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Acme International Holdings Limited

益美國際控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1870)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Revenue	107,776	244,113
Gross loss	(42,746)	(48,944)
Loss before income tax	(59,123)	(63,433)
Loss for the period	(61,864)	(73,073)

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Acme International Holdings Limited (the “Company”) presents the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively as the “Group”) for the six months ended 30 June 2022 (the “Period”), together with the unaudited comparative figures for the six months ended 30 June 2021 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	3	107,776	244,113
Cost of sales	4	(150,522)	(293,057)
Gross loss		(42,746)	(48,944)
Other income		1,999	768
Other (losses)/gains, net		(417)	11
Administrative expenses	4	(16,034)	(14,686)
Operating loss		(57,198)	(62,851)
Finance income		63	49
Finance costs		(1,988)	(631)
Finance costs, net		(1,925)	(582)
Loss before income tax		(59,123)	(63,433)
Income tax expenses	5	(2,741)	(9,640)
Loss for the period		(61,864)	(73,073)
Loss attributable to:			
Owners of the Company		(61,781)	(73,073)
Non-controlling interests		(83)	–
		(61,864)	(73,073)
Loss per share attributable to owners of the Company for the period			
– Basic and Diluted (HK cents)	7	(9.90)	(14.05)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 (unaudited) <i>HK\$'000</i>	2021 (unaudited) <i>HK\$'000</i>
Loss for the period	(61,864)	(73,073)
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to consolidated income statement</i>		
Exchange difference on translation of foreign operation	<u>(8)</u>	<u>–</u>
Other comprehensive loss for the period	<u>(8)</u>	<u>–</u>
Total comprehensive loss for the period	<u>(61,872)</u>	<u>(73,073)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(61,786)	(73,073)
Non-controlling interests	<u>(86)</u>	<u>–</u>
	<u>(61,872)</u>	<u>(73,073)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		As at 30 June 2022 (unaudited) <i>HK\$'000</i>	As at 31 December 2021 (audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,415	4,462
Intangible asset		641	680
Deposits and prepayments		681	925
		<u>4,737</u>	<u>6,067</u>
Current assets			
Inventories		22,612	29,571
Trade and retention receivables	8	51,903	62,091
Contract assets	9	119,982	156,639
Deposits, prepayments and other receivables		12,448	10,698
Pledged deposits		67,118	65,374
Restricted deposits		11,109	8,461
Cash and cash equivalents		17,729	22,294
		<u>302,901</u>	<u>355,128</u>
Total assets		<u><u>307,638</u></u>	<u><u>361,195</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	6,240	6,240
Reserves		96,196	147,997
		<u>102,436</u>	<u>154,237</u>
Non-controlling interests		13	–
Total equity		<u><u>102,449</u></u>	<u><u>154,237</u></u>

		As at 30 June 2022 (unaudited) <i>HK\$'000</i>	As at 31 December 2021 (audited) <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Lease liabilities		1,086	2,262
Deferred income tax liabilities		26	18
Provisions		1,695	1,252
		<u>2,807</u>	<u>3,532</u>
Current liabilities			
Trade, bills and retention payables	<i>11</i>	91,543	124,584
Contract liabilities	<i>9</i>	4,450	6,381
Other payables and accruals		4,379	7,216
Income tax liabilities		4,030	1,301
Bank and other borrowings		84,541	49,300
Lease liabilities		2,316	2,247
Provisions		11,123	12,397
		<u>202,382</u>	<u>203,426</u>
Total liabilities		<u>205,189</u>	<u>206,958</u>
Total equity and liabilities		<u>307,638</u>	<u>361,195</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1 GENERAL INFORMATION

Acme International Holdings Limited 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 are principally engaged in the provision of design and build solutions for façade works ("Façade Work Business"), provision of design and build solutions for building maintenance unit ("BMU") systems ("BMU Systems Business") and development, design, production and sales of new energy generation and energy storage system ("Green New Energy Business").

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

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

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2022 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the estimation of income tax which is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year, revenue recognition from sales of new energy and energy generation and energy storage system and the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2022:

Revenue recognition from sales of new energy generation and energy storage system

The Group engages in development, design, production and sale of new energy and energy generation and energy storage system. Revenue is recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has accepted the products, the collection of the related consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

New and revised HKFRSs

Amendments to Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020 Cycle
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use

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

3 REVENUE AND SEGMENT INFORMATION

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

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

The Group is principally engaged in the following:

- Façade Works Business – provision of design and build solutions for façade works;
- BMU Systems Business – provision of design and build solutions for BMU systems; and
- Green New Energy Business – development, design, production and sale of green new energy generation and energy storage system

Segment assets mainly exclude right-of-use assets for properties, intangible asset, 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, mainly including depreciation expenses of HK\$1,121,000 and amortisation of HK\$39,000 for the six months ended 30 June 2022 (six months ended 30 June 2021: depreciation expenses of HK\$1,121,000 and amortisation of HK\$39,000).

(a) 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:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Hong Kong	106,036	244,113
Macau	1,404	–
Malaysia	336	–
	107,776	244,113

(b) **Segment results, assets and liabilities**

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

	Façade Works Business		BMU Systems Business		Green New Energy Business		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021	2022	2021	2022	2021
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers recognised at a point in time	-	-	-	-	336	-	336	-
Revenue from external customer recognised over time	29,976	182,831	77,464	61,282	-	-	107,440	244,113
	<u>29,976</u>	<u>182,831</u>	<u>77,464</u>	<u>61,282</u>	<u>336</u>	<u>-</u>	<u>107,776</u>	<u>244,113</u>
Segment results	(66,270)	(77,029)	12,917	16,817	(304)	-	(53,657)	(60,212)
Unallocated other operating income							32	-
Unallocated corporate expenses							(3,573)	(2,639)
Finance income							63	49
Finance costs							(1,988)	(631)
Loss before income tax							(59,123)	(63,433)
Income tax expenses							(2,741)	(9,640)
Loss for the period							<u>(61,864)</u>	<u>(73,073)</u>
Other segment information:								
Additions to property, plant and equipment	-	30	102	55	-	-	102	85
Depreciation	-	98	27	21	-	-	27	119
	<u>-</u>	<u>128</u>	<u>129</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>129</u>	<u>204</u>

	Façade Works Business		BMU Systems Business		Green New Energy Business		Total	
	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December	As at 30 June	As at 31 December
	2022	2021	2022	2021	2022	2021	2022	2021
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	89,973	128,927	118,456	130,863	47	-	208,476	259,790
Unallocated assets							99,162	101,405
Total assets							<u>307,638</u>	<u>361,195</u>
Segment liabilities	91,086	121,762	19,206	28,387	128	-	110,420	150,149
Unallocated liabilities							94,769	56,809
Total liabilities							<u>205,189</u>	<u>206,958</u>

4 EXPENSES BY NATURE

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Construction costs recognised in cost of sales (<i>Note a</i>)	142,584	283,585
Provision for onerous construction contracts	7,938	9,371
Entertainment expenses	265	744
Office expenses	1,030	866
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	8,753	7,002
Depreciation of property, plant and equipment	1,148	1,240
Amortisation expenses	39	39
Insurance expenses	1,227	1,299
Auditor's remuneration	1,000	1,000
Legal and professional fee	1,417	1,114
Bank charges	96	203
Travelling expenses	201	395
Warranty expenses	–	101
Other expenses	858	784
	<u>166,556</u>	<u>307,743</u>
Representing:		
Cost of sales	150,522	293,057
Administrative expenses	16,034	14,686
	<u>166,556</u>	<u>307,743</u>

Note:

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

5 INCOME TAX EXPENSES

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the Period for subsidiaries in Hong Kong, the PRC and Macau are 16.5% (2021: 16.5%), 25% (2021: N/A) and 12% (2021: N/A), respectively. 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 to the interim consolidated income statement represented:

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Current income tax	2,733	2,941
Deferred income tax	8	6,699
	<u>2,741</u>	<u>9,640</u>

6 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

7 LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2022.

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
Loss attributed to owners of the Company (HK\$'000)	(61,781)	(73,073)
Weighted average number of ordinary shares in issue (thousands)	624,000	520,000
Basic loss per share (HK cents)	<u>(9.90)</u>	<u>(14.05)</u>

(b) Diluted

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

For the six months ended 30 June 2021 and 2022, the Company has one category of potentially dilutive shares, the Pre-IPO Share Option. For the Pre-IPO Share Option, calculation was performed to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The Pre-IPO Share Option granted by the Group was cancelled and share-based payment expenses of approximately HK\$1.6 million and HK\$8.4 million were recognised in the administrative expenses and cost of sales, respectively, during the Period as disclosed in the announcement of the Company dated 17 January 2022.

Diluted loss per share for the six months ended 30 June 2021 and 2022 is the same as basic loss per share as the conversion of potential ordinary shares in relation to the outstanding Pre-IPO Share Options would have an antidilutive effect on the basic loss per share.

8 TRADE AND RETENTION RECEIVABLES

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Trade receivables (<i>Note (a)</i>)	17,418	27,221
Retention receivables (<i>Note (b)</i>)	34,485	34,870
	<hr/>	<hr/>
Trade and retention receivables	51,903	62,091

(a) Trade receivables

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

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
0 – 30 days	9,232	15,379
31 – 60 days	6,780	10,792
61 – 90 days	483	382
91 – 180 days	156	595
Over 180 days	767	73
	<hr/>	<hr/>
	17,418	27,221

(b) Retention receivables

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

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Will be recovered within twelve months	21,294	8,002
Will be recovered more than twelve months after the end of the period/year	13,191	26,868
	<hr/>	<hr/>
	34,485	34,870

9 CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Contract assets relating to façade works construction contracts	47,971	74,157
Contract assets relating to BMU systems construction contracts	72,011	82,482
	<u>119,982</u>	<u>156,639</u>
Total contract assets	<u>119,982</u>	<u>156,639</u>
Contract liabilities relating to façade works construction contracts	1,383	4,436
Contract liabilities relating to BMU systems construction contracts	3,067	1,945
	<u>4,450</u>	<u>6,381</u>
Total contract liabilities	<u>4,450</u>	<u>6,381</u>

10 SHARE CAPITAL

	Number of ordinary shares	Share Capital HK\$'000
Authorised:		
As at 1 January 2021, 31 December 2021, 1 January 2022 and 30 June 2022	4,000,000,000	40,000
	<u>4,000,000,000</u>	<u>40,000</u>
Issued and fully paid:		
As at 1 January 2021	520,000,000	5,200
Placing and subscription of new shares (<i>Note</i>)	104,000,000	1,040
	<u>624,000,000</u>	<u>6,240</u>
As at 31 December 2021, 1 January 2022 and 30 June 2022	624,000,000	6,240
	<u>624,000,000</u>	<u>6,240</u>

Note: 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.

11 TRADE, BILLS AND RETENTION PAYABLES

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Trade payables (<i>Note (a)</i>)	69,023	105,553
Bills payable (<i>Note (b)</i>)	1,677	–
Retention payable (<i>Note (c)</i>)	20,843	19,031
	<u>91,543</u>	<u>124,584</u>

(a) Trade payables

Trade payables are unsecured and the credit terms of trade payables granted by suppliers are mostly 30 days from invoice date. The ageing analysis of trade payables based on invoice date as at 30 June 2022 and 31 December 2021 were as follows:

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
0 – 30 days	27,009	47,091
31 – 60 days	1,677	14,821
61 – 90 days	12,253	4,146
91 – 120 days	1,261	11,778
Over 120 days	26,823	27,717
	<u>69,023</u>	<u>105,553</u>

(b) Bills payables

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

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Due between 31 to 60 days	1,677	–

(c) **Retention payables**

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

	As at 30 June 2022 (unaudited) HK\$'000	As at 31 December 2021 (audited) HK\$'000
Will be settled within twelve months	4,807	2,214
Will be settled more than twelve months after the end of the period/year	16,036	16,817
	<u>20,843</u>	<u>19,031</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for façade works, BMU system works and development, design, production and sale of new energy generation and energy storage system. Through our principal operating subsidiaries, Acme Metal Works (International) Limited and Acme Gondola Systems Limited, the Group has over 32 years of experience in façade works industry, and over 21 years of experience in BMU system works industry.

In the first half of 2022, the outbreak of the new wave of novel coronavirus (“COVID-19”) pandemic has caused all walks of life to face different degrees of challenges. As the outbreak affect different areas in varying degrees, the epidemic prevention measures have also changed rapidly in response. 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. As a result, the Façade Works Business recorded gross losses for the Period.

The revenue of the Group for the Period significantly decreased by 55.8% to approximately HK\$107.8 million, as compared with that of approximately HK\$244.1 million recorded for the corresponding period in 2021. Details of the revenue of the Group are set out in the section headed “Financial Review” below.

The Group reported a net loss of approximately HK\$61.9 million for the Period, as compared to a net loss of approximately HK\$73.1 million for the corresponding period in 2021. The net loss of the Group for the Period was primarily due to the combined effect of the following:

- (i) the outbreak of the new wave of COVID-19 pandemic during the first half of 2022, a number of façade construction projects were delayed and construction plans were adjusted to accommodate for tight lockdowns and restrictions in Hong Kong and Mainland China (as some of the suppliers are located in Mainland China). In order to deal with any unexpected change, the Group had to incur more subcontracting charges, storage and transportation cost for making special on-site and logistics arrangements to catch up on the progress of certain façade construction projects during the Period;
- (ii) in the second half of 2020, the Group has engaged new approved suppliers to supply construction material parts for certain projects with a view to reduce the impact brought about by delay in the supply chain as a result of COVID-19 pandemic. However, upon on-site inspection conducted on certain projects during 2021 and the Period, the Group realised that the quality of such construction material parts for unitised curtain wall construction 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) the costs of various projects further increased due to the substantial increase in the purchase costs of major raw materials (mainly aluminum, steel and glass) used in the façade work business and the fluctuation of Renminbi causing the suppliers to raise prices; and
- (iv) the Pre-IPO Share Options granted by the Group was cancelled and a share-based payment expenses of approximately HK\$10.0 million was recorded during the Period as an acceleration of vesting in accordance with the relevant accounting standards as disclosed in the announcements of the Company dated 17 January 2022.

OUTLOOK

The new wave of COVID-19 outbreak and the new variants of the virus continue to adversely affect businesses and the industry. Despite a high degree of uncertainty in the short term, the Group will continue to be cautiously optimistic about the construction industry in Hong Kong and stick to its principles and fulfill its promises with outstanding quality and firm attitude.

The Group's green new energy business has also successfully launched and its own trademarked brand of solar energy generation and energy storage products have also been registered in several key regions. In the second half of 2022, the Group will continue to strengthen the development of BMU System Business and carry out the green new energy business globally to increase the recurring income of the Group. As such, the Group anticipates that additional fundraising may be required from time to time to support working capital expenses in order to achieve such business growth.

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group was approximately HK\$107.8 million. As compared with approximately HK\$244.1 million for the corresponding period in 2021, the revenue of the Group significantly decrease by HK\$136.3 million or 55.8%, which was mainly due to the decrease in Façade Works Business amounting to HK\$152.9 million. Such decrease was mainly due to the delay in construction programs caused by the outbreak of the new wave of COVID-19 during the first half of 2022.

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Façade Works Business	29,976	182,831
BMU Systems Business	77,464	61,282
Green New Energy Business	336	–
	<hr/>	<hr/>
Total	107,776	244,113
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Gross (loss)/profit

The Façade Works Business recorded a gross loss of approximately HK\$58.0 million for the Period as compared with the gross loss of approximately HK\$67.8 million recorded for the corresponding period in 2021.

As compared to the corresponding period in 2021, the gross profit of BMU Systems Business decreased from approximately HK\$18.8 million to approximately HK\$15.1 million for the Period. The decrease in the gross profit for the Period was mainly due to the decrease in profit margin of the Group's variation orders works due to the outbreak of the new wave of COVID-19 pandemic and overall economic downturn in Hong Kong.

The Green New Energy Business of the Group has been successfully launched and recorded a gross profit margin of approximately 29.5% for the Period.

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

	Six months ended 30 June	
	2022	2021
	(unaudited)	(unaudited)
	Gross (loss)/	Gross (loss)/
	profit	profit
	HK\$'000	HK\$'000
Façade Works Business	(57,972)	(67,762)
BMU Systems Business	15,127	18,818
Green New Energy Business	99	–
	<hr/>	<hr/>
Total	<u>(42,746)</u>	<u>(48,944)</u>

Other income

The other income of the Group increased to HK\$2.0 million for the Period from approximately HK\$0.8 million for the six months ended 30 June 2021.

The other income recorded for the Period mainly represented the government grant under the employment support scheme.

Other (losses)/gains, net

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

Administrative expenses

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

The administrative expenses of the Group slightly increased by approximately 9.2% to approximately HK\$16.0 million for the Period, as compared to approximately HK\$14.7 million for the corresponding period in 2021. The increase was mainly due to the recognition of approximately HK\$1.6 million of the share-based payment expenses for the administrative and management personnel as an acceleration of vesting the Pre-IPO share option upon its cancellation.

Income tax expenses

The Group's operation is based in Hong Kong which is subject to Hong Kong profit tax calculated at 16.5%. During the Period, the Group's subsidiaries in the PRC and Macau are subject to corporate income tax at a standard rate of 25% and 12%, respectively. As compared to the corresponding period in 2021, the income tax expenses of the Group for the Period decreased from HK\$9.6 million to HK\$2.7 million. The decrease was mainly due to the reversal of deferred tax credits regarding to the tax loss in Façade Works Business recorded for the six months ended 30 June 2021.

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 Period increased to HK\$1.9 million from HK\$0.6 million for the corresponding period in 2021, which was mainly due to the increase in borrowings drawn by the Company.

Net loss for the Period

As a result of the foregoing, the Group reported a net loss of approximately HK\$61.9 million for the Period compared to a net loss of approximately HK\$73.1 million for the corresponding period of 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2022, the Group's monetary assets, including cash and cash equivalents, pledged and restricted deposits were approximately HK\$96.0 million (31 December 2021: approximately HK\$96.1 million).

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 Hong Kong dollar, unsecured, interest bearing at 6.5% per annum, and repayable on the sixth month from the date of draw down. The first HK\$5 million loan was drawn on 28 January 2021, and the maturity date of the loan was extended to 28 December 2022. The second HK\$5 million loan was drawn 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 on 10 August 2021, and the maturity date was subsequently extended to 10 February 2023.

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.

In November 2021, the Group entered into a loan agreement with a Director, 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. During the first half year of 2022, the Group entered into three supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK\$38 million and extend the repayment date to 30 June 2023, with the other terms remaining unchanged.

As at 30 June 2022, the Group's total borrowings amounted to approximately HK\$84.5 million (31 December 2021: approximately HK\$49.3 million). The borrowings of the Group as at 30 June 2022 were denominated in Hong Kong dollars, and carried interest rates of 5.50% to 6.50% per annum (31 December 2021: same).

As at 30 June 2022, the Group had unutilised credit facilities of HK\$20.1 million (31 December 2021: approximately HK\$28.2 million).

As at 30 June 2022, the Group's gearing ratios (total debt, being the total of borrowings and lease liabilities, as at the end of the period divided by total equity attributable to shareholder as at the end of the period and multiplied by 100%) increased to approximately 85.9%, compared to gearing ratio of 34.9% as at 31 December 2021. The increase in gearing ratio was mainly attributable to the increase in total debt from approximately HK\$53.8 million as at 31 December 2021 to approximately HK\$87.9 million as at 30 June 2022 and the decrease in total equity due to net loss for the Period.

TREASURY POLICIES

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

FOREIGN EXCHANGE RISK AND HEDGING

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

MATERIAL ACQUISITIONS AND DISPOSALS

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

SIGNIFICANT INVESTMENTS HELD

Except for investment in subsidiaries, the Group did not have any significant investments in equity interest as at 30 June 2022.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2022, the Group has no plan for any material investments or capital assets.

PLEDGE OF ASSETS

As at 30 June 2022, pledged deposits in the sum of approximately HK\$67.1 million (31 December 2021: HK\$65.4 million) were placed with banks to secure certain banking facilities of the Group.

CAPITAL COMMITMENTS

On 15 October 2021, Zhejiang Xinneng Zhonghe Technology Company Limited (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 million. Its principal activities are expected to be the development of businesses in (i) green building construction materials; (ii) new energy (including solar energy, hydrogen energy) generation 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 injected any share capital into the joint venture and is committed to provide funding to the joint venture’s share capital of RMB6 million (equivalent to HK\$7.4 million). During the Period, the Group injected share capital of approximately RMB120,000 into Xinneng Zhonghe. The Group had no contingent liabilities in respect of the joint venture.

Save as disclosed in this announcement, as at 30 June 2022, the Group has no capital commitments.

CONTINGENT LIABILITIES

As at 30 June 2022 and 31 December 2021, the Group’s contingent liabilities were as follows:

(i) Surety bonds

	As at 30 June 2022 (unaudited) HK\$’000	As at 31 December 2021 (audited) HK\$’000
Surety bonds (<i>Note</i>)	41,401	50,359

Note: As at 30 June 2022, the Group provided guarantees of surety bonds in respect of 32 (31 December 2021: 28) construction contracts of the Group in its ordinary course of business respectively. The surety bonds are expected to be released in accordance with the term of the respective construction contracts.

(ii) Claim

In 2018, the Group received a claim from a customer for a damage amounted to approximately HK\$3,381,000. In 2021, the Group received a revised claim of approximately HK\$2,859,000 from the customer. Up to the date of this announcement, the directors are of the opinion that the final outcome is unable to be determined at this stage. They believe that the Group has reasonable ground to defend the claim which would not result in any material adverse effects to the interim condensed consolidated financial information of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 101 full-time employees (As at 31 December 2021: 128 employees). The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wages, employee benefits and liabilities for breaches and grounds for termination.

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

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate governance practices

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders of the Company and to enhance corporate value and accountability. The Company has adopted Corporate Governance Code set out in Appendix 14 to the Listing Rules (the “CG Code”) as its own code of corporate governance. To the best knowledge of the Directors, the Company has complied with all applicable code provisions as set out in the CG Code during the Period, 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. During the Period, Mr. Kwan Kam Tim was the chairman of the Board and the chief executive officer of the Company until his resignation as the chief executive officer with effect from 27 May 2022. On 27 May 2022, Mr. Poon Pui Kit has been appointed as the chief executive officer of the Company with immediate effect.

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three independent non-executive directors, namely Prof. Mo Lai Lan, Mr. Chin Wai Keung Richard and Prof. Hons. Lau Chi Pang, *BBS, J.P.* Prof. Mo Lai Lan is the chairlady of the Audit Committee. The unaudited interim condensed consolidated financial information of the Group for the Period has been reviewed by the Audit Committee.

PUBLICATION OF THE 2022 INTERIM RESULTS AND THE 2022 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.acmehld.com). The interim report of the Company for the six months ended 30 June 2022 will be despatched to shareholders of the Company and made available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 August 2022

As at the date of this announcement, the Board comprises seven members, of which Mr. Kwan Kam Tim, Mr. Yip Wing Shing, Mr. Gao Shufang and Ms. Leung Ng Mui May are the executive Directors; and Prof. Hons. Lau Chi Pang, BBS, J.P., Mr. Chin Wai Keung Richard and Prof. Mo Lai Lan are the independent non-executive Directors.