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Acme International Holdings Limited

益美國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1870)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	136,793	229,640
Gross (loss)/profit	(13,651)	54,190
(Loss)/profit before income tax	(27,006)	32,269
Adjusted (Loss)/Profit (<i>note</i>)	(24,815)	36,000

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

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Acme International Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2020 (the “Period”), together with the unaudited comparative figures for the six months ended 30 June 2019 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(unaudited)	(unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	136,793	229,640
Cost of sales	4	<u>(150,444)</u>	<u>(175,450)</u>
Gross (loss)/profit		(13,651)	54,190
Other income		1,175	1,088
Other losses, net		(231)	(172)
Administrative expenses	4	<u>(14,187)</u>	<u>(22,907)</u>
Operating (loss)/profit		(26,894)	32,199
Finance income		265	331
Finance costs		<u>(377)</u>	<u>(261)</u>
Finance (costs)/income, net		<u>(112)</u>	<u>70</u>
(Loss)/profit before income tax		(27,006)	32,269
Income tax credits/(expenses)	5	<u>2,191</u>	<u>(7,067)</u>
(Loss)/profit for the period		<u>(24,815)</u>	<u>25,202</u>
(Loss)/profit attributable to:			
Owners of the Company		(24,815)	25,087
Non-controlling interests		<u>—</u>	<u>115</u>
		<u>(24,815)</u>	<u>25,202</u>
(Loss)/earnings per share attributable to owners of the Company for the period			
— Basic (HK cents)	7	(4.77)	6.43
— Diluted (HK cents)	7	<u>(4.77)</u>	<u>6.43</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Acme International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 17 August 2018 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively the “Group”) are principally engaged in the provision of design and build solutions for façade works (“Façade Work Business”) and provision of design and build solutions for building maintenance unit (“BMU”) systems (“BMU Systems Business”) in Hong Kong (the “Listing Business”). The ultimate holding companies of the Company are RR (BVI) Limited and SV (BVI) Limited. The ultimate controlling parties of the Group are Mr. Kwan Kam Tim (“Mr. Kwan”) and Mr. Mak Kim Hung (“Mr. Mak”). Mr. Kwan and Mr. Mak are collectively referred to as the Controlling Shareholders (“Controlling Shareholders”) of the Group.

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

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

This interim condensed consolidated financial information has not been audited.

1.2 Reorganisation

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

In preparation for the Listing, the Group underwent the Reorganisation, pursuant to which the companies engaged in the Listing Business were transferred to the Company. For details of the Reorganisation, please refer to note 1.2 to the consolidated financial statements in the Annual Report 2019 of the Group.

1.3 Basis of presentation

The subsidiaries now comprising the Group, engaging in the Façade Works Business and the BMU systems Business, were under common control of Mr. Kwan and Mr. Mak, the ultimate Controlling Shareholders, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control and the interim condensed consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants. The interim condensed consolidated financial statements has been prepared by including the financial statements of the subsidiaries engaged in the Façade Works Business and the BMU systems Business, under the common control of Mr. Kwan and Mr. Mak immediately before and after the Reorganisation and now

comprising the Group as if the current group structure had been in existence throughout the periods presented, or since the date when the combining subsidiaries first came under the control of Mr. Kwan and Mr. Mak, whichever is a shorter period.

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

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2020 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the estimation of income tax and the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2020:

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

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

3 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 six months ended 30 June 2019 and 2020 is presented.

Segment assets mainly exclude right-of-use assets for properties, financial assets at fair value through other comprehensive income, deferred tax assets, 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, mainly including Listing expenses of HK\$10,798,000 for six months ended 30 June 2019 and depreciation expenses of HK\$1,088,000 and HK\$1,088,000 for six months ended 30 June 2019 and 2020 respectively.

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

	Façade Works Business		BMU Systems Business		Total	
	Six months ended		Six months ended		Six months ended	
	30 June		30 June		30 June	
	2020	2019	2020	2019	2020	2019
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customer recognised over time	<u>95,875</u>	103,532	<u>40,918</u>	126,108	<u>136,793</u>	229,640
Segment results	(30,885)	7,268	6,777	36,025	(24,108)	43,293
Unallocated other operating income					—	1,069
Unallocated corporate expenses					(2,786)	(12,163)
Finance income					265	331
Finance costs					<u>(377)</u>	<u>(261)</u>
Profit before income tax					(27,006)	32,269
Income tax credits/(expenses)					<u>2,191</u>	<u>(7,067)</u>
(Loss)/profit for the period					<u>(24,815)</u>	<u>25,202</u>
Other segment information:						
Additions to property, plant and equipment	295	653	—	14	295	667
Depreciation	<u>589</u>	<u>431</u>	<u>33</u>	<u>37</u>	<u>622</u>	<u>468</u>
	Façade Works Business		BMU Systems Business		Total	
	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December
	2020	2019	2020	2019	2020	2019
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	159,737	134,496	99,878	120,853	259,615	255,349
Unallocated assets					<u>155,772</u>	<u>240,230</u>
Total assets					<u>415,387</u>	<u>495,579</u>
Segment liabilities	65,109	84,229	8,335	13,018	73,444	97,247
Unallocated liabilities					<u>3,224</u>	<u>24,074</u>
Total liabilities					<u>76,668</u>	<u>121,321</u>

4 EXPENSES BY NATURE

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

Note:

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

5 INCOME TAX CREDITS/(EXPENSES)

Hong Kong profits tax has been provided at the rate of 16.5% (for the six months ended 30 June 2019: 16.5%) on the estimated assessable profit for the Period. No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

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

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

6 DIVIDENDS

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

Dividends of HK\$45,000,000 have been declared and paid by one of the subsidiaries of the Company to their then shareholders during the six months ended 30 June 2019.

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

7 (LOSS)/EARNINGS PER SHARE

(a) Basic

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

The weighted average number of ordinary shares for the purpose of calculating basic (loss)/earnings per share for the six months ended 30 June 2019 and 2020 have been retrospectively adjusted for the effects of the issue of shares in connection with the Reorganisation completed on 28 February 2019.

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

(b) Diluted

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

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

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

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

8 TRADE AND RETENTION RECEIVABLES

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

(a) Trade receivables

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

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

(b) Retention receivables

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

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

9 CONTRACT ASSETS/LIABILITIES

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

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

10 SHARE CAPITAL

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

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.

11 TRADE, BILLS AND RETENTION PAYABLES

	As at 30 June 2020 (unaudited) HK\$'000	As at 31 December 2019 (audited) HK\$'000
Trade payables (<i>Note (a)</i>)	44,800	66,779
Bills payables (<i>Note (b)</i>)	2,529	2,620
Retention payables (<i>Note (c)</i>)	<u>9,153</u>	<u>9,075</u>
Trade, bills and retention payables	<u><u>56,482</u></u>	<u><u>78,474</u></u>

(a) Trade payables

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

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

(b) Bills payables

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

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

(c) Retention payables

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works (“Façade Works Business”) and BMU system works (“BMU Systems Business”) in Hong Kong. The Group has accumulated over 30 years of experience in façade works industry in Hong Kong, and over 19 years of experience in BMU system works industry in Hong Kong.

The first half of 2020 has been one of the most challenging time the Group has ever faced, with the local political events commencing from second half of 2019, and the novel coronavirus (“COVID-19”) outbreak in the beginning of 2020, which has created unprecedented challenges for the construction industry and operating environment in Hong Kong.

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

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

The Group reported a net loss of approximately HK\$24.8 million for the Period, as compared to a net profit of approximately HK\$36.0 million for the same period in 2019 (after excluding the one-off Listing expenses of HK\$10.8 million incurred in relation to the Listing). The turnaround of Group's results was mainly attributable to:

- (i) an unexpected increase in project cost of certain façade work projects during the Period. As mentioned above, additional subcontracting charges and material costs were incurred due to the delay in suppliers' delivery and a decline in product quality of construction materials as a result of the outbreak of the COVID-19;
- (ii) the cost overrun resulting from unexpected prolonged completion and additional construction costs incurred towards the completion stage of certain projects for the defective maintenance works;
- (iii) the significant decrease in revenue recorded from the BMU Systems Business as a result of the overall delay in commencement of new projects and the master programmes of certain ongoing projects;
- (iv) the decrease in the number and gross profit margin for the Group's variation orders works due to the overall economic downturn in Hong Kong and the competitive project pricing arising from intense market competition; and
- (v) the increase in legal and compliance costs, professional fees due to the enhancement of the corporate governance after the Listing.

OUTLOOK

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

The uncertainty in the local property market and the real estate sector in Hong Kong and the economic downturn in Hong Kong has caused a reduction in tenders. The limited tendering opportunities increased the competition in the construction industry, which affected the tendering price and profit margin of the projects. The management has made a strategic move to balance the project award success with reasonable profit margins. During the Period, the Group was awarded 16 new design and build projects with total contract value amounted to approximately HK\$205.0 million. As at 30 June 2020, the Group has 22 and 74 design and build projects on hand (i.e. with engagement confirmed and not yet completed) in relation to façade works and BMU system works, with total awarded contract sum of approximately HK\$1,253.8 million and HK\$435.1 million, of which approximately HK\$540.7 million and HK\$263.0 million had been recognised as revenue up to 30 June 2020, respectively. Going forward, the Group will continue to adopt a more competitive tender pricing policy and stringent control over the production costs in order to achieve reasonable project's gross margin.

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

	Six months ended 30 June			
	2020		2019	
	(unaudited)		(unaudited)	
	Gross (loss)/ profit HK\$'000	Gross (loss)/ profit margin %	Gross (loss)/ profit HK\$'000	Gross (loss)/ profit margin %
Façade Works Business	(22,094)	(23.0)	15,415	14.9
BMU Systems Business	<u>8,443</u>	<u>20.6</u>	<u>38,775</u>	<u>30.7</u>
Total	<u>(13,651)</u>	<u>(10.0)</u>	<u>54,190</u>	<u>23.6</u>

Other income

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

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

Other losses, net

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

Administrative expenses

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

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

Income tax credits/(expenses)

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

Net (Loss)/Profit for the Period

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

Non-HKFRS measures

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

TREASURY POLICIES

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

FOREIGN EXCHANGE RISK AND HEDGING

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

USE OF PROCEEDS FROM THE SHARE OFFER

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

Business strategy	Implementation plan	Actual business progress up to 30 June 2020
Strengthening our 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 our workforce to enhance our capacity to undertake more design and build projects	— Recruiting additional staff	The Group has recruited certain project staff accordingly. However, there was a delay in the recruitment schedule due to certain projects’ delay and availability of suitable candidates.
Enhancing our 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.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

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

SIGNIFICANT INVESTMENTS HELD

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

PLEDGE OF ASSETS

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

CAPITAL COMMITMENTS

As at 30 June 2020, the Group has capital commitments of HK\$0.9 million relating to the establishment of a customised enterprise resource planning system (31 December 2019: HK\$1.6 million).

CONTINGENT LIABILITIES

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

(i) Surety bonds

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

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

(ii) Claim

In 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. Up to the date of this announcement, the directors are of the opinion that the final outcome is unable to be determined at this stage. They believe that the Group has reasonable grounds to defend the claim which would not result in any material adverse impact on the Group.

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant subsequent event since the end of the Period.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance Practices

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

Model Code for Securities Transactions

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

The Audit Committee comprises all the independent non-executive directors of the Company with written terms of reference in accordance with the requirements of the Listing Rules, namely Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P.. Mr. Keung Kwok Hung is the chairman of the Audit Committee. The unaudited interim condensed consolidated financial statements of the Group for the Period have been reviewed by the Audit Committee.

**PUBLICATION OF THE 2020 INTERIM RESULTS AND THE 2020 INTERIM REPORT ON
THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.acmehld.com). The interim report of the Company for the six months ended 30 June 2020 will be despatched to shareholders and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 28 August 2020

As at the date of this announcement, the Board comprises six members, of which Mr. Kwan Kam Tim, Mr. Mak Kim Hung and Ms. Leung Ng Mui May are the executive directors of the Company; and Mr. Keung Kwok Hung, Mr. Tse Wai Kit and Prof. Lau Chi Pang, J.P. are the independent non-executive directors of the Company.