Tse has over 35 years of experience in the construction industry in Hong Kong. Mr. Tse became a corporate member of civil discipline in The Hong Kong Institution of Engineers in September 1996. He became a registered professional engineer (civil) from December 2001 and became a member of the Institution of Highways & Transportation in November 2005.

Mr. Tse obtained a higher diploma in structural engineering from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1983. He also passed the Engineering Council Examination Part II in July 1986.

Mr. Tse had entered into an appointment letter with the Company for a term of three years commencing from the Listing Date renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Mr. Tse is entitled to a director's fee of HK\$144,000 per annum as an independent non-executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

Biographical Details of Directors and Senior Management

Prof. Lau Chi Pang, J.P. (劉智鵬), aged 60, was appointed as an INED on 18 October 2019. He is responsible for supervising and providing independent advice to the Board.

Prof. Lau joined Lingnan University as an Assistant Lecturer since September 1993 and is currently a professor in the department of History, the associate vice-president (academic affairs and internal relations). He has also been the chairperson of the Curriculum Development Council – Hong Kong Examinations and Assessment Authority Committee on the Renamed Subject since January 2021, and a co-ordinator of the Hong Kong and South China Historical Research Programme of Lingnan University since August 2005. Prof. Lau also served as an independent non-executive director of Shengjing Bank Co., Ltd. (a company listed on the Main Board, stock code: 2066) from December 2014 to August 2018. Since September 2018, Prof. Lau has been an independent non-executive director of Future Bright Mining Holdings Limited (a company listed on the Main Board, stock code: 2212).

Since 2006, he has held various positions including chairman and advisor in various public advisory and statutory bodies and non-profit organisations. Prof. Lau has been an ex-officio member of the Heung Yee Kuk since April 2018, a member of the Advisory Council on the Environment since January 2017, the chairman of the Advisory Committee on Built Heritage Conservation from May 2016 to May 2018, a Justice of the Peace since July 2013 and an advisor of the Museum Expert Advisers for the Leisure and Cultural Services Department from April 2006 to March 2008.

Prof. Lau received a bachelor's degree in Arts from The University of Hong Kong in November 1984, a master's degree in philosophy from The University of Hong Kong in November 1987, and a doctoral degree in philosophy from the department of History of University of Washington in August 2000.

Prof. Lau had entered into an appointment letter with the Company for a term of three years commencing from the Listing Date renewable automatically for successive terms of one year each until terminated by either party giving to the other not less than three months' notice in writing, but is subject to retirement from office and re-election at the AGM in accordance with the Articles of Association. Prof. Lau is entitled to a director's fee of HK\$144,000 per annum as an independent non-executive Director, which was determined by the Board based on the recommendations of the remuneration committee of the Company, with reference to his duties and responsibilities with the Company and the market rate for his position.

SENIOR MANAGEMENT

Mr. Poon Pui Kit (潘培傑), aged 46, is the project director of the Group and a director of Acme Gondola, an operating subsidiary of the Group. He is primarily responsible for supervising and managing the daily operations of Acme Gondola. Mr. Poon has over 21 years of experience in gondola design, marketing and project management of gondola business. Mr. Poon obtained a higher diploma in manufacturing engineering from the Hong Kong Technical College (Chai Wan) (currently known as the Hong Kong Institute of Vocational Education (Chai Wan)) in June 1997.

Mr. Poon joined the Group in January 2001 as the senior project manager of Acme Gondola. He was subsequently promoted to project director of the Group in May 2019.

Mr. Lau Bing Shing (劉秉誠), aged 48, is the project director of Acme Metal. He is primarily responsible for supervising and managing the daily operations of Acme Metal. Mr. Lau obtained a high certificate in Mechanical Engineering from the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in 1994 and a higher certificate for Supervisory & Quality Management from the Hong Kong Institute of Vocational Education in 2000.

Biographical Details of Directors and Senior Management



Mr. Lau first joined the Group in 1989 as a site supervisor. He left the Group in 1996 and rejoined in 1998. He later became an assistant project manager, project manager and senior project manager during 2000 to 2016, and subsequently promoted to contract manager and project director in May 2016 and January 2021, respectively.

Mr. Wong Lap Sun Sunny (黃立新), aged 53, is the general manager of the Group. He is primarily responsible for supervising and managing the daily operations of Acme Metal. Mr. Wong obtained a certificate in building studies from the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in July 1992, a certificate in site surveying from The Chartered Institute of Building in February 1994, a higher national certificate in building studies from Business & Technology Education Council in July 1995 and a higher certificate in building studies from The Hong Kong Polytechnic University in October 1995.

Mr. Wong first joined the Group in December 1989 as an assistant project manager. He left the Group in September 1996 and rejoined in December of the same year as a project manager. Mr. Wong was promoted to senior project manager in May 2006 and was further promoted to contract manager in May 2016. He was promoted to general manager of the Group in May 2018.

Mr. Lung Shei Kei (龍瑞麒), aged 35, is the chief financial officer and company secretary of the Group. Mr. Lung joined the Group in August 2018 and is primarily responsible for overall accounting, finance, capital markets and company secretarial affairs of the Group. Prior to joining the Group, Mr. Lung had over 13 years of experience in capital market transactions, professional accounting and auditing practice.

Mr. Lung graduated from the Hong Kong Polytechnic University in December 2007 with a bachelor's degree in accountancy and was accredited as a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2011.

Corporate Governance Report

The Board is pleased to present this corporate governance report for the Year.

CORPORATE GOVERNANCE PRACTICES

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

Code provision A.1.3

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

The Company will continue to review and enhance its corporate governance practices to ensure on-going compliance with the CG Code.

BOARD OF DIRECTORS

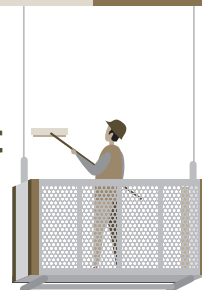
Responsibilities and Role of the Board

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee the particular affairs of the Company, the Board has established three Board committees, including the audit committee (“**Audit Committee**”), the remuneration committee (“**Remuneration Committee**”), and the nomination committee (“**Nomination Committee**”) (collectively, “**Board Committees**”). The Board has delegated to the Board Committees the responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and Shareholders at all times.

The Company has arranged appropriate liability insurance covering any legal actions against the Directors. The insurance coverage will be reviewed on an annual basis.

Corporate Governance Report



Board composition

The Board consists of six Directors, including three executive Directors, and three INEDs. The Board is comprised of Mr. Kwan Kam Tim (the chairman of the Board), Mr. Mak Kim Hung (chief executive officer) and Ms. Leung Ng Mui May as executive Directors; Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P. as INEDs. The biographical details of each of the Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

Save as disclosed in the section headed “Biographical Details of Directors and Senior Management” in this annual report, none of the Directors or members of senior management has other relationship (including financial, business, family or other material relationship) with each other.

During the Year, the Board has met at all times the requirements under Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three INEDs with at least one INED possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has also complied with Rule 3.10A of the Listing Rules relating to the appointment of INEDs representing at least one-third of the Board.

The executive Directors are responsible for the leadership and control of the Company, overseeing the Group’s businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The INEDs participate in Board meetings to bring in independent judgment to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts and scrutinise the Company’s performance in achieving agreed corporate goals and objectives.

The Company has received an annual confirmation of independence in writing from each of the INEDs pursuant to Rule 3.13 of the Listing Rules. Based on such confirmations, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 3.13 of the Listing Rules during the Year and up to the date of this annual report.

Diversity of the Board

The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board comprises an appropriate proportion of Directors who have direct experience in the Group’s core markets, and has a balance of skills, experience and diversity of perspectives to enhance the quality of its performance, reflecting the Group’s strategy.

The Board has a balanced mix of knowledge and experience, including management and strategic development, construction project management, accounting and financial management, and public body and non-profit organisation advisory. Furthermore, all Board appointments will be considered against selection criteria.

The Company believes that the diversity of its Board members will be immensely beneficial for the enhancement of the Company’s performance. Pursuant to the Board diversity policy adopted by the Company (the “**Board Diversity Policy**”), selection of Board candidate will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that is relevant to the Company's business growth.

In identifying and selecting suitable candidates to serve as a Director, the Nomination Committee would consider the above criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

Induction and continuous professional development

All newly appointed Directors will be provided with necessary induction training and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations.

The Company also arranges regular seminars to provide all Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time.

The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages all Directors to seek continuous professional development and thus develop and update their knowledge and skills.

According to the information provided by the Directors, they undertook training as follows during the Year:

Nature of courses for continuous professional development

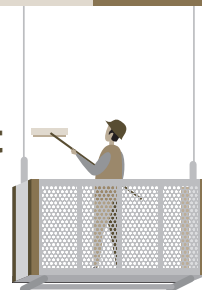
Name of directors	
Mr. Kwam Kam Tim	A, B
Mr. Mak Kim Hung	A, B
Ms. Leung Ng Mui May	A, B
Mr. Keung Kwok Hung	A, B
Mr. Tse Wai Kit	A, B
Prof. Lau Chi Pang, <i>J.P.</i>	A, B

Notes:

A: Attending training sessions, including but not limited to, seminars, briefings, conferences, forums and workshops

B: Read documents covering a wide range of topics, including corporate governance, director responsibilities, Listing Rules and other relevant laws and regulations.

Corporate Governance Report



Appointment and Re-election of Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

Each of the INEDs has entered into an appointment letter with the Company for an initial term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

In accordance with the Articles of Association, at every AGM of the Company one-third of the Directors, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation. This is provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall remain in office until the close of the meeting at which he retires and shall be eligible for re-election thereafter. The Company at any AGM at which any Directors retire may fill the vacated office by electing the same number of persons to be Directors.

The Articles of Association set out the procedures and process for the appointment, re-election and removal of Directors.

REMUNERATION POLICY

The Group's remuneration policies are based on the merit, qualifications and competence of individual employees and are reviewed by the Remuneration Committee periodically. The emoluments of the Directors are recommended by the Remuneration Committee and are decided by the Board, having regard to the Group's operating results, individual performance and comparable market statistics.

Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times per year, and at approximately quarterly intervals. An AGM shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

For other Board and Board Committee meetings, reasonable notice is generally required to be given. The agenda and accompanying board papers shall be dispatched to the Directors or Board Committee members at least 3 days before the meeting to ensure that they have sufficient time to review the relevant papers and are adequately prepared for the meeting.

When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded and in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached are noted, including concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comment within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

Corporate Governance Report

Delegation by the Board

The Board reserves its right to decide all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Chairman and Chief Executive Officer

Under code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. During the Year, Mr. Kwan Kam Tim acted as the chairman of the Board and is primarily responsible for formulating overall business strategies of the Group and overseeing the Board, and Mr. Mak Kim Hung acted as the chief executive officer of the Company and is primarily responsible for the overall management of day-to-day operations and business development of the Group.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code. The Board recognises that corporate governance should be the collective responsibility of the Directors which includes:

1. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
2. to review and monitor the training and continuous professional development of Directors and senior management;
3. to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
4. to develop, review and monitor the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;
5. to review the Company's compliance with the CG Code and disclosure in the corporate governance report; and

The Board has performed the above functions during the Year.

Corporate Governance Report



Audit Committee

The Audit Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Audit Committee are published on the respective websites of the Stock Exchange and the Company. The Audit Committee comprises all the INEDs, 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 primary duties of the Audit Committee include, among others:

- making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
- reviewing and monitoring on the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with the applicable standards;
- monitoring the integrity of the Company's financial statements and annual report, interim report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;
- reviewing the Company's financial controls, risk management and internal control systems and the Group's financial and accounting policies and practices;
- discussing the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;
- considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and
- performing the Company's corporate governance functions.

During the Year, the Audit Committee held two meetings with the Company's senior management and independent auditors to (i) consider the independence and work scope of the independent auditors; (ii) review and discuss the Group's financial reporting; and (iii) review the risk management and internal control systems, the effectiveness of the Company's internal audit and risk control functions, the Group's interim and annual financial statements and the opinions and reports of independent auditors, and submit the report to the Board for approval.

Remuneration Committee

The Remuneration Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Remuneration Committee are published on the respective websites of the Stock Exchange and the Company. The Remuneration Committee comprises two INEDs, namely Prof. Lau Chi Pang, *J.P.* and Mr. Tse Wai Kit, and one executive Director, Mr. Mak Kim Hung, Prof. Lau Chi Pang, *J.P.* is the chairman of the Remuneration Committee.

Corporate Governance Report

The primary duties of the Remuneration Committee include, among others:

- making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing the remuneration policy;
- reviewing and approving the management's remuneration by reference to the Board's corporate goals and objectives;
- either: (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The remuneration of the members of the senior management by band for the Year is set out below:

Emolument bands (HK\$)	Number of persons
HK\$1,500,001 to HK\$2,000,000	1
HK\$2,000,001 to HK\$2,500,000	1
HK\$3,000,001 to HK\$3,500,000	1
	3

Nomination Committee

The Nomination Committee was established on 18 October 2019 with written terms of reference in compliance with the CG Code. The written terms of reference of the Nomination Committee are published on the respective websites of the Stock Exchange and the Company. It comprises two INEDs, namely Mr. Tse Wai Kit and Mr. Keung Kwok Hung, one executive Director, Mr. Kwan Kam Tim, Mr. Tse Wai Kit is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, among others:

- reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs;
- making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for the Directors (in particular the chairman and the chief executive); and
- reviewing the Board Diversity Policy and the measurable objectives that the Board has set for implementing such policy, and the progress on achieving the objectives and disclosing the Board Diversity Policy or a summary of the Board Diversity Policy in the corporate governance report of the Company.

Corporate Governance Report



Meeting Attendance

The attendance of Directors at Board meetings, meetings of the Board Committees and general meetings during the year ended 31 December 2020, as well as the number of such meetings held, is set out as follows:

Meetings attended/held

Directors	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meetings
<i>Executive Directors</i>					
Mr. Kwan Kam Tim (<i>Chairman</i>)	4/4	2/2	2/2	1/1	1/1
Mr. Mak Kim Hung (<i>Chief Executive Officer</i>)	4/4	2/2	2/2	1/1	1/1
Ms. Leung Ng Mui May	4/4	2/2	2/2	1/1	1/1
<i>Independent Non-Executive Directors</i>					
Mr. Keung Kwok Hung	4/4	2/2	2/2	1/1	1/1
Mr. Tse Wai Kit	4/4	2/2	2/2	1/1	1/1
Prof. Lau Chi Pang	4/4	2/2	2/2	1/1	1/1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements for the Year which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows. The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report of this annual report.

External Auditors' Remuneration

PricewaterhouseCoopers are re-appointed as the external auditors of the Company upon the recommendation of the Audit Committee.

Corporate Governance Report

An analysis of the remuneration paid to the external auditors of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Emolument bands (HK\$)	Fee Paid/ Payable
Audit services relating to:	
— Annual audit services for the year ended 31 December 2020	HK\$2,000,000
Non-audit services relating to:	
— Tax services	HK\$60,000
Total	HK\$2,060,000

Model Code for Securities Transactions

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

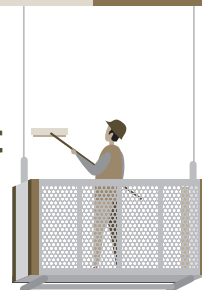
RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its overall responsibility for maintaining an adequate and effective risk management and internal control systems of the Group and reviewing their effectiveness.

The Company has established a risk management policy to address potential risks associated with its business operations, including strategic risks, operational risks and legal compliance risks. Procedures have been set up for, inter alia, identifying, analysing, categorising, mitigating and monitoring risks, and safeguarding assets against unauthorised use or disposition, maintaining proper accounting records and ensuring reliability of financial information, ensuring compliance with relevant legislation and regulations and protecting the interests of the Shareholders. Such systems are designed to manage, rather than eliminate the risk of failure to achieve business objectives, and aims to provide a reasonable, as opposed to an absolute assurance against material misstatement or loss. Under its framework, general management, finance and accounting departments are primarily responsible for the design, implementation and maintenance of the risk management and internal control systems, while the Board and the Audit Committee oversee the actions of management and monitor the effectiveness of these systems and resolve any material internal control defects (as appropriate) so as to safeguard the Group’s assets.

During the Year, the Company conducted a review and assessment of risk management and has engaged an independent internal control consulting firm to perform an overall assessment on the Group’s internal control system including the areas of financial, operation, compliance and risk management with the aims of, among other matters, improving the Group’s corporate governance and ensuring compliance with the applicable laws and regulations. Based on its internal control review, the independent internal control consulting firm recommended certain internal control improvement measures to the Group and the Group has adopted them.

Corporate Governance Report



In order to maintain sound and effective risk management and internal control systems, the Company has established and maintained stringent internal control procedures including the adoption of a corporate governance manual. Internal reporting guidelines have been developed at all department levels of the Company for identifying potential events of non-compliance, and all employees have been encouraged by management to report promptly any potential or actual non-compliance.

During the Year, the Board appointed a professional consulting firm with the responsibility to conduct internal audit function and assess risks of the Company and perform the agreed-upon procedures in relation to the internal controls of the business of the Group. The Board considers that the Group's risk management and internal control are adequate and effective. The Board expects that a review of the risk management and internal control systems will be performed annually.

Handling of Inside Information

With a view to identifying, handling and disseminating inside information in compliance with the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), procedures including notification of regular blackout period and securities dealing restrictions to relevant Directors and employees, identification of project by code name and dissemination of information to stated purpose and on a need-to-know basis have been implemented by the Group to guard against possible mishandling and/or unauthorised use of inside information within the Group.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective and on-going communications with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to evaluate the performance of the Group. Therefore, the Company has the responsibility to maintain an on-going dialogue with the shareholders to provide them with the information necessary to evaluate the performance of the Company.

The general meetings of the Company provide a forum for constructive communication between the Board, senior management and the Shareholders. The chairman of the Board as well as chairman of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committees, shall be available to answer questions at shareholders' meetings.

The Company also communicates with the Shareholders, investors and general public through the annual report, interim report and other corporate announcements.

To promote effective communication, the Company maintains a website at www.acmehld.com, where up-to-date information and updates on the Company's structure, Board of Directors, business developments and operations, financial information, corporate governance practices, results of the Company (annual and interim), press releases and other information are posted.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

The Board and management shall ensure shareholders' rights and all shareholders are treated equally and fairly. Pursuant to the Articles of Association, any shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition.

To safeguard the shareholder interests and rights, a separate resolution should be proposed for each substantially separate issue at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholders' meeting.

Shareholders may put forward their written enquiries to the Board. In this regard, Shareholders may send their enquiries or requests as mentioned to the following:

Address: Units A & B, 12/F, Yin Da Commercial Building, No. 181 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong
Fax: (852) 2191 3136
Telephone: (852) 2803 2102

Pursuant to article 58 of the Articles of Association, Shareholder(s) holding not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company can make a written requisition to convene an extraordinary general meeting. The requisition must state the objects of the meeting, and must be signed by the relevant shareholder(s) and deposited at the registered office of the Company. Such extraordinary general meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions in the Articles of Association for Shareholders to put forward proposals at general meetings of the Company. Shareholders who wish to put forward proposals may request the Company to convene an extraordinary general meeting in accordance with the procedures set out above.

CONSTITUTIONAL DOCUMENTS

The constitutional documents of the Company are available on the websites of the Company (www.acmehld.com) and the Stock Exchange. There has been no change to the constitutional documents of the Company since the Listing Date.

COMPANY SECRETARY

The Company Secretary reports to the chief executive officer directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed as well as the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, the Company Secretary has taken no less than 15 hours of relevant professional training for the Year.

Environmental, Social and Governance Report



APPROACH

Acme International Holdings Limited (“**Acme**” or “**the Company**”) and its subsidiaries (collectively, “**the Group**” or “**we**”) are committed to providing design and build solution services in relation to façade works and BMU system works, which generally cover design, preparation of shop drawings and structural calculations, procurement of building materials and BMU systems, installation and logistics arrangement services, on-site project supervision, post-completion maintenance services and project management. Various factors, including business related challenges, work ethics, global trends, laws and regulations, etc., are taken into account in order to constantly promote business growth and achieve sustainability. We are constantly capturing opportunities to create long-term value for the shareholders and environment.

The Group recognises its responsibility to be accountable to all its stakeholders, including clients, potential investors and shareholders, employees, suppliers, non-governmental organisations (“**NGOs**”) and local community. Understanding the needs and expectations of the stakeholders is the key to the Group’s success. As each stakeholder requires a different engagement approach, the Group has established a tailor-made communication method in order to better meet each stakeholder’s expectations.

Within the Group, we place a huge emphasis on monitoring the risks and exploring potential opportunities. For the sake of striking a balance among business needs, social demands and environmental impacts, we are committed to continuously monitoring the risks and opportunities which exist in our daily operations, and embracing transparent corporate culture to ensure that our sustainability strategies are well communicated to our employees, customers, suppliers, the communities and other stakeholders.

To implement sustainability strategies which apply to all levels of the Group, the top-down approach is adopted for the following sustainability strategies:

1. To achieve environmental sustainability
2. To respect human rights and social culture
3. To engage with stakeholders
4. To support our employees
5. To sustain local communities

ABOUT THIS REPORT

The Group is pleased to present its Environmental, Social and Governance (“**ESG**”) Report. The content contained herein focuses on providing an overview of the environmental, social and governance performance of our major operations in Hong Kong for the year ended 31 December 2020 (the “**Reporting Year**”). It allows us to conduct thorough performance review and evaluation for enhanced results in the future. The Reporting Year coincides with our financial year.

Scope of the Report

This report has been prepared in accordance with the “Environmental, Social and Governance Reporting Guide” (“**Reporting Guide**”) in Appendix 27 to the Main Board Listing Rules (the “**Listing Rules**”) on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The two ESG subject areas, namely Environmental and Social, are disclosed separately, highlighting the impacts of the major operations of the Group in Hong Kong in the Reporting Year. The disclosure in the report complies with the ESG disclosure requirements of the “comply or explain” as set out in the Environmental, Social and Governance Reporting Guide. This report was reviewed, confirmed and approved by the Board on 26 March 2021.

Environmental, Social and Governance Report

For the Reporting Year, the material ESG issues are those which have or may have a significant impact on:

- The Hong Kong construction industry;
- The global construction market;
- The current or future environment or society in which we operate;
- Our financial performance or operations; and/or
- Our stakeholders' assessments, decisions and actions.

The data and information used in this report are referenced from our archived documents, records, statistics and research. Financial data is extracted from or calculated based on the Group's audited financial statements for the year ended 31 December 2020.

Feedback

For details in relation to our financial performance and corporate governance, please visit our website on <http://www.acmehld.com> and our Annual Report. We also treasure your feedback and comments on our sustainability performance, please send your feedback and other sustainability enquiries to our head office at investor@acmehld.com.

ABOUT Acme

Our Business

Acme was listed on the Main Board of the Stock Exchange with stock code 1870 in 2019. The principal operating activities of the Group are the service provision of one-stop design and build solutions for both façade works and BMU system works in Hong Kong. The Group is the only service provider in Hong Kong for this segment. With the competitive advantage of experienced expertise specialising in industry knowledge with proven track record, the Group maintains a leading position in the market.

Our Vision

To maintain the leading position in the design and build market in Hong Kong.

Our Mission

To provide high-quality services based on our experienced and dedicated management team with extensive knowledge of the design and build sector.

Board of Directors (“the Board”)

As at the date of this report, the Board consists of:

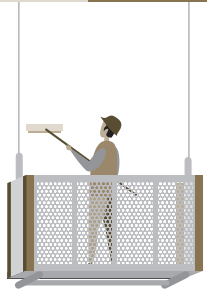
Executive Directors

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.*

Environmental, Social and Governance Report



OUR STAKEHOLDERS

Acme actively strives to better understand and engage our stakeholders to ensure continuous improvements. We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

Stakeholders	Probable issues of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcements.	Meetings, training, roadshows, workshops, programs, website updates and announcements.
Government	Compliance with laws and regulations, prevention of tax evasion, and social welfare.	Interaction and visits, government inspections, tax returns and other information.
Suppliers	Payment schedule, stable demand.	Site visits.
Shareholders/ Investors	Corporate governance system, business strategies and performance, and investment returns.	Organising and participating in seminars, interviews, shareholders' meetings, issuing of financial reports and/or operation reports for investors, media and analysts.
Media & Public	Corporate governance, environmental protection, and human right.	Issue of newsletters on the Company's website.
Customers	Product quality, delivery times, reasonable prices, service value, labour protection and work safety.	Site visits, and after-sales services.
Employees	Rights and benefits, employee compensation, training and development, work hours, and working environment.	Union activities, trainings, interviews for employees, employee handbooks, internal memos, employee suggestion boxes.
Community	Community environment, employment and community development, and social welfare.	Community activities, employee voluntary activities, community welfare subsidies and charitable donations.

Environmental, Social and Governance Report

SECTION A: ENVIRONMENTAL

The Group is committed to leading by example, inspiring others to strive for environmental sustainability, and minimising our environmental impacts from operations. We have implemented eco-friendly measures to reduce carbon and emission footprints in our business operations.

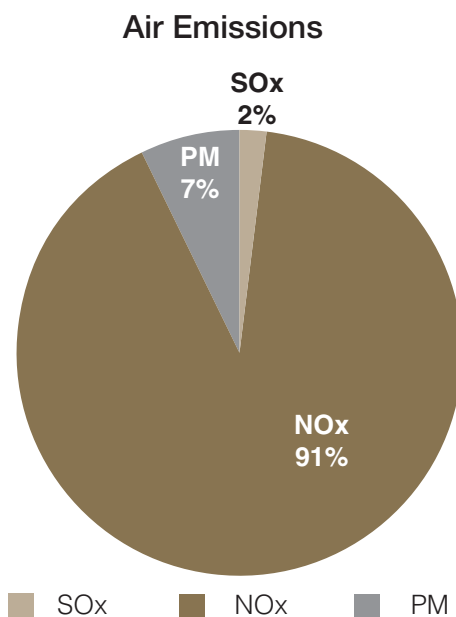
During the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to the environment. The Group will continue to contribute to future sustainable development and be alert to any non-compliance behavior relating to critical environmental problems.

Emissions

Air Emissions

As the Group's core business activity is provision of design and build service, there is no gaseous fuel or fossil fuel involved in our daily operations. The material pollutants came from the usage of our 2 automobiles, for transportation of our employees and clients, which causes air emissions, including sulphur oxides ("SOx"), nitrogen oxides ("NOx") and particulate matter ("PM"). During the Reporting Year, the total consumption of petroleum amounted to approximately 1,900 L (2019: approximately 1,500 L). The total weight of air emissions caused by the petroleum consumption amounted to 1.19 kg (2019: 0.94 kg) with an intensity of 0.60 kg (2019: 0.47 kg) per vehicle increases 26.67% and 27.66% respectively.

The Group has implemented an environmental policy to reduce the air pollutant emissions. All vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred. Besides, for transportation logistics, our drivers planned the route ahead with the shortest distance to reduce unnecessary consumption of fuel.



Environmental, Social and Governance Report



Greenhouse Gas (“GHG”) Emissions

The Group’s consumption of electricity for operations of the head office and a warehouse in Hong Kong as well as the usage of automobiles aforementioned directly contributed to the emission of GHG, which was the main culprit of global warming. Alongside the direct emission sources, there was another indirect emission source noted as the paper waste disposal at landfills in relation to our business operations. During the Reporting Year, the total amount of GHG emissions weighted approximately 149.51 tons (2019: 125.32 tons), with approximately 19.30% increase compared to Year 2019 Reporting Year, which was approximately 1 ton per employee¹. The Group will continue to monitor the carbon footprints during our business operations in order to reduce the adverse impact on environment.

Several measures to reduce our greenhouse gas emissions have been implemented to demonstrate our determination of maintaining environmental sustainability. In light of the increased proportion of indirect emissions from electricity consumption, the Group encouraged its staff to switch off all idle appliances, with the use of energy-efficient appliances as well as the promotion of the use of natural lighting in the office and warehouse. In hopes of these energy-saving measures, the Group believed that the carbon emissions could be reduced in the upcoming future.

GHG Emission Sources	2019 GHG produced (ton)	2020 GHG produced (ton)	% Change
Scope 1 — Direct emission from sources — Automobiles	3.97	5.04	↑26.95%
Scope 2 — Emissions from electricity consumption ²	87.09	101.47	↑16.51%
Scope 3 — Other indirect emission sources — Paper waste disposal in landfills	34.26	43.00	↑25.51%
Grand total	125.32	149.51	↑19.30%
Intensity per employee	0.98	0.87	↓11.22%

Waste Management

As the Group’s operations focus on the provisions of one-stop design and build solution for both façade works and BMU system works services, there was no hazardous waste being involved during the Reporting Year. The non-hazardous waste identified was mainly paper waste produced in office operations. The total weight of paper waste disposed during the Reporting Year was recorded as 8.96 tons (2019: 7.14 tons) with an intensity of 0.05 tons (2019: 0.06 tons) per employee with an increase of 25.49% and decreases of 16.67% respectively. As logging is involved in the paper production process, it provokes both direct and indirect negative impacts on the environment. To advocate paperless work environment, we encourage our employees to use electronic documents and systems instead of printed documents. We also encourage our employees to reuse the single-side-printed paper. Alongside the paper waste, we also return the used toners to the suppliers every month for recycling purpose in order to avoid additional wastes to be produced.

1 As at 31 December 2020, there were 172 employees (2019: 128 employees) based in Hong Kong.

2 The latest carbon emission factors announced in the Sustainability Report 2019/20 issued by CLP Holdings Limited was 0.50 kgCO₂e/kWh (2019: 0.51 kgCO₂e/kWh).

Environmental, Social and Governance Report

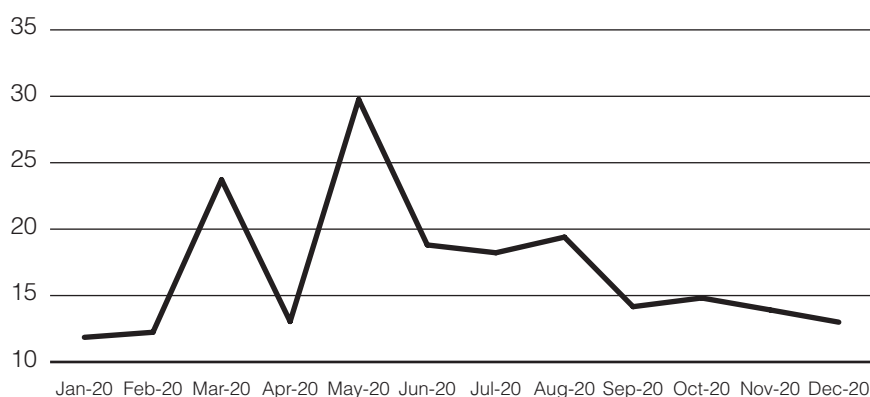
Use of Resources

The Group initiates to become an environmental-friendly and sustainable enterprise. To reduce carbon emission and footprint, we have undertaken carbon reduction measures in our daily operations.

Electricity Consumption

The electricity consumed by the Group's head office and warehouse were the largest contributor to the GHG footprint. During the Reporting Year, the total units of electricity consumed was 202.94 MWh (2019: 170.76 MWh), with an intensity of 1.18 MWh (2019: 1.33 MWh) per employee with an increase of 18.85% and a decrease of 11.28% respectively.

Electricity Consumption



The Group has emphasised the essentialness of energy conservation. The Group spurs every employee to switch off all idle appliances, and ensure that all electronic equipment is switched off after work hours. In the office and workshops, the Group has encouraged its staff to develop an energy-saving habit by using natural light whenever possible instead of electric lighting. In the foreseeable future, we promise to make more efforts on the topic of energy conservation to further reduce our carbon footprint.

Water Consumption

As our business operates in office premise where the water supply is centrally managed by its respective property management company and there is no separate meter for individual office unit, it is not feasible for us to provide relevant water usage data. Since water is one of the most precious resources in the world, the Group still makes every effort to cherish water resources and reduce unnecessary water consumption. During the Reporting Year, as the water sourced from governmental bodies and the quantity met our daily business operation needs, the Group did not encounter any water sourcing issue.

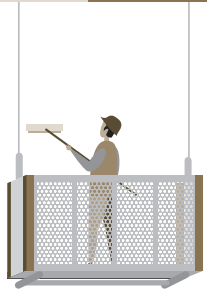
Packaging Materials

As the Group's operations mainly focus on providing design and build solution services to customers, no packaging material consumption can be identified during the Reporting Year.

The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. By integrating environmental consideration into our business strategies, we aim to be an environmentally sustainable enterprise. In the coming years, we would continue promoting GHG emission reduction, energy and water resource conservation and efficient use of natural resources. We believe that not only can raising environmental awareness and reinforcing the positive behavioral changes bring benefits to our financial situation, but also to the future generations.

Environmental, Social and Governance Report



SECTION B: SOCIAL

Employment

It is gratifying to receive recognition for our contribution and achievement from customers. The Group takes pride in the dedication and the effort by our employees, and hence aims to grow with the employees and groom our employees into future leaders. The Group wants our employees to feel that they are contributing to our purpose, and believe that the organisation supports them. As such, we adopt employee-oriented approach in attracting, developing and retaining the best people to support our business development.

Employees Benefits

The Group has established comprehensive Human Resources management policies and procedures to manage the staff recruitment, remuneration, work period, leave entitlement, pay rate, and compensation matters.

For recruitment and dismissal process, the Group will go through the procedures according to the policies stated internally. For recruitment, equal opportunities are provided to all applicants with regards of experience, knowledge and skills only, regardless of race, colour, creed, national origin, ancestry, sex, marital status, disability, religious or political affiliation, age or sexual orientation. For dismissal, those employees acting improperly or breaching of contract terms and code of conduct will be terminated. Compensations are provided when applicable.

The Group offers competitive employee benefits packages for all employees regardless of the form of employment. Pay rate and benefits packages are benchmarked, by our Executive Directors, against the market standard to ensure fair and equitable compensation practice and maintaining competitive salaries. Our employees also receive welfare benefits, maternity leave, employee compensation insurance, Mandatory Provident Fund, performance bonus and other miscellaneous items.

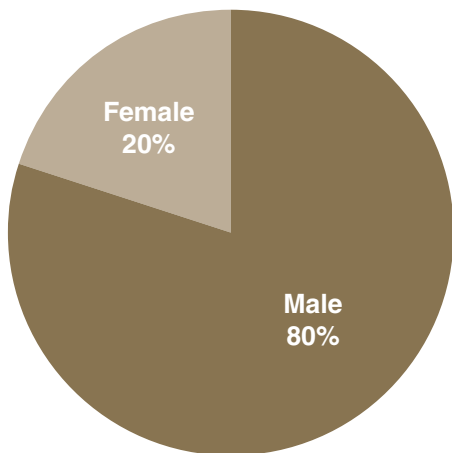
The Group strictly abides with the Employment Ordinance, the Mandatory Provident Fund Schemes Ordinance and other relevant laws and regulations in Hong Kong which cover all employment protection and benefits.

Environmental, Social and Governance Report

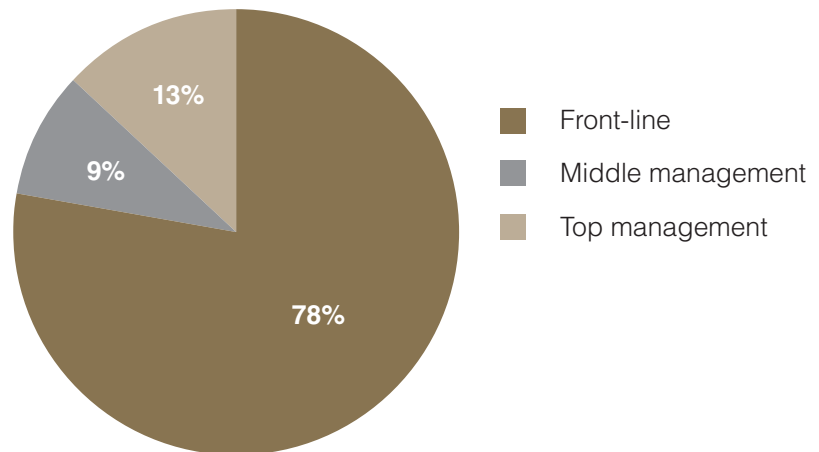
Our Employees

To meet the future challenges of our business, we believe we must continue to attract qualified applicants who share our vision and values. We formulate equal opportunities and diversity policies for all employees. As at 31 December 2020, the male-to-female ratio was approximately 4:1, for a total of 172 employees (2019: 128 employees) based in Hong Kong. Considering the nature of the industry, it is normal to have a higher male-to-female employee ratio. Among our 172 employees (2019: 128 employees), we maintained approximately 78% (2019: 75%) of front-line staff, 9% (2019: 16%) of middle management and 13% (2019: 9%) of top management which provided a healthy management hierarchy. The age distribution of our employees was concentrated between the group of age 26 to 35 and 36 to 45 where each of them was consisted of approximately one-third of the total employee number. The Group strives for maintaining a diversified and harmonious workplace with no discrimination.

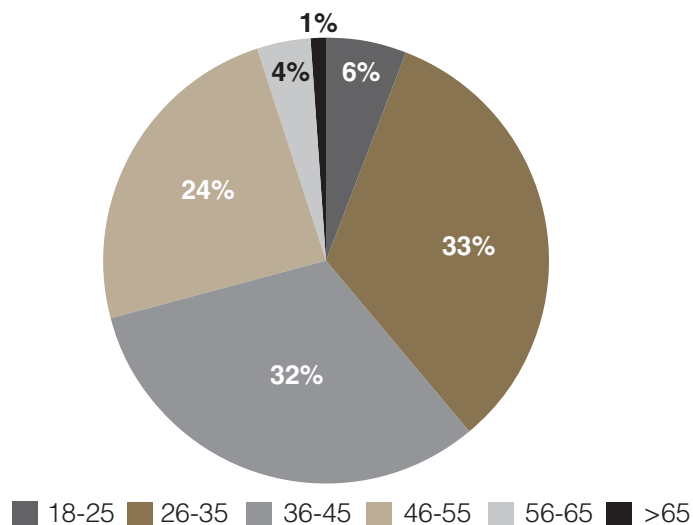
Employment by Gender



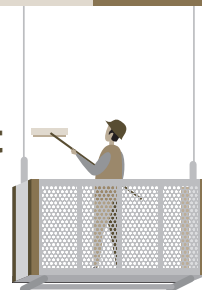
Employment by Level



Employment by Age Group



Environmental, Social and Governance Report



Employees Work-life Balance

The Group strives for the work-life balance of employees, providing them five and a half working days with per week, with 8 working hours per weekday and 4 working hours per Saturday. Overtime compensation hours and pays are in line with the local laws and regulations. To promote the social health and physical wellbeing of our employees, team building activities are held regularly during lunch time or after work. The aforementioned employee benefit and the harmonious working environment contribute to the healthy overall monthly average turnover rate of 2.72% (2019: 1.77%). Considering gender and level of employment, the monthly average turnover rates were 2.89% (2019: 2.20%) and 2.01% (2019: 1.05%) for male and female employees respectively, whereas those of frontline, middle management and top management employees were 3.31% (2019: 2.09%) , 0.62% (2019: 0.40%) and 0.46% (2019: 1.59%) respectively.

Health and Safety

The Group is committed to safeguard the safety, health and welfare of all employees, workers, and persons including subcontractors and the general public likely to be affected by the normal operations. To achieve our commitment, we maintain a high standard regarding safety and health. The implementation of Construction Site Safety Policy and the placement of Site Memo aim at reducing the number of fatal accident and dangerous occurrence case to zero. Besides, in order to emphasise the work safety and protect our employees, we have established an Occupational Health and Safety Policy, including but not limited to:

1. Educating and training our employees regarding their responsibilities and duties;
2. Ensuring that our employees and contractors are fully aware of relevant health and safety practices and their obligations;
3. Complying with applicable laws and regulations, or setting ourselves standards that exceed legal compliance;
4. Reviewing the status, planning, organisation and implementation of the policy every 1 to 2 years and measuring our safety performance to ensure that it has been understood and maintained at all levels;
5. Achieving a high standard of occupational safety and health in compliance with legal requirements as the minimum, and in conformity with the best trade practice for continuous improvement; and
6. Providing adequate resources to implement safety and health policies and programs, with sufficient information, training and supervision provided to our employees.

The Group provides health and safety environment at office area. First aid kit is being placed at office in case of injuries and emergencies. We also understand the importance of preparedness in disaster management, thus there are sufficient emergency lighting, fire exits and fire extinguishers equipped at office. To ensure that every employee can proactively react to emergency, fire drills will be arranged by Safety Manger regularly and results will be recorded and reported for further improvements. A safety notice board is placed at office to notify our employees about updates on safety issues.

The Group also maintains health and safety environment in the construction sites as well. For every project site, at least one Safety Supervisor are assigned to monitor the safety issue and handle emergency incidents if any. Safety inspections will be carried out regularly. If there are any dissatisfactions or violations on the safety policies, Safety Warning Letters with warnings and administrative penalties will be sent to the responsible subcontractors. All site workers must be qualified and licensed in order to enter the construction sites. The Group has maintained a license register to monitor the qualification of the site workers.

Environmental, Social and Governance Report

In addition, safety induction trainings and regular safety trainings are provided to our staff and the subcontracted workers to help them familiarise with the health and safety guidelines in construction sites. In addition, for the sake of further raising safety awareness, safety meetings and talks will be held regularly by the Site Safety and Environmental Committee. “Safety Star of the Month” is selected every month for the employee with best practice and prizes will be given as compliment.

To prevent the spread of Coronavirus Disease 2019 (“**COVID-19**”), the epidemic prevention materials such as alcohol hand sanitiser and sprayer, disposable surgical mask and infrared thermometer are prepared by the Group.

The Group follows strictly to the Section 15 of the Employees’ Compensation Ordinance to report any accident to the Commissioner for Labor. During the Report Year, there were a total of 7 reported cases (2019: 3 reported cases) of work injury, with a total number of 1,240 lost labor hours (2019: 1,696 lost labour hours). No cases of work-related fatalities reported. We will continue to strive for a safe and healthy work environment for our employees and subcontracted workers.

Development and Training

Empowering employees is of our number one priority. Not only do we aim at sharpening the skills set and knowledge of our employees, but we also eager to shape our every single employee into future leaders. Most of our staff possess the Construction Industry Safety Training Certificate and receive annual training outside the Group. During the Reporting Year, a total of 7 employees of front-line staff (2019: 12 employees, consisting of 10 middle-management and 2 top management), attended 598 hours (2019: 42 hours) of additional external trainings, with an average of approximately 85 hours (2019: 3.5) per attendant.

We provide induction trainings and regular trainings on occupational health and safety to every new employees and subcontracted workers. In addition, safety meetings and talks will be held to review if the safety requirements and standards have been met. If any dissatisfactory cases are spotted, additional targeted trainings will be provided to the site workers to enhance their occupational health and safety awareness. During the Reporting Year, 100% of our employees were trained regarding the safety issue.

Labor Standards

With reference to the relevant law and regulations in Hong Kong, the PRC and the principles of United Nations Global Compact, we adopted strict procedures to safeguard human rights. No employee is paid less than the minimum wage specified by the government regulations. In addition, monthly salary payments, Mandatory Provident Fund scheme payments, Social Insurance and Housing Provident Fund contributions are made on time. Sufficient coverage of employee compensation insurance is provided. We are delighted to announce that we have not encountered major risks in human rights matters so far. The Group guarantees that no employee is made to work against his/her will, or work as forced labor, or subject to coercion related to work. Recruitment of child labor is strictly prohibited. The Human Resources Department will verify the actual age of the applicants by checking their identification documents upon recruitment process. Through the whistle-blowing mechanism, employees are able to voice out injustice they face. For any reported cases, the Management will investigate into the case immediately, and take further follow-up actions if necessary.

Environmental, Social and Governance Report



Supply Chain Management

The Group places great emphasis on the procurement and subcontracting principles. In purchasing materials, equipment and services, the Group promotes fair and open competition based on established procurement and subcontracting policies and procedures to ensure that the price, quality, delivery and services are in line with the best economic benefits. As a responsible organisation, the Group adheres to the spirit of contract and abides by the principle, purpose and content of the contract with the suppliers and subcontractors.

The Group recognises the importance of subcontractors and suppliers. It is crucial to ensure that all the subcontractors and suppliers comply with both statutory and contractual requirements regarding site, materials and equipment safety. The Group selects reputable and reliable subcontractors and suppliers to provide high quality, reasonably priced and sustainable products and services by formal pre-qualification assessments. The Group has a transparent and independent procurement and subcontracting process with the goal of promoting competitiveness, which also serves the interests of its shareholders and other stakeholders. The Group expects to establish a vertically integrated supply chain management system by integrating procurement resources, promoting supplier and subcontractor screening and management mechanisms, and proactively providing comprehensive solutions to meet customer needs.

In this regard, a list of approved subcontractors and suppliers has been established and reviewed regularly. As at 31 December 2020, we worked with 65 approved subcontractors (2019: 49 approved subcontractors) and 151 approved suppliers (2019: 97 approved suppliers). Regular appraisals are conducted annually, by the representatives of Project Management Team. Updates and eliminations will be made to the approved list if any suppliers or subcontractors are not up to our required standards. If there is any amendment made to the safety and health requirements, the Safety Supervisor will proactively notice the subcontractors and suppliers for alerting them about the new updates.

The Group also encourages subcontractors and suppliers to promote corporate social responsibility activities and comply with corporate social responsibility codes for their business ethics, workplace operations, marketing activities, social contacts and environmental responsibility. All business transactions should maintain a high standard of ethics; bribes or other improper interests cannot be provided or accepted; according to applicable laws and regulations, information about the business activities, structure, financial status, and performance should be regularly disclosed.

Product Responsibility

The Group is committed to providing better services to the citizens and creating higher return for the stakeholders. As a construction main contractor, the Group addresses the significance of public health during the construction work.

Quality Assurance

As mentioned in the *Health and Safety* section, for every project site, at least one Safety Supervisor is assigned to monitor the safety issue and handle emergency incidents if any. If there are any dissatisfactions or violations on the safety policies, Safety Warning Letter with warnings and administrative penalties will be sent to the responsible subcontractors. As of these safety inspection and monitoring procedures, the Group is confident that the service quality is of the best-in-kind.

Public Liability

It is essential to protect not only the site workers, but also the public health during the construction work. To ensure that the machines used in the construction sites are qualified to the safety standards, regular inspections of appliances, including lifting appliances and gears, and suspended working platform, are carried out by certified engineers.

Environmental, Social and Governance Report

Intellectual Property Rights and Data Privacy

The Group recognised the importance of the protection of both intellectual property rights and data privacy of the clients. Thus, the Group has established the policy and procedures over intellectual property rights as well as the data handling process.

For registration of intellectual properties and trademark, a professional agent will be engaged to verify if the intellectual properties and trademark have already existed in order to prevent the Group from infringing upon others' ones. In addition, to protect the Group's own intellectual properties and trademark, regular checks and observations will be conducted to oversee any infringement from others occurs.

For protection over client data, only those authorised personnel are able to access the systems for obtaining clients' information. Unauthorised access of the Group's information system is strictly prohibited. Confidential information is also under strict monitor to prevent any direct or indirect information leakage to external parties through any means. Furthermore, we remind our employees to adhere to Personal Data (Privacy) Ordinance (Cap. 486) and other relevant regulations in order to ensure customers' personal data is protected.

Relevant Laws and Regulations

Actively identifying compliance issues and remediating the findings of investigations can prevent problems from escalating. Therefore, we keep a close eye on the relevant regulations to revise our policies and operations accordingly to prevent any malpractice. Due to our preventive measures on potential harm on surrounding environment, there is no complaints reported regarding to product responsibility during the Reporting Year.

Anti-corruption

It is our long-standing attitude to combat corruption and money laundering with integrity. Corruption and bribery are not entirely the question of morals and ethics, but also questions of legal litigation and the reputation damage. As part of the commitment, all forms of bribery and corruptions are unacceptable and will not be tolerated. All employees are prohibited from accepting all forms of gifts and benefits that are beyond common business hospitality. Moreover, all employees should not offer any forms of bribe or advantages to third parties in exchange of any benefits.

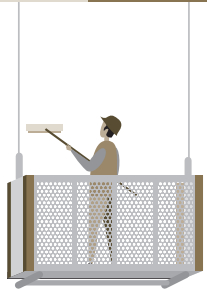
The Group values and welcomes its employees to report any suspected malpractices through various channels, i.e. emails, website, in person. The management will take immediate action to investigate on the issue and take follow-up actions if necessary.

During the Reporting Year, there was no concluded legal case regarding corruption brought against the Group or its employees.

Community Investment

The Group has been actively involved in the community investment. During the Reporting Year, we have donated HK\$1,000 to Caritas Hong Kong for supporting social development (2019: HK\$2,000 to Caritas Hong Kong) and HK\$5,000 to Vocational Training Council for encouraging students to participate in the Industrial Attachment. We imitate to invest more resources into the voluntary section for the sake of positively contributing to the society.

Environmental, Social and Governance Report



ENVIRONMENTAL DATA

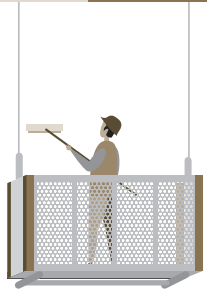
	Year ended 31 December 2020	Year ended 31 December 2019
EMISSIONS INDICATORS		
Air Emissions		
Total air emissions	1.19 kg	0.94 kg
Air emission intensity	0.60 kg per vehicle	0.47 kg per vehicle
NOx emission	1.08 kg	0.86 kg
SOx emission	0.03 kg	0.02 kg
PM emission	0.08 kg	0.06 kg
Greenhouse Gas Emissions		
Total greenhouse gas emissions	149.51 tons	125.32 tons
Greenhouse gas emission intensity	0.87 ton per employee	0.98 ton per employee
Direct emission from mobile combustion sources	5.04 tons	3.97 tons
Indirect emissions from electricity consumption	101.47 tons	87.09 tons
Other indirect emissions	43.00 tons	34.26 tons
Non-hazardous waste produced		
Total non-hazardous waste produced	8.96 tons	7.14 tons
Non-hazardous waste produced intensity	0.05 tons per employee	0.06 tons per employee
USE OF RESOURCES INDICATORS		
Electricity consumption		
Total electricity consumption	202.94 MWh	170.76 MWh
Electricity consumption intensity	1.18 MWh per employee	1.33 MWh per employee

Environmental, Social and Governance Report

SOCIAL DATA

	Year ended 31 December 2020	Year ended 31 December 2019
EMPLOYMENT INDICATORS		
Employment		
Total number of employees	172	128
By Location		
Hong Kong	172	128
By Gender		
Male	138	104
Female	34	24
By Age Group		
18–25	11	5
26–35	56	41
36–45	55	46
46–55	41	28
56–65	7	7
≥ 66	2	1
By Job Level		
Front-line	134	96
Middle management	15	21
Top management	23	11
Employment turnover		
Total number of employee turnover	49	27
% of employee turnover (monthly average)	2.72%	1.77%
By Gender (monthly average)		
Male	2.89%	2.20%
Female	2.01%	1.05%
By Job Level (monthly average)		
Front-line	3.31%	2.09%
Middle management	0.62%	0.40%
Top management	0.46%	1.59%
HEALTH AND SAFETY INDICATORS		
Number of reported injuries	7 cases	3 cases
Number of lost hours	1,240 hours	1,696 hours
Number of fatalities	—	—

Environmental, Social and Governance Report



SOCIAL DATA (Continued)

	Year ended 31 December 2020	Year ended 31 December 2019
DEVELOPMENT AND TRAINING INDICATORS		
Number of hours of external training	598 hours	42 hours
Number of attendants	7	12
Average hours per trained employee	85 hours	3.5 hours
SUPPLY CHAIN INDICATORS		
Number of approved suppliers	151	97
Number of approved subcontractors	65	49
PRODUCT RESPONSIBILITY INDICATORS		
Number of complaints received	—	—
Number of legal dispute cases	—	—
ANTI-CORRUPTION INDICATORS		
Number of conducted legal cases regarding corruption	—	—
COMMUNITY INDICATORS		
Corporate charitable donation	HK\$6,000	HK\$2,000

Report of the Directors

The Directors are pleased to present their annual report together with the audited consolidated financial statements for the Year.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and through its subsidiaries, is principally engaged in the provision of design and build solutions for facade works and BMU systems in Hong Kong.

RESULTS OF OPERATIONS

The financial results of the Group for 2020 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 64 to 65 of this annual report.

FIVE-YEAR FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on page 144 of this annual report. The summary shall not constitute a part of the audited consolidated financial statements.

DIVIDEND POLICY

The Board intend to strike a balance between maintaining sufficient capital to grow the business of the Group and rewarding the Shareholders. The declaration and payment of any dividends by the Company would be subject to the Board's decision and any final dividend for a financial year of the Company would be subject to the Shareholders' approval. The decision to declare or to pay any dividend, and the amount of any dividends, will depend on the Group's earnings, financial condition, cash requirements and availability, and any other factors the Board may consider relevant. These factors and the payment of dividends is at the discretion of the Board and the Board reserves the right to change its plan on any future payment of dividends. The payment of dividend is also subject to any restrictions under the laws of Hong Kong and the Cayman Islands and the Articles of Association.

DIVIDEND

The Board does not recommend payment of final dividend for the Year (2019: HK\$0.01 per share amounting to a total of HK\$5.2 million).

Report of the Directors



BUSINESS REVIEW

The review of the business of the Group for the year and the discussion on the Group's business development are set out in the "Management discussion and analysis" section and "Chairman's Statement" section on pages 8 to 15, and pages 5 to 7 of this annual report, respectively. The Group's key relationship with its stakeholders (including employees, customers and suppliers) who have a significant impact on the Group and on which the Group's success depends, is set out in this annual report. Principal risks and uncertainties facing the Group are set out in the "Management discussion and analysis" section on page 15 of this annual report. These discussions form part of the Report of the Directors.

Environmental, Social and Governance Policies

The Group is committed to protecting the environment, fulfilling social responsibility and promoting employee benefits and development to achieve sustainable growth of its business.

For more details of the Group's performances in environmental and social aspects, please refer to the "Environmental, Social and Governance Report" section of this annual report.

Compliance with Relevant Laws and Regulations

During the Year, the Group was not aware of material non-compliance with the relevant laws and regulations that had a significant impact on the business and operations of the Group.

CLOSURE OF REGISTER OF MEMBERS

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

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 15 to the consolidated financial statements.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for about 92.2% of the revenue of the Group and the largest customer accounted for about 36.1% of the revenue of the Group.

During the Year, the five largest suppliers of the Group accounted for about 23.1% of the purchase of the Group and the largest supplier accounted for about 7.2% of the purchase of the Group.

To the best of the knowledge of the Directors, none of the Directors, their close associates (as defined in the Listing Rules) or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an any beneficial interest in these major customers or suppliers.

BANK BORROWINGS

Details of the bank borrowings of the Group are set out in note 27 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in note 24 to the consolidated financial statements.

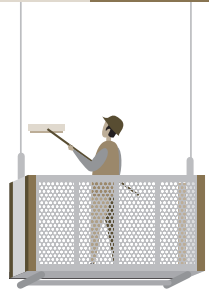
RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in notes 24 and 35 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's distributable reserve were HK\$324.7 million (2019: HK\$322.8 million).

Report of the Directors



DIRECTORS

During the year and up to the date of this annual report, the Board currently consists of the following six 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.*

In accordance with the provisions of the Articles of Association, Ms. Leung Ng Mui May and Mr. Keung Kwok Hung will retire and, being eligible, will offer themselves for re-election at the Company's forthcoming AGM.

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

As at 31 December 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 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:

- The calculation is based on the total number of 520,000,000 shares in issue as at 31 December 2020.
- 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.
- 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.
- 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.

Report of the Directors

Save as disclosed above, as at 31 December 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.

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

So far as the directors are aware, as at 31 December 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

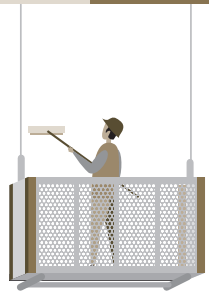
Number of shareholder	Capacity	Number of Shares held/ interested in	Percentage of shareholding ⁽¹⁾
RR (BVI) Limited	Beneficial owner	195,000,000	37.5%
SV (BVI) Limited	Beneficial owner	195,000,000	37.5%
Ms. Ma Lai Ling ⁽²⁾	Interest of spouse	195,000,000	37.5%
Ms. Chow Yin Yu ⁽³⁾	Interest of spouse	195,000,000	37.5%

Notes:

- The calculation is based on the total number of 520,000,000 shares in issue of the Company as at 31 December 2020.
- Ms. Ma Lai Ling is the spouse of Mr. Kwan and is deemed, or taken to be, interested in all shares of the Company in which Mr. Kwan has interest in under the SFO.
- Ms. Chow Yin Yu is the spouse of Mr. Mak and is deemed, or taken to be, interested in all shares of the Company in which Mr. Mak has interest in under the SFO.

Save as disclosed above, as at 31 December 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.

Report of the Directors



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. No options have been exercised or cancelled during the Year and up to the date of this annual report.

The purpose of the Pre-IPO Share Option Scheme is 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 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. The Board is entitled at any time during the term of the Pre-IPO Share Option Scheme to make an offer to any eligible person as defined under the Pre-IPO Share Option Scheme.

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 annual 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 2020	Number of share options granted as at 31 December 2020
Ms. Leung Ng Mui	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	General manager	21 March 2019	HK\$0.115	3,900,000	3,900,000
Mr. Lau Bing Shing	Project director	21 March 2019	HK\$0.115	3,900,000	3,900,000

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.

Save as disclosed above, as at 31 December 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 current year is set out in Note 24 to the consolidated financial statements.

Report of the Directors

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 (as defined below) 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 (“**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.

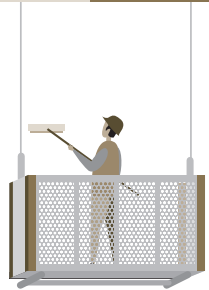
Persons satisfying any of the following (“**Eligible Persons**”) may be offered with options by the Board, at its absolute discretion:

- (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 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) a close 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 Company’s shares listing on the Stock Exchange on 8 November 2019 which was 52,000,000, representing 10% of the total number of shares in issue as at the date of this annual report. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

Report of the Directors



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.

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; (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; and (iii) the nominal value of share of the Company.

The Scheme shall be valid and effective for a period of 10 years commencing from 18 October 2019. As at the date of this report, the remaining life of the Scheme is approximately 8 years and 6 months. No share options have been granted, forfeited or expired since the adoption of the Scheme.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out in this annual report in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 19.

DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors has entered into a service contract with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

Independent non-executive Directors

Each of the INEDs has entered into an appointment letter with the Company for a specific term of three years (subject always to re-election as and when required under the Articles of Association) until termination.

Report of the Directors

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. There was no arrangement under which a Director waived or agreed to waive any emoluments during the year ended 31 December 2020.

Details of the Directors' emoluments and emoluments of the five highest paid individual in the Group are set out in note 13 to the consolidated financial statements.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by the Group to or on behalf of any of the Directors.

Save as disclosed above, no Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Option Scheme" above, the Group has not entered into any other equity-linked agreements during the year ended 31 December 2020.

MANAGEMENT CONTRACTS

Other than the Directors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during or at the end of the year ended 31 December 2020.

Report of the Directors



PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the directors' and officers' liability insurance is currently in force and was in force during the year and up to the date of this annual report.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the ultimate controlling parties of the Group, which are Mr. Kwan and Mr. Mak (collectively referred to as the “**Controlling Shareholders**”), during the Year or subsisted at the end of the Year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries was entered into during the Year or subsisted at the end of the Year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2020 and as at 31 December 2020, none of the Directors or their respective associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

NON-COMPETITION UNDERTAKINGS

In order to avoid any possible future competition between the Group and each of the Controlling Shareholders, each of the Controlling Shareholders as covenantors executed a deed of non-competition dated 18 October 2019 (“**Deed of Non-Competition**”) in favour of the Company (for itself and as trustee for its subsidiaries), pursuant to which, each of the covenantors confirms, inter alia, that other than its/his/her interests in the Company, none of them is engaged in any business which, directly or indirectly, competes or may compete with the business of the Group, or has any interests in such business.

Each of the Controlling Shareholders has made an annual written declaration confirming his/its compliance with the terms of the Deed of Non-Competition. The INEDs had reviewed the status of compliance and the confirmation provided by the Controlling Shareholders. On the basis that: (i) the Company has received the confirmations from the Controlling Shareholders regarding the Deed of Non-Competition; (ii) there was no competing business reported by the Controlling Shareholders; and (iii) there was no particular situation rendering the full compliance of the Deed of Non-Competition being questionable, the INEDs are of the view that the Deed of Non-Competition has been complied with and been enforced by the Company in accordance with the terms.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2020.

Report of the Directors

EMPLOYEES AND REMUNERATION POLICY

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

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

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

The Company has also adopted two share option schemes, details of which are disclosed in the section headed "Share Option Scheme" in this annual report to recognise and reward the eligible employees for their contributions to the business and development of the Group.

RETIREMENT BENEFITS SCHEMES

The Group strictly complies with the requirements of the Mandatory Provident Fund Schemes Ordinance in making mandatory contributions for its staff. The mandatory provident fund scheme (the "MPF Scheme") is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Scheme Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. There were no forfeited contributions utilised to offset employers' contributions for the Year. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DONATIONS

Charitable and other donations made by the Group amounted to HK\$6,000 for the year ended 31 December 2020 (2019: HK\$2,000).

SUFFICIENCY OF PUBLIC FLOAT

Based on information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the minimum public float as required under Rule 8.08 of the Listing Rules during the Year and up to the date of this annual report.

Report of the Directors



PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

On 27 September 2018, Acme Metal, as tenant entered into a tenancy agreement (the "**Tenancy Agreement**") with Hope Harvest Limited ("**Hope Harvest**"), a related company incorporated in Hong Kong with limited liability and was owned as to 37.5% by Mr. Kwan, 37.5% by Mr. Mak and 25% by an independent third party, as landlord, pursuant to which Hope Harvest agreed to lease to Acme Metal a property for storage purposes, with a saleable floor area of 3,780 sq.ft. The Tenancy Agreement has a term of two years which commenced from 27 September 2018 and expired on 26 September 2020 at a monthly rent of HK\$40,000 (exclusive of management fees, rates, government rent and all other outgoing charges). On 26 September 2020, Hope Harvest and Acme Metal entered into a renewal agreement (the "**2020 Renewed Agreement**") to renew the Tenancy Agreement for a term of 3 years commenced from 27 September 2020 and ending on 26 September 2023 at a monthly rent of HK\$40,000 (exclusive of management fees, rates, government rent and all other outgoing charges).

The rent payable by Acme Metal to Hope Harvest under the Tenancy Agreement and the 2020 Renewed Agreement was determined on an arm's length basis with reference to the prevailing market conditions and the prevailing market rent for similar properties in the vicinity at the relevant time.

The transactions contemplated under the Tenancy Agreement and the 2020 Renewed Agreement constitute de minimis connected transaction under Rule 14A.76(1)(c) of the Listing Rules, and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements.

All related party transactions of the Group during the year ended 31 December 2020 as disclosed in note 33 to the consolidated financial statements, were not connected transactions or continuing connected transactions which are subject to reporting requirement under Chapter 14A of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

Report of the Directors

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, who will retire, and being eligible, offer themselves for re-appointment. A resolution to re-appoint PricewaterhouseCoopers will be proposed at the forthcoming AGM.

On behalf of the board of Directors

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

Hong Kong, 26 March 2021

Independent Auditor's Report



羅兵咸永道

To the Members of Acme International Holdings Limited

(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Acme International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 64 to 143, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to accounting for construction contracts.

Key Audit Matter

How our audit addressed the Key Audit Matter

Accounting for construction contracts

Refer to Note 2.21(a), Note 4(a), Note 4(b), Note 5, Note 21 and Note 29(d) to the consolidated financial statements.

For the year ended 31 December 2020, the Group recognised revenue and gross loss from construction contracts of HK\$435,797,000 and HK\$25,625,000 respectively. Contract assets and contract liabilities relating to construction contracts amounted to HK\$233,805,000 and HK\$6,714,000 respectively as at 31 December 2020.

The Group recognises revenue on construction contracts over time by measuring the progress towards complete satisfaction of the performance obligations. At the end of each reporting period, such progress is measured based on the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected efforts or inputs to the satisfaction of that performance obligation for each construction contract. When there are unavoidable costs of meeting the obligations under a construction contract which exceed the economic benefits expected to be received under it, the present obligation under the onerous construction contract will be recognised and measured as a provision.

We obtained an understanding of management's internal controls over the business process of accounting for construction costs, evaluated and validated key controls including but not limited to the development of budget revenue and costs and subsequent revision, measurement of progress towards complete satisfaction of performance obligations and estimation of provision for onerous construction contracts.

We assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and the level of other inherent risk factors associated with the accounting estimates for construction contracts.

We also focused our work on the following procedures to assess management's accounting of a selection of construction contracts:

- We inspected the signed contracts with customers to check the contract terms including scope of work and total consideration. Where applicable, we inspected correspondence with the customers to confirm the variation orders to contract works requested by customers;

Independent Auditor's Report



Key Audit Matter

Accordingly, the revenue recognition of construction contracts requires management to make significant judgement and estimates for each project with respect to the total expected project costs, variation to forecast revenue and associated costs due to contract modifications, and measurement of progress towards complete satisfaction of the performance obligation, which also affects the amounts of contract assets and contract liabilities to be recognised. Judgement is also required for management to identify whether there are any onerous contracts for which a provision is required.

Our audit focused on this area because the accounting for construction contracts is subject to a high degree of estimation uncertainty and subjectivity in management's judgement and estimates as mentioned above.

How our audit addressed the Key Audit Matter

- We reviewed the approved project budgets by comparing the budget items against the contract terms and historical experience of similar projects. We also inspected supporting documents on a sampling basis, including supplier invoices and delivery notes of construction materials consumed, invoices from subcontractors and payroll records on staff costs incurred, to validate the actual construction costs incurred of the selected projects;
- We discussed the status of the projects with the Group's quantity surveyors and project managers to understand the nature and obtain the supporting documents of any material variation orders to the original contracts, revisions made to the estimated revenue and costs, and onerous contracts identified which were expected to result in unavoidable costs of meeting the obligations under the construction contracts over the economic benefits to be received;
- We agreed the progress towards complete satisfaction of performance obligation with reference to the proportion of construction costs incurred for work performed at the year end to the estimated total construction costs and then tested the arithmetical accuracy of management's calculations for the accounting of contract revenue, contract costs and contract assets/contract liabilities of the selected construction contracts.

We found that the key judgements and estimates used by management in the accounting for construction contracts are supported by the audit evidence available.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent Auditor's Report

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent Auditor's Report



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Wai Ching.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 26 March 2021

Consolidated Income Statement

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Revenue	5	435,797	479,472
Cost of sales	8	(461,422)	(382,301)
Gross (loss)/profit		(25,625)	97,171
Other income	6	6,775	1,805
Other gains/(losses), net	7	599	(386)
Administrative expenses	8	(30,012)	(45,468)
Operating (loss)/profit		(48,263)	53,122
Finance income	10	365	672
Finance costs	10	(611)	(621)
Finance (costs)/income, net	10	(246)	51
(Loss)/profit before income tax		(48,509)	53,173
Income tax credits/(expenses)	11	671	(12,094)
(Loss)/profit for the year		(47,838)	41,079
(Loss)/profit attributable to:			
Owners of the Company		(47,838)	40,964
Non-controlling interests		—	115
		(47,838)	41,079
(Loss)/earnings per share attributable to owners of the Company for the year			
— Basic (HK cents)	12	(9.20)	10.01
— Diluted (HK cents)	12	(9.20)	9.74

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

Consolidated Statement of Comprehensive Income



	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
(Loss)/profit for the year		(47,838)	41,079
Other comprehensive loss:			
<i>Item that will not be reclassified to consolidated income statement</i>			
Changes in the fair value of financial assets at fair value through other comprehensive income	18	(7,682)	(1,760)
Other comprehensive loss for the year		(7,682)	(1,760)
Total comprehensive (loss)/income for the year		(55,520)	39,319
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(55,520)	38,997
Non-controlling interests		—	322
		(55,520)	39,319

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

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	1,769	3,605
Intangible asset	16	759	—
Deferred income tax assets	28	6,693	545
Financial assets at fair value through other comprehensive income	18	—	28,323
Deposits, prepayments and other receivables	22	2,280	691
		11,501	33,164
Current assets			
Inventories	19	38,650	10,734
Trade and retention receivables	20	71,970	40,996
Contract assets	21	233,805	196,680
Deposits, prepayments and other receivables	22	20,654	5,307
Income tax recoverable		—	2,093
Pledged deposits	23	62,229	39,660
Time deposits	23	—	2,518
Restricted deposits	23	2,930	31,170
Cash and cash equivalents	23	42,135	133,257
		472,373	462,415
Total assets		483,874	495,579
EQUITY			
Equity attributable to owners of the Company			
Share capital	24 (a)	5,200	5,200
Reserves	24 (b)	312,654	369,058
Total equity		317,854	374,258

Consolidated Statement of Financial Position



	Note	As at 31 December	
		2020 HK\$'000	2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	25	791	—
Deferred income tax liabilities	28	12	15
Provisions	29	1,446	1,216
		2,249	1,231
Current liabilities			
Trade, bills and retention payables	26	137,602	78,474
Contract liabilities	21	6,714	7,607
Other payables and accruals	26	6,183	11,389
Income tax liabilities		649	11,325
Bank borrowings	27	5,262	6,353
Lease liabilities	25	419	2,032
Provisions	29	6,942	2,910
		163,771	120,090
Total liabilities		166,020	121,321
Total equity and liabilities		483,874	495,579

The financial statements on pages 64 to 143 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf:

Mr. Kwan Kam Tim
Director

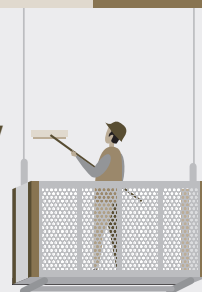
Mr. Mak Kim Hung
Director

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

Consolidated Statement of Changes in Equity

	Attributable to owners of the Company									
	Share capital HK\$'000	Combined share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balances as at 1 January 2019	—	2,350	—	3,135	—	—	226,103	231,588	34,852	266,440
Comprehensive income										
Profit for the year	—	—	—	—	—	—	40,964	40,964	115	41,079
Other comprehensive loss										
Fair value loss on financial assets at fair value through other comprehensive income	—	—	—	(1,967)	—	—	—	(1,967)	207	(1,760)
Total comprehensive (loss)/income	—	—	—	(1,967)	—	—	40,964	38,997	322	39,319
Transaction with owners in their capacity as owners										
Issue of share pursuant to the Reorganisation	—	—	—	—	—	—	—	—	—	—
Reclassification of combined share capital to other reserves pursuant to reorganisation	—	(2,350)	—	—	—	2,350	—	—	—	—
Transaction with non-controlling shareholder (Note 32)	—	—	—	—	—	35,174	—	35,174	(35,174)	—
Share-based payment expenses (Note 24(c))	—	—	—	—	3,356	—	—	3,356	—	3,356
Dividends	—	—	—	—	—	—	(45,000)	(45,000)	—	(45,000)
Capitalisation issue (Note 24 (a))	3,900	—	(3,900)	—	—	—	—	—	—	—
Issue of shares upon share offer in the Listing (Note 24 (a))	1,300	—	124,800	—	—	—	—	126,100	—	126,100
Share issuance cost (Note 24 (a))	—	—	(15,957)	—	—	—	—	(15,957)	—	(15,957)
Total transaction with owners in their capacity as owners	5,200	(2,350)	104,943	—	3,356	37,524	(45,000)	103,673	(35,174)	68,499
Balances as at 31 December 2019	5,200	—	104,943	1,168	3,356	37,524	222,067	374,258	—	374,258

Consolidated Statement of Changes in Equity



Attributable to owners of the Company

	Share capital HK\$'000	Share premium HK\$'000	Revaluation reserve HK\$'000	Share- based payment reserve HK\$'000	Other reserves 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 loss							
Loss for the year	—	—	—	—	—	(47,838)	(47,838)
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)	—	—	(47,838)	(55,520)
Reclassification of revaluation reserve to retained earnings (Note 18)	—	—	6,514	—	—	(6,514)	—
Transaction with owners in their capacity as owners							
Share-based payment expenses (Note 24 (c))	—	—	—	4,316	—	—	4,316
2019 final dividend declared and paid (Note 34)	—	(5,200)	—	—	—	—	(5,200)
Total transaction with owners in their capacity as owners	—	(5,200)	6,514	4,316	—	(6,514)	(884)
Balances as at 31 December 2020	5,200	99,743	—	7,672	37,524	167,715	317,854

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

Consolidated Statement of Cash Flows

	Note	Year ended 31 December	
		2020 HK\$'000	2019 HK\$'000
Cash flows from operating activities			
Cash (used in)/generated from operations	30(a)	(95,848)	28,228
Income tax paid		(14,063)	—
Net cash (used in)/generated from operating activities		(109,911)	28,228
Cash flows from investing activities			
Purchases of property, plant and equipment		(407)	(1,618)
Purchases of an intangible asset		(1,823)	—
Sales proceed from disposal of financial assets at fair value through other comprehensive income	18	20,641	—
Decrease/(increase) in time deposits		2,536	(68)
Interest received		365	672
Net cash generated from/(used in) investing activities		21,312	(1,014)
Cash flows from financing activities			
Proceeds from borrowings	30(c)	49,616	42,862
Repayments of borrowings	30(c)	(50,289)	(45,145)
Principal elements of lease payments	30(c)	(2,137)	(2,030)
(Increase)/decrease in pledged deposits		(22,361)	4,804
Decrease/(increase) in restricted deposits		28,240	(31,170)
Dividends paid		(5,200)	(45,000)
Interest paid		(611)	(621)
Proceed from Listing		—	126,100
Listing expense paid		—	(13,261)
Net cash (used in)/generated from financing activities		(2,742)	36,539
Net (decrease)/increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		133,257	70,124
Effect of foreign exchange rate changes		219	(620)
Cash and cash equivalents at end of the year	23	42,135	133,257

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

Notes to the Consolidated Financial Statements



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”).

In preparation for the Listing, the Group underwent the Reorganisation (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.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

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

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

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) New and amended standards adopted by the Group

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

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

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

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

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

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

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

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

2.2.2 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation (Continued)

2.2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation (Continued)

2.2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors who make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Hong Kong Dollars, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses are presented in the consolidated income statement within other gains/(losses), net.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Furniture and fixtures	20%
Leasehold improvements	Shorter of lease terms or estimated useful life

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognised within other gains/(losses), net in the consolidated income statement.

2.6 Intangible asset

Software

Acquired computer software is shown at historical cost. This asset has a finite useful life and is carried at cost less accumulated amortisation and impairment losses.

The Group amortises intangible asset with a limited useful life using the straight-line method over the following period:

— Computer software	10 years
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2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are at least tested annually for impairment. Assets which are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 17 for details about each type of financial assets.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments as the following measurement category:

- (i) **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(c) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gains/(losses), net in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) details how the Group determines whether there has been a significant increase in credit risk.

For trade and retention receivables and contract assets, the Group applies the simplified approach permitted in HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.9 Inventories

Inventories comprise raw materials used for construction are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of first-in-first-out. Costs of purchased raw materials are determined after deducting discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.10 Trade and retention and other receivables

Trade and retention receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and retention and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If no, they are presented as non-current assets.

Trade and retention and other receivables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.8(c) for further information about the Group's accounting for trade and retention and other receivables and Note 2.8(d) for a description of the Group's impairment policies.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks with original maturities of three months or less.

2.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Trade, bills and retention and other payables

Trade, bills and retention payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade, bills and retention and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and retention and other payables are recognised initially at fair values and subsequently measured at amortised cost using the effective interest method.

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.15 Borrowing costs

Borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.16 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(a) **Current income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits

(a) Pension obligations

The Group participates in defined contribution plans for their employees in Hong Kong. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the Group pays contribution to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Share-based payments

Share-based compensation benefits are provided to employees via the Pre-IPO Share Option Scheme. Information relating to the scheme is set out in Note 24(c).

Pre-IPO Share Option Scheme

The fair value of options granted under the Pre-IPO Share Option Scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holdings shares for a specific period of time).

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(d) Share-based payments (Continued)

Pre-IPO Share Option Scheme (Continued)

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

The grant by the Group of options over its equity instruments to employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date at fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Warranty provision

The Group estimates the related provision for future warranty claims based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. The assumptions made in relation to the current period are consistent with those in the prior year. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

2.21 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services rendered in the ordinary course of the Group's activities.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenues are recognised when or as the control of the good or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time.

Control of the good or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction or that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Revenue recognition (Continued)

(a) Revenue from construction services

The Group provides façade works construction services and building maintenance unit systems construction services. Revenue from the construction services is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time. The Group uses costs incurred relative to total estimated costs to determine the extent of progress towards completion, which is referred as to "cost-to-cost method". Costs included in measuring progress in the "cost-to-cost method" if they represent progress under the contract include direct materials, direct labor, allocations of costs related directly to contract activities if those depict the transfer of control to the customer, etc. Costs that are not related to the contract or that do not contribute towards satisfying a performance obligation are not included in measuring progress.

Construction costs are recognised as cost of sales by reference to the extent of progress towards completion of the contract activity at the end of the reporting period. When there are unavoidable costs of meeting the obligations under a construction contract which exceed the economic benefits expected to be received under it, the present obligation under the onerous construction contract will be recognised as an expenses immediately and measured as a provision. If the Group is not able to reasonably determine the outcome of the performance obligation or its progress towards satisfaction of the obligation, the Group recognises revenue over time as the work is performed, but only to the extent of costs incurred as long as the Group expects to at least recover its costs.

The Group accounts for a modification if the customer to a contract approves a change in the scope and/or price of a contract. A contract modification is approved when the modification creates or changes the enforceable rights and obligations of the customer to the contract. If the customer has approved a change in scope, but has not yet determined the corresponding change in price, the Group estimates the change to the contract price as variable consideration.

The estimated amount of the variable consideration is included in the contract price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable considerations is subsequently resolved.

(b) Maintenance services income

The Group provides maintenance services for building maintenance unit systems. Revenue is recognised over the period that services are rendered by the Group as the customer simultaneously receives and consumes the benefits as the Group performs.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assume performance obligations to transfer goods or services to the customer. The combination of those rights and performance obligations give rise to a net asset or net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining conditional rights to consideration exceeds the satisfied performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if consideration received (or an amount of consideration is due) from the customer exceeds the measure of the remaining unsatisfied performance obligations.

2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.24 Earnings per share

(i) **Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares by the weighted average number of ordinary shares outstanding during the financial year.

(ii) **Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.25 Leases

Leases are recognised as a right-of-use asset (included in property, plant and equipment) and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, such as term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors, where appropriate.

2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Note 6 provides further information on how the Group accounts for government grants.

Notes to the 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Directors. The Directors provide principles for overall risk management.

(a) Foreign exchange risk

The Group operates in Hong Kong with most of the transactions denominated and settled in Hong Kong Dollars ("HK\$"), Euros ("EUR"), United States Dollars ("US\$"), Great British Pound ("GBP") and Chinese Renminbi ("RMB"). Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Management closely monitors foreign currency exchange exposure and will take measures to minimise the currency translation risk. It mainly includes managing the exposures arisen from purchases made by group entities in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure.

Under the current pegging arrangement between HK\$ and US\$, the Directors of the Company consider foreign exchange risk as insignificant.

At 31 December 2020, if RMB had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2020 would have been approximately HK\$12,000 lower/higher (2019: pre-tax profit would have been approximately HK\$543,000 higher/lower), mainly as a result of foreign exchange gains/losses as at 31 December 2020 on translation of RMB-denominated monetary net assets of the Group (2019: Same).

At 31 December 2020, if EUR had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2020 would have been approximately HK\$273,000 lower/higher (2019: pre-tax profit would have been approximately HK\$59,000 higher/lower), mainly as a result of foreign exchange gains/losses as at 31 December 2020 on translation of EUR-denominated monetary net assets of the Group (2019: Same).

At 31 December 2020, if GBP had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2020 would have been approximately HK\$126,000 lower/higher (2019: pre-tax profit would have been approximately HK\$2,000 higher/lower), mainly as a result of foreign exchange gains/losses as at 31 December 2020 on translation of GBP-denominated monetary net assets of the Group (2019: Same).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) **Cash flow and fair value interest rate risk**

The Group's cash flow and fair value interest rate risk primarily relates to bank balances and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances and bank borrowings. The analysis is prepared assuming the variable-rate bank balances and bank borrowings as at 31 December 2019 and 2020 were outstanding for the years.

If interest rates had been 100 basis points higher/lower for variable-rate bank balances and bank borrowings and all other variables were held constant, the effects to the Group's pre-tax loss for the year ended 31 December 2020 would have been approximately HK\$68,000 lower/higher (2019: pre-tax profit would have been approximately HK\$73,000 higher/lower). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and bank borrowings.

(c) **Credit risk**

(i) *Risk management*

Credit risk is managed on a group basis. The Group's financial assets are trade and retention receivables, other financial assets at amortised cost (including deposits and other receivables), cash and cash equivalents, pledged, time and restricted deposits. The amounts of those assets stated in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is concentrated on a number of major and long established customers. As at 31 December 2020, trade and retention receivables from the customer with largest revenue during the year accounted for less than 1% (2019: 20%) and from the customers with top five largest revenue during the year accounted for approximately 89% (2019: 82%) of the Group's total trade and retention receivables. The Group has policies in place to ensure that sales are made to customers with appropriate credit histories and to limit the amount of credit exposure to any individual customer.

The Group's other financial assets at amortised cost are considered to be low risk. Management has closely monitored the credit qualities and the collectability.

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) *Impairment of financial assets and contract assets*

The Group has the following assets that are subject to the expected credit loss model:

- trade and retention receivables
- contract assets
- other financial assets carried at amortised cost

While cash and cash equivalents, pledged, time and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

(a) **Trade and retention receivables and contract assets**

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and retention receivables and contract assets. To measure the expected credit losses, trade and retention receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled contract work and have substantially the same risk characteristics as the trade and retention receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade and retention receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the probability of a receivable progressing through successive stages of delinquency to write-off over a period of 12 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross value of construction works and unemployment rate in Hong Kong to be the most relevant factors, and accordingly adjusted the historical loss rates based on the expected changes in these factors in the future period.

On that basis, the loss allowance as at 31 December 2020 and 2019 was determined as immaterial for both trade and retention receivables and contract assets and no provision was made to these consolidated financial statements.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Credit risk (Continued)

(ii) *Impairment of financial assets and contract assets (Continued)*

(a) Trade and retention receivables and contract assets (Continued)

Trade and retention receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments. Impairment losses on trade and retention receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Impairment on other financial assets are measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. Management has closely monitored the credit qualities and the collectability of the other financial assets at amortised cost and considers that the expected credit loss is immaterial with the expected credit loss rate being close to zero.

(d) Liquidity risks

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of available credit facilities. The Group manages its liquidity risk by monitoring its working capital requirements including closely monitoring the turnover days of receivables and keeping credit lines available.

Management monitors rolling forecasts of the Group's bank facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

The tables below analyse the Group and the Company's financial liabilities into relevant maturity groupings based on the remaining period at each of the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contracted rates). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(d) Liquidity risks (Continued)

The Group

	On demand and within			Total HK\$'000
	1 year HK\$'000	Within 1 year HK\$'000	Over 1 year HK\$'000	
As at 31 December 2020				
Trade, bills and retention payables	—	128,472	9,130	137,602
Other payables	—	2,587	—	2,587
Bank borrowings				
— principal portion	5,262	—	—	5,262
— interest portion	36	—	—	36
Lease liabilities	—	480	835	1,315
	5,298	131,539	9,965	146,802
As at 31 December 2019				
Trade, bills and retention payables	—	73,451	5,023	78,474
Other payables	—	6,427	—	6,427
Bank borrowings				
— principal portion	6,353	—	—	6,353
— interest portion	84	—	—	84
Lease liabilities	—	2,097	—	2,097
	6,437	81,975	5,023	93,435

(e) Price risk

The Group is exposed to price risk arises from investments held by the Group and classified on the consolidated statement of financial position as financial assets at fair value through other comprehensive income (Note 18). The Group maintains these investments for long-term purpose.

If the price of the financial assets at fair value through other comprehensive income had been 10% higher/lower, the Group's revaluation reserve for the year ended 31 December 2020 would increase/decrease by approximately HK\$Nil (2019: HK\$2,832,000).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including bank borrowings and lease liabilities) less cash and cash equivalents. Total equity is calculated as equity as shown in the consolidated statement of financial position.

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Bank borrowings (Note 27)	5,262	6,353
Lease liabilities (Note 25)	1,210	2,032
Less: cash and cash equivalents (Note 23)	(42,135)	(133,257)
Net cash	(35,663)	(124,872)

Management considers the Group's capital risk is minimal as the Group was not in a net debt position as at 31 December 2020 (2019: Same).

3.3 Fair value estimation

The table below analyses the Group's financial instruments carried at fair values as at 31 December 2019 and 2020 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).

Notes to the Consolidated Financial Statements



3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

	Level 1 HK\$'000
As at 31 December 2020	
Assets	
Financial assets at fair value through other comprehensive income	—
As at 31 December 2019	
Assets	
Financial assets at fair value through other comprehensive income	28,323

As at 31 December 2020, the Group had no derivative financial instruments (2019: Nil). There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2020 (2019: Nil).

(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. As at 31 December 2020, the Company did not have level 1 financial instruments. As at 31 December 2019, instruments included in level 1 represented listed equity instruments that were classified as financial assets at fair value through other comprehensive income.

(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. The Group did not have level 2 financial instruments as at 31 December 2020 (2019: Nil).

(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. The Group did not have level 3 financial instruments as at 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Measurement of progress towards complete satisfaction of performance obligation and contract modification

The Group recognises its revenue from construction contract according to the progress towards complete satisfaction of the performance obligation. The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of contract revenue, construction costs and amount of contract modifications prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract revenue. Such significant estimate may have impact on the profit or loss recognised in each period.

(b) Estimation of provision for onerous construction contracts

The Group's management estimates the amount of provision for onerous construction contracts based on the management budgets prepared for the construction works. Budgeted construction income is determined in accordance with the terms set out in the relevant contracts. Budgeted construction costs which mainly comprise subcontracting charges, costs of materials and staff costs are prepared by management on the basis of quotations provided by the major contractors, suppliers and vendors involved, and the experience of the management. Management conducts periodic review on the management budgets by reviewing the actual amounts incurred. Items that will subject to significant variances and impact the amount of provision of onerous construction contracts include the changes in estimations or the actual costs incurred for materials, staff costs, the amount of variation orders and claims as compared to management's budget and such provision for onerous construction contracts will be recognised immediately in the consolidated income statement. Such significant estimate may have impact on the profit or loss recognised in each period.

Notes to the Consolidated Financial Statements



5 REVENUE AND SEGMENT INFORMATION

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

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

The Group is principally engaged in the following:

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

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

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

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

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

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

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

Notes to the Consolidated Financial Statements



5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Façade works Business		BMU systems Business		Total Year ended	
	Year ended		Year ended		31 December	
	31 December		31 December		31 December	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised over time	336,203	282,984	99,594	196,488	435,797	479,472
Segment results	(66,744)	22,991	23,951	49,974	(42,793)	72,965
Unallocated other operating income					—	1,783
Unallocated corporate expenses					(5,470)	(21,626)
Finance income					365	672
Finance costs					(611)	(621)
(Loss)/profit before income tax					(48,509)	53,173
Income tax credits/(expenses)					671	(12,094)
(Loss)/profit for the year					(47,838)	41,079
Other segment information:						
Additions to property, plant and equipment	365	670	42	14	407	684
Depreciation	1,283	1,043	65	66	1,348	1,109

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

	Façade works Business		BMU systems Business		Total	
	As at 31 December		As at 31 December		As at 31 December	
	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	265,239	134,496	102,467	120,853	367,706	255,349
Unallocated assets					116,168	240,230
Total assets					483,874	495,579
Segment liabilities	145,890	84,229	11,636	13,018	157,526	97,247
Unallocated liabilities					8,494	24,074
Total liabilities					166,020	121,321

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Dividend income from financial assets at fair value through other comprehensive income (Note 18)	—	1,783
Government grants (Note)	6,433	—
Sundry income	342	22
	6,775	1,805

Note: Government grants recognised were primarily related to the subsidies from the Hong Kong Government under the Anti-epidemic Fund. As at 31 December 2020, there were no unfulfilled conditions and other contingencies attached to the receipts of those grants.

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Foreign exchange differences, net	599	(386)

Notes to the Consolidated Financial Statements



8 EXPENSES BY NATURE

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Construction costs recognised in cost of sales (Note a)	456,881	381,337
Provision for onerous construction contracts (Note 29(d))	3,803	—
Entertainment expenses	855	1,790
Office expenses	1,858	1,661
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	14,283	12,186
Depreciation of property, plant and equipment (Note 15)	3,558	3,286
Amortisation expenses (Note 16)	26	—
Insurance expenses	2,294	2,064
Auditor's remuneration		
— Audit	2,000	1,600
— Non-audit	60	—
Listing expenses	—	18,071
Legal and professional fees	2,460	1,510
Bank charges	194	314
Travelling expenses	776	875
Warranty expenses (Note 29(a))	738	964
Other expenses	1,648	2,111
	491,434	427,769

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Representing:		
Cost of sales	461,422	382,301
Administrative expenses	30,012	45,468
	491,434	427,769

Note:

- (a) Construction costs mainly included costs of construction materials, subcontracting charges, staff costs (refer to Note 9), testing, insurance and transportation.

Notes to the Consolidated Financial Statements

9 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Wages, salaries, bonuses and allowances	61,575	48,395
Pension costs — defined contribution plans	2,070	1,660
Share-based payment expenses (Note 24(c))	4,316	3,356
Other employee benefits	838	560
	68,799	53,971
Less: amounts included in construction costs	(54,516)	(41,785)
	14,283	12,186

10 FINANCE (COSTS)/INCOME, NET

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Finance income		
Interest income from bank deposits	365	672
Finance costs		
Interest expense on lease liabilities	(70)	(193)
Interest expense on bank borrowings	(541)	(428)
	(611)	(621)
Finance (costs)/income, net	(246)	51

Notes to the Consolidated Financial Statements



11 INCOME TAX (CREDITS)/EXPENSES

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

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

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Current income tax		
— Tax for the year	3,776	12,211
— Adjustments for current tax of prior years	1,704	—
Deferred income tax credits (Note 28)	(6,151)	(117)
	(671)	12,094

The taxation on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before income tax	(48,509)	53,173
Tax calculated 16.5%	(8,004)	8,773
Income not subject to tax	(1,156)	(457)
Expenses not deductible for taxation purposes	1,130	3,943
Under-provision in prior years	1,704	—
Tax losses not recognised (Note (a))	5,820	—
Tax concession (Note (b))	(165)	(165)
	(671)	12,094

Notes to the Consolidated Financial Statements

11 INCOME TAX (CREDITS)/EXPENSES (Continued)

For the year ended 31 December 2020, the effective tax rate was 1.4 % (2019: 22.7%). The variance between the effective tax rate and Hong Kong profit tax rate for the year ended 31 December 2020 mainly arose from the recognition of deferred tax arising from the tax losses in Façade Works Business while the variance for the year ended 31 December 2019 arose from the non-deductible listing expenses.

Note (a):

Deferred income tax assets are recognised for tax losses carry forwards to the extent that realisation of the related tax benefit through the future taxable profits is probable. The Company did not recognise deferred income tax assets of HK\$5,820,000 (2019: HK\$Nil) in respect of losses amounting HK\$35,272,000 (2019: HK\$Nil) that can be carried forward against future taxable income. These tax losses have no expiry date.

Note (b):

For the year ended 31 December 2020, tax concession relates to tax reduction to tax payable under Two-Tiered Profits Tax Rates Regime capped at HK\$165,000 (2019: HK\$165,000) for one of the Hong Kong incorporated entities of the Group.

12 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

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

Notes to the Consolidated Financial Statements



12 (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 year ended 31 December 2020, the Company has one (2019: two) type(s) of potentially dilutive shares, the Pre-IPO Share Option (2019: the Pre-IPO Share Option and Over-allotment Option). For the Pre-IPO Share Option, calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. For the Over-allotment Option, calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares for the period from the listing date (8 November 2019) to the lapse date of the Over-allotment Option (29 November 2019)) based on the monetary value of the subscription right attached to outstanding Over-allotment Option.

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

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

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

Notes to the Consolidated Financial Statements

13 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remunerations of each Director of the Company paid/payable by the Group for the years ended 31 December 2019 and 2020 are set out below:

	Fees HK\$'000	Salaries, other allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Defined contribution pension costs HK\$'000	Total HK\$'000
Year ended 31 December 2020					
Executive Directors					
Mr. Kwan Kam Tim	—	1,772	86	—	1,858
Mr. Mak Kim Hung	—	2,334	91	18	2,443
Ms. Leung Ng Mui May	—	1,848	45	18	1,911
Independent Non-Executive Directors					
Mr. Keung Kwok Hung	144	—	—	—	144
Mr. Tse Wai Kit	144	—	—	—	144
Prof. Lau Chi Pang, J.P.	144	—	—	—	144
	432	5,954	222	36	6,644
Year ended 31 December 2019					
Executive Directors					
Mr. Kwan Kam Tim (Note (i))	—	935	—	17	952
Mr. Mak Kim Hung (Note (ii))	—	1,666	—	18	1,684
Ms. Leung Ng Mui May (Note (iii))	—	1,538	—	18	1,556
Independent Non-Executive Directors					
Mr. Keung Kwok Hung (Note (iv))	21	—	—	—	21
Mr. Tse Wai Kit (Note (iv))	21	—	—	—	21
Prof. Lau Chi Pang, J.P. (Note (iv))	21	—	—	—	21
	63	4,139	—	53	4,255

Notes to the Consolidated Financial Statements



13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

- (i) Mr. Kwan Kam Tim is the chairman of the Company's Board and was appointed as Director on 19 February 2019 and was re-designated as executive Director on 14 March 2019.
- (ii) Mr. Mak Kim Hung is the Company's chief executive officer and was appointed as Director on 17 August 2018 and was re-designated as executive Director on 14 March 2019.
- (iii) Ms. Leung Ng Mui May was appointed as the Company's Director on 5 March 2019 and was re-designated as our executive Director on 14 March 2019.
- (iv) Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P. were appointed as the Company's independent non-executive director on 18 October 2019. During the year ended 31 December 2019, the independent non-executive directors did not receive any directors' remuneration in the capacity of independent non-executive directors.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year (2019: Nil).

(b) Directors' retirement benefits and termination benefits

Save as disclosed in Note 13(a), the Directors did not receive any other retirement benefits or termination benefits during the year ended 31 December 2020 (2019: Nil).

(c) Consideration provided to third parties for making available Directors' services

During the year ended 31 December 2020, no consideration was provided to or receivable by third parties for making available Directors' services (2019: Nil).

(d) Information about loans, quasi-loans and other dealings in favour of Directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2020, there were no loans, quasi-loans and other dealing arrangements in favour of Directors, their controlled bodies corporate and connected entities (2019: Nil).

(e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of each of the year ended 31 December 2020 (2019: Nil) or at any time during the year ended 31 December 2020 (2019: Nil).

Notes to the Consolidated Financial Statements

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(f) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 (2019: 2) Directors for the year ended 31 December 2020, whose emoluments are reflected in the analysis presented above. The emoluments payable the remaining 3 (2019: 3) individuals during the year ended 31 December 2020, are as follows:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Wages, salaries, bonuses, share options and allowances	7,278	6,085
Pension costs — defined contribution plans	54	54
	7,332	6,139

The emoluments fell within the following bands:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Emolument bands		
HK\$1,500,001 to HK\$2,000,000	1	2
HK\$2,000,001 to HK\$2,500,000	1	—
HK\$2,500,001 to HK\$3,000,000	—	1
HK\$3,000,001 to HK\$3,500,000	1	—
	3	3

Notes to the Consolidated Financial Statements



14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Ownership interest held by the Group	
				2020 %	2019 %
Directly owned:					
Acme Metal Works (BVI) Limited	BVI, limited liability company	Investment holding, BVI	1 Ordinary share of US\$1 each	100	100
Acme Gondola Systems (BVI) Limited	BVI, limited liability company	Investment holding, BVI	1 Ordinary share of US\$1 each	100	100
Indirectly owned:					
Acme Metal Works (International) Limited ("Acme Metal")	Hong Kong, limited liability company	Provision of design and build solutions for façade works, Hong Kong	3,000,000 Ordinary shares, HK\$3,000,000	100	100
Acme Gondola Systems Limited	Hong Kong, limited liability company	Provision of design and build solutions for BMU systems, Hong Kong	100,000 Ordinary shares, HK\$ 100,000	100	100

Notes to the Consolidated Financial Statements

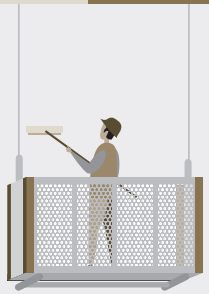
15 PROPERTY, PLANT AND EQUIPMENT

	Right-of- use assets HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Total HK\$'000
As at 1 January 2019				
Cost	5,577	1,487	5,240	12,304
Accumulated depreciation	(1,336)	(184)	(4,577)	(6,097)
Net book amount	4,241	1,303	663	6,207
Year ended 31 December 2019				
Opening net book amount	4,241	1,303	663	6,207
Additions	—	624	60	684
Depreciation	(2,177)	(847)	(262)	(3,286)
Closing net book amount	2,064	1,080	461	3,605
As at 31 December 2019				
Cost	5,577	2,111	5,300	12,988
Accumulated depreciation	(3,513)	(1,031)	(4,839)	(9,383)
Net book amount	2,064	1,080	461	3,605
Year ended 31 December 2020				
Opening net book amount	2,064	1,080	461	3,605
Additions	1,315	—	407	1,722
Depreciation	(2,210)	(1,080)	(268)	(3,558)
Closing net book amount	1,169	—	600	1,769
As at 31 December 2020				
Cost	6,892	2,111	5,707	14,710
Accumulated depreciation	(5,723)	(2,111)	(5,107)	(12,941)
Net book amount	1,169	—	600	1,769

Depreciation expenses of approximately HK\$3,558,000 (2019: HK\$3,286,000) have been charged to administrative expenses for the year ended 31 December 2020.

As at 31 December 2019, bank guarantees of approximately HK\$3,925,000 were arranged for the two properties leased.

Notes to the Consolidated Financial Statements



16 INTANGIBLE ASSET

	Computer software HK\$'000
<hr/>	
As at 1 January 2020	
Cost	—
Accumulated amortisation	—
<hr/>	
Net book amount	—
<hr/>	
Year ended 31 December 2020	
Opening net book amount	—
Additions	785
Amortisation	(26)
<hr/>	
Closing net book amount	759
<hr/>	
As at 31 December 2020	
Cost	785
Accumulated amortisation	(26)
<hr/>	
Net book amount	759
<hr/>	

Notes to the Consolidated Financial Statements

17 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Financial assets at amortised cost		
Trade and retention receivables	71,970	40,996
Deposits and other receivables (excluding prepayments)	794	1,071
Pledged deposits	62,229	39,660
Time deposits	—	2,518
Restricted deposits	2,930	31,170
Cash and cash equivalents	42,135	133,257
	180,058	248,672
Financial assets at fair value through other comprehensive income		
Financial assets at fair value through other comprehensive income	—	28,323
	180,058	276,995
Financial liabilities at amortised cost		
Trade, bills and retention payables	137,602	78,474
Other payables	2,587	6,427
Bank borrowings	5,262	6,353
Lease liabilities	1,210	2,032
	146,661	93,286

Notes to the Consolidated Financial Statements



18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Equity investments, listed in Hong Kong		
Beginning of the year	28,323	28,300
Additions — stock dividend in lieu of cash	—	1,783
Disposal	(20,641)	—
Changes in fair value recognised in other comprehensive income	(7,682)	(1,760)
End of the year	—	28,323

During the year ended 31 December 2020, the Group has disposed its financial assets at fair value through other comprehensive income at a consideration (net of transaction 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.

The fair values of financial instruments traded in active markets are based on quoted market prices at the reporting date. The carrying amounts of financial assets at fair value through other comprehensive income as at 31 December 2019 are denominated in HK\$.

19 INVENTORIES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Construction materials	38,650	10,734

Inventories of approximately HK\$193,799,000 (2019: HK\$227,034,000) were recognised as construction costs in cost of sales during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements

20 TRADE AND RETENTION RECEIVABLES

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

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

Notes to the Consolidated Financial Statements



20 TRADE AND RETENTION RECEIVABLES (Continued)

(b) Retention receivables

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

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

The Group applied the simplified approach to assess expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade and retention receivables. To measure the expected credit losses, trade and retention receivables have been grouped based on shared credit risk characteristics and the days past due. No impairment was made as at 31 December 2020 (2019: Same).

The carrying amounts of trade and retention receivables approximated their fair values as at 31 December 2019 and 2020 and were denominated in HK\$.

The maximum exposure to credit risk was the carrying amounts of trade and retention receivables and the Group did not hold any collateral as security during the year ended 31 December 2020 (2019: Same).

Notes to the Consolidated Financial Statements

21 CONTRACT ASSETS/LIABILITIES

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

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Contract assets relating to façade works construction contracts	170,929	107,691
Contract assets relating to BMU systems construction contracts	62,876	88,989
Total contract assets	233,805	196,680
Contract liabilities relating to façade works construction contracts	3,961	4,062
Contract liabilities relating to BMU systems construction contracts	2,753	3,545
Total contract liabilities	6,714	7,607

(a) Significant changes in contract assets and liabilities

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

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

Notes to the Consolidated Financial Statements



21 CONTRACT ASSETS/LIABILITIES (Continued)

(b) Revenue recognised in relation to contract liabilities

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

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

(c) Unsatisfied performance obligations

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

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

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

Notes to the Consolidated Financial Statements

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Non-current		
Prepayments	1,905	691
Deposits and other receivables	375	—
	2,280	691
Current		
Deposits and other receivables	419	1,071
Prepayments for construction materials	14,706	1,044
Other prepayments	5,529	3,192
	20,654	5,307
	22,934	5,998

The carrying amounts of deposits, prepayments and other receivables approximated their fair values as at 31 December 2019 and 2020. The carrying amounts of the deposits, prepayments and other receivables were denominated in the following currencies:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
HK\$	15,060	5,912
GBP	2,485	—
RMB	12	—
US\$	830	—
EUR	4,547	86
	22,934	5,998

Notes to the Consolidated Financial Statements



23 PLEDGED DEPOSITS, TIME DEPOSITS, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Pledged deposits (Note a)	62,229	39,660
Time deposits	—	2,518
Restricted deposits (Note b)	2,930	31,170
Cash at bank	42,063	133,181
Cash on hand	72	76
Pledged deposits, time deposits, restricted deposits and cash and cash equivalents	107,294	206,605
Less:		
Pledged deposits (Note a)	(62,229)	(39,660)
Time deposits with original maturities of more than 3 months	—	(2,518)
Restricted deposits (Note b)	(2,930)	(31,170)
Cash and cash equivalents	42,135	133,257

Notes:

- (a) As at 31 December 2020, pledged deposits with carrying values of approximately HK\$62,229,000 (2019: HK\$39,660,000) were pledged to the facilities granted by banks to the Group, details of which are set out in Note 27 and Note 31(i).
- (b) As at 31 December 2020, restricted deposits with carrying values of HK\$2,930,000 were held at the banks (2019: HK\$31,170,000). The balance represents the margin deposits held at the banks as pledges against the additional issuance of surety bonds (Note 31 (i)) (2019: additional issuance of surety bonds (Note 31 (i)), a letter of credit beyond the banking facilities granted and an undertaking of a waiver from the compliance with a provision clause under the banking facilities).

Notes to the Consolidated Financial Statements

23 PLEDGED DEPOSITS, TIME DEPOSITS, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS (Continued)

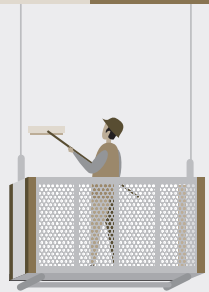
The weighted effective interest rates as at each of the years ended 31 December 2019 and 2020 were as follows:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Pledged deposits		
– HK\$	0.20%	1.61%
– RMB	0.00%	1.08%
– US\$	0.01%	1.37%
Bank deposits		
– RMB	N/A	0.55%

Pledged deposits, time deposits, restricted deposits and cash and cash equivalents were denominated in the following currencies:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
HK\$	97,457	190,725
RMB	5,352	11,509
US\$	3,189	3,175
EUR	1,256	1,157
GBP	40	39
	107,294	206,605

Notes to the Consolidated Financial Statements



24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES

(a) Share capital and share premium

	Number of ordinary shares	Share Capital HK\$'000	
Authorised:			
As at 1 January 2019	38,000,000	380	
Increase in authorised shares (Note(i))	3,962,000,000	39,620	
As at 31 December 2019, 1 January 2020 and 31 December 2020	4,000,000,000	40,000	
	Number of ordinary shares	Share Capital HK\$'000	Share Premium HK\$'000
Issued and fully paid:			
As at 1 January 2019	1	—	—
Issue of shares pursuant to the Reorganisation	5	—	—
Issue of shares pursuant to the Capitalisation Issue (Note (ii))	389,999,994	3,900	(3,900)
Issue of shares upon the share offer in the Listing (Note (iii))	130,000,000	1,300	124,800
Share issuance costs (Note (iv))	—	—	(15,957)
As at 31 December 2019 and 1 January 2020	520,000,000	5,200	104,943
2019 final dividend declared and paid (Note 34)	—	—	(5,200)
As at 31 December 2020	520,000,000	5,200	99,743

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.

Note (iv): The transaction costs directly attributable to issue of shares upon the share offer in the Listing amounting to HK\$15,957,000 was treated as a deduction from share premium.

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(b) Reserves

	Share premium HK\$'000	Revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balances as at 1 January 2019	—	3,135	—	—	226,103	229,238
Comprehensive income						
Profit for the year	—	—	—	—	40,964	40,964
Other comprehensive loss						
Fair value gains on financial assets at fair value through other comprehensive income	—	(1,967)	—	—	—	(1,967)
Total comprehensive (loss)/income	—	(1,967)	—	—	40,964	38,997
Transaction with owners in their capacity as owners						
Transaction with non-controlling shareholder (Note 32)	—	—	—	35,174	—	35,174
Reclassification of combined share capital to other reserve	—	—	—	2,350	—	2,350
Share-based payment expenses (Note 24(c))	—	—	3,356	—	—	3,356
Dividends	—	—	—	—	(45,000)	(45,000)
Capitalisation issue	(3,900)	—	—	—	—	(3,900)
Issue of shares upon the share offer in the Listing	124,800	—	—	—	—	124,800
Share issuance costs	(15,957)	—	—	—	—	(15,957)
Total transaction with owners in their capacity as owners	104,943	—	3,356	37,524	(45,000)	100,823
Balances as at 31 December 2019	104,943	1,168	3,356	37,524	222,067	369,058

Notes to the Consolidated Financial Statements



24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(b) Reserves (Continued)

	Share premium HK\$'000	Revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Other reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balances as at 1 January 2020	104,943	1,168	3,356	37,524	222,067	369,058
Comprehensive loss						
Loss for the year	—	—	—	—	(47,838)	(47,838)
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)	—	—	(47,838)	(55,520)
Reclassification of revaluation reserve to retained earnings	—	6,514	—	—	(6,514)	—
Transaction with owners in their capacity as owners						
Share-based payment expenses (Note 24(c))	—	—	4,316	—	—	4,316
2019 final dividend declared and paid (Note 34)	(5,200)	—	—	—	—	(5,200)
Total transaction with owners in their capacity as owners	(5,200)	6,514	4,316	—	(6,514)	(884)
Balances as at December 2020	99,743	—	7,672	37,524	167,715	312,654

(c) 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.

Notes to the Consolidated Financial Statements

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(c) Share-based payments (Continued)

Pre-IPO Share Option Scheme (Continued)

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.

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

	Year ended 31 December			
	2020		2019	
	Exercise price per share option	Number of options	Exercise price per share option	Number of options
Beginning of the year	HK\$0.115	23,400,000	—	—
Granted during the year	—	—	HK\$0.115	23,400,000
End of the year	HK\$0.115	23,400,000	HK\$0.115	23,400,000

No options were exercised, forfeited and expired during the year ended 31 December 2020 (2019: Same).

Notes to the Consolidated Financial Statements



24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(c) Share-based payments (Continued)

Pre-IPO Share Option Scheme (Continued)

Share options outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Expiry date	Year ended	
		31 December 2020 and 2019	Number of options
		Exercise price	
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 was 8.23 years (2019: 9.23 years). No outstanding share options as at 31 December 2020 were vested (2019: Same).

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

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Share-based payment expenses charged in the consolidated income statement	4,316	3,356

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 Consolidated Financial Statements

24 SHARE CAPITAL, SHARE PREMIUM AND RESERVES (Continued)

(c) Share-based payments (Continued)

Pre-IPO Share Option Scheme (Continued)

The model inputs for options granted during the year ended 31 December 2019 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.

Notes to the Consolidated Financial Statements



25 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Right-of-use assets (included in property, plant and equipment)		
— Properties (Note 15)	1,169	2,064
Lease liabilities		
— Current	419	2,032
— Non-current	791	—
	1,210	2,032

Additions to the right-of-use assets during the year ended 31 December 2020 were HK\$1,315,000 (2019: HK\$Nil).

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets		
— Properties (Note 15)	2,210	2,177
Interest expenses (included in finance costs) (Note 10)	70	193

The total cash outflows for leases including principal payments of lease liabilities and payments of interest expenses on leases for the year ended 31 December 2020 were approximately HK\$2,137,000 and HK\$70,000 respectively (2019: HK\$2,030,000 and HK\$193,000 respectively).

Notes to the Consolidated Financial Statements

25 LEASES (Continued)

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses and vehicles. Rental contracts are typically made for fixed periods of 2 to 3 years but may have extension options as described in (iv) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

(iv) Extension options

Extension options are included in the offices leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

26 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Trade payables (Note (a))	119,244	66,779
Bills payable (Note (b))	5,820	2,620
Retention payable (Note (c))	12,538	9,075
Trade, bills and retention payables	137,602	78,474
Accrued staff costs	3,596	4,962
Accrued listing expenses	—	3,016
Other accrued operating expenses	2,538	2,400
Other payables	49	1,011
Other payables and accruals	6,183	11,389
	143,785	89,863

Notes to the Consolidated Financial Statements



26 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 ranges from 30 to 60 days from invoice date. The ageing analysis of trade payables based on invoice date as at 31 December 2019 and 2020 were as follows:

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

(b) Bills payable

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

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

Notes to the Consolidated Financial Statements

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

(c) Retention payables

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

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

The carrying amounts of trade, bills and retention and other payables and accruals approximated their fair values as at 31 December 2019 and 2020 and were denominated in the following currencies:

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
HK\$	126,218	83,165
US\$	12,077	5,961
EUR	352	69
RMB	5,138	668
	143,785	89,863

Notes to the Consolidated Financial Statements



27 BANK BORROWINGS

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Current		
<i>Secured</i>		
Import loans with repayment on demand clauses	5,262	6,353

Note:

- (a) Bank borrowings represented the import loans drawn by the Group

The Group's borrowings were repayable as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Within 1 year and repayable on demand	5,262	6,353

The Group had total unused facilities amounting to approximately HK\$16,033,000 as at 31 December 2020 (2019: HK\$13,312,000).

Under the terms of certain borrowing facilities, the Company and its subsidiaries shall maintain tangible net worth of not less than HK\$50 million at any one time. As at 31 December 2020, a subsidiary of the Company had tangible net worth of less than HK\$50 million. There was no financial consequence in the consolidated financial statements as a result of this as deposits of HK\$24,910,000 were pledged to the lender and such amount exceeded the facilities draw down amount of HK\$22,985,000 (consisted of letter of credits of HK\$1,233,000 and guarantees of surety bonds in respect of construction contracts of HK\$21,752,000 (Note 31)) as at the year end. On 9 March 2021, the Group has obtained a waiver letter from the lender of waiving such requirement for the relevant period.

As at 31 December 2020, the total bank borrowings were guaranteed/secured by the pledged deposits (2019: Same) (Note 23).

The weighted effective interest rates as at each of the years ended 31 December 2019 and 2020 were as follows:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Import loans	6.13%	6.08%

The carrying amounts of borrowings approximated their fair values due to their short maturities and are denominated in HK\$.

Notes to the Consolidated Financial Statements

28 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The movements in the net deferred income tax assets are as follows:

	HK\$'000
As at 1 January 2019	413
Credited to the consolidated income statement (Note 11)	117
As at 31 December 2019 and 1 January 2020	530
Credited to the consolidated income statement (Note 11)	6,151
As at 31 December 2020	6,681

(a) Net deferred tax assets

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
The balance comprises temporary differences attributable to:		
Tax losses	5,968	—
Decelerated tax depreciation	303	114
Warranty provision	518	480
Total deferred tax assets	6,789	594
Set-off of deferred tax liabilities pursuant to offsetting of balances within same taxation jurisdiction	(96)	(49)
Net deferred tax assets	6,693	545

Notes to the Consolidated Financial Statements



28 DEFERRED INCOME TAX (Continued)

(a) Net deferred tax assets (Continued)

	Tax losses HK\$'000	Decelerated tax depreciation HK\$'000	Warranty provision HK\$'000	Total HK\$'000
Movement				
As at 1 January 2019	—	—	467	467
Credited to the consolidated income statement	—	114	13	127
As at 31 December 2019 and 1 January 2020	—	114	480	594
Credited to the consolidated income statement	5,968	189	38	6,195
As at 31 December 2020	5,968	303	518	6,789

(b) Net deferred tax liabilities

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
The balance comprises temporary differences attributable to:		
Accelerated tax depreciation	(78)	(64)
Lease liabilities	(30)	—
Total deferred tax liabilities	(108)	(64)
Set-off of deferred tax assets pursuant to offsetting of balances within same taxation jurisdiction	96	49
Net deferred tax liabilities	(12)	(15)

Notes to the Consolidated Financial Statements

28 DEFERRED INCOME TAX (Continued)

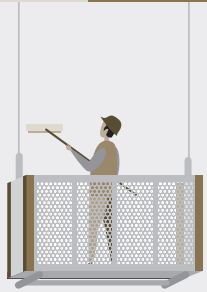
(b) Net deferred tax liabilities (Continued)

	Lease liabilities HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
Movement			
As at 1 January 2019	—	(84)	(84)
Credited to the consolidated income statement	—	20	20
As at 31 December 2019 and 1 January 2020	—	(64)	(64)
Charged to the consolidated income statement	(30)	(14)	(44)
As at 31 December 2020	(30)	(78)	(108)

29 PROVISIONS

	As at 31 December	
	2020 HK\$'000	2019 HK\$'000
Current		
Warranties (Note (a))	3,139	2,910
Onerous construction contracts (Note (d))	3,803	—
	6,942	2,910
Non-current		
Reinstatement costs (Note (b))	559	559
Employee benefits obligations (Note (c))	887	657
	1,446	1,216
	8,388	4,126

Notes to the Consolidated Financial Statements



29 PROVISIONS (Continued)

(a) Warranties

Provision is made for estimated future warranty claims based on historical warranty claim information, as well as recent trends. Movements during the years ended 31 December 2019 and 2020 are set out below:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Beginning of the year	2,910	2,833
Provision for the year (Note 8)	738	964
Utilisation of provision	(509)	(887)
End of the year	3,139	2,910

(b) Reinstatement costs

The Group is required to restore the leased premises to their original condition at the end of the respective lease terms. A provision was recognised of the estimated expenditure required to remove any leasehold improvements. These costs were capitalised as part of the cost of right-of-use assets and are amortised over the shorter of the term of the lease or the useful life of the assets. Balance as at years ended 31 December 2019 and 2020 are set out below:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Beginning and end of the year	559	559

Notes to the Consolidated Financial Statements

29 PROVISIONS (Continued)

(c) Employee benefits obligations

The employee benefits obligations provision represents long service payments for Hong Kong employees that is not expected to be paid within the next 12 months. Movements during the years ended 31 December 2019 and 2020 are set out below:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Beginning of the year	657	1,123
Addition/(reversal) for the year	230	(76)
Utilisation of provision	—	(390)
End of the year	887	657

(d) Onerous construction contracts

The provision was made for onerous contracts for construction works performed by the Group. Under these contracts, the unavoidable costs of meeting the obligations exceed the economic benefits expected to be received. Consequently, a provision for onerous contracts was recognised in the consolidated income statement. The provision will be utilised through fulfilling the obligations under the construction contracts. Movements during the years ended 31 December 2019 and 2020 are set out below:

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Beginning of the year	—	—
Addition for the year	3,803	—
End of the year	3,803	—

Notes to the Consolidated Financial Statements



30 CASH (USED IN)/GENERATED FROM OPERATIONS

(a) Reconciliation of (loss)/profit before income tax to cash (used in)/generated from operations:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
(Loss)/profit before income tax	(48,509)	53,173
Adjustments for:		
Depreciation of property, plant and equipment	3,558	3,286
Amortisation of intangible asset	26	—
Dividend income	—	(1,783)
Finance income	(365)	(672)
Finance costs	611	621
Non-cash employee benefits expense — share based payments	4,316	3,356
Net exchange differences	(2,216)	1,216
	(42,579)	59,197
Changes in working capital		
Inventories	(27,266)	2,416
Trade and retention receivables	(30,974)	9,417
Deposits, prepayments and other receivables	(15,461)	13,408
Contract assets and liabilities, net	(38,018)	(101,163)
Amounts due (to)/from directors, net	—	532
Trade, bills and retention payables	59,391	40,917
Other payables and accruals	(5,203)	3,893
Provisions	4,262	(389)
Cash (used in)/generated from operations	(95,848)	28,228

Notes to the Consolidated Financial Statements

30 CASH (USED IN)/GENERATED FROM OPERATIONS (Continued)

(b) Reconciliation of liabilities arising from financing activities:

The analysis of liabilities arising from financing activities and the movements in liabilities arising from financing activities for the years ended 31 December 2019 and 2020 is as follows:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Bank borrowings	5,262	6,353
Lease liabilities	1,210	2,032
Total borrowings	6,472	8,385

	1 January HK\$'000	Cash flows HK\$'000	Foreign exchange movement HK\$'000	Other non-cash movements HK\$'000	31 December HK\$'000
For the year ended 31 December 2020					
Bank borrowings	6,353	(673)	(418)	—	5,262
Lease liabilities	2,032	(2,207)	—	1,385	1,210
	8,385	(2,880)	(418)	1,385	6,472

For the year ended 31 December 2019					
Bank borrowings	8,856	(2,283)	(220)	—	6,353
Lease liabilities	4,062	(2,223)	—	193	2,032
	12,918	(4,506)	(220)	193	8,385

(c) Major non-cash transactions:

- (i) During the year ended 31 December 2019, dividend income of approximately HK\$1,783,000 were stock dividend received in lieu of cash from the Group's financial assets at fair value through other comprehensive income.
- (ii) During the year ended 31 December 2019, pursuant to the Reorganisation, Mr. Kwan and Mr. Mak purchased 360,000 and 390,000 shares in Acme Metal from Mr. Pong Chi Sing ("Mr. Pong"), the non-controlling interests of the Group, for a consideration of HK\$25,920,000 and HK\$28,080,000, respectively. This total purchase consideration of HK\$54,000,000 paid by Mr. Kwan and Mr. Mak for the acquisition of the non-controlling interests was regarded as the capital contribution from Controlling Shareholders to the Group (Note 32) without any cash flows impact to the Group.

There were no major non-cash transactions for the year ended 31 December 2020.

Notes to the Consolidated Financial Statements



31 CONTINGENCIES

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

(i) Surety bonds

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

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

(ii) Claim

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. There was no material development of this matter during the year. 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 consolidated financial statements of the Group.

(iii) Capital commitments

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

	As at 31 December	
	2020	2019
	HK\$'000	HK\$'000
Intangible assets	556	1,598

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

Notes to the Consolidated Financial Statements

32 TRANSACTION WITH NON-CONTROLLING INTERESTS

Pursuant to the Reorganisation, 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 (Note 30(d)). 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 reserves” is summarised as follows:

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

33 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 and during the years ended 31 December 2019 and 2020:

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

Notes to the Consolidated Financial Statements



33 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Leases arrangement with:		
Related party — Hope Harvest Limited (Note (i))		
— Rent paid	480	480
— Depreciation on right-of-use assets	483	449
— Interest expense on lease liabilities	29	36
— Right-of-use assets	1,169	337
— Lease liabilities	1,210	346

Note:

- (i) 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) 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 as disclosed in Note 13 the consolidated financial statements, is as follows:

	Year ended 31 December	
	2020 HK\$'000	2019 HK\$'000
Wages, salaries and allowances	10,010	6,841
Discretionary bonuses	519	150
Share-based payments	4,316	2,802
Pension costs — defined contribution plans	108	107
	14,953	9,900

34 DIVIDENDS

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

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

Notes to the Consolidated Financial Statements

35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2020 HK\$'000	As at 31 December 2019 HK\$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	249,238	244,922
Current assets		
Prepayments	201	601
Amount due from a subsidiary	82,262	26,440
Cash and cash equivalents	6,817	67,617
	89,280	94,658
Total assets	338,518	339,580
EQUITY		
Equity attributable to owners of the Company		
Share capital	5,200	5,200
Reserves (Note (a))	324,711	322,785
Total equity	329,911	327,985
LIABILITIES		
Current liabilities		
Other payables and accruals	802	3,790
Amounts due to subsidiaries	7,805	7,805
Total liabilities	8,607	11,595
Total equity and liabilities	338,518	339,580

The statement of financial position was approved by the Board of Directors on 26 March 2021 and were signed on its behalf:

Mr. Kwan Kam Tim
Director

Mr. Mak Kim Hung
Director

Notes to the Consolidated Financial Statements



35 STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note (a): Reserves of the Company

	Share premium HK\$'000	Share-based payment reserve HK\$'000	Other reserves (Note) HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance as at 1 January 2019	—	—	—	(7,631)	(7,631)
Comprehensive loss					
Loss for the year	—	—	—	(19,449)	(19,449)
Total comprehensive loss	—	—	—	(19,449)	(19,449)
Transaction with owners in their capacity as owners					
Issue of share pursuant to the Reorganisation	—	—	—	—	—
Surplus arising on issue of shares in connection with the Reorganisation	—	—	241,566	—	241,566
Share-based payment expenses (Note 24(c))	—	3,356	—	—	3,356
Capitalisation issue (Note 24(a))	(3,900)	—	—	—	(3,900)
Issue of shares upon the share offer in the Listing (Note 24(a))	124,800	—	—	—	124,800
Share issuance cost (Note 24(a))	(15,957)	—	—	—	(15,957)
Total transaction with owners in their capacity as owners	104,943	3,356	241,566	—	349,865
Balance as at 31 December 2019	104,943	3,356	241,566	(27,080)	322,785
Balance as at 1 January 2020	104,943	3,356	241,566	(27,080)	322,785
Profit for the year	—	—	—	2,810	2,810
Total comprehensive income	—	—	—	2,810	2,810
Transaction with owners in their capacity as owners					
Dividends (Note 34)	(5,200)	—	—	—	(5,200)
Share-based payment expenses (Note 24(c))	—	4,316	—	—	4,316
Total transaction with owners in their capacity as owners	(5,200)	4,316	—	—	(884)
Balance as at 31 December 2020	99,743	7,672	241,566	(24,270)	324,711

Note: Other reserves of the Company represents the difference between the net asset value of the acquired subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

Five-Year Financial Summary

	Year ended 31 December				
	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Revenue	435,797	479,472	466,129	423,751	481,042
Cost of sales	(461,422)	(382,301)	(375,021)	(336,865)	(396,456)
Gross (loss)/profit	(25,625)	97,171	91,108	86,886	84,586
Other income	6,755	1,805	1,704	1,603	1,796
Other gains/(losses), net	599	(386)	44,415	75	(1,385)
Administrative expenses	(30,012)	(45,468)	(26,030)	(15,768)	(15,079)
Operating (loss)/profit	(48,263)	53,122	111,197	72,796	69,918
Finance income	365	672	674	380	283
Finance costs	(611)	(621)	(834)	(1,210)	(746)
Finance (costs)/income, net	(246)	51	(160)	(830)	(463)
(Loss)/profit before income tax	(48,509)	53,173	111,037	71,966	69,455
Income tax credits/(expenses)	671	(12,094)	(12,146)	(11,562)	(11,329)
(Loss)/profit for the year	(47,838)	41,079	98,891	60,404	58,126
Other comprehensive (loss)/income: <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	(7,682)	(1,760)	(6,456)	7,173	3,465
Other comprehensive (loss)/income for the year	(7,682)	(1,760)	(6,456)	7,173	3,465
Total comprehensive (loss)/income for the year	(55,520)	39,319	92,435	67,577	61,591
ASSETS AND LIABILITIES					
Non-current assets	11,501	33,164	35,549	40,809	32,757
Current assets	472,373	462,415	336,179	370,294	344,098
Total assets	483,874	495,579	371,728	411,103	376,855
Non-current liabilities	2,249	1,231	3,737	1,960	1,591
Current liabilities	163,771	120,090	101,551	170,138	203,836
Total Liabilities	166,020	121,321	105,288	172,098	205,427
Total Equity	317,854	374,258	266,440	239,005	171,428