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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 2023**

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June	
	2023	2022
	(unaudited)	(unaudited)
		(restated)
	HK\$'000	HK\$'000
Revenue	75,678	77,800
Gross profit	24,539	15,226
Gross profit margin	32.4%	19.6%
Profit from continuing operations	9,094	2,787
Profit/(loss) for the period	9,094	(61,864)

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”, each the “**Director**”) 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 2023 (the “**Period**”), together with the unaudited comparative figures for the six months ended 30 June 2022 as follows:

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2023	2022
		(unaudited)	(unaudited)
			(restated)
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	75,678	77,800
Cost of sales	4	<u>(51,139)</u>	<u>(62,574)</u>
Gross profit		24,539	15,226
Other income		–	650
Other losses, net		(143)	(336)
Administrative expenses	4	(11,012)	(8,978)
Impairment of financial and contract assets		<u>(41)</u>	<u>–</u>
Operating profit		13,343	6,562
Finance income		24	20
Finance costs		<u>(1,415)</u>	<u>(1,054)</u>
Finance costs, net		<u>(1,391)</u>	<u>(1,034)</u>
Profit before income tax		11,952	5,528
Income tax expenses	5	<u>(2,858)</u>	<u>(2,741)</u>
Profit from continuing operations		9,094	2,787
Loss from discontinued operation (attributable to equity holders of the Group)		<u>–</u>	<u>(64,651)</u>
Profit/(loss) for the period		<u>9,094</u>	<u>(61,864)</u>
Profit/(loss) attributable to:			
Owners of the Company		9,855	(61,781)
Non-controlling interests		<u>(761)</u>	<u>(83)</u>
		<u>9,094</u>	<u>(61,864)</u>
Earnings per share from continuing operations attributable to owners of the Company for the period			
– Basic and Diluted (<i>HK cents</i>)	7	<u>1.58</u>	<u>0.46</u>
Earnings/(loss) per share attributable to owners of the Company for the period			
– Basic and Diluted (<i>HK cents</i>)	7	<u>1.58</u>	<u>(9.90)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
		(restated)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	9,094	(61,864)
Other comprehensive loss:		
<i>Item that may be reclassified subsequently to consolidated income statement</i>		
Exchange difference on translation of foreign operation	(28)	(8)
Other comprehensive loss for the period	(28)	(8)
Total comprehensive profit/(loss) for the period	9,066	(61,872)
Total comprehensive profit/(loss) attributable to:		
Owners of the Company	9,835	(61,786)
Non-controlling interests	(769)	(86)
	9,066	(61,872)
Total comprehensive profit/(loss) for the period attributable to owners of the Company arises from:		
– Continuing operations	9,835	2,865
– Discontinued operation	–	(64,651)
	9,835	(61,786)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 (unaudited) <i>HK\$'000</i>	As at 31 December 2022 (audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		3,774	2,686
Deposits and prepayments		323	357
		4,097	3,043
Current assets			
Inventories		11,334	10,954
Trade and retention receivables	8	34,446	28,847
Contract assets	9	74,555	64,268
Deposits, prepayments and other receivables		18,466	4,752
Amount due from non-controlling interests		485	–
Pledged deposits		3,215	2,786
Time deposits		–	1,806
Restricted deposits		11,621	13,090
Cash and cash equivalents		14,300	31,203
		168,422	157,706
Total assets		172,519	160,749
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	6,240	6,240
Reserves		88,272	78,437
		94,512	84,677
Non-controlling interests		1,673	490
Total equity		96,185	85,167

		As at 30 June 2023 (unaudited) <i>HK\$'000</i>	As at 31 December 2022 (audited) <i>HK\$'000</i>
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Borrowings		–	34,989
Lease liabilities		1,805	1,548
Deferred income tax liabilities		52	18
Provisions		345	484
		<hr/>	<hr/>
		2,202	37,039
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current liabilities			
Trade and retention payables	<i>11</i>	16,843	15,854
Contract liabilities	<i>9</i>	2,325	4,016
Other payables and accruals		5,354	6,536
Income tax liabilities		2,239	690
Bank and other borrowings		46,253	10,660
Lease liabilities		1,118	787
		<hr/>	<hr/>
		74,132	38,543
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Total liabilities		76,334	75,582
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Total equity and liabilities		172,519	160,749
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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**"), which the Group discontinued during the year ended 31 December 2022, 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.

During the year ended 31 December 2022, the Group initiated a winding up of its indirectly-wholly-owned subsidiary, Acme Metal Works (International) Limited ("**Acme Metal**"). Acme Metal represented the whole segment of Façade Works Business and a separate major line of business of the Group. For the presentation of the interim condensed consolidated financial statements for the six months ended 30 June 2022, it was regarded as discontinued operation and certain comparative figures have been restated.

The accounting policies adopted in the preparation of the interim condensed consolidated financial information for the six months ended 30 June 2023 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the estimation of income tax and the adoption of the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) effective as of 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKFRS 17	Insurance Contracts (New Standard)
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

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

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.

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, which the Group discontinued during the year ended 31 December 2022;
- 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 system

Segment assets mainly exclude right-of-use assets for properties, intangible asset, deferred tax assets, pledged deposits, time 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\$756,000 for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023 (unaudited) HK\$'000	2022 (unaudited) (restated) HK\$'000
Continuing operations		
– Hong Kong	64,529	76,060
– Macau	11,047	1,404
– Malaysia	–	336
– Others	102	–
	<hr/>	<hr/>
Revenue from continuing operations	75,678	77,800
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Discontinued operation		
– Hong Kong	–	29,976
	<hr/>	<hr/>
Revenue from discontinued operation	–	29,976
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total	75,678	107,776
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

(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.

	Discontinued operation				Continuing operations					
	Façade Works Business*		BMU Systems Business		Green New Energy Business		Subtotal		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customer recognized at a point in time	-	-	-	-	102	336	102	336	102	336
Revenue from external customer recognised over time	-	29,976	75,576	77,464	-	-	75,576	77,464	75,576	107,440
	-	29,976	75,576	77,464	102	336	75,678	77,800	75,678	107,776
Segment results	-	(66,270)	18,498	12,917	(1,438)	(304)	17,060	12,613	17,060	(53,657)
Unallocated other operating income									-	32
Unallocated corporate expenses									(3,717)	(3,573)
Finance income									24	63
Finance costs									(1,415)	(1,988)
Profit/(loss) before income tax									11,952	(59,123)
Income tax expenses									(2,858)	(2,741)
Profit/(loss) for the period									9,094	(61,864)
Other segment information:										
Additions to property, plant and equipment	-	-	243	102	620	-	863	102	863	102
Depreciation	-	-	69	27	174	-	243	27	243	27

* *The Façade Works Business has been classified as discontinued operation, and the related revenue and expenses are presented as a single amount in the interim condensed consolidated income statement as “loss from discontinued operation”.*

	Discontinued operation				Continuing operations					
	Façade Works Business		BMU Systems Business		Green New Energy Business		Subtotal		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Segment assets	-	-	139,267	108,686	769	648	140,036	109,334	140,036	109,334
Unallocated assets									32,483	51,415
Total assets									172,519	160,749
Segment liabilities	-	-	21,934	24,911	95	105	22,029	25,016	22,029	25,016
Unallocated liabilities									54,305	50,566
Total liabilities									76,334	75,582

4 EXPENSES BY NATURE

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Construction costs recognised in cost of sales (<i>Note a</i>)	51,139	62,574
Entertainment expenses	390	94
Office expenses	400	364
Employee benefit expenses recognised in administrative expenses (including directors' emoluments)	4,917	5,045
Depreciation of property, plant and equipment	999	27
Insurance expenses	737	571
Auditor's remuneration	1,125	1,000
Legal and professional fee	1,596	1,395
Bank charges	60	34
Travelling expenses	279	114
Other expenses	509	334
	62,151	71,552
Representing:		
Cost of sales	51,139	62,574
Administrative expenses	11,012	8,978
	62,151	71,552

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% (2022: 16.5%), 25% (2022: 25%) and 12% (2022: 12%), 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 statements represented:

	Six months ended 30 June	
	2023 (unaudited) <i>HK\$'000</i>	2022 (unaudited) (restated) <i>HK\$'000</i>
Current income tax	2,823	2,733
Deferred income tax	35	8
	<u>2,858</u>	<u>2,741</u>

6 DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

7 EARNINGS/(LOSS) PER SHARE

(a) Basic

Basic earnings/(loss) per share is calculated by dividing the profit/(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 2022 and 2023.

	Six months ended 30 June	
	2023 (unaudited)	2022 (unaudited) (restated)
Profit from continuing operations attributable to owners of the Company (<i>HK\$'000</i>)	9,855	2,870
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>624,000</u>	<u>624,000</u>
Basic earnings per share from continuing operations (<i>HK cents</i>)	<u>1.58</u>	0.46
Loss from discontinued operation (<i>HK\$'000</i>)	–	(64,651)
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>624,000</u>	<u>624,000</u>
Loss per share from discontinued operation (<i>HK cents</i>)	<u>–</u>	<u>(10.36)</u>
Basic earnings/(loss) per share (<i>HK cents</i>)	<u>1.58</u>	<u>(9.90)</u>

(b) Diluted

Diluted earnings/(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 2022 and 2023, there is no potential dilutive shares and the diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share.

8 TRADE AND RETENTION RECEIVABLES

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Trade receivables (<i>Note (a)</i>)	21,959	16,505
Retention receivables (<i>Note (b)</i>)	12,978	12,801
	34,937	29,306
Less: loss allowance	(491)	(459)
Trade and retention receivables	34,446	28,847

(a) Trade receivables

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
0 – 30 days	13,690	9,111
31 – 60 days	137	5,448
61 – 90 days	7,181	396
91 – 180 days	543	953
Over 180 days	408	597
	21,959	16,505

(b) **Retention receivables**

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Will be recovered within twelve months	5,342	4,723
Will be recovered more than twelve months after the end of the period/year	7,636	8,078
	<u>12,978</u>	<u>12,801</u>

9 CONTRACT ASSETS/LIABILITIES

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Contract assets relating to BMU systems construction contracts	74,867	64,571
Less: loss allowance	(312)	(303)
Total contract assets	<u>74,555</u>	<u>64,268</u>
Contract liabilities relating to BMU systems construction contracts	2,325	4,016
Total contract liabilities	<u>2,325</u>	<u>4,016</u>

10 SHARE CAPITAL

	Number of ordinary shares	Share Capital (unaudited) HK\$'000
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	4,000,000,000	40,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023	624,000,000	6,240

11 TRADE AND RETENTION PAYABLES

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Trade payables (<i>Note (a)</i>)	14,163	11,712
Retention payable (<i>Note (b)</i>)	2,680	4,142
	<hr/>	<hr/>
Trade and retention payables	16,843	15,854
	<hr/> <hr/>	<hr/> <hr/>

(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 2023 and 31 December 2022 were as follows:

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
0 – 30 days	13,520	5,423
31 – 60 days	643	1,978
61 – 90 days	–	1,512
Over 120 days	–	2,799
	<hr/>	<hr/>
	14,163	11,712
	<hr/> <hr/>	<hr/> <hr/>

(b) Retention payables

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

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Will be settled within twelve months	275	278
Will be settled more than twelve months after the end of the period/year	2,405	3,864
	<hr/>	<hr/>
	2,680	4,142
	<hr/> <hr/>	<hr/> <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in providing one-stop design and build solutions for BMU system works and development, design, production and sale of new energy generation and energy storage system.

Acme Metal Works (International) Limited (“**Acme Metal**”) was an indirect wholly-owned subsidiary of the Company, principally engaged in providing one-stop design and build solutions for façade works. As Acme Metal had been continuously making losses in recent years and the Board did not perceive that it had any reasonable means or prospect of making any material improvement on its financial performance or operations in the foreseeable future given the negative outlook of the construction industry in Hong Kong, Acme Metal was likely to remain unable to generate sufficient revenue to cover its own operating expenses or its other liabilities. On 27 November 2022, after due and careful consideration, Acme Metal Works (BVI) Limited, being a directly wholly owned subsidiary of the Company, in its capacity as the sole shareholder of Acme Metal, resolved that Acme Metal could not by reason of its loss and liabilities continue its business and that it should be wound up under section 228(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Ordinance**”) by way of creditors’ voluntary liquidation and Messrs. Osman Mohammed Arab and Lai Wing Lun were appointed as the joint and several liquidators of Acme Metal by the sole shareholder’s resolution passed on 27 November 2022, and further confirmed at the creditor’s meeting held on 9 December 2022.

As a result of the voluntary winding-up under the Hong Kong Companies Ordinance, the Group lost control over Acme Metal because the joint and several provisional liquidators have taken over control of the operations of Acme Metal under the statutory power and therefore, Acme Metal ceased to be a subsidiary of the Company with effect from 9 December 2022.

For the continuing operations of the Group, as compared with the corresponding period in 2022, even though the revenue of the Group for the Period slightly decreased by 2.7% from approximately HK\$77.8 million to approximately HK\$75.7 million, the Group recorded an increase in gross profit and net profit from approximately HK\$15.2 million to approximately HK\$24.5 million and from approximately HK\$2.8 million to HK\$9.1 million, respectively. The increase in gross profit and net profit from continuing operations of the Group was mainly due to the increase in the number and profit margin of the variation order received by the Group and the share-based payment expenses of approximately HK\$6.6 million recognised in the corresponding period in 2022 as an acceleration of vesting in accordance with the relevant accounting standards due to the cancellation of pre-IPO share options.

OUTLOOK

In 2023, with the announcements by the governments of Mainland China and Hong Kong of further relaxation of the pandemic prevention and control measures, Hong Kong real estate has been gradually recovering. However, persistently high interest rates continue to put pressure on housing prices, and the actual recovery of Hong Kong's economy in the first half of 2023 is slower than expected. Therefore, the outlook of Hong Kong's real estate and construction industries remains uncertain. The Group will continue to closely monitor the market conditions and adjust its business strategies, and adhere to the Group's quality of excellence and safety to achieve sustainable development of the BMU Systems Business.

With the rise of energy prices and vigorous promotion of the use of the renewable energy worldwide, the renewable energy will gradually become the main source of power for countries around the world. The Group hopes to grasp these opportunities to actively develop the Green New Energy Business, including actively seeking more cooperative distributors to promote its high-quality energy storage products with its own brand "SUNEWTRAL", and identifying suitable areas for the development of solar farms. The Group anticipates that additional fundraising may be required from time to time to support the working capital requirement to achieve such business growth.

FINANCIAL REVIEW

Revenue

During the Period, the revenue of the Group was approximately HK\$75.7 million. As compared with approximately HK\$77.8 million for the corresponding period in 2022, the revenue of the Group slightly decreased by HK\$2.1 million or 2.7%, which was mainly due to the decline in the number of BMU systems installed during the Period and competitive project pricing as a result of the slowdown in Hong Kong's economy.

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	
	2023 (unaudited) <i>HK\$'000</i>	2022 (unaudited) <i>HK\$'000</i>
BMU Systems Business	75,576	77,464
Green New Energy Business	102	336
Total	<u>75,678</u>	<u>77,800</u>

Gross profit and gross profit margin

As compared with the corresponding period in 2022, the gross profit and gross profit margin of the Group significantly increased from approximately HK\$15.2 million and 19.6% to approximately HK\$24.5 million and 32.4%, respectively. The increase in gross profit and gross profit margin was mainly attributable to the increase in the number and profit margin of the variation order received by the BMU Systems Business of the Group.

Other losses, net

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

Administrative expenses

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

The administrative expenses of the Group increased by approximately 22.7% to approximately HK\$11.0 million for the Period, as compared to approximately HK\$9.0 million for the corresponding period in 2022. The increase was mainly due to the increase in depreciation expenses, legal and professional fees and travelling expenses as a result of the development of the Green New Energy Business during the Period.

Income tax expenses

The Group's operation is based in Hong Kong which is subject to Hong Kong profits 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 2022, the income tax expenses of the Group for the Period slightly increased from HK\$2.7 million to HK\$2.9 million.

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 finance costs of the Group for the Period increased to HK\$1.4 million from HK\$1.0 million for the corresponding period in 2022, which was mainly due to the increase in borrowings drawn by the Company.

Net profit/(loss) for the Period

As a result of the foregoing, the Group reported a net profit of approximately HK\$9.1 million for the Period compared to a net loss of approximately HK\$61.9 million for the corresponding period of 2022, which was consisted of the loss from discontinued operation of approximately HK\$64.7 million offset by the profit from continued operation of approximately HK\$2.8 million. The Group did not incur any loss from discontinued operation for the Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2023, the Group's monetary assets, including cash and cash equivalents, pledged, time and restricted deposits were approximately HK\$29.1 million (31 December 2022: approximately HK\$48.9 million).

In October 2021, the Group entered into a loan agreement with a former shareholder of the Company, 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, repayable by 28 February 2022, to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum. 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. As at 30 June 2023, the principal and interest of the loan due to Mr. Mak were fully settled by the Group.

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, repayable by 30 June 2022, to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum. Up to 30 June 2023, the Group entered into five supplemental loan agreements with Mr. Kwan to increase the loan facility up to an aggregate amount of HK\$43 million and extend the repayment date to 30 June 2024, with the other terms remaining unchanged.

In August 2022, the Group entered into a loan agreement with a substantial shareholder, Treasure Ship Holding Limited ("**Treasure Ship**"), in which Treasure Ship had agreed to make available a loan facility up to an aggregate amount of HK\$10 million, repayable by 18 August 2023, to finance the general operation of the Group. The loan was denominated in HK\$, unsecured, interest bearing at 5.5% per annum. As at 30 June 2023, the Group had entered into a supplemental loan agreement with Treasure Ship to extend the repayment date to 30 June 2024, with the other terms remaining unchanged.

As at 30 June 2023, the Group's total borrowings amounted to approximately HK\$46.3 million (31 December 2022: approximately HK\$45.6 million). The borrowings of the Group as at 30 June 2023 were denominated in Hong Kong dollars, and carried interest rates ranging from 5.50% to 6.41% per annum (31 December 2022: 5.50% per annum).

As at 30 June 2023, the Group had unutilised credit facilities of HK\$23.5 million (31 December 2022: approximately HK\$39.1 million).

As at 30 June 2023, 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%) decreased to approximately 51.1%, compared to gearing ratio of 56.3% as at 31 December 2022. The decrease in gearing ratio was mainly attributable to the increase in total equity from approximately HK\$85.2 million as at 31 December 2022 to approximately HK\$96.2 million as at 30 June 2023 due to net profit 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 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

As at 30 June 2023, the Group has no plan for any material investments or capital assets.

PLEDGE OF ASSETS

As at 30 June 2023, pledged and restricted deposits in the sum of approximately HK\$14.8 million (31 December 2022: HK\$15.9 million) were placed with banks to secure certain banking facilities of the Group.

CAPITAL COMMITMENTS

The Group has no material commitments as at 30 June 2023 and 31 December 2022.

CONTINGENT LIABILITIES

As at 30 June 2023 and 31 December 2022, the Group's contingent liabilities were as follows:

(i) Surety bonds

	As at 30 June 2023 (unaudited) HK\$'000	As at 31 December 2022 (audited) HK\$'000
Surety bonds (<i>Note</i>)	14,034	16,911

Note As at 30 June 2023, the Group provide guarantees of surety bonds in respect of 24 (31 December 2022: 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 2023, the Group had 66 full-time employees (As at 31 December 2022: 58 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 as set out in Appendix 14 of the Listing Rules.

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 2022: 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 2023 INTERIM RESULTS AND THE 2023 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 2023 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 2023

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.