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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)

(1) PROFIT WARNING; AND

(2) CANCELLATION OF PRE-IPO SHARE OPTIONS

This announcement is made by Acme International Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to the Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board of directors (the “**Board**”) of the Company wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the preliminary assessment on the unaudited consolidated management accounts of the Group for the eleven months ended 30 November 2021 (the “**Management Accounts**”) and other information currently available to the management of the Group, the Board estimated that the loss attributable to the owners of the Company for the year ended 31 December 2021 (“**FY2021**”) would not be less than HK\$180 million while the loss attributable to the owners of the Company was approximately HK\$47.8 million for the year ended 31 December 2020 (“**FY2020**”).

While the revenue and gross profit of the Group’s building maintenance unit system business for the FY2021 recorded an increase of not less than 50 % and 25%, respectively, as compared to the corresponding period in FY2020, such increase could not offset the loss incurred by various works in relation to the Group’s façade work business (“**Façade Work Business**”) due to the reasons set out below, resulting in an increase in the consolidated net loss of the Group.

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

- (i) due to the outbreak of novel coronavirus (“**COVID-19**”), the supply chain management and production capacity of construction material suppliers for the Façade Work Business were affected, resulting in suppliers’ delayed delivery and a decline in product quality of construction materials. In order to catch up with the original schedule for the on-going projects and to maintain the quality of the Group’s construction work, the Group incurred additional subcontracting charges and material costs to speed up the installation process and to replace the defective construction materials, which had led to a significant loss in certain projects for FY2021;
- (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 FY2021, 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 Façade Works Business were 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 FY2021, 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.

As at the date of this announcement, the Company is in the course of preparing and finalising the consolidated financial results of the Group for FY2021. The information contained in this announcement is only based on the preliminary assessment by the Board with reference to the information currently available including the Management Accounts, which has not been reviewed by the Company's independent auditors or the audit committee of the Company and is therefore subject to adjustments. The annual results announcement of the Group for FY2021 is expected to be published in March 2022.

The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

CANCELLATION OF PRE-IPO SHARE OPTIONS

Reference is made to the prospectus of the Group dated 25 October 2019 (the “**Prospectus**”) regarding the grant of the Pre-IPO Share Options to certain grantees (the “**Grantees**”) pursuant to the Pre-IPO Share Option Scheme to subscribe for a total of 23,400,000 Shares. Unless the context otherwise requires, capitalised terms defined in the Prospectus have the same meanings when used in this announcement.

Given the current challenges faced by the Group in the current business environment and in order to demonstrate the Group's team spirit and pursue betterment of interests of the Company and the Shareholders, the Board announces that with the mutual agreement between the Company and each of the Grantees and as approved by the Board, the Pre-IPO Share Options have been cancelled with effect from the date of this announcement in accordance with the terms of the Pre-IPO Share Option Scheme. As of the date of this announcement, all of the Pre-IPO Share Options have not been vested, exercised or lapsed.

As a result of the above, the Group is expected to record share-based payment expenses of approximately HK\$10.0 million, with a corresponding increase in share-based payment reserve, without cash outlay for the year ending 31 December 2022 as an acceleration of vesting in accordance with the relevant accounting standards. Thereafter, the total share-based payment reserve (a non-distributable reserve) of approximately HK\$22.0 million, which includes the opening balance brought forward from 31 December 2021 of approximately HK\$12.0 million, will be transferred to retained earnings (a distributable reserve). The cancellation of the Pre-IPO Share Option has no material adverse effect on the financial position of the Group.

Upon the cancellation of the Pre-IPO Share Options, there are no outstanding share options under the Pre-IPO Share Option Scheme as at the date of this announcement.

By Order of the Board
Acme International Holdings Limited
Kwan Kam Tim
Chairman and Executive Director

Hong Kong, 17 January 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 of the Company; and Prof. Lau Chi Pang, J.P., Mr. Chin Wai Keung Richard and Prof. Mo Lai Lan are the independent non-executive directors of the Company.