ACME

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 2021

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Kwan Kam Tim *(Chairman and Chief Executive Officer)*
Mr. Yip Wing Shing *(Appointed on 3 September 2021)*
Mr. Gao Shufang *(Appointed on 23 November 2021)*
Mr. Mak Kim Hung *(ex-Chief Executive Officer)*
(Resigned on 10 November 2021)
Ms. Leung Ng Mui May

Independent Non-Executive Directors

Mr. Keung Kwok Hung *(Resigned on 1 November 2021)*
Mr. Tse Wai Kit *(Resigned on 30 December 2021)*
Prof. Lau Chi Pang, *J.P.*
Mr. Chin Wai Keung Richard
(Appointed on 25 August 2021)
Prof. Mo Lai Lan *(Appointed on 1 November 2021)*

AUDIT COMMITTEE

Prof. Mo Lai Lan *(Chairman)*
Mr. Chin Wai Keung Richard
Prof. Lau Chi Pang, *J.P.*

REMUNERATION COMMITTEE

Prof. Lau Chi Pang, *J.P. (Chairman)*
Mr. Kwan Kam Tim
Mr. Chin Wai Keung Richard

NOMINATION COMMITTEE

Prof. Lau Chi Pang, *J.P (Chairman)*
Mr. Kwan Kam Tim
Mr. Chin Wai Keung Richard

JOINT COMPANY SECRETARY

Mr. Lung Shei Kei *(Resigned on 14 February 2022)*
Mr. Lam Tsz Chung *(Appointed on 17 August 2021)*
Mr. Yu Chim Shun *(Appointed on 14 February 2022)*

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

LEGAL ADVISER

Michael Li & Co.
19/F., Prosperity Tower,
39 Queen's Road Central,
Hong Kong

INDEPENDENT AUDITOR

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

Corporate Information

PRINCIPAL BANKERS

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

COMPANY WEBSITE

www.acmehld.com

STOCK CODE

1870

Financial Highlights

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Revenue	**376,564**	435,797
Gross loss	**(140,109)**	(25,625)
Loss before income tax	**(175,696)**	(48,509)
Loss for the year	**(187,463)**	(47,838)

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 2021 (the "**Year**").

RESULTS OVERVIEW

In 2021, all walks of life in global society were still affected by COVID-19 to varying degrees. In the face of repeated epidemics and normalized epidemic prevention measures, the Group has adopted a number of strategic measures to deal with it. However, the unexpected changes and the increasingly sever external operating environment caused certain façade work projects of the Group to incur additional subcontracting cost and material cost. The Group recorded further operating losses for the Year.

FINANCIAL PERFORMANCE

The revenue of the Group decreased by approximately HK$59.2 million or 13.6% from approximately HK$435.8 million for the year ended 31 December 2020 to approximately HK$376.6 million for the Year mainly due to the slowdown of certain façade construction projects of the Group by the prolonged impact of COVID-19 pandemic. The gross loss and gross loss margin of the Group significantly increased from respectively HK$25.6 million and 5.9% for the year ended 31 December 2020 to respectively HK$140.1 million and 37.2% for the Year. Such loss was mainly contributed by the façade works business of the Company ("**Façade Works Business**") while the revenue and gross profit of the buildings maintenance unit ("**BMU**") systems business of the Company ("**BMU Systems Business**") recorded an increase of 63.7% and 37.5%, respectively. For the major contributing factors of the gross loss of Façade Works Business for the Year, please refer to the "**Management Discussion and Analysis**" section of this report.

OUTLOOK

The COVID-19 epidemic has been affecting us more than 2 years. Although the epidemic has gradually been under control as the COVID-19 vaccination rate continued to rise, the new variants of viruses indicates that the epidemic will not end in a near term. The prospects for global economic recovery and the operation of the Group are still full of uncertainties.

With a view to dealing with the intensified competition and challenges in the Façade Works Business, the Group will continue to adopt a more conservative tendering strategy in this business and will continue to strengthen the development of the BMU Systems Business. The Group will continue to closely monitor the market conditions and adjust its business strategies and operations to mitigate the Group's operational risks in response to the challenges brought by the business environment.

Moreover, the Group expects to actively develop the green new energy business in the coming year, including but not limited to developing the following sectors through the joint venture of the Group, Zhejiang Xinneng Zhonghe Technology Co., Ltd. (浙江信能中和科技有限公司): (i) green building construction materials; (ii) new energy including solar energy, hydrogen energy and energy storage system; and (iii) carbon emission trading, low and zero carbon technologies. As a green new energy provider, Zhejiang Xinneng Zhonghe Technology Co., Ltd. has signed the first batch of solar energy system supply contracts with Malaysian customers, and its own brand trademarks of solar energy and energy storage have also been registering in China, the United States, the European Union and other regions. The Group anticipates that additional fundraising may be required from time to time to support the working capital expenditure to achieve such business growth.

Chairman's Statement

Looking ahead, the Group will continue to be cautiously optimistic about the construction industry in Hong Kong and will solidify and strengthen the existing business, while seeking opportunities from time to time to enhance the Group's recurring income and reward the shareholders of the Company.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our shareholders, customers, suppliers, business partner, management team as well as our employee 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

25 March 2022

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works and BMU systems works in Hong Kong. Through the Company's principal operating subsidiaries, Acme Metal Works (International) Limited and Acme Gondola Systems Limited, the Group has accumulated over 32 years of experience in façade works industry in Hong Kong, and over 21 years of experience in BMU systems works industry in Hong Kong.

The Group's design and build solution services in relation to façade works and BMU systems 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 systems works. The Group's façade works focus on the private sector and cover residential buildings and commercial buildings. The Group's BMU systems works cover both private and public sectors and cover residential buildings, commercial buildings, industrial buildings as well as community facilities.

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

The revenue of the Group for the Year was approximately HK$376.6 million, representing a decrease of approximately 13.6% as compared with that of approximately HK$435.8 million recorded for the year ended 31 December 2020. Details of the revenue of the Group are set out in the section headed "**Financial Review**" below.

While the revenue and gross profit of the Group's BMU Systems Business for the Year recorded an increase of 63.7% and 37.5%, respectively, as compared to the year ended 31 December 2020, such increase could not offset the loss incurred by various works in relation to the Façade Works Business due to the reasons set out below, resulting in an increase in the consolidated net loss of the Group.

Management Discussion and Analysis

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

(i) due to the outbreak of COVID-19, the supply chain management and production capacity of construction material suppliers for the Façade Works 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;

(ii) the Group was awarded a number of large-scale unitised curtain wall projects in 2019 and the main construction works thereof were commenced in 2020. The progress of the projects was directly impacted by the significant delay in the delivery of construction material parts by some unitised curtain wall suppliers as a result of COVID-19 pandemic. Therefore, the Group has engaged new approved suppliers to supply construction material parts for certain projects in the second half of 2020, with a view to reduce the impact brought by any delay in the supply chain. However, upon on-site inspection conducted on certain projects during the Year, the Group realised that the quality of certain construction material parts for unitised curtain wall construction which were purchased from the new suppliers failed to meet the main contractor's requirements. Accordingly, the Group had to incur additional subcontracting charges and material costs to replace and repair the defective construction materials, which had led to a significant loss in certain projects;

(iii) a number of façade construction projects were delayed and construction plans were altered on account of the prolonged impact of COVID-19 pandemic. In order to deal with any unexpected change to the on-site arrangements initiated by any contractor and delay in progress on site while the construction was underway, the Group had to incur more subcontracting charges for maintaining sufficient manpower in construction sites during the affected period and additional storage and transportation cost for making corresponding logistics arrangements;

(iv) the supply chain management of some construction material suppliers for the Façade Works Business was affected to a large extent by the prolonged impact of COVID-19 pandemic, which resulted in suppliers' delay in the delivery of construction materials. For the purpose of aligning the progress of on-going projects to its original schedule, the Group had to incur additional subcontracting charges and material costs to catch up with the construction plans;

(v) during the Year, the costs of various projects further increased due to the substantial increase in the purchase costs of raw materials for major construction materials (mainly aluminum, steel and glass) used in the Façade Works Business and the appreciation of RMB; and

(vi) loss recorded from a façade construction project in Kwun Tong due to unexpected substantial modification and delay of the contracted construction plan of the third phase of the project as disclosed in the announcements of the Company dated 29 July 2021 and 4 October 2021 and the interim report of the Company for the period ended 30 June 2021.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

As mentioned under the section headed "**Business Review**" above, the progresses of certain façade construction projects of the Group were significantly affected by the prolonged impact of COVID-19 pandemic and the defective construction materials provided by suppliers, the revenue of Façade Works Business for the Year significantly decreased to approximately HK$213.5 million from approximately HK$336.2 million for the year ended 31 December 2020. Consequently, the Group recorded revenue of approximately HK$376.6 million, representing a decrease of 13.6% as compared to approximately HK$435.8 million recorded for the year ended 31 December 2020.

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Façade Works Business	213,485	336,203
BMU Systems Business	163,079	99,594
Total	376,564	435,797

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

The gross profit margin of the BMU Systems Business was approximately 24.6% and 29.3% for the years ended 31 December 2021 and 2020, respectively. The decrease in the gross profit margin of the BMU Systems Business for the Year was mainly due to the competitive project pricing arising from intense market competition.

As a result of the reasons mentioned under the section headed "**Business Review**", the Façade Works Business recorded a gross loss of approximately HK$180.2 million for the Year as compared with the gross loss of approximately HK$54.8 million was recorded for the year ended 31 December 2020.

Management Discussion and Analysis

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			
	2021		2020	
	Gross (loss)/ profit HK$'000	Gross (loss)/ profit margin %	Gross (loss)/ profit HK$'000	Gross (loss)/ profit margin %
Façade Works Business	(180,174)	(84.4)	(54,765)	(16.3)
BMU Systems Business	40,065	24.6	29,140	29.3
Total	(140,109)	(37.2)	(25,625)	(5.9)

Other income

The other income of the Group for the Year decreased to approximately HK$0.7 million from approximately HK$6.8 million for the year ended 31 December 2020. The decrease in other income mainly consisted of the government grant under the employment support scheme received by the Group in 2020.

Other (losses)/gains, net

During the Year, the other net losses of the Group recorded approximately HK$2.4 million as compared to approximately HK$0.6 million net gains recorded in 2020. The other net losses for the Year was mainly contributed by the write off of prepayment for information system upgrade during the Year.

Administrative expenses

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

The administrative expenses of the Group slightly increased by approximately HK$2.0 million to approximately HK$32.0 million for the Year, as compared to approximately HK$30.0 million for the year ended 31 December 2020. The increase was mainly contributed by the increase in employee benefit expenses of approximately HK$1.3 million due to talent retention.

Management Discussion and Analysis

Finance income and Finance costs

The finance income of the Group represents the interest income from bank deposits, and the finance costs of the Group represent the interest expenses arising from borrowings and, to a lesser extent, its lease liabilities.

The net of finance costs of the Group for the Year increased to HK$1.9 million from HK$0.2 million for the year ended 31 December 2020, which was mainly due to the increase in borrowings drawn by the Company during the Year.

Income tax (expenses)/credits

The Group's operation is mainly based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. During the Year, the Group's subsidiary in Macau is subject to complementary tax at a standard rate of 12%. The Group recorded income tax expenses of approximately HK$11.8 million, compared to the year ended 31 December 2020 of income tax credits of HK$0.7 million. The income tax expenses for the Year were mainly attributable to the current tax charges on BMU Systems Business and the reversal of deferred tax credits regarding to the tax loss in Façade Works Business.

Net loss for the Year

As a result of the foregoing, the Group reported a net loss of approximately HK$187.5 million for the Year compared to a net loss of approximately HK$47.8 million for the year ended 31 December 2020.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021 and 2020, the Group's monetary assets, including cash and cash equivalents, pledged deposits and restricted deposit were approximately HK$96.1 million and HK$107.3 million, respectively.

In January 2021, the Group entered into a loan agreement in which the lender had agreed to make available a loan facility up to an aggregate amount of HK$18 million to finance the general operation of the Group. The loan was denominated in HK$, unsecured, interest bearing at 6.5% per annum, and repayable on the sixth month from the date of drawn down. The first HK$5 million loan was drawn down on 28 January 2021, and the maturity date of the loan was extended to 28 June 2022. The second HK$5 million loan was drawn down on 1 March 2021, and the maturity date of the loan was subsequently extended to 1 September 2022. The third HK$5 million loan was drawn down on 10 August 2021, and the maturity date was subsequently extended to 10 August 2022. As at 31 December 2021, the Group had a total facility from this third party amounting to HK$18 million of which HK$3 million was unutilised.

In October 2021, the Group entered into a loan agreement with a director of the Company's subsidiary, Mr. Mak Kim Hung ("**Mr. Mak**"), in which Mr. Mak had agreed to make available a loan facility up to an aggregate amount of HK$10 million to finance the general operation of the Group. The loan was denominated in HK$, unsecured, interest bearing at 5.5% per annum, and repayable by 28 February 2022. In February 2022, the Group entered into a supplemental loan agreement with Mr. Mak to extend the repayment date to 30 June 2023, with the other terms remaining unchanged.

Management Discussion and Analysis

In November 2021, the Group entered into a loan agreement with a director of the Company, Mr. Kwan Kam Tim ("**Mr. Kwan**"), in which Mr. Kwan had agreed to make available a loan facility up to an aggregate amount of HK$10 million to finance the general operation of the Group. The loan was denominated in HK$, unsecured, interest bearing at 5.5% per annum, and repayable by 30 June 2022. In January and March 2022, the Group entered into two supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK$28 million and extend the repayment date to 30 June 2023, with the other terms remaining unchanged.

As at 31 December 2021 and 2020, the Group's total borrowings amounted to approximately HK$49.3 million and HK$5.3 million, respectively. The borrowings as at 31 December 2021 were denominated in Hong Kong Dollars (2020: same) and carried at interest rates of 5.50% to 6.50% per annum (2020: 6.13% per annum).

As at 31 December 2021 and 2020, the Group had unutilised credit facilities of HK$28.2 million and HK$16.0 million, respectively.

The Group's gearing ratios (total debt, being the total of 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%) significantly increased to approximately 34.9%, compared to gearing ratio of 2.0% as at 31 December 2020. The increase in gearing ratio was mainly attributable to the increase in total debt from approximately HK$6.5 million as at 31 December 2020 to approximately HK$53.8 million as at 31 December 2021 and the decrease in total equity due to net loss for the Year.

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 the 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.

Management Discussion and Analysis

USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the listing of the Company's shares on the Main Board (the "**Listing**") of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") amounted to HK$84.4 million (after deducting underwriting fees and commissions and all related expenses). Such net proceeds were applied in accordance with the proposed application as disclosed in the prospectus of the Group dated 25 October 2019 (the "**Prospectus**"). As at 31 December 2021, the net proceeds were fully utilised as follows:

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

USE OF NET PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE AND SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 30 July 2021, the Company entered into the placing agreement with the joint placing agents in respect of the placing of up to 52,000,000 new shares at an issue price of HK$0.19 per share (the "**Placing**"). In addition, on the same day, the Company entered into the subscription agreement with a subscriber, of which the subscriber agreed to subscribe for 52,000,000 new shares at a subscription price of HK$0.19 per share (the "**Subscription**"). The Placing and the Subscription were completed on 20 August 2021 and 104,000,000 new shares in total were issued at HK$0.19 per share, with consideration (net of transaction costs) of approximately HK$19,530,000.

Management Discussion and Analysis

As at 31 December 2021, the net proceeds received were fully utilised as follows:

Intended use of the Net Proceeds	Amount of the intended use of the Net Proceeds	Utilisation during the Year	Unutilised balance as at 31 December 2021
Financing the Group's façade works projects	HK$15.00 million	HK$15.00 million	–
General working capital for daily operation	HK$4.53 million	HK$4.53 million	–
Total	HK$19.53 million	HK$19.53 million	–

MATERIAL ACQUISITIONS AND DISPOSALS

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 2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for those disclosed under the section headed "**Commitments and contingent liabilities in respect of a joint venture**" in this annual report, as at 31 December 2021, the Group has no plan for any material investments or capital assets.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 December 2021, pledged deposits in the sum of approximately HK$65.4 million (2020: HK$62.2 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 business are set out in "**Five Year Financial Summary**" on page 156 and "**Management Discussion and Analysis**" on pages 7 to 15 of this annual report.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Kwan Kam Tim (關錦添), aged 67, 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 2020. On 30 December 2021, Mr. Kwan was appointed as the chief executive officer of the Company. 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 31.25% of the issued shares of the Company.

Mr. Kwan has over 40 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. Yip Wing Shing (葉永聖), aged 46, was appointed as an executive Director on 3 September 2021. Mr. Yip holds a Bachelor's Degree in Law from Peking University and a Master's Degree in Business Administration from The Hong Kong University of Science and Technology. He has over 20 years of extensive experience in fields such as corporate consulting and management, risk investment and private equity investment.

Mr. Yip had been engaged in the businesses of financial investment, financial consulting, risk-related investment as well as consulting and management for listed companies in Hong Kong in his early years. He had also been a founding member of a business consulting and management consulting firm, which provided consulting services for listed companies. From 2012 to 2016, Mr. Yip served as the investment director at Shenzhen Oriental Fortune Capital Investment Management Co., Ltd.. From 2017 to 2018, Mr. Yip served as the deputy general manager at 深圳市前海梧桐併購投資基金管理有限公司 (Shenzhen Qianhai Wutong M&A Investment Fund Management Co., Ltd.*). Besides, Mr. Yip was also a founding partner of 深圳市前海東方盛鼎創業投資基金管理有限公司(Shenzhen Qianhai Oriental Shengding Venture Capital Fund Management Co., Ltd.*) ("**Shenzhen Qianhai**"), and had served as the legal representative of Shenzhen Qianhai. During the period from December 2018 to August 2021, Mr. Yip also served as the general manager of Shenzhen Qianhai.

Mr. Yip has entered into a service contract with the Company for a term of three years commencing from 3 September 2021 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. Yip 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.

Biographical Details of Directors and Senior Management

Mr. Gao Shufang (高書方), aged 52, was appointed as an executive Director on 23 November 2021. Mr. Gao holds a bachelor's degree from the Dalian University of Technology and a master's degree in business administration from the Chinese University of Hong Kong. Mr. Gao has more than 25 years of experience in financial management, corporate governance, investment and other fields.

Mr. Gao currently serves as the vice chairman (副理事長) and chairman (主任委員) of the accounting committee of Hong Kong-Mainland International Investment Society, the chairman of Shenzhen Qianhai Yueshi Information Technology Co., Ltd. (深圳前海粵十信息技術有限公司), and the executive director of Tianci International Inc. (天賜國際股份有限公司), a company listed on the U.S. OTCQB over-the-counter market.

From 2012 to 2016, he served as the president of Ocean China Group Holdings Limited (海華集團控股有限公司). From 2016 to 2017, he served as the chief executive officer of Aceso Life Science Group Limited (stock code: 474), a company listed on the Main Board of the Stock Exchange. From October 2018 to September 2019, Mr. Gao was the deputy general manager of Tibet Huayu Mining Co., Ltd. (stock code: 601020), a company listed on the Shanghai Stock Exchange. From September 2020 to July 2021, Mr. Gao served as the non-independent director and executive deputy general manager of Sichuan Golden Summit (Group) Joint-Stock Co., Ltd. (四川金頂(集團)股份有限公司) (stock code: 600678), a company listed on the Shanghai Stock Exchange.

Mr. Gao has entered into a service contract with the Company for a term of three years commencing from 23 November 2021 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. Gao 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 60, 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.

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.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Prof. Lau Chi Pang, ***J.P.*** (劉智鵬), aged 61, 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 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 since May 2016, a Justice of the Peace since July 2013 and an advisor of the Museum Expert Advisers for the Leisure and Cultural Services Department since April 2006.

Prof. Lau is also a current council member of the seventh Hong Kong Legislative Council.

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.

Mr. Chin Wai Keung Richard (錢偉強), aged 72, was appointed as an INED on 25 August 2021. He has over 40 years of management experience in trading, contracting and finance businesses. Mr. Chin served as an executive director of Huiyin Holdings Group Limited (stock code: 1178), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited from June 2020 to October 2020, and has been re-appointed as an executive director from 15 December 2020.

He was an executive director of Mansion International Holdings Limited (stock code: 8456), a company listed on GEM of the Stock Exchange, from November 2019 to July 2020. He was an executive director of Farnova Group Holdings Limited (stock code: 8153), a company listed on GEM of the Stock Exchange, from August 2014 to October 2018.

Biographical Details of Directors and Senior Management

He was the chairman and an executive director of Union Asia Enterprise Holdings Limited (stock code: 8173), a company listed on GEM of the Stock Exchange, between 2006 and 2009. Mr. Chin was the deputy chairman and the chief executive officer of Richly Field China Development Limited (stock code: 313), a company listed on Main Board of the Stock Exchange, in between 2002 and 2004. In December 2000, Mr. Chin was an executive director of CMBC Capital Holdings Limited (stock code: 1141), a company listed on the Main Board of the Stock Exchange, and was re-designated as a non-executive director in December 2001. The said company had subsequently gone through a debt restructuring exercise with a group of bankers and the creditors, which was completed around May 2002.

Mr. Chin had entered into an appointment letter with the Company for a term of three years commencing from the 25 August 2021 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. Chin 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.

Prof. Mo Lai Lan (巫麗蘭), aged 63, was appointed as an INED on 1 November 2021. obtained her bachelor and doctor of philosophy (PhD) degrees in Accountancy from the Chinese University of Hong Kong and master of business administration (MBA) degree from University of Birmingham in the United Kingdom. She is a fellow member of the Association of Chartered Certified Accountants (ACCA) and a member of the Hong Kong Institute of Certified Public Accountants (HKICPA). Prof. Mo joined City University of Hong Kong in 2011 as Professor of Accountancy and is currently the Associate Director of the Research Centre for Sustainable Hong Kong (CSHK), a strategic applied research center established at the City University of Hong Kong which aims at conducting impactful research in response to real-life sustainability challenges in Hong Kong and the region. Previously, Prof. Mo served as Professor and Head of the Department of Accountancy at Lingnan University from 2006 to 2011. She also had teaching and research experiences with other prominent research universities. Prior to joining the academia, Prof. Mo worked at a leading international certified public accountants firm as a professional auditor and a listed company as an internal auditor. Prof. Mo was a member of the Auditing & Assurance Standards Committee of the HKICPA from 2012 to 2017, a member of the Greater Bay Area Committee of the HKICPA in 2021, and a member of Board of Review (Inland Revenue Ordinance, Hong Kong) from 2015 to 2020. Currently, she is a member of the Financial Reporting Review Panel of the Financial Reporting Council and a Specialist of the Hong Kong Council for Accreditation of Academic & Vocational Qualifications (HKCAAVQ). Prof. Mo's research focuses on audit quality, tax compliance and corporate governance. At present, Prof. Mo also serves as an independent non-executive director of Chinasoft International Limited (stock code: 354), a company listed on the Main Board of the Stock Exchange.

Prof. Mo had entered into an appointment letter with the Company for a term of three years commencing from the 1 November 2021 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. Mo is entitled to a director's fee of HK$25,000 per month 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 her duties and responsibilities with the Company and the market rate for her position.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Mak Kim Hung (麥劍雄), aged 61, is a director of Acme Metal Works (International) Limited ("**Acme Metal**") and Acme Gondola Systems Limited ("**Acme Gondola**"). 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 Acme Metal and Acme Gondola. Mr. Mak was the chief executive officer of the Company and was appointed as a Director on 17 August 2018 and was re-designated as an executive Director on 14 March 2019. He resigned as an executive Director and chief executive officer of the Company with effect from 10 November 2021.

Mr. Mak has over 35 years of experience in the construction industry in Hong Kong. He 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. Poon Pui Kit (潘培傑), aged 47, 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 22 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 49, is the general manager and 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.

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, senior project manager and contract manager during 2000 to 2016, and subsequently promoted to general manager and project director in 2021.

Mr. Wong Lap Sun Sunny (黃立新), aged 54, 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.

Biographical Details of Directors and Senior Management

Mr. Yu Chim Shun (于霑遜), aged 35, is the financial controller and one of the joint company secretaries of the Group. He joined the Group as an assistant financial controller in October 2018 and promoted to financial controller in May 2020. He was appointed as a joint company secretary with effect from 14 February 2022. He is primarily responsible for financial reporting, financial control matters, and corporate secretarial matters of the Group. Mr. Yu has more than 11 years of experience in accounting and auditing fields in Hong Kong.

Mr. Yu obtained a Bachelor 's Degree in Commerce (major in accounting) from Macquarie University in September 2009. He is a member of CPA Australia and the Hong Kong Institute of Certified Public Accountants.

Mr. Lam Tsz Chung (林子聰), aged 48, is appointed as the joint company secretary of the Company in August 2021. Mr. Lam having practised law in Hong Kong for more than 20 years, he is a practising Hong Kong solicitor.

Mr. Lam obtained a Bachelor of Laws and a Postgraduate Certificate of Laws from the University of Hong Kong in 1995 and 1996 respectively. He also obtained a Master of Laws from City University of Hong Kong and a Master of Science (Financial Analysis) from the Hong Kong University of Science and Technology. He was formerly the chief legal counsel of Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited), which shares are listed on The Stock Exchange of Hong Kong Limited (Stock Code: 00628). Mr. Lam was the non-executive director and company secretary of Yin He Holdings Limited, which shares are listed on the Stock Exchange (Stock Code: 08260). He is also appointed as the company secretary of China Uptown Group Company Limited (Stock Code: 02330) on 10 February 2022. He is also a consultant of Messrs. C. W. Lau & Co. holding a practising certificate issued by the Law Society of Hong Kong and a China-Appointed Attesting Officer appointed by Ministry of Justice of the People's Republic of China.

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 C.2.1

Under code provision C.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. On 10 November 2021, Mr. Mak Kim Hung resigned as the chief executive officer of the Company. On 30 December 2021, Mr. Kwan Kam Tim, the chairman of the Board, has been appointed as the chief executive officer of the Company. Between 10 November 2021 and 30 December 2021, the Company has not appointed a chief executive officer and the roles and functions of the chief executive officer have been performed by all the executive Directors collectively.

Code provision C.6.2

Pursuant to code provision C.6.2 of the CG Code, a board meeting should be held to discuss the appointment of the company secretary and the matter should be dealt with by a physical board meeting rather than a written resolution. The appointment of a joint company secretary of the Company in August 2021 was dealt with by a written resolution. The Board considers that, prior to the execution of the written resolution to appoint the joint company secretary, all Directors were individually consulted on the matter without any dissenting opinion and the matter does not need to be approved by a physical board meeting instead of a written resolution.

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

On 31 December 2021, the Board consists of seven Directors, including four executive Directors, and three INEDs. The Board is comprised of Mr. Kwan Kam Tim (the chairman and the chief executive officer of the Board), Mr. Yip Wing Shing, Mr. Gao Shufang and Ms. Leung Ng Mui May as executive Directors; Prof. Lau Chi Pang, *J.P.*, Mr. Chin Wai Keung Richard and Prof. Mo Lai Lan 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. Kwan Kam Tim	A, B
Mr. Yip Wing Shing	A, B
Mr. Gao Shufang	A, B
Ms. Leung Ng Mui May	A, B
Prof. Lau Chi Pang, *J.P.*	A, B
Mr. Chin Wai Keung Richard	A, B
Prof. Mo Lai Lan	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.

The Articles of Association provide that any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the members of the Company after his/her appointment and shall then be subject to re-election at such meeting. Besides, any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

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

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.

On or before 10 November 2021, Mr. Mak Kim Hung acted as the chief executive officer of the Company and was primarily responsible for the overall management of day-to-day operations and business development of the Group. Mr. Mak resigned as the chief executive officer of the Company with effect from 10 November 2021. Between 10 November 2021 and 30 December 2021, the roles and functions of the chief executive officer have been performed by all the executive Directors collectively. On 30 December 2021, Mr. Kwan Kam Tim has been appointed as the chief executive officer of the Company.

Corporate Governance Function

The Board is responsible for performing the functions set out in the code provision A.2.1 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. As at 31 December 2021, the Audit Committee comprises three the INEDs, namely Prof. Mo Lai Lan, Mr. Chin Wai Keung Richard and Prof. Lau Chi Pang, *J.P.*. Prof. Mo Lai Lan is the chairlady 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. As at 31 December 2021, the Remuneration Committee comprises two INEDs, namely Prof. Lau Chi Pang, *J.P.* and Mr. Chin Wai Keung Richard, and one executive Director, Mr. Kwan Kam Tim. 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$500,001 to HK$1,000,000	1
HK$2,000,001 to HK$2,500,000	2
HK$2,500,001 to HK$3,000,000	1
HK$4,000,001 to HK$4,500,000	1
	5

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. As at 31 December 2021, the Nomination Committee comprises two INEDs, namely Prof. Lau Chi Pang, *J.P.* and Mr. Chin Wai Keung Richard, one executive Director, Mr. Kwan Kam Tim. Prof. Lau Chi Pang, *J.P.* 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 and meetings of the Board committees and general meetings during the year ended 31 December 2021, 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
Executive Directors					
Mr. Kwan Kam Tim	9/9	N/A	N/A	1/1	1/1
Mr. Mak Kim Hung (resigned on 10 November 2021)	8/8	N/A	2/2	N/A	1/1
Mr. Yip Wing Shing (appointed on 3 September 2021)	4/4	N/A	N/A	N/A	N/A
Mr. Gao Shufang (appointed on 23 November 2021)	1/1	N/A	N/A	N/A	N/A
Ms. Leung Ng Mui May	9/9	N/A	N/A	N/A	1/1
Independent Non-Executive Directors					
Mr. Keung Kwok Hung (resigned on 1 November 2021)	7/7	2/2	N/A	1/1	1/1
Mr. Tse Wai Kit (resigned on 30 December 2021)	9/9	2/2	2/2	1/1	1/1
Prof. Lau Chi Pang, *J.P.*	9/9	2/2	2/2	N/A	1/1
Mr. Chin Wai Keung (appointed on 25 August 2021)	5/5	N/A	N/A	N/A	N/A
Prof. Mo Lai Lan (appointed on 1 November 2021)	2/2	N/A	N/A	N/A	N/A

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 2021 is set out below:

Emolument bands (HK$)	**Fee Paid/Payable**
Audit services relating to:	
— Annual audit services for the year ended 31 December 2021	HK$2,000,000
Non-audit services relating to:	
— Tax services	HK$70,000
Total	HK$2,070,000

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.

Corporate Governance Report

JOINT COMPANY SECRETARIES

Mr. Lam Tsz Chung ("**Mr. Lam**") was appointed as a joint company secretary of the Company (the "**Joint Company Secretary**") with effect from 17 August 2021. Immediately following the appointment of Mr. Lam, Mr. Lung Shei Kei ("**Mr. Lung**"), who was the company secretary of the Company, became the other Joint Company Secretary with effect from 17 August 2021 until his resignation with effect from 14 February 2022. Following the resignation of Mr. Lung as the Joint Company Secretary, Mr. Yu Chim Shun ("**Mr. Yu**") was appointed as the Joint Company Secretary with effect from 14 February 2022. For details, please refer to the announcement of the Company dated 17 August 2021 and 14 February 2022.

The company secretary of the Company or the Joint Company Secretaries report to the chief executive officer directly and are 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. They are 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, Mr. Lung, Mr. Lam and Mr. Yu has taken no less than 15 hours of relevant professional training during the Year. The biographical details of joint company secretaries are set out in the section headed "**Biographical Details of Directors and Senior Management**" in this annual report.

Environmental, Social and Governance Report

ABOUT ACME

OUR BUSINESS

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 facade and buildings maintenance unit ("**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. Acme has been listed on the Main Board of the Stock Exchange with stock code 1870.HK in 2019 to meet the needs for future development.

As the only service provider for this segment in Hong Kong, we maintain a leading position in the market with competitive advantage in experienced expertise and knowledge in the industry and a proven track record. ACME Metal Works has been acknowledged as Five Stars Certificate of Quality Contractor by the Hong Kong Building Inspection Association for five consecutive years as recognition of our quality services.

In 2021, we started developing a new business segment in relation to green building construction materials, new energy including solar energy, hydrogen energy and energy storage system, carbon emission trading, and low and zero carbon technologies. As the business segment is under development, we will continue to explore an expansion of our reporting scope in the future, so as to present our sustainability performance and initiatives in a boarder picture.

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.

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 to achieve sustainability. Meanwhile, we strive to create long-term value for our shareholders.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance ("**ESG**") report (this "**Report**") details the sustainability strategy, progress, and performance of Acme International Holdings Limited ("**Acme**" or the "**Company**") and its subsidiaries (collectively, the "**Group**" or "**we**").

REPORTING SCOPE AND PERIOD

The reporting scope covers the performance and initiatives of the Group's ESG development on the operations of ACME Metal Works (International) Limited and Acme Gondola Systems Limited in the covering period from 1 January 2021 to 31 December 2021 (the "**Reporting Year**"). Unless otherwise specified, this Report contains information pertaining to the Reporting Year as stated, which is consistent with our financial year.

REPORTING BASIS AND PRINCIPLES

This report has been prepared in accordance with the "**Environmental, Social and Governance Reporting Guide**" (the "**Reporting Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). This report has complied with all provisions of "**mandatory disclosure requirements**" and "**comply or explain**" in the Reporting Guide. The following reporting principles have been adopted in the preparation of this report:

Materiality	We conducted a comprehensive stakeholder survey in 2021 to better understand our most significant ESG issues. The survey engaged both internal and external stakeholders and the issues of the most importance to both of our business and various stakeholders have been identified as material ESG issues. We focus on these material issues in the Report and ensure a sufficient disclosure of the related information.
Quantitative	We reported our quantitative performance for stakeholders to evaluate the effectiveness of our ESG policies and management systems. Moreover, we disclosed the standards, methodologies, assumptions, and source of conversion factors used for the reporting of key performance indicators ("**KPI**") where applicable.
Balance	The Report discloses the Group's progress and challenges in sustainable development management, so as to fully demonstrate our sustainable development performance.
Consistency	We adopted consistent methodologies and reported the changes to the scope and methods to allow for meaningful comparisons of ESG data over time.

REPORT DISCLAIMER

All information disclosed in this Report was sourced from the Group's documents and statistics. The Board of Directors (the "**Board**") has overall responsibility for the Group's ESG strategy and reporting. The Board has reviewed and approved this report before publication. This Report was published in Traditional Chinese and English versions. Should there be any discrepancy between the two versions, the English version shall prevail.

Environmental, Social and Governance Report

OUR SUSTAINABILITY APPROACH

In addition to pursuing prosperous business development, we believe our social responsibility connecting with our stakeholders at the same time paying attention to the environmental and social aspects of our operations, thus contributing to the overall sustainable development.

ESG GOVERNANCE

We firmly believe that a sound governance structure leads to effective management and sustainable development. The Board oversees the Group's ESG management and provides final approval for the Group's ESG strategies, targets, and approaches. The Board places a huge emphasis on identifying, evaluating, and addressing the key risks in relation to daily operations and ESG, as well as exploring potential opportunities. To implement the idea and strategies of sustainability that apply to all levels of the Group, a top-down approach is adopted. We are committed to improve our governance structure so as to achieve our sustainability goals in a professional manner. We will continue to explore in establishing a robust governance structure in managing our ESG matters.

ESG MANAGEMENT APPROACHES

For the sake of striking a balance among business needs, social demands, and environmental impacts, we are committed to embedding sustainable business practices into our operation and to operate in by adhering to the highest ethical standards in the course of business.

We will continuously monitor, review, and improve the Group's ESG performance, strategies, and targets, as well as our sustainability policies, thereby to ensure our approaches to sustainability are always aligns with the join hands of our stakeholders.

We strive to and keep a close eye on the relevant regulations to revise our policies and operations accordingly to prevent any malpractice. For details in relation to our financial performance and corporate governance, please visit our website on http://www.acmehld.com and refer to the part of Corporate Governance of our Annual Report.

Environmental, Social and Governance Report

ENGAGING WITH OUR STAKEHOLDERS

We strongly believe that our stakeholders play a crucial role in sustaining the success of our business in the challenging market.

We maintain open dialogues and build trusted relationships with our stakeholders through ongoing and structured engagement. We believe that concerns and opinions from our stakeholders are valuable in strategically improving our sustainability performance. As each stakeholder requires a different engagement approach, the Group has established tailor-made communication methods in order to better meet each stakeholder's expectations.

The table below summarises the key stakeholder groups, their probable issues of concern and the engagement channels embedded in our operations.

Stakeholders	Possible issues of concern	Communication and responses
HKEx	Compliance with listing rules, timely and accurate announcement.	Meetings, training, roadshows, workshops, programs, website update 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.	Organizing 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 and natural resources management, and human rights.	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

STAKEHOLDERS-DRIVEN MATERIALITY ASSESSMENT

Materiality assessment helps us to prioritise and highlight the material ESG issues to both the Group and our stakeholders. The results of the materiality assessment guide us in formulating our ESG reporting framework and provide insights into our strategic decision-making.

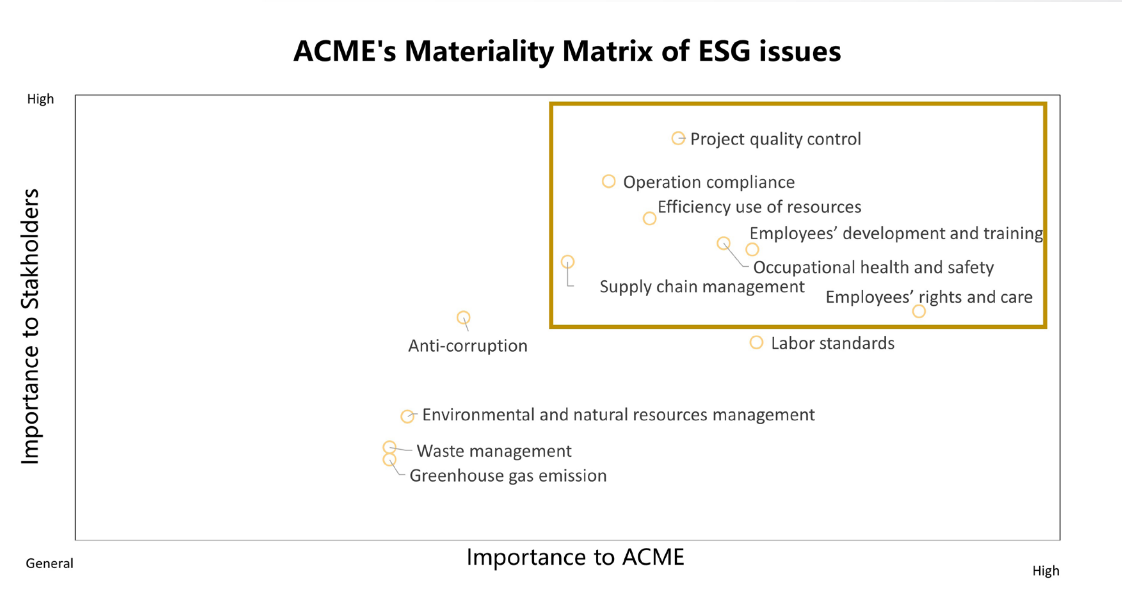
The below shows the procedures of our materiality assessment conducted in the Reporting Year:

Our stakeholder groups (e.g. the Board, employees, suppliers) are invited to share their perspectives in ESG and to rate the materiality on the identified 12 ESG issues towards the stakeholders themselves as well as the Group's business operation through online surveys. The results of the materiality assessment were illustrated in two dimensions, namely "Importance to stakeholders" and "Importance to business operation" to prioritise the ESG issues identified.

We have taken the following considerations while we decide whether the issues should be included in our materiality issues bank, which includes:

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

The following materiality matrix and list summarise the material issues relevant to us.



Environmental, Social and Governance Report

According to the analysis result, the Group has prioritized 7 issues as the high materiality issues in the Reporting Year, which are shown in the materiality table below:

High materiality issues	General materiality issues
1. Project quality control	1. Labour standards
2. Employees' rights and care	2. Anti-corruption
3. Operation compliance	3. Environmental and natural resources management
4. Employees' development and training	4. Waste management
5. Occupational health and safety	5. Greenhouse gas emission
6. Efficiency use of resources	
7. Supply chain management	

With the inputs and efforts from our stakeholders, we have taken the high materiality ESG issues into considerations while reviewing the latest development on our ESG management approaches, and those have been organized and shown in the preparation of this report. We have the materiality issues disclosed in the following chapters:

We will continuously improve our ESG approaches along with the join hands of our stakeholders.

FEEDBACK

We welcome your comments or suggestions regarding our overall sustainability practices and this report. Your support is the motivating force for our continuous improvement. Please send your feedback and other sustainability enquiries to our head office at investor@acmehld.com.

Environmental, Social and Governance Report

OPERATIONAL PRACTICES

To uphold our mission of "To provide high-quality services based on our experienced and dedicated management team with extensive knowledge of the design and build sector", we are devoted to continuously improving the quality and reliability of the services we provided.

COMPLIANCE OPERATION

We have established Regulatory Compliance Licence Management System to ensure our business operation is in compliance with relevant laws and regulations, including but not limited to:

- Construction Industry Workers Registration Ordinance (Cap. 583, Laws of Hong Kong)
- Buildings Ordinance (Cap. 123, Laws of Hong Kong)
- Registered Specialist Trade Contractors Scheme in the Construction Industry Council
- Factories and Industrial Undertakings (Suspended Working Platforms) Regulation (Cap. 59, section 7 of Law of Hong Kong)

Internal compliance regulations in the Regulatory Compliance Management System and the *Compliance Checklist*

- Compliance with administrative licensing: such as the implementation of the responsibility system for safe operation and the licensing system for safe operation;
- Compliance with environmental and safety behaviors: behaviors in the operation and management of equipment installations and environmental impact;
- Compliance local regulations, local government agreements, operating technology policies, higher authorities, etc. and other relevant requirements

Regular compliance inspection have been conducted through various thoroughly methods which includes, timely auditing, site inspection, direct observation, review on performance, regular meeting & discussions, to ensure the Group have up-to-dated compliance measures. The compliance inspections are maintained with written records and evidence, and inspection results have been followed up in the management if necessary.

Environmental, Social and Governance Report

PROJECT QUALITY CONTROL & QUALITY ASSURANCE

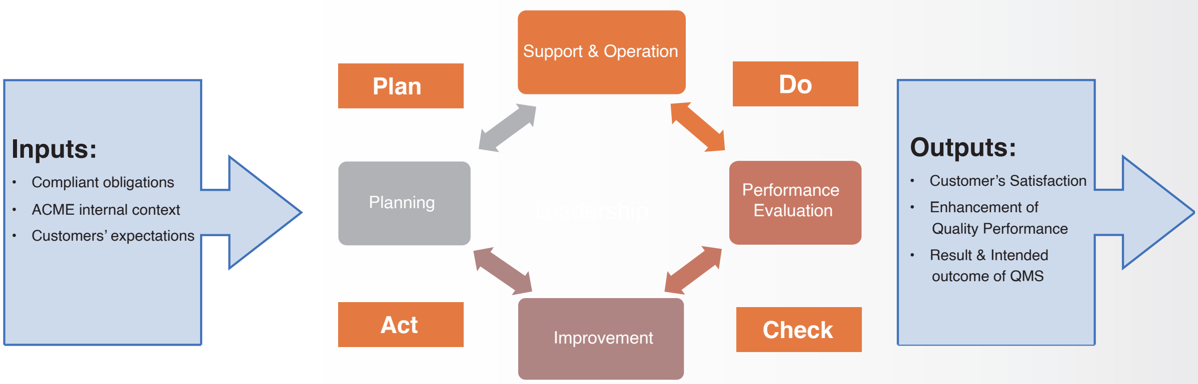
On top of strictly complying with relevant laws and regulations, we have comprehensive quality control system with the ISO 9001:2015 quality standard to monitor our work processes for meeting customers' needs and our work and services closely.

To fully meet the safety standard requirements on curtain walls projects, our qualified design engineers ensure the feasibility of the design and installation works through systematic design and structural calculations and are submitted to the Buildings Department for approval for every project. Meanwhile, as contractor, we are as required by the relevant law and regulations, and ensure that designated building professionals are responsible for carrying out tasks, and sound supervision and quality assurance procedures are well established. We have also set forth the management policies, objectives and assurance measures respectively.

COMPREHENSIVE QUALITY CONTROL MANAGEMENT SYSTEM

Our Quality Management System ("**QMS**") has been accredited with the ISO 9001:2015 certification, and which is documented, implemented and continuously improved. Our management review on the overall QMS through annual meeting, which is organized by the top management with members of the QMS Management Review Team as nominated by the Group. The main purpose for the review is to ensure QMS continuing suitability, adequacy, effectiveness, and alignments with the strategic direction of the Group. It accesses to opportunities for improvement and the needs for changes to the QMC, including our process to establish the corresponding quality policies and quality objectives in different project.

The below demonstrate our process approach in the QMS adopted in ACME Metal Works in services providing:



Process approach in the ACME Quality Management System

To adhere with ISO 9001:2015, the Plan-Do-Check-Act is our greatest drive to the overall implementation of QMS. Meanwhile, effective leadership is crucial to building a robust quality control culture. Top managers have assigned responsibilities and authority for ensuring that the service-providing processes are able to deliver our intended outputs. Nevertheless, in formulating the quality-related policies and communications, we always take account into compliant obligations in safety.

Environmental, Social and Governance Report

We identify resources requirements and provides adequate resources in a timely manner for the establishment, implementation, maintenance and continuous improvement of the QMS while enhancing customer's satisfaction by meeting customer requirements.

INTERNAL QUALITY ASSURANCE

Internal quality manual has also been set up to provide guidelines to our employees for meeting our quality management objectives as follows:

Commitments and guidelines on delivery of projects:

- Uphold customers' satisfaction on safety, quality and durability as top priority
- Provide safe and reliable products and services that comply with international recognised quality standards and legal requirements
- Organise appropriate training for employees to enhance the quality of works and services
- Monitor and improve the effectiveness of QMS by conducting periodic internal reviews, data analysis and enhancement

Quality Policy have been developed under the Quality Manual based on our fundamental vision, mission, as well as our context, and has been periodically reviewed around every two-year interval. The policies are well acknowledged within the Group through induction trainings, refreshment trainings, regular meeting and so on. All staff can access the policies at the common server and the notice broads at head, depot or any sites offices.

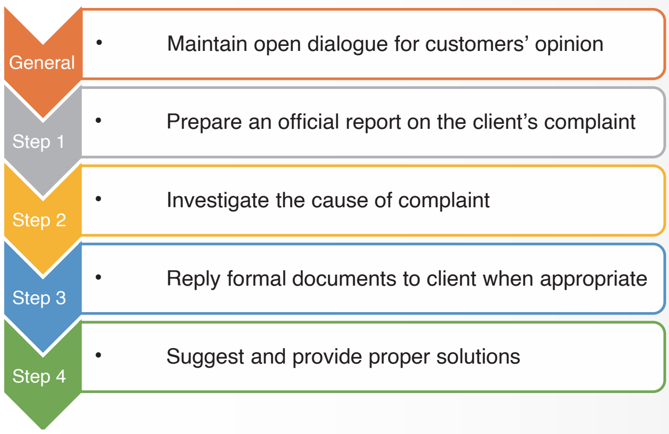
We believe that business success depends on our ability to meet safety regulatory requirements and to meet customer's expectations for quality issues. Based on our sound QMS and the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to product responsibility on the operations during the Reporting Year.

Environmental, Social and Governance Report

PROJECT LIABILITY

After completion of construction projects, we have provide liability period to our customers subject to terms set out in the contracts, and while provide warranty services on certain aspects such as glazing and waterproofing works. Meanwhile, we strictly complies with the laws and regulations in relation to sales, include but not limited to the Supply of Services (Implied Terms) Ordinance (Cap. 457, Laws of Hong Kong) in Hong Kong, we as service providers shall provide prudential and technically reasonable services during the dedicated period. Meanwhile, any deceptive or unfaithful promotion or competition is strictly prohibited in the Group.

Comments and suggestions from customers are one of the key factors that allow continuous improvement on our product and service quality. To this end, we have developed the *Complaint Handling Procedure* to stipulate the actions required upon receiving complaints and the handling approaches for different types of complaints. We have also formulated standardized procedures set to manage and handle customer complaints. Our complaint channels are in place to welcome all customers providing feedbacks through mail, telephone hotline or visit in person. The general complaint handling procedures are as follow:



Based on the above measures, the Group has not identified any material breach of the relevant laws and regulations in relation to sales services and there are no substantiated complaints relating to the provision and use of products and services that have a significant impact to the Group during the Reporting Year.

Environmental, Social and Governance Report

INTELLECTUAL PROPERTY RIGHTS AND DATA PRIVACY

As an operating construction-related and design business, the Group recognises the importance of the protection of both intellectual property rights and data privacy and operates strictly in accordance with the laws and regulations in relation to the protection of personal data of customers and suppliers, including the Personal Data (Privacy) Ordinance(Cap. 486, Laws of Hong Kong) in Hong Kong, and other applicable laws and regulations.

As such, the Group has established the policy and procedures over intellectual property rights as well as the data handling process.

For Intellectual properties and trademark

- Professional agent will be engaged to verify if the intellectual properties and trademark have already existed to prevent the Group from infringing upon others' ones.
- Regular checks and observations is conducted to monitor any infringement from others occurs so as to protect the Group's own intellectual properties and trademark.
- Licensed software are purchased instead of pirated software.

For data handling process

- Confidential information is strictly monitored to prevent any direct or indirect information leakage to external parties through any means.
- Unauthorized access to the Group's information system is strictly prohibited.
- Employees are always reminded to adhere with Employee Handbook regards to the confidentiality clause with the restricting employees from divulging or communicating any customer or company-related information to any person outside of the Group.

For any third-party organisation engaged by the Group, we formulate strict confidentiality arrangements to ensure that the information is limited to be disclosed under '*Confidentiality Agreement*'. All employees and executive directors of the Group are required to sign the contract of confidentiality.

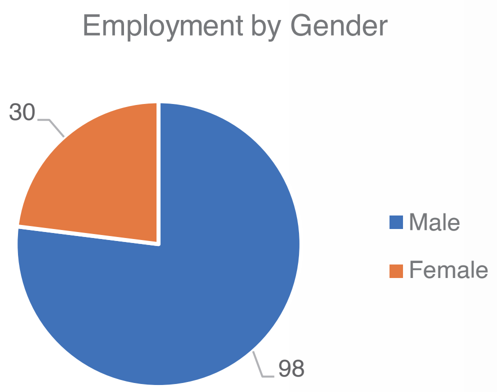
Environmental, Social and Governance Report

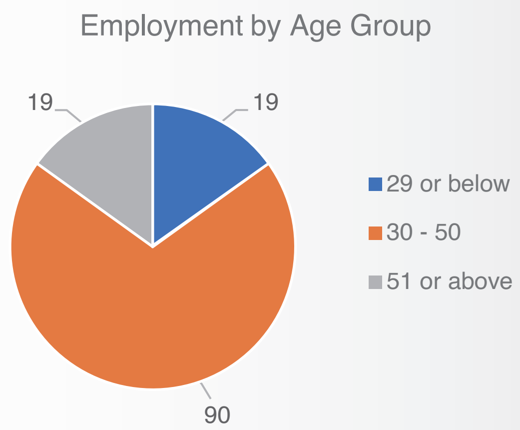
PEOPLE-CENTRIC WORKPLACE

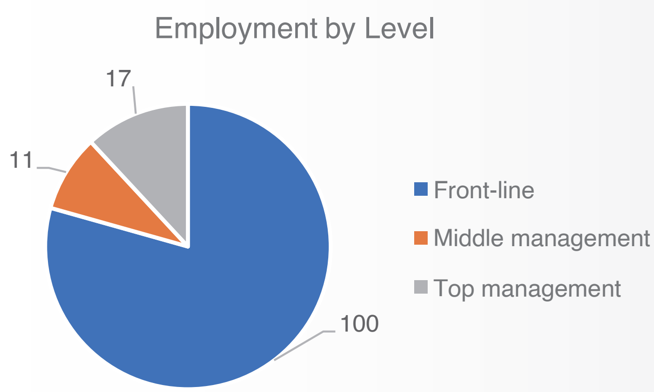
We believe employees are the most valuable assets and an integral part of our success. We aim to grow with the employees who share our vision and values, and to groom our employees into future leaders. We want our employees note that they are contributing to our purpose and believe that the Group supports them. To this end, an employee-oriented approach is adopted in attracting, developing, and retaining talents to support our business development.

OUR PEOPLE

As of the end of the Reporting Year, the Group has 128 employees and all of them are full-time employees from Hong Kong. The composition of our workforce by gender, age group, employment category are as follows:







Environmental, Social and Governance Report

EMPLOYMENT AND LABOUR STANDARDS

The Group actively retains capable talents through reasonable and competitive remuneration and benefits to promote the sustainable development of the Group jointly.

The Group strictly complied with applicable laws and regulations, including but not limited to:

- Minimum Wage Ordinance (Cap. 608, Laws of Hong Kong)
- Employment Ordinance (Cap. 57, Laws of Hong Kong)
- Sex Discrimination Ordinance (Cap. 480, Laws of Hong Kong)
- Family Status Discrimination Ordinance (Cap. 527, Laws of Hong Kong)
- Mandatory Provident Fund Schemes Ordinance (Cap. 485, Laws of Hong Kong)
- Employment of Children Regulations under the Employment Ordinance (Cap. 57, Laws of Hong Kong)
- Employment of Young Persons (Industry) Regulations (Cap. 57c, Laws of Hong Kong)
- Principles of United Nations Global Compact

Our human resources policies cover manpower planning, recruitment, compensation, benefits and welfare, staff relations, work arrangement, promotion, and termination, which bond our practices related to employees and ensure we always act in compliance with relevant laws and regulations. The Group also commits to respecting human rights and acknowledges its responsibility as a responsible corporate citizen to promote equal opportunities.

The Group guarantees that no employee is made to work against his/her will, or work as forced labour, or subject to coercion related to work. Recruitment of child labour is strictly prohibited, once discover, immediate dismissal of the employees will be taken. During the Reporting Year, no material violation on child or forced labour was identified.

FAIR AND EQUAL WORKPLACE

We strive to create a diverse and inclusive workplace where everyone, regardless of their race, colour, ethnic, national origin, sex, age, marital status, sexual orientation, religious or political beliefs, feels equally involved and supported in all areas of the workplace. These policies are clearly stated in our internal guideline. Operating procedures are established to eliminate all forms of child labour, forced labour and discrimination within our business, such as verifying applicants' identity and eligibility for employment.

We formulate equal opportunities and diversity policies for all employees. 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.

Environmental, Social and Governance Report

EMPLOYEE'S RIGHTS AND WELFARES

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.

Meanwhile, we provide employees five and a half working days 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. Discretionary bonuses are paid on an annual basis based on the financial achievements of the Group, individual performance, and other relevant factors. The Group has also introduced the key performance indicators assessment scheme to boost performance and operational efficiency. To recognise and reward the eligible employees for their contributions to the business and development of the Group share option schemes are adopted.

To promote the social interaction and physical wellbeing of our employees, team building activities are held regularly during lunch time or after work. The Group will continue to adopt appropriate measures to safeguard the interest of our employees.

The Group recognizes talents are important assets in our industry, therefore we have been modifying and centralizing human resources during the Reporting Year. Despite it results in reduction in headcount, the Group emphasizes on optimizing investment to current employee.

The overall turnover rate of the Group is as follows:

Employee Turnover Rate	**2021**
Total turnover rate	**61.7%**
By gender	
Male	**70.4%**
Female	**33.3%**
By age group	
29 or below	**131.5 %**
30 – 50	**48.9%**
51 or above	**52.6%**
By geographical location	
Hong Kong	**61.7%**

Note 1: The calculation method of turnover rate is Employees leaving employment in 2021/Number of employees on 31 December 2021 x 100%. Due to the calculation method, the turnover rate of specific category may over 100%. The high turnover rate has always been an inherent problem in the construction industry.

Environmental, Social and Governance Report

EMPLOYEES' DEVELOPMENT AND TRAINING

We put employee empowerment in our top priority. Our Human Resources Department works as a strategic partner of our business, supporting us to achieve business goals by maximising the value of human capital and facilitating employees to unleash their full potential.

The Group also conducts a range of targeted training programs through various institutions to strengthen employees' skills and knowledge, with an aim to well equip them to cope with its development in the industry. We provide professional trainings such as ISO induction trainings and other regular occupational-related health and safety to every new employee 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. Most of our staff possess the Construction Industry Safety Training Certificate and receive annual training outside the Group. We also support our employees to obtain professional qualifications for the advancement of their career developments. We encourage employees to maintain open discussions on strengths and improvements of each other.

During the reporting period, the training[1] data is as below:

Employee Training Data[1]	Percentage[2]	Average training hours[3]
By gender		
Male	73.3%	1.01
Female	26.7%	0.13
By employee category		
Front-line	66.7%	1.02
Middle management	0%	0
Top management	33.3%	0.59

Note 1: We identify that "training" here refers to the trainings with professional certification and non-certification trainings provided for each new project/event which last for less than an hour.

Note 2: Percentage of employees trained = Employees in the category who received trainings/total numbers of employees who received trainings

Note 3: Average training hours per employee = Total number of trainings hours in the category/total number of employees in the category

WORKPLACE HEALTH AND SAFETY

Safeguarding the health, safety and well-being of employees as well as subcontractor workers has always been a priority to the Group, which are also reflected in the core corporate values and policies of the Group. We follow strictly to the Section 15 of the Employees' Compensation Ordinance (Cap. 282, Laws of Hong Kong) to report any accident to the Commissioner for Labour.

Environmental, Social and Governance Report

SAFETY AND HEALTH MANAGEMENT APPROACH

We have safety and asset management systems in place to help ensure the health and safety of our customers and the public as well as our employees and contractors. In line with our Occupational Health and Safety Policies, we are committed to developing a caring health and safety culture to minimise adverse health and safety impacts while promoting good health in the workplaces. The *Policy Statement* also lays out the guiding principles for safety management, including but not limited to:

- Educating and training our employees regarding their responsibilities and duties;
- Ensuring that our employees and contractors are fully aware of relevant health and safety practices and their obligations;
- Complying with applicable laws and regulations, or setting ourselves standards that exceed legal compliance;
- 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;
- 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;

The group strives to provide safe, accident-free workplaces, our *Health & Safety Policy* applies to all areas of our business.

ON-SITE SAFETY MEASURES

Safeguarding health and safety of our site workers and public health are always our foremost concern.

For every project site, apart from compliance to relevant laws and regulations, we strictly follow the internal regulations established from our Health and Safety Department. The implementation of *Legal Compliance and License Management Policy, Occupational Health and Safety Policy, Construction Site Safety Policy* and the placement of *Site Memo* aim at reducing the number of fatal accident and dangerous occurrence case to zero. Specialized safety procedures and work instructions have provided comprehensive and practical guidelines on managing health and safety. To enhance safety competencies, relevant objectives and targets are established, implemented, and regularly reviewed at relevant business units within our operations.

All site workers must be qualified and licensed in order to enter the construction sites. Meanwhile, there is at least one Safety Supervisor or senior project manager assigned in each project site to monitor and manage on-site operation safety with "*Compliance Checklist*". If there are any dissatisfactions or violations in the safety policies, Safety Warning Letter with warnings and administrative penalties will be sent.

To ensure the machines used in the construction sites are always qualified to meet the safety standards, we have entrusted certified engineers to carry out regular and standardized inspections on appliances, including lifting appliances, gears, and the suspended working platform. A weekly check on specific sites and safety evaluations report have been conducted by senior safety supervisor at the safety department to monitor the workplace safety, including employee's practices, equipment, tools and the safety measures. We have maintained a licence register to monitor the qualification of the site workers in each of the construction sites, so as to maintain health and safety environment situation. Moreover, we encourage safety innovation to promote excellence safety and health.

Environmental, Social and Governance Report

OFFICES SAFETY MEASURES

To promote health and safe at the office area, we have adapted various initiatives. We have established an *Office Safety Inspection Checklist*, covering aspects on working environment, fire prevention and ergonomics with descriptions and status for the management members to review on health and safety concerns at office from time to time.

The checklists have provided detailed descriptions under each aspects below, the satisfaction level on the safety inspection checklist have been divided into “Good”, “To be improved” along with suggestion measures:

Working Environment	**Fire Prevention**	**Ergonomics**	**Welfare Facilities**
1.1 Cleanliness	2.1 Means of Escape	3.1 Workstation	4.1 Drinking Facilities
1.2 Floors and Corridors	2.2 Fire fighting Equipment	3.2 Chairs	4.2 Wash basins and Washroom
1.3 Stairways	2.3 Fire Drills	3.3 Computer and Display Screen Equipment	4.3 Hygienic situations

The conducted checklists help the management to identify, review and further improve in maintaining health and safety in office areas.

To ensure each of our employee are able to proactively react to emergency, fire drills and safety inspections will be arranged by Safety Manger from time to time, the activities have been recorded and reported. A safety notice board is placed at office to notify our employees the latest updates on safety issues. To prevent the spread of Coronavirus Disease 2019 (“**COVID-19**”), the epidemic prevention materials such as alcohol hand sanitizer and sprayer, disposable surgical mask and infrared thermometer are well-prepared.

The below summarize the total number and rate of work-related fatalities occurred in each of the past three years, lost days die to work injury respectively:

	Unit	**2021**	**2020**	**2019**
Work related fatalities	Person(s)	**0**	0	0
	Percentage(s)	**0**	0	0
Work injury	Case(s)	**3**	7	3
Lost days due to work injury	Day(s)	**231**	1551	2121

Note 1: The data in 2019 and 2020 are converted into the unit of days according to the Reporting Guide by HKEX for meaningful comparison.

Environmental, Social and Governance Report

RESPONSIBLE OPERATION

As a responsible institution, the Group has been operating on the principles of honesty, ethics and integrity and advocates the principles of sustainable development, by working hand in hand with our business partners to create value for the society.

ANTI-CORRUPTION

It is our long-standing attitude to combat corruption with integrity.

We prohibit any form of unethical behaviours and follow strictly with the anti-corruption related local laws and regulations, including but not limited to Independent Commission Against Corruption Ordinance (Cap. 204, Laws of Hong Kong), Prevention of Bribery Ordinance (Cap. 201, Laws of Hong Kong) to prohibit any form of unethical behaviours. During the Reporting Year, there is no any material violation on concluded legal case regarding corruption brought against the Group or its employees can be identified.

All forms corruption, including bribery, kickbacks, any kind or in any circumstances from our staff are unacceptable and will not be tolerated. Effective internal Anti-corruption policies and measures have been formulated as below:

Anti-corruption Policy	All employees are : • prohibited from accepting all forms of gifts and benefits that are beyond common business hospitality. • should not offer any forms of bribes or advantages to third parties in exchange for any benefits.
Whistleblowing Policy	Effective Whistleblowing Policy have been implemented for employees, customers and subcontractors to formalize the procedures on report on any suspected reportable conduct. • The identity of the whistleblower is kept confidentiality. • Suspected reportable conduct will be investigated internally and follow up actions will be taken subject to the outcomes of the investigation.
Various channels on reporting on any suspected malpractices	• The Group values and welcomes employees to report any suspected malpractices through various channels, i.e., emails, website, in person. • The Group values and welcomes employees to report any suspected malpractices through various channels, i.e., emails, website, in person.
Regular Anti-corruptions trainings	• Enhance and strengthen employees' understanding and awareness of anti-corruption policies. During the Reporting Year: • Materials of 'Compliance and Beyond Training Package on Business Ethics for Listed Companies' offered by ICAC have been used for internal training. • Reached a 100% on the board engagement in the anti-corruption training.

Environmental, Social and Governance Report

RESPONSIBLE SUPPLY CHAIN MANAGEMENT

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

SUPPLY CHAIN MANAGEMENT MECHANISM

Along with a set of procedures related to purchasing and subcontracting activities, we set forth the overall sustainable supply chain management mechanism, from selection to performance evaluation.

Process	Implemented Measures
Selection	It is crucial to ensure that all the suppliers comply with both statutory and contractual requirements regarding site, materials, and equipment safety. The Group selects reputable and reliable suppliers by formal pre-qualification assessments. The relevant department conducts an evaluation and investigation on all suppliers' reputation, operational background, quality, and prices of materials for initial cooperation.
Control strategy	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.
Review and evaluation	A list of approved subcontractors and suppliers has been established and reviewed regularly. Standard appraisals are conducted by the representatives of Project Management Team annually. Updates and eliminations will be made if any suppliers or subcontractors are not to our required standards. If there is any amendment made to the safety and health requirements, the Safety Supervisor will proactively notify the subcontractors and suppliers to alert them about the new updates. All of the stated practices above are well applicable for all of our partners.

Environmental, Social and Governance Report

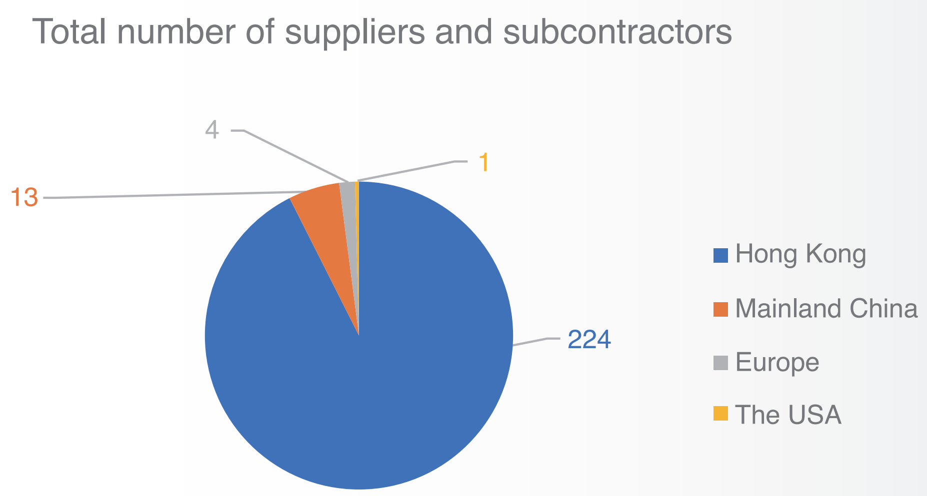
GREEN PROCUREMENTS

For purchase of fixed assets, the Group will first consider the products with green certificates. We also encourage 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.

OUR BUSINESS PARTNERS

We have maintained close ties with 242 partners throughout the Reporting Year, over 90% are local suppliers and subcontractors.

Suppliers and Subcontractors	**2021**
Total number	**242**
By geographical regions	
Hong Kong	**224**
Mainland China	**13**
Europe	**4**
The USA	**1**



Environmental, Social and Governance Report

ALIGNING WITH OUR SUSTAINABILITY VALUE

Among the construction industry, environmental and social related risks in the supply chain has become a heated topic, the Group will continue to explore and to integrate those risks and opportunities in the considerations of quality assessments on subcontractor and suppliers in the future.

We look forward to working with our suppliers, subcontractors, and service providers to go beyond contractual requirements and minimum legal requirements in pursuing environmentally and socially responsible practice objectives in their daily operation towards a sustainable future.

CARING FOR THE SOCIETY

We are aware of the importance of developing a close relationship with the community. We strive to create long-term value for the community to support the sustainable development of the society. The Group donated total amount of HK$13,280 to the community development throughout the Reporting Year.

We leverage our resources for giving back to the society, and our community investment is focused on youth and industry development. We work closely with the charities. We donate annually to the Hong Kong Caritas as supporting community development projects. Meanwhile, we support HK Sea Cadet through monetary donations. The institution has provided various opportunities for the youth to serve the community, with an aim to equip knowledge and skills beyond the classroom. In 2021, we have sponsored the Vocational Training Council's Outstanding Enterprise Internship Scholarship Scheme to encourage talents development in the construction industry. To further support the development of building construction in Hong Kong and among our peers, we also donate to the Hong Kong Building Inspection Association, which is a non-profit organisation in the industry.

We continue to encourage our employees to participate in volunteering. Although the pandemic has affected most of our community volunteer work, we will continue to exert more positive influence through improving our community programs and providing investments to the society.

Environmental, Social and Governance Report

ENVIRONMENTAL STEWARDSHIP

We have been taking steps to manage and mitigate the environmental impacts of our operations. Our business operation should not come at the expense of the environment. We aim to be an environmentally sustainable enterprise by further integrating environmental considerations into our business strategies. We manage the possible environmental risks by integrating the environmental protection and conservation considerations into our strategic business planning, project planning and project execution. We have set out environmentally friendly measures and procedures are properly implemented.

ENVIRONMENTAL AND RESOURCES MANAGEMENT APPROACH

We recognize our emissions, and resources consumptions, are highly associated with our daily operations. To embody our commitments into operations, initiatives have been taken widely in carbon reduction, pollution control, waste minimisation and recycling, and responsible use of energy, water and other natural resources. We have been continuously reviewing our environmental-related initiatives through taken reference from our environmental key performance summary in operations.

The Group has strictly complied with applicable environmental laws and regulations, including but not limited to:

- Air Pollution Control Ordinance (Cap. 311, Laws of Hong Kong)
- Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611, Laws of Hong Kong)
- Waste Disposal Ordinance (Cap. 354, Laws of Hong Kong)
- Noise Control Ordinance (Cap. 400, Laws of Hong Kong)
- Environmental Impact Assessment Ordinance (Cap. 499, Laws of Hong Kong)

During the Reporting Year, there was no material non-compliance issue with relevant laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. The Group will continue to contribute to future sustainable development and be alert to any non-compliance behaviour relating to critical environmental problems.

In the coming future, we will work on enhancing our environmental performance by setting up achievable targets and corresponding action plans, in order to minimizing our environmental impacts of our operations step-by-step. We will continuous on strengthening the efforts of our environmental-conscious green office initiatives with earnest actions from our employees.

Environmental, Social and Governance Report

REDUCTION ON EMISSIONS AND POLLUTIONS

AIR EMISSIONS

Since provision of design and building service is our core business activity, no gaseous fuel was involved in daily operations. The material pollutants came from the usage of our 2 automobiles, for inevitable transportation for employees, which causes air emissions, including nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matters ("**PM**"). The Group has implemented eco-friendly measures, with the objective of reducing carbon footprints in our business operations.

- All vehicles were under frequent and regular checks and maintenance to ensure no energy inefficiency occurred.
- For transportation logistics, our drivers plan the route ahead with the shortest distance to reduce unnecessary consumption of fuel.
- We also encourage employees to travel by public transport instead of private cars.

GREENHOUSE GAS ("GHG") EMISSIONS

The emissions of GHG are directly contributed by the consumption of electricity for operations of the office as well as a warehouse in Hong Kong and the usage of automobiles. 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. We have implemented several measures to reduce our greenhouse gas emissions so as to demonstrate our determination of maintaining environmental sustainability.

- To encourage our staffs to switch off all idle appliances.
- Uses of energy-efficient appliances, as well as the promotion of the use of natural lighting in the office and warehouse.
- Promote office recycling work, including papers; Transportation-related measure as stated.

WASTE MANAGEMENT

Due to our business nature, there was no hazardous waste being involved in our operation during the Reporting Year. We will keep on monitoring and recording so as to take appropriate and responsible handling on hazardous waste if necessary. The non-hazardous wastes are mainly paper waste and domestic waste produced in office operations. Nevertheless, we are still committed to decreasing the production of waste by applying the following measures.

Advocating paperless work environment	• Encourage to reuse the single-side-printed paper. • Electronic documents and online systems are encouraged instead of printed documents.
Encouraging Recycling	• Wastepaper recycling stations are placed next to each of the printer for recycling purpose. • Return the used toners to the suppliers every month for recycling purpose in order to avoid additional wastes to be produced.
Avoid the use of disposable materials	• Employees are encouraged to reduce the domestic waste. • Steam and microwave ovens are placed to encourage employees to bring their own lunches and detergents for cleaning tableware were provided.

Environmental, Social and Governance Report

MANAGING RESOURCES CONSUMPTIONS

Electricity and water are the main resources consumed of the Group. We have undertaken carbon reduction measures in our daily operations to reduce carbon footprint. The use of packaging materials is not material to the Group due to our business nature, thus no packaging material consumption can be identified during the Reporting Year. Meanwhile, the Group takes the initiative to become an environmental-friendly and sustainable enterprise, we will focus on implementing green office initiatives.

ENERGY CONSUMPTION

The largest contributor to the GHG footprint is the electricity consumed by the offices of the Group. The essentialness of energy conservation has been emphasized by the Group. We encourage our staffs to develop an energy-saving habit.

WATER CONSUMPTION

The Group will make every effort to cherish water resources and reduce unnecessary water consumption. As 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. We are planning to enhance our resources efficiency performance, especially appointed to the reduction on the use of water in the future. We have now affixed water saving promotion materials over the offices. We are committed to increase the awareness of our employees on saving water. During the Reporting Year, the Group did not encounter any water sourcing issue as the water sourced from governmental bodies and the quantity met our daily business operation needs.

RESPONDING TO CLIMATE CHANGE

The Group recognizes the severity of climate change, we strive to optimize business operations in achieving greater energy efficiency, and secure value chain alternatives to cope with climate change.

IDENTIFYING POTENTIAL RISKS AND OPPORTUNITIES

The Group has been closely monitoring the impacts of climate change. As physical risk, climate change increases the occurrence of extreme weather-related events such as typhoons and heavy rains. This risk may upset the project operation plans and influence the stability of the site's equipment, such as suspended working platforms. Meanwhile, the extreme weather may bring business opportunities in temporary inspection and maintenance projects on buildings or construction sites.

The Group will proactively investigate other climate change transitional risks such as policy risk, technology risk and reputational risk, as well as any potential losses caused by climate-related disasters caused by the Group.

Environmental, Social and Governance Report

MITIGATING AND RESPONDING TO THE POTENTIAL RISKS

The Group strives to mitigate the stated potential risks with strategies and preventions measures. We have formulated policy in relation to several emergency scenario on extreme weather condition. Different contingency arrangements are set up regarding various weather conditions. Once the information related to the typhoon signal is received from Hong Kong Observatory, it will be disseminated through phone calls. The project manager will inform all staff to take appropriate safety measures in advance under accidents to ensure the equipment operates normally under typhoons or torrential rains.

ENVIRONMENTAL KEY PERFORMANCE SUMMARY

Emissions Indicators[1]	Unit	2021	2020
Air Emissions[2 3]			
NOx emission	kg	0.93	1.08
SOx emission	kg	0.02	0.03
PM emission	kg	0.08	0.08
Greenhouse Gas Emissions			
Total greenhouse gas emissions	Tonnes Co_2e	86.82	149.51
Greenhouse gas emission intensity	Tonnes CO_2e/employee	0.69	0.87
Scope 1 – Direct emission from mobile combustion sources	Tonnes Co_2e	3.83	5.04
Scope 2 – Indirect emissions from electricity consumption[4]	Tonnes Co_2e	60.77	101.47
Scope 3 – Other indirect emissions from Wastes Paper Disposal	Tonnes Co_2e	22.21	43.00

Note 1: The measurement units of and categories are in accordance with the ESG Guide in Appendix 27 to the Listing Rules on the Stock Exchange, the 2020 data has been restated to improve data comparability.

Note 2: The calculation is based on the assumptions of total traveling distance of our vehicles with the reference from Energy Consumption Indicators and Benchmarks in transportation offered from the Hong Kong Electrical and Mechanical Services Department.

Note 3: This statistical scope refers to vehicles under the direct operating rights of the Group. This calculation of air pollutant emissions and respective emission factors were set out based on the EMEP/EEA Air Pollutant Emission Inventory Guidebook.

Note 4: The unit conversion factors of Hong Kong and overseas regions are referenced from 2020 CLP Sustainability Report.

Environmental, Social and Governance Report

Emissions Indicators[5]	Unit	2021	2020
Non-hazardous waste produced[6]			
Total non-hazardous waste produced	Tonnes	5.02	8.96
Non-hazardous waste produced intensity	Tonnes/employee	0.04	0.05
Use of Resources			
Water consumption[7]	Cubic metre	N/A	N/A
Energy Consumption[8 9]			
Direct energy – Petroleum[10]	MWh	13.0	17.30
Indirect energy – Electricity	MWh	164.2	202.9
Total energy consumption	MWh	177.2	220.2
Energy consumption intensity	MWh/employee	1.4	1.3

Note 5: The measurement units of and categories are in accordance with the ESG Guide in Appendix 27 to the Listing Rules on the Stock Exchange, the 2020 data has been restated to improve data comparability.

Note 6: As our business nature, there is zero hazardous wastes recorded on the reporting scope in the Reporting Year. The non-hazardous waste generated refers to domestic wastes and office wastepaper generated from Hong Kong offices.

Note 7: The water resources data of the office is unavailable to conduct. The water consumption data has shown in “Not Available”(N/A).

Note 8: The conversion factor used for converting fuel consumption data from litre to kWh unit is sourced from the Energy Statistics Manual from the International Energy Agency.

Note 9: The fuel consumption under “head office” was attributed to the fuel consumed by mobile vehicles.

Note 10: The fuel consumption was attributed to the fuel consumed by mobile vehicles under office.

Report of the Directors

The Directors hereby 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 2021 are set out in the consolidated income statement and consolidated statement of comprehensive income on pages 77 to 78 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 156 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 (2020: Nil).

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 7 to 15, and pages 5 to 6 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.

Report of the Directors

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, 24 May 2022 to Friday, 27 May 2022 (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, 23 May 2022 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 2021 are set out in note 15 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for about 77.3% of the revenue of the Group and the largest customer accounted for about 35.0% of the revenue of the Group.

During the Year, the five largest suppliers of the Group accounted for about 26.2% of the purchase of the Group and the largest supplier accounted for about 8.1% 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 2021 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 2021 are set out in notes 24 and 34 to the consolidated financial statements, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserve were HK$118.5 million (2020: HK$324.7 million).

Report of the Directors

DIRECTORS

During the year and up to the date of this annual report, the Board consists of the following ten Directors:

Executive Directors

Mr. Kwan Kam Tim *(Chairman and chief executive officer)*
Mr. Mak Kim Hung *(ex-chief executive officer)* (resigned on 10 November 2021)
Mr. Yip Wing Shing (appointed on 3 September 2021)
Mr. Gao Shufang (appointed on 23 November 2021)
Ms. Leung Ng Mui May

Independent Non-Executive Directors

Mr. Keung Kwok Hung (resigned on 1 November 2021)
Mr. Tse Wai Kit (resigned on 30 December 2021)
Prof. Lau Chi Pang, *J.P.*
Mr. Chin Wai Keung Richard (appointed on 25 August 2021)
Prof. Mo Lai Lan (appointed in 1 November 2021)

In accordance with the provisions of the Articles of Association, Prof. Lau Chi Pang, *J.P.*, Mr. Chin Wai Keung Richard, Mr. Yip Wing Shing, Prof. Mo Lai Lan and Mr. Gao Shufang 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 2021, the interests and short positions of Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the 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	31.25%
Ms. Leung Ng Mui May[3]	Beneficial owner	3,900,000	0.63%

Notes:

1. The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2021.

2. RR (BVI) Limited is the registered and beneficial owner holding 31.25% of the issued shares of the Company. The issued share capital of RR (BVI) Limited is wholly owned by Mr. Kwan. Under the SFO, Mr. Kwan is deemed to be interested in the 195,000,000 shares held by RR (BVI) Limited.

3. 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. On 17 January 2022, the options were cancelled in accordance with the terms of the Pre-IPO Share Option Scheme.

Report of the Directors

Save as disclosed above, as at 31 December 2021, none of the Directors and the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

So far as the directors are aware, as at 31 December 2021, the interest and short positions of the persons, other than a director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO are as follows:

Long position in shares of the Company

Name of shareholder	Capacity	Number of Shares held/ interested in	Percentage of shareholding[(1)]
RR (BVI) Limited	Beneficial owner	195,000,000	31.25%
Ms. Ma Lai Ling[(2)]	Interest of spouse	195,000,000	31.25%
Treasure Ship Holding Limited	Beneficial owner	122,000,000	19.55%
Mr. Liao Shigang	Beneficial owner	44,865,000	7.19%
	Interest of spouse	12,500,000	2.00%
Ms. Zhao Yuzhu	Beneficial owner	12,500,000	2.00%
	Interest of spouse	44,865,000	7.19%
Mr. Teng Rongsong[(3)]	Interest in controlled corporation	40,000,000	6.41%
Timeness Vision Limited[(3)]	Interest in controlled corporation	40,000,000	6.41%

Notes:

1. The calculation is based on the total number of 624,000,000 shares in issue as at 31 December 2021.

2. Ms. Ma Lai Ling is the spouse of Mr. Kwan and is deemed, or taken to be, interested in all Shares in which Mr. Kwan has interest in under the SFO.

3. 40,000,000 shares are beneficially held by Trinity Gate Limited, the entire issued share capital of which is, beneficially held by Timeness Vision Limited, whose entire issued share capital is beneficially held by Mr. Teng Rongsong.

Save as disclosed above, as at 31 December 2021, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company that were recorded in the register required to be kept under section 336 of the SFO.

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 of the Shares on the Stock Exchange (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 3.75% of the issued shares as at the date of this report. No further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right was terminated upon the Listing.

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

Name of grantee	Position of grantee	Date of grant	Exercise price per share	Number of share options granted as at 1 January 2021	Number of share options granted as at 31 December 2021
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	General manager and 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 2021, none of the Directors or their spouses or children under 18 years of age were granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations under the Pre-IPO Share Option Scheme.

Report of the Directors

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. Subsequently, all of the Pre-IPO Share Options have been cancelled with effect from 17 January 2022 in accordance with the terms of the Pre-IPO Share Option Scheme. For detail, please refer to the announcement of the Company dated 17 January 2022.

Share Option Scheme

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

Report of the Directors

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 8.33% of the total number of shares in issue as at the date of this report. The Company may seek approval of its shareholders in general meeting for refreshing such 10% limit.

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

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

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

The subscription price is determined by the Board, and shall not be less than whichever is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of offer; and (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the offer date; 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 7 years and 6 months. No share options were 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 21.

Report of the Directors

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.

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 2021, 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 2021.

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 2021, 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 "**Share Option Scheme**" above, the Group has not entered into any other equity-linked agreements during the year ended 31 December 2021.

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 2021.

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.

Report of the Directors

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 2021.

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 (the "**Controlling Shareholders**", each the "**Controlling Shareholder**"), 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 2021 and as at 31 December 2021, 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.

The non-competition undertakings given by a Controlling Shareholder under the Deed of Non-competition will terminate automatically if (i) such Controlling Shareholder and/or his/its close associates, individually or taken as a whole, ceases to hold, whether directly or indirectly, at least 30% of the shares of the Company; or the shares of the Company cease to be listed on the Stock Exchange. On 15 September 2021, Mr. Mak held 140,000,000 shares of the Company, representing 22.43% of the issued shares of the Company. He had ceased to be as the Controlling Shareholder and the obligations of Mr. Mak under the Deed of Non-Competition were released on 15 September 2021.

Report of the Directors

Although the obligations of Mr. Mak under the Deed of Non-Competition were released on 15 September 2021, 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 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 128 full-time employees (2020: 172 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, detail 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.

Report of the Directors

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$13,000 for the year ended 31 December 2021 (2020: HK$6,000).

SUFFICIENCY OF PUBLIC FLOAT

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

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 2021 as disclosed in note 32 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.

Report of the Directors

AUDIT COMMITTEE

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2021.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 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, 25 March 2022

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"), which are set out on pages 77 to 155, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- 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 significant accounting policies and other explanatory information.

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 2021, 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2021, the Group recognised revenue and gross loss from construction contracts of HK$376,564,000 and HK$140,109,000 respectively. Contract assets, contract liabilities and provision for onerous contracts relating to construction contracts amounted to HK$156,639,000, HK$6,381,000 and HK$9,180,000 respectively as at 31 December 2021. 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	How our audit addressed the 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 affect 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 estimation of provision is necessary. 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.	• 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, contract assets/contract liabilities and provision for onerous contracts 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.

Independent Auditor's Report

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.

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 HKSAs 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 HKSAs, 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.

Independent Auditor's Report

- 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.

- 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, 25 March 2022

Consolidated Income Statement

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Revenue	5	376,564	435,797
Cost of sales	8	(516,673)	(461,422)
Gross loss		(140,109)	(25,625)
Other income	6	715	6,775
Other (losses)/gains, net	7	(2,428)	599
Administrative expenses	8	(31,982)	(30,012)
Operating loss		(173,804)	(48,263)
Finance income	10	78	365
Finance costs	10	(1,970)	(611)
Finance costs, net	10	(1,892)	(246)
Loss before income tax		(175,696)	(48,509)
Income tax (expenses)/credits	11	(11,767)	671
Loss for the year		(187,463)	(47,838)
Loss per share attributable to owners of the Company for the year			
– Basic and diluted (HK cents)	12	(33.58)	(9.20)

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

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021 HK$'000	2020 HK$'000
Loss for the year		**(187,463)**	(47,838)
Other comprehensive loss:			
Item that will not be reclassified to consolidated income statement			
Changes in the fair value of financial assets at fair value through other comprehensive income	18	–	(7,682)
Other comprehensive loss for the year		–	(7,682)
Total comprehensive loss for the year		**(187,463)**	(55,520)

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 2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	15	4,462	1,769
Intangible asset	16	680	759
Deferred income tax assets	28	–	6,693
Deposits and prepayments	22	925	2,280
		6,067	11,501
Current assets			
Inventories	19	29,571	38,650
Trade and retention receivables	20	62,091	71,970
Contract assets	21	156,639	233,805
Deposits, prepayments and other receivables	22	10,698	20,654
Pledged deposits	23	65,374	62,229
Restricted deposits	23	8,461	2,930
Cash and cash equivalents	23	22,294	42,135
		355,128	472,373
Total assets		361,195	483,874
EQUITY			
Equity attributable to owners of the Company			
Share capital	24 (a)	6,240	5,200
Reserves	24 (b)	147,997	312,654
Total equity		154,237	317,854

Consolidated Statement of Financial Position

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
LIABILITIES			
Non-current liabilities			
Lease liabilities	25	2,262	791
Deferred income tax liabilities	28	18	12
Provisions	29	1,252	1,446
		3,532	2,249
Current liabilities			
Trade, bills and retention payables	26	124,584	137,602
Contract liabilities	21	6,381	6,714
Other payables and accruals	26	7,216	6,183
Income tax liabilities		1,301	649
Borrowings	27	49,300	5,262
Lease liabilities	25	2,247	419
Provisions	29	12,397	6,942
		203,426	163,771
Total liabilities		206,958	166,020
Total equity and liabilities		361,195	483,874

The consolidated financial statements on pages 77 to 155 were approved by the Board of Directors on 25 March 2022 and were signed on its behalf:

Mr. Kwan Kam Tim
Director

Ms. Leung Ng Mui May
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$'000	Share premium HK$'000	Revaluation reserve HK$'000	Share-based payment reserve HK$'000	Other reserves HK$'000	Retained earnings/ (accumulated losses) HK$'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 33)	–	(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

Consolidated Statement of Changes In Equity

	Attributable to owners of the Company					
	Share capital HK$'000	Share premium HK$'000	Share-based payment reserve HK$'000	Other reserves HK$'000	Retained earnings/ (accumulated losses) HK$'000	Total HK$'000
Balances as at 1 January 2021	5,200	99,743	7,672	37,524	167,715	317,854
Comprehensive loss						
Loss for the year	–	–	–	–	(187,463)	(187,463)
Total comprehensive loss	–	–	–	–	(187,463)	(187,463)
Transaction with owners in their capacity as owners						
Placing and subscription of new shares (Note 24(a))	1,040	18,490	–	–	–	19,530
Share-based payment expenses (Note 24(c))	–	–	4,316	–	–	4,316
Total transaction with owners in their capacity as owners	1,040	18,490	4,316	–	–	23,846
Balances as at 31 December 2021	6,240	118,233	11,988	37,524	(19,748)	154,237

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 2021 HK$'000	2020 HK$'000
Cash flows from operating activities			
Cash used in operations	30(a)	(65,695)	(95,848)
Income tax paid		(4,415)	(14,063)
Net cash used in operating activities		(70,110)	(109,911)
Cash flows from investing activities			
Purchases of property, plant and equipment		(142)	(407)
Purchases of intangible asset		–	(1,823)
Sales proceed from disposal of financial assets at fair value through other comprehensive income	18	–	20,641
Decrease in time deposits		–	2,536
Interest received		78	365
Net cash (used in)/generated from investing activities		(64)	21,312
Cash flows from financing activities			
Proceeds from borrowings	30(c)	107,558	49,616
Repayments of borrowings	30(c)	(63,757)	(50,289)
Principal elements of lease payments	30(c)	(2,114)	(2,137)
Increase in pledged deposits		(3,062)	(22,361)
(Increase)/decrease in restricted deposits		(5,531)	28,240
Dividends paid	33	–	(5,200)
Interest paid		(1,970)	(611)
Net proceeds from placing and subscription of new shares	24(a)	19,530	–
Net cash generated from/(used in) financing activities		50,654	(2,742)
Net decrease in cash and cash equivalents		(19,520)	(91,341)
Cash and cash equivalents at beginning of the year		42,135	133,257
Effect of foreign exchange rate changes		(321)	219
Cash and cash equivalents at end of the year	23	22,294	42,135

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

The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The 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 have been prepared under the historical cost convention.

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.

(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 2021:

- Interest Rate Benchmark Reform – phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16

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 2021 or later periods, but have not been early adopted by the Group:

		Effective for accounting year beginning on or after
Amendments to Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 Cycle	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	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 and equity accounting

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 Joint venture

Interest in a joint venture is accounted for using the equity method, after initially being recognised at cost in the consolidated statement of financial position.

2.2.3 Equity method

Under the equity method of accounting, the investment is initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from the joint venture are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.3 Equity method (Continued)

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in that entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investment is tested for impairment in accordance with the policy described in Note 2.7.

2.2.4 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 and equity accounting (Continued)

2.2.5 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

2.2.5 Business combinations (Continued)

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.

2.2.6 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(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 (losses)/gains, net.

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 (losses)/gains, net in the consolidated income statement.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 amoritsation 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

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.

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as 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.

The Group reclassified debt instruments when and only when its business model for managing those assets changes.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

(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.

(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, 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Borrowings (Continued)

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, or recognised in profit or loss as finance costs.

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.

(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 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 and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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.

2.17 Employee benefits

(a) Pension obligations

The Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees employed under the jurisdiction of the Hong Kong SAR. The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the lower of 5% of the employees' relevant income or HK$1,500 each month. 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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Employee benefits (Continued)

(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).

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on financial assets at amortised cost calculated using the effective interest method is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Leases (Continued)

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.

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.

Notes to the Consolidated Financial Statements

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

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.

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 and liquidity 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 from future commercial transactions, recognised assets and liabilities 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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) Foreign exchange risk (Continued)

At 31 December 2021, if RMB had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2021 would have been approximately HK$166,000 higher/lower (2020: HK$12,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2021 on translation of RMB-denominated monetary net liabilities of the Group (2020: translation of RMB-denominated monetary net assets of the Group).

At 31 December 2021, if EUR had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2021 would have been approximately HK$413,000 lower/higher (2020: HK$273,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2021 on translation of EUR-denominated monetary net assets of the Group (2020: Same).

At 31 December 2021, if GBP had strengthened/weakened by 5%, with all other variables held constant, the pre-tax loss for the year ended 31 December 2021 would have been approximately HK$2,000 lower/higher (2020: HK$126,000 lower/higher), mainly as a result of foreign exchange differences as at 31 December 2021 on translation of GBP-denominated monetary net assets of the Group (2020: Same).

(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 borrowings (including bank borrowings, loans from shareholders and other loans). Borrowings issued at fixed rates expose the Group to fair value interest rate risk. In the opinion of the Directors, the expected change in fair values as a result of change in market interest rates will not be significant, thus no sensitivity analysis is presented.

As at 31 December 2021, the Group does not have borrowings at variable rates (2020: Same). While bank balances at variable rates expose the Group to cash flow interest-rate risk, the sensitivity analysis below has been determined based on the exposure to interest rates for its variable-rate bank balances. The analysis is prepared assuming the variable-rate bank balances as at 31 December 2020 and 2021 were outstanding for the years.

If interest rates had been 100 basis points higher/lower for variable-rate bank balances and borrowings and all other variables were held constant, the effects to the Group's pre-tax loss for the year ended 31 December 2021 would have been approximately HK$103,000 lower/higher (2020: HK$68,000 lower/higher). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances (2020: Same).

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(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 2021, trade and retention receivables from the customer with largest revenue during the year accounted for less than 1% (2020: less than 1%) and from the customers with top five largest revenue during the year accounted for approximately 77% (2020: 89%) 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.

(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.

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

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 2021 or 31 December 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 2021 and 2020 was determined as immaterial for both trade and retention receivables and contract assets and no provision was made to these consolidated financial statements.

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.

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)

(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 financing, including bank borrowings, loans from shareholders and loan facilities obtained from other lenders. 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 completed 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 1 year HK$'000	Within 1 year HK$'000	Over 1 year HK$'000	Total HK$'000
As at 31 December 2021				
Trade, bills and retention payables	–	107,767	16,817	124,584
Other payables	–	3,649	–	3,649
Borrowings				
– principal portion	49,300	–	–	49,300
– interest portion	787	–	–	787
Lease liabilities	–	2,460	2,336	4,796
	50,087	113,876	19,153	183,116
As at 31 December 2020				
Trade, bills and retention payables	–	128,472	9,130	137,602
Other payables	–	2,587	–	2,587
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

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.

Notes to the Consolidated Financial Statements

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

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 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	
	2021	2020
	HK$'000	HK$'000
Borrowings (Note 27)	49,300	5,262
Lease liabilities (Note 25)	4,509	1,210
Less: cash and cash equivalents (Note 23)	(22,294)	(42,135)
Net debt/(cash)	31,515	(35,663)
Total equity	154,237	317,854
Net debt to equity ratio	20%	N/A

The net debt to equity ratio increased to 20% as at 31 December 2021 (2020: N/A, as the Group was not in a net debt position) as a result of the increase in net debt and decrease in total equity due to loss for the year.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate to their fair values due to short-term maturities. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments, unless the discounting effect is insignificant.

The Group's financial instruments carried at fair values during the year ended 31 December 2020 were measured within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

As at 31 December 2021, the Group had no derivative financial instruments (2020: Nil). There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2021 (2020: 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 assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the year ended 31 December 2021 is presented (2020: Nil).

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

Segment liabilities mainly exclude 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$2,242,000 (2020: HK$2,210,000) and amortisation expenses of HK$79,000 (2020: HK$26,000).

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Customer A		
– Façade Works Business	115,290	144,613
– BMU Systems Business	16,623	12,779
	131,913	157,392
Customer B		
– Façade Works Business	18,165	92,842
– BMU Systems Business	19,966	18,069
	38,131	110,911
Customer C		
– Façade Works Business	29,605	40,937
– BMU Systems Business	20,641	26,924
	50,246	67,861
Customer D		
– Façade Works Business	48,012	56,674
– BMU Systems Business	6,770	2,576
	54,782	59,250

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue by customers' geographical location

The Group's revenue from external customers by geographical location, which is determined by location of the customers is as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Hong Kong	360,663	435,797
Macau	15,901	–
	376,564	435,797

(c) Segment results, assets and liabilities

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 finance income, finance costs, depreciation on right-of-use assets of properties, amortisation of intangible asset and other corporate items, which are managed on a central basis.

	Façade Works Business Year ended 31 December		BMU Systems Business Year ended 31 December		Total Year ended 31 December	
	2021	2020	2021	2020	2021	2020
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from external customer recognised over time	213,485	336,203	163,079	99,594	376,564	435,797
Segment results	(200,858)	(66,744)	35,450	23,951	(165,408)	(42,793)
Unallocated other operating income					94	–
Unallocated corporate expenses					(8,490)	(5,470)
Finance income					78	365
Finance costs					(1,970)	(611)
Loss before income tax					(175,696)	(48,509)
Income tax (expenses)/credits					(11,767)	671
Loss for the year					(187,463)	(47,838)
Other segment information:						
Additions to property, plant and equipment	56	365	86	42	142	407
Depreciation	577	1,283	43	65	620	1,348

Notes to the Consolidated Financial Statements

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Segment results, assets and liabilities (Continued)

	Façade Works Business As at 31 December		BMU Systems Business As at 31 December		Total As at 31 December	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Segment assets	128,927	265,239	130,863	102,467	259,790	367,706
Unallocated assets					101,405	116,168
Total assets					361,195	483,874
Segment liabilities	121,762	145,890	28,387	11,636	150,149	157,526
Unallocated liabilities					56,809	8,494
Total liabilities					206,958	166,020

6 OTHER INCOME

	Year ended 31 December 2021 HK$'000	2020 HK$'000
Government grants (Note)	–	6,433
Sundry income	715	342
	715	6,775

Note:

During the year ended 31 December 2020, government grants amounting to HK$6,433,000 were recognised in relation 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 (LOSSES)/GAINS, NET

	Year ended 31 December 2021 HK$'000	2020 HK$'000
Foreign exchange differences, net	(349)	599
Write off of prepayment for information system upgrade	(2,081)	–
Others	2	–
	(2,428)	599

Notes to the Consolidated Financial Statements

8 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Construction costs recognised in cost of sales (Note a)	**511,213**	456,881
Provision for onerous construction contracts (Note 29(d))	**5,377**	3,803
Entertainment expenses	**1,239**	855
Office expenses	**1,638**	1,858
Employee benefit expenses recognised in administrative expenses (including directors' emoluments) (Note 9)	**15,626**	14,283
Depreciation of property, plant and equipment (Note 15)	**2,862**	3,558
Amortisation expenses (Note 16)	**79**	26
Insurance expenses	**2,600**	2,294
Auditor's remuneration		
– Audit	**2,000**	2,000
– Non-audit	**70**	60
Legal and professional fees	**2,654**	2,460
Bank charges	**286**	194
Travelling expenses	**792**	776
Warranty expenses (Note 29(a))	**83**	738
Other expenses	**2,136**	1,648
	548,655	491,434

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Representing:		
Cost of sales	**516,673**	461,422
Administrative expenses	**31,982**	30,012
	548,655	491,434

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	
	2021	2020
	HK$'000	HK$'000
Wages, salaries, bonuses and allowances	66,914	61,575
Pension costs – defined contribution plans (Note (a))	2,155	2,070
Share-based payment expenses (Note 24(c))	4,316	4,316
Other employee benefits	115	838
	73,500	68,799
Less: amounts included in construction costs	(57,874)	(54,516)
Amounts included in administrative expenses	15,626	14,283

Note:

(a) During the year ended 31 December 2021, no forfeited contribution were utilised by the Group to reduce its contributions for the current year (2020: Nil). As at 31 December 2021, no forfeited contributions were available for utilisation by the Group to reduce future contributions (2020: Nil).

10 FINANCE COSTS, NET

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	78	365
Finance costs		
Interest expense on lease liabilities	(346)	(70)
Interest expense on bank borrowings	(769)	(541)
Interest expense on other borrowings:		
– loans from shareholders (Note 27(b))	(154)	–
– other loan	(701)	–
	(1,970)	(611)
Finance costs, net	(1,892)	(246)

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES/(CREDITS)

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profit for the year ended 31 December 2021.

During the year ended 31 December 2021, the Group's subsidiary in Macau is subject to complementary tax at a standard rate of 12%.

No overseas profits tax has been calculated for the Group's entities that are incorporated in the BVI or the Cayman Islands as they are tax exempted in their jurisdictions.

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**5,058**	3,776
– Macau complementary tax	**20**	–
– Adjustments for current tax of prior years	**(10)**	1,704
Deferred income tax expenses/(credits) (Note 28)	**6,699**	(6,151)
	11,767	(671)

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Loss before income tax	**(175,696)**	(48,509)
Tax calculated at tax rates applicable to profits of the respective subsidiaries	**(29,024)**	(8,004)
Income not subject to tax	**(65)**	(1,156)
Expenses not deductible for taxation purposes	**2,660**	1,130
(Over)/under-provision in prior years	**(10)**	1,704
Tax losses not recognised (Note (a))	**38,511**	5,820
Tax concession (Note (b))	**(165)**	(165)
Special complementary tax incentives (Note (c))	**(140)**	–
	11,767	(671)

Notes to the Consolidated Financial Statements

11 INCOME TAX EXPENSES/(CREDITS) (Continued)

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$44,331,000 (2020: HK$5,820,000) in respect of losses amounting HK$268,673,000 (2020: HK$35,272,000) that can be carried forward against future taxable income. These tax losses have no expiry date.

Note (b):

For the year ended 31 December 2021, tax concession relates to tax reduction to tax payable under Two-Tiered Profits Tax Rates Regime capped at HK$165,000 (2020: HK$165,000) for one of the Hong Kong incorporated entities of the Group.

Note (c):

According to Macau complementary tax law, Macau complementary tax is levied at progressive rates ranging from 3% to 9% on the taxable income above MOP32,000 but below MOP300,000, and thereafter at a fixed rate at 12%. In addition, according to the Budget for the financial year 2022 approved by the Legislative Assembly, the tax-free income threshold for complementary tax was increased from MOP32,000 to MOP600,000 for income derived in the tax year 2021. Taxable income over MOP 600,000 is taxed at 12%. The Group has obtained such tax incentives amounting to HK$140,000 for the year ended 31 December 2021 (2020: Nil).

12 LOSS PER SHARE

(a) Basic

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

	Year ended 31 December	
	2021	2020
Loss attributable to owners of the Company (HK$'000)	**(187,463)**	(47,838)
Weighted average number of ordinary shares in issue (thousands)	**558,181**	520,000
Basic loss per share (HK cents)	**(33.58)**	(9.20)

(b) Diluted

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

For the year ended 31 December 2021, the Company has one (2020: one) type of potentially dilutive shares, the Pre-IPO Share Option (2020: Same). 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.

Diluted loss per share for the years ended 31 December 2020 and 2021 is the same as the 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.

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 2020 and 2021 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 2021					
Executive Directors					
Mr. Kwan Kam Tim	–	2,154	170	–	2,324
Mr. Mak Kim Hung (Note (i))	–	2,256	86	15	2,357
Ms. Leung Ng Mui May	–	1,959	100	18	2,077
Mr. Yip Wing Shing (Note (ii))	–	79	–	4	83
Mr. Gao Shufang (Note (iii))	–	38	–	–	38
Independent Non-Executive Directors					
Mr. Keung Kwok Hung (Note (iv))	120	–	–	–	120
Mr. Tse Wai Kit (Note (v))	144	–	–	–	144
Prof. Lau Chi Pang, *J.P.*	144	–	–	–	144
Mr. Chin Wai Keung (Note (vi))	51	–	–	–	51
Prof. Mo Lai Lan (Note (vii))	50	–	–	–	50
	509	6,486	356	37	7,388

Notes to the Consolidated Financial Statements

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

	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

Notes:

(i) Mr. Mak Kim Hung resigned as the Company's chief executive officer and executive director on 10 November 2021.

(ii) Mr. Yip Wing Shing was appointed as an executive director on 3 September 2021.

(iii) Mr. Gao Shufang was appointed as an executive director on 23 November 2021.

(iv) Mr. Keung Kwok Hung resigned as an independent non-executive director on 1 November 2021.

(v) Mr. Tse Wai Kit resigned as an independent non-executive director on 30 December 2021.

(vi) Mr. Chin Wai Keung was appointed as an independent non-executive director on 25 August 2021.

(vii) Prof. Mo Lai Lan was appointed as an independent non-executive director on 1 November 2021.

There was no arrangement under which a Director waived or agreed to waive any emoluments during the year (2020: Nil).

Notes to the Consolidated Financial Statements

13 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(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 2021 (2020: Nil).

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

During the year ended 31 December 2021, no consideration was provided to or receivable by third parties for making available Directors' services (2020: Nil).

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

Save as disclosed in Note 27(b) and Note 32(a), during the years ended 31 December 2020 and 2021, there were no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors.

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

Save as disclosed in Note 32, 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 2021 (2020: Nil) or at any time during the year ended 31 December 2021 (2020: 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 (2020: 2) Directors for the year ended 31 December 2021, whose emoluments are reflected in the analysis presented above. The emoluments payable the remaining 3 (2020: 3) individuals during the year ended 31 December 2021, are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Wages, salaries, bonuses, share options and allowances	8,471	7,278
Pension costs – defined contribution plans	54	54
	8,525	7,332

The emoluments fell within the following bands:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Emolument bands		
HK$1,500,001 to HK$2,000,000	–	1
HK$2,000,001 to HK$2,500,000	2	1
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	1
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	1	–
	3	3

Notes to the Consolidated Financial Statements

14 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2021 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 2021 %	Ownership interest held by the Group 2020 %
Directly owned:					
Acme Metal BVI Limited	BVI, limited liability company	Investment holding, BVI	1 Ordinary share of US$1 each	100	100
Acme Gondola BVI Limited	BVI, limited liability company	Investment holding, BVI	1 Ordinary share of US$1 each	100	100
Omen Global Enterprises Limited (Note (i))	BVI, limited liability company	Investment holding, BVI	100 Ordinary shares of US$1 each	100	N/A
Indirectly owned:					
Acme Metal Works (International) Limited	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
Acme Gondola Systems (Macau) Limited (Note (ii))	Macau, limited liability company	Provision of design and build solutions for BMU systems, Macau	MOP$25,000	100	N/A

Notes:

(i) The company was incorporated on 9 June 2021.

(ii) The company was incorporated on 26 May 2021.

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 2020				
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
Year ended 31 December 2021				
Opening net book amount	1,169	–	600	1,769
Additions	5,413	–	142	5,555
Depreciation	(2,242)	–	(620)	(2,862)
Closing net book amount	4,340	–	122	4,462
As at 31 December 2021				
Cost	12,305	2,111	5,849	20,265
Accumulated depreciation	(7,965)	(2,111)	(5,727)	(15,803)
Net book amount	4,340	–	122	4,462

Depreciation expenses of approximately HK$2,862,000 (2020: HK$3,558,000) have been charged to administrative expenses for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

16 INTANGIBLE ASSET

	Computer software HK$'000
As at 1 January 2021	
Cost	785
Accumulated amortisation	(26)
Net book amount	759
Year ended 31 December 2021	
Opening net book amount	759
Amortisation	(79)
Closing net book amount	680
As at 31 December 2021	
Cost	785
Accumulated amortisation	(105)
Net book amount	680

Amortisation expenses of HK$79,000 (2020: HK$26,000) have been charged to administrative expenses for the year ended 31 December 2021.

Notes to the Consolidated Financial Statements

17 FINANCIAL INSTRUMENTS BY CATEGORIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Financial assets at amortised cost		
Trade and retention receivables	**62,091**	71,970
Deposits and other receivables (excluding prepayments)	**793**	794
Pledged deposits	**65,374**	62,229
Restricted deposits	**8,461**	2,930
Cash and cash equivalents	**22,294**	42,135
	159,013	180,058
Financial liabilities at amortised cost		
Trade, bills and retention payables	**124,584**	137,602
Other payables	**3,649**	2,587
Borrowings	**49,300**	5,262
Lease liabilities	**4,509**	1,210
	182,042	146,661

18 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Equity investments, listed in Hong Kong		
Beginning of the year	**–**	28,323
Disposal	**–**	(20,641)
Changes in fair value recognised in other comprehensive income	**–**	(7,682)
End of the year	**–**	–

During the year ended 31 December 2020, the Group 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.

Notes to the Consolidated Financial Statements

19 INVENTORIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Construction materials	29,571	38,650

Inventories of approximately HK$197,343,000 (2020: HK$193,799,000) were recognised as construction costs in cost of sales during the year ended 31 December 2021.

20 TRADE AND RETENTION RECEIVABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade receivables (Note (a))	27,221	43,783
Retention receivables (Note (b))	34,870	28,187
Trade and retention receivables	62,091	71,970

(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 was as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
0 – 30 days	15,379	25,750
31 – 60 days	10,792	15,620
61 – 90 days	382	2,075
91 – 180 days	595	230
Over 180 days	73	108
	27,221	43,783

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	
	2021	2020
	HK$'000	HK$'000
Will be recovered within twelve months	**8,002**	4,762
Will be recovered more than twelve months after the end of the year	**26,868**	23,425
	34,870	28,187

(c) Impairment and risk exposure

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 2021 (2020: Same).

The carrying amounts of trade and retention receivables approximated their fair values as at 31 December 2020 and 2021 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 2021 (2020: 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	
	2021	2020
	HK$'000	HK$'000
Contract assets relating to façade works construction contracts	74,157	170,929
Contract assets relating to BMU systems construction contracts	82,482	62,876
Total contract assets	156,639	233,805

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Contract liabilities relating to façade works construction contracts	4,436	3,961
Contract liabilities relating to BMU systems construction contracts	1,945	2,753
Total contract liabilities	6,381	6,714

(a) Significant changes in contract assets and liabilities

Contract assets have decreased as the Group has provided less construction services ahead of the right to payment upon receiving certification from quantity surveyors for fixed-price contracts in the Façade Works Business. 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 2021 (2020: Nil).

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

(b) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the years ended 31 December 2021 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	
	2021	2020
	HK$'000	HK$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	5,982	7,067

Notes to the Consolidated Financial Statements

21 CONTRACT ASSETS/LIABILITIES (Continued)

(c) Unsatisfied performance obligations

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

	As at 31 December	
	2021	2020
	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	372,954	613,480

Management expects that the transaction prices regarding the unsatisfied contracts as of 31 December 2021 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.

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Non-current		
Prepayments	279	1,905
Deposits	646	375
	925	2,280
Current		
Deposits and other receivables	147	419
Prepayments for construction materials	6,271	14,706
Other prepayments	4,280	5,529
	10,698	20,654
	11,623	22,934

Notes to the Consolidated Financial Statements

22 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The carrying amounts of deposits, prepayments and other receivables approximated their fair values as at 31 December 2020 and 2021. The carrying amounts of the deposits, prepayments and other receivables were denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**7,095**	15,060
GBP	**2,377**	2,485
RMB	**11**	12
US$	**60**	830
EUR	**2,080**	4,547
	11,623	22,934

23 PLEDGED DEPOSITS, RESTRICTED DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Pledged deposits (Note (a))	**65,374**	62,229
Restricted deposits (Note (b))	**8,461**	2,930
Cash at bank	**22,260**	42,063
Cash on hand	**34**	72
Pledged deposits, restricted deposits and cash and cash equivalents	**96,129**	107,294
Less:		
Pledged deposits (Note (a))	**(65,374)**	(62,229)
Restricted deposits (Note (b))	**(8,461)**	(2,930)
Cash and cash equivalents	**22,294**	42,135

Notes:

(a) As at 31 December 2021, pledged deposits with carrying values of approximately HK$65,374,000 (2020: HK$62,229,000) were pledged to the facilities granted by banks to the Group, details of which are set out in Note 27(a) and Note 31(i).

(b) As at 31 December 2021, restricted deposits with carrying values of HK$8,461,000 were held at the banks (2020: HK$2,930,000). The balance represents the margin deposits held at the banks as pledges against the additional issuance of surety bonds (Note 31(i)) (2020: Same).

Notes to the Consolidated Financial Statements

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

The weighted effective interest rates as at each of the years ended 31 December 2020 and 2021 were as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Pledged deposits		
– HK$	**0.21%**	0.20%
– RMB	**0.00%**	0.00%
– US$	**0.00%**	0.01%
Bank deposits		
– HK$	**0.00%**	0.00%

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

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	**84,487**	97,457
RMB	**94**	5,352
US$	**3,258**	3,189
EUR	**8,250**	1,256
GBP	**40**	40
	96,129	107,294

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 2020, 31 December 2020, 1 January 2021 and 31 December 2021	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 2020	520,000,000	5,200	104,943
2019 final dividend declared and paid (Note 33)	–	–	(5,200)
As at 31 December 2020 and 1 January 2021	520,000,000	5,200	99,743
Placing and subscription of new shares (Note (i))	104,000,000	1,040	18,490
As at 31 December 2021	624,000,000	6,240	118,233

Note (i): On 30 July 2021, the Company entered into the placing agreement with the joint placing agents in respect of the placing of up to 52,000,000 new shares at an issue price of HK$0.19 per share (the "Placing"). In addition, on the same day, the Company entered into the subscription agreement with a subscriber, of which the subscriber agreed to subscribe for 52,000,000 new shares at a subscription price of HK$0.19 per share (the "Subscription"). The Placing and the Subscription were completed on 20 August 2021 and 104,000,000 new shares in total were issued at HK$0.19 per share, with consideration (net of transaction costs) of approximately HK$19,530,000.

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 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 33)	(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	99,743	–	7,672	37,524	167,715	312,654

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/ (accumulated losses) HK$'000	Total HK$'000
Balances as at 1 January 2021	99,743	–	7,672	37,524	167,715	312,654
Comprehensive loss						
Loss for the year	–	–	–	–	(187,463)	(187,463)
Total comprehensive loss	–	–	–	–	(187,463)	(187,463)
Transaction with owners in their capacity as owners						
Share-based payment expenses (Note 24(c))	–	–	4,316	–	–	4,316
Placing and subscription of new shares (Note 24(a))	18,490	–	–	–	–	18,490
Total transaction with owners in their capacity as owners	18,490	–	4,316	–	–	22,806
Balances as at December 2021	118,233	–	11,988	37,524	(19,748)	147,997

(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			
	2021		2020	
	Exercise price per share option	Number of options	Exercise price per share option	Number of options
Beginning and end of the year	HK$0.115	23,400,000	HK$0.115	23,400,000

No options were granted, exercised, forfeited and expired during the year ended 31 December 2021 (2020: 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:

		Year ended 31 December 2021 and 2020	
Grant date	**Expiry date**	**Exercise price**	**Number of options**
21 March 2019	21 March 2029	HK$0.115	23,400,000

The weighted average remaining contractual life of options outstanding at end of 31 December 2021 was 7.23 years (2020: 8.23 years). No outstanding share options as at 31 December 2021 were vested (2020: Same).

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Share-based payment expenses charged in the consolidated statement of comprehensive income	**4,316**	4,316

Refer to Note 35 regarding the cancellation of the Pre-IPO Share Option Scheme after the reporting period.

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	
	2021	2020
	HK$'000	HK$'000
Right-of-use assets (included in property, plant and equipment)		
– Properties (Note 15)	**4,340**	1,169
Lease liabilities		
– Current	**2,247**	419
– Non-current	**2,262**	791
	4,509	1,210

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$5,413,000 (2020: HK$1,315,000).

(ii) Amounts recognised in the consolidated income statement

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Depreciation charge of right-of-use assets		
– Properties (Note 15)	**2,242**	2,210
Interest expenses (included in finance costs) (Note 10)	**346**	70

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 2021 were approximately HK$2,460,000 and HK$346,000 respectively (2020: HK$2,137,000 and HK$70,000 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 with no extension and termination options included in any leases across 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.

26 TRADE, BILLS AND RETENTION AND OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade payables (Note (a))	105,553	119,244
Bills payable (Note (b))	–	5,820
Retention payable (Note (c))	19,031	12,538
Trade, bills and retention payables	124,584	137,602
Accrued staff costs	3,567	3,596
Other accrued operating expenses	3,048	2,538
Other payables	601	49
Other payables and accruals	7,216	6,183
	131,800	143,785

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 2020 and 2021 were as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
0 – 30 days	**47,091**	61,878
31 – 60 days	**14,821**	33,005
61 – 90 days	**4,146**	7,851
91 – 120 days	**11,778**	7,062
Over 120 days	**27,717**	9,448
	105,553	119,244

(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	
	2021	2020
	HK$'000	HK$'000
Due within 30 days	**–**	3,473
Due between 31 to 60 days	**–**	1,518
Due between 61 to 120 days	**–**	829
	–	5,820

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	
	2021	2020
	HK$'000	HK$'000
Will be settled within twelve months	2,214	3,408
Will be settled more than twelve months after the end of the year	16,817	9,130
	19,031	12,538

The carrying amounts of trade, bills and retention and other payables and accruals approximated their fair values as at 31 December 2020 and 2021 and were denominated in the following currencies:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
HK$	124,751	126,218
US$	3,625	12,077
EUR	12	352
RMB	3,412	5,138
	131,800	143,785

Notes to the Consolidated Financial Statements

27 BORROWINGS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current		
Secured		
Bank loans with repayment on demand clauses	**13,905**	5,262
Total secured borrowings (Note (a))	**13,905**	5,262
Unsecured		
Loans from shareholders (Note (b))	**20,154**	–
Other loans (Note (c))	**15,241**	–
Total unsecured borrowings	**35,395**	–
Total borrowings	**49,300**	5,262

Notes:

(a) The secured borrowings represented the bank import loans drawn by the Group and were repayable as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Within 1 year and repayable on demand	**13,905**	5,262

The Group had total unused credit facilities amounting to approximately HK$28,205,000 as at 31 December 2021 (2020: HK$16,033,000).

As at 31 December 2021, the total bank borrowings were guaranteed/secured by the pledged deposits (2020: Same) (Note 23).

(b) As at 31 December 2021, loan from shareholder of HK$10,044,000 (2020: Nil) was provided by Mr. Kwan Kam Tim. The loan was denominated in HK$, unsecured, interest bearing at 5.5% per annum, and the principal, together with the interest are repayable on 30 June 2022. The repayment date was subsequently extended to 30 June 2023, with the other terms remain unchanged.

As at 31 December 2021, loan from shareholder of HK$10,110,000 (2020: Nil) was provided by another shareholder, Mr. Mak Kim Hung. The loan was denominated in HK$, unsecured, interest bearing at 5.5% per annum, and the principal, together with the interest are repayable on 28 February 2022. The repayment date of such borrowing was subsequently extended to 30 June 2023, with the other terms remain unchanged.

Notes to the Consolidated Financial Statements

27 BORROWINGS (Continued)

Notes: (Continued)

(c) As at 31 December 2021, other loans from a third party of HK$15,241,000 (2020: Nil) was denominated in HK$, unsecured, interest bearing at 6.5% per annum, and repayable on the sixth months from the date of the drawdown. As at 31 December 2021, the Group had total facility from this third party amounting to HK$18,000,000, of which HK$3,000,000 was unutilised (2020: N/A).

The weighted effective interest rates as at each of the years ended 31 December 2020 and 2021 were as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Import loans	**6.07%**	6.13%
Other loans	**5.93%**	N/A

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

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/(liabilities) are as follows:

	HK$'000
As at 1 January 2020	530
Credited to the consolidated income statement (Note 11)	6,151
As at 31 December 2020 and 1 January 2021	**6,681**
Charged to the consolidated income statement (Note 11)	**(6,699)**
As at 31 December 2021	**(18)**

Notes to the Consolidated Financial Statements

28 DEFERRED INCOME TAX (Continued)

(a) Net deferred tax assets

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
The balance comprises temporary differences attributable to:		
Tax losses	–	5,968
Decelerated tax depreciation	–	303
Warranty provision	–	518
Total deferred tax assets	–	6,789
Set-off of deferred tax liabilities pursuant to offsetting of balances within same taxation jurisdiction	–	(96)
Net deferred tax assets	–	6,693

	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Warranty provision HK$'000	Total HK$'000
Movement				
As at 1 January 2020	–	114	480	594
Credited to the consolidated income statement	5,968	189	38	6,195
As at 31 December 2020 and 1 January 2021	5,968	303	518	6,789
Charged to the consolidated income statement	(5,968)	(303)	(518)	(6,789)
As at 31 December 2021	–	–	–	–

Notes to the Consolidated Financial Statements

28 DEFERRED INCOME TAX (Continued)

(b) Net deferred tax liabilities

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
The balance comprises temporary differences attributable to:		
Accelerated tax depreciation	(18)	(78)
Leases	–	(30)
Total deferred tax liabilities	(18)	(108)
Set-off of deferred tax assets pursuant to offsetting of balances within same taxation jurisdiction	–	96
Net deferred tax liabilities	(18)	(12)

	Leases HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
Movement			
As at 1 January 2020	–	(64)	(64)
Charged to the consolidated income statement	(30)	(14)	(44)
As at 31 December 2020 and 1 January 2021	(30)	(78)	(108)
Credited to the consolidated income statement	30	60	90
As at 31 December 2021	–	(18)	(18)

Notes to the Consolidated Financial Statements

29 PROVISIONS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Current		
Warranties (Note (a))	3,217	3,139
Onerous construction contracts (Note (d))	9,180	3,803
	12,397	6,942
Non-current		
Reinstatement costs (Note (b))	559	559
Employee benefits obligations (Note (c))	693	887
	1,252	1,446
	13,649	8,388

(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 2020 and 2021 are set out below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Beginning of the year	3,139	2,910
Provision for the year (Note 8)	83	738
Utilisation of provision	(5)	(509)
End of the year	3,217	3,139

Notes to the Consolidated Financial Statements

29 PROVISIONS (Continued)

(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 2020 and 2021 are set out below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Beginning and end of the year	559	559

(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 2020 and 2021 are set out below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Beginning of the year	887	657
(Reversal)/addition for the year	(194)	230
End of the year	693	887

(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 2020 and 2021 are set out below:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Beginning of the year	3,803	–
Addition for the year	5,377	3,803
End of the year	9,180	3,803

Notes to the Consolidated Financial Statements

30 CASH USED IN OPERATIONS

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Loss before income tax	(175,696)	(48,509)
Adjustments for:		
Depreciation of property, plant and equipment	2,862	3,558
Amortisation of intangible asset	79	26
Finance income	(78)	(365)
Finance costs	1,970	611
Non-cash employee benefits expense – share based payments	4,316	4,316
Net exchange differences	438	(2,216)
	(166,109)	(42,579)
Changes in working capital		
Inventories	9,079	(27,266)
Trade and retention receivables	9,879	(30,974)
Deposits, prepayments and other receivables	11,173	(15,461)
Contract assets and liabilities, net	76,833	(38,018)
Trade, bills and retention payables	(12,844)	59,391
Other payables and accruals	1,033	(5,203)
Provisions	5,261	4,262
Cash used in operations	(65,695)	(95,848)

Notes to the Consolidated Financial Statements

30 CASH USED IN 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 2020 and 2021 is as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Borrowings	**49,300**	5,262
Lease liabilities	**4,509**	1,210
Total borrowings	**53,809**	6,472

	1 January	Cash flows	Foreign exchange movement	Other non-cash movements	31 December
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
For the year ended 31 December 2021					
Borrowings	**5,262**	**43,801**	**237**	**–**	**49,300**
Lease liabilities	**1,210**	**(2,114)**	**–**	**5,413**	**4,509**
	6,472	**41,687**	**237**	**5,413**	**53,809**
For the year ended 31 December 2020					
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

Notes to the Consolidated Financial Statements

31 CONTINGENCIES

At each of the years ended 31 December 2020 and 2021, the Group's contingent liabilities were as follows:

(i) Surety bonds

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Surety bonds (Note)	50,359	43,530

Note: As at 31 December 2021, the Group provided guarantees of surety bonds in respect of 28 (2020: 17) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

(ii) Claim

During the year ended 31 December 2018, the Group received a claim from a customer for a damage amounted to approximately HK$3,381,000. During the year ended 31 December 2021, the Group received a revised claim of approximately HK$2,859,000 from the customer. Up to the date of this report, the directors are of the opinion that the final outcome is unable to be determined at this stage. They believe that the Group has reasonable ground to defend the claim which would not result in any material adverse effects to the 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	
	2021	2020
	HK$'000	HK$'000
Intangible assets	–	556

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

(iv) Commitments and contingent liabilities in respect of a joint venture

On 15 October 2021, Zhejiang Xinneng Zhonghe Technology Co., Ltd. (浙江信能中和科技有限公司) ("Xinneng Zhonghe"), a 60% equity-interest-owned joint venture of the Group, was incorporated in the People's Republic of China with registered share capital of RMB10,000,000. Its principal activities are expected to develop business in (i) green building construction materials; (ii) new energy including solar energy, hydrogen energy and energy storage system; and (iii) carbon emission trading, low and zero carbon technologies. Xinneng Zhonghe was not in operation during the year ended 31 December 2021. As at 31 December 2021, the Group has not inject any share capital to the joint venture and is committed to provide funding to the joint venture's share capital of RMB6,000,000 (equivalent to HK$7,351,000) (2020: Nil). The Group had no contingent liabilities in respect of the joint venture (2020: N/A).

Notes to the Consolidated Financial Statements

32 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 2020 and 2021:

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

In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following significant related party transactions:

(a) Transactions and balances with related parties:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Leases arrangement with:		
Related party – Hope Harvest Limited (Note (i))		
– Rent paid	480	480
– Depreciation on right-of-use assets	438	483
– Interest expense on lease liabilities	61	29
– Right-of-use assets	730	1,169
– Lease liabilities	791	1,210
Loans from related parties:		
Loan from a shareholder of the Company		
– Mr. Kwan Kam Tim (Note 27(b))		
Beginning of the year	–	–
Loans advanced	10,000	–
Interest charged	44	–
End of the year	10,044	–
Loan from a shareholder of the Company		
– Mr. Mak Kim Hung (Note 27(b))		
Beginning of the year	–	–
Loans advanced	10,000	–
Interest charged	110	–
End of the year	10,110	–

Note:

(i) The rent was charged at fixed price of HK$40,000 monthly and was mutually agreed with the respective counterparty.

Notes to the Consolidated Financial Statements

32 RELATED PARTY TRANSACTIONS (Continued)

(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	
	2021	2020
	HK$'000	HK$'000
Wages, salaries and allowances	**11,474**	10,010
Discretionary bonuses	**1,256**	519
Share-based payments	**4,316**	4,316
Pension costs – defined contribution plans	**109**	108
	17,155	14,953

33 DIVIDENDS

The Board does not recommend payment of final dividend for the years ended 31 December 2021 and 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

34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December 2021 HK$'000	As at 31 December 2020 HK$'000
ASSETS		
Non-current assets		
Investments in subsidiaries	150,757	249,238
Current assets		
Prepayments	204	201
Amount due from a subsidiary	–	82,262
Cash and cash equivalents	860	6,817
	1,064	89,280
Total assets	151,821	338,518
EQUITY		
Equity attributable to owners of the Company		
Share capital	6,240	5,200
Reserves (Note (a))	118,488	324,711
Total equity	124,728	329,911
LIABILITIES		
Current liabilities		
Other payables and accruals	1,115	802
Amounts due to subsidiaries	5,824	7,805
Borrowings	20,154	–
Total liabilities	27,093	8,607
Total equity and liabilities	151,821	338,518

The statement of financial position was approved by the Board of Directors on 25 March 2022 and were signed on its behalf:

Mr. Kwan Kam Tim
Director

Ms. Leung Ng Mui May
Director

Notes to the Consolidated Financial Statements

34 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 2020	104,943	3,356	241,566	(27,080)	322,785
Comprehensive loss					
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 33)	(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
Balance as at 1 January 2021	99,743	7,672	241,566	(24,270)	324,711
Loss for the year	–	–	–	(229,029)	(229,029)
Total comprehensive loss	–	–	–	(229,029)	(229,029)
Transaction with owners in their capacity as owners					
Share-based payment expenses (Note 24(c))	–	4,316	–	–	4,316
Placing and subscription of new shares (Note 24(a))	18,490	–	–	–	18,490
Total transaction with owners in their capacity as owners	18,490	4,316	–	–	22,806
Balance as at 31 December 2021	118,233	11,988	241,566	(253,299)	118,488

Note: Other reserves of the Company represented the difference between the net asset value of the subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof as part of the reorganisation undertaken by the Company prior to the Listing.

Notes to the Consolidated Financial Statements

35 EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 17 January 2022, the Company and each of the grantees of the Pre-IPO Share Option have mutually agreed to cancel the Pre-IPO Share Option Scheme (Note 24(c)). As of the date of cancellation, all of the Pre-IPO Share Options have not been vested, exercised or lapsed. Accordingly, in the consolidated financial statements for the year ended 31 December 2022, the Group will immediately record share-based payment expenses of approximately HK$10 million, with a corresponding increase in share-based payment reserve as an acceleration of vesting, and the total share-based payment reserve of approximately HK$22 million will be transferred to retained earnings.

Five-Year Financial Summary

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	376,564	435,797	479,472	466,129	423,751
Cost of sales	(516,673)	(461,422)	(382,301)	(375,021)	(336,865)
Gross (loss)/profit	(140,109)	(25,625)	97,171	91,108	86,886
Other income	715	6,755	1,805	1,704	1,603
Other (losses)/gains, net	(2,428)	599	(386)	44,415	75
Administrative expenses	(31,982)	(30,012)	(45,468)	(26,030)	(15,768)
Operating (loss)/profit	(173,804)	(48,263)	53,122	111,197	72,796
Finance income	78	365	672	674	380
Finance costs	(1,970)	(611)	(621)	(834)	(1,210)
Finance (costs)/income, net	(1,892)	(246)	51	(160)	(830)
(Loss)/profit before income tax	(175,696)	(48,509)	53,173	111,037	71,966
Income tax (expenses)/credits	(11,767)	671	(12,094)	(12,146)	(11,562)
(Loss)/profit for the year	(187,463)	(47,838)	41,079	98,891	60,404
Other comprehensive (loss)/income:					
Item that will not be reclassified to consolidated income statement					
Changes in the fair value of financial assets at fair value through other comprehensive income	–	(7,682)	(1,760)	(6,456)	7,173
Other comprehensive (loss)/income for the year	–	(7,682)	(1,760)	(6,456)	7,173
Total comprehensive (loss)/income for the year	(187,463)	(55,520)	39,319	92,435	67,577
ASSETS AND LIABILITIES					
Non-current assets	6,067	11,501	33,164	35,549	40,809
Current assets	355,128	472,373	462,415	336,179	370,294
Total assets	361,195	483,874	495,579	371,728	411,103
Non-current liabilities	3,532	2,249	1,231	3,737	1,960
Current liabilities	203,426	163,771	120,090	101,551	170,138
Total Liabilities	206,958	166,020	121,321	105,288	172,098
Total Equity	154,237	317,854	374,258	266,440	239,005