

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

PROFIT WARNING

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 (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited 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 latest unaudited consolidated management accounts of the Group and other information currently available to the management of the Group, the Group is expected to record a consolidated net loss of not less than HK\$73 million for the six months ended 30 June 2021 (the “**Interim Period**”), as compared to the unaudited consolidated loss of approximately HK\$24.8 million for the corresponding period in 2020.

While the revenue and gross profit of the Group’s BMU System business for the Interim Period recorded an increase of not less than 40% and 90%, respectively, as compared to the corresponding period in 2020, such increase could not offset the loss incurred by various works in relation to the Group’s 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) 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 Interim Period, 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;
- (ii) 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;
- (iii) the supply chain management of some construction material suppliers for façade work 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;
- (iv) during the Interim Period 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 work business and the appreciation of RMB; and
- (v) in respect of a façade construction project in Kwun Tong undertaken by the Group in 2019, the Group is still in negotiation with the contractors for the relevant amount incurred by variation orders due to the substantial modification and delay of the contracted construction plan of the third phase which involved certain variation orders, and the final amount of variation orders was uncertain at this stage. Based on the current estimation by the Board, the Group expects to record a loss of approximately HK\$33 million regarding this project for the Interim Period in accordance with the relevant accounting standards after taking into account the increase in construction material costs and subcontracting fees, as well as the additional costs arising from the delay in construction. This estimation is not finalised and subject to change as a result of further negotiation with the counterparty. The Company will continue to closely monitor the development of this project and will make further announcement(s) if the Company is aware of any material development in this regard.

The Group has been closely monitoring the market conditions and adjusting its business strategies and operations to mitigate the Group's operational risks in response to the challenges brought by the business environment. With a view to dealing with the intensified competition and challenges in the façade works business, the Group has adopted a more conservative tendering strategy in this business and will continue to strengthen the development of the BMU system business, including the expansion of BMU system business in Macau market. Looking ahead, the Board will continue to review the Group's operations and strategies from time to time to cope with challenges in the future.

As at the date of this announcement, the Company is in the course of finalising the interim results of the Group for the Interim Period. 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 unaudited consolidated management accounts of the Group, which has not been reviewed by the Company's independent auditors or the audit committee of the Company and is therefore subject to adjustments. Further details of the Company's performance will be disclosed in the interim results of the Company for the Interim Period which are expected to be approved by the Board and published on or before 31 August 2021.

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

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

Hong Kong, 29 July 2021

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