ACME

Acme International Holdings Limited
益 美 國 際 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1870)

SUPPLEMENTAL ANNOUNCEMENT

DISCLOSEABLE TRANSACTION
SUBSCRIPTION OF 51.22% OF THE TOTAL ISSUED SHARES IN THE TARGET COMPANY

Reference is made to the announcement of the Company dated 14 April 2024 in relation to the Subscription (the "**Announcement**"). Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

The Board would like to provide supplemental information in relation to the Subscription as set out below:

(1) SUBSCRIPTION PRICE

It was disclosed in the Announcement that the Subscription Price in the amount of NZ$2,100,000 (equivalent to approximately HK$9,996,000) was determined and agreed between the Parties on normal commercial terms after arm's length negotiations taking into account (i) the financial information of the Target Company as set out in the section headed "Information of the Parties of the Subscription Deed – The Target Company and the Warrantors" of the Announcement, whereby the Target Company has been recording growth in its revenue of approximately 48.77% from the year ended 31 March 2023 to the year ended 31 March 2024; (ii) the net asset value of the Target Company for the year ended 31 March 2024 in the amount of NZ$49,840; and (iii) the business potentials and prospects of the Target Company, the principal business of which is complementary to the green new energy business of the Group.

The Board would like to supplement that the Subscription Price was also determined taking into account (i) the revenue guarantee given by the Warrantors, the details of which are set out under the section headed "Revenue guarantee" of the Announcement, which provides protection to the Group in the event that the Target Company is not able to sustain its performance and growth; and (ii) market research conducted by the Company, whereby based on the data available from the electricity authority of New Zealand, in October 2022, there were only 43,641 solar systems installed across New Zealand, which added up to 240 megawatt. This constitutes an estimated contribution of under 1% of the total electricity consumption in New Zealand. Globally, solar photovoltaic uptake has increased significantly over the past decade, whereas the uptake in New Zealand has been slower to date. As such, the Company believes that there is potential for greater utilisation as technology costs decrease, particularly at the grid-scale and on commercial building rooftops; and (iii) a comparable analysis conducted by the Company, whereby the Company has identified an exhaustive list of 4 comparable listed companies in New Zealand and Australia principally engaged in the provision of sustainable energy solutions (the "**Comparable Companies**"). The Company considered that the price-to-book multiples cannot properly reflect the future earnings and growth potentials of a business enterprise. After assessing the business nature, operation, financial performance and profitability of the Target Company, the Company has adopted the price-to-earnings ("**P/E**") multiples as the Company considered it as the most appropriate multiple for the determination of the Subscription Price as it is an assessment methodology commonly adopted for evaluating the value of a company, especially for a fast growing company in a promising industry. The following table sets out the P/E ratio (the "**P/E Ratio**") of the Comparable Companies based on their closing price as at the date of the Announcement and their latest published financial information:

Company name	Stock code	Business description	P/E multiples
Contact Energy Limited	CEN.AX	Operation of generating and selling electricity and natural gas in New Zealand	47.81
Origin Energy Limited	ORG.AX	Production, trading, and sale of electricity and related activities in Australia	15.93
Meridian Energy Limited	MEL.NZ	Generation, trading, and retailing of electricity to residential, business, and industrial customers in New Zealand	155.67 *(Note 1)*
Genesis Energy Limited	GNE.NZ	Generation, trading, and retailing of electricity to residential and business customers in New Zealand	12.9
		Average (excluding outlier):	25.55

Note:

(1) As the P/E multiple is more than one standard deviations above the average P/E, Meridian Energy Limited is considered as outlier and excluded for analysis purpose.

Taking into account the fact that the Comparable Companies are prominent players in the energy sector, operating hydroelectric stations and wind farms in New Zealand and Australia, the Directors are of the view that the Comparable Companies are fair and representable.

The average P/E Ratio observed among the Comparable Companies is 25.55 times. However, considering that the Target Company is privately held, it possesses lower marketability and a limited pool of potential buyers for its shares. Therefore, in the computation of the P/E Ratio for the Target Company, the average P/E Ratio of the Comparable Companies should an illiquidity discount of 20%, which results in an adjusted average P/E Ratio of approximately 20.44 times (the "**Adjusted Ratio**") for the Target Company. A discount for lack of marketability of 20% was applied by the Company to account for the illiquidity of the equity interest of the Target Company with reference to the result of the restricted stock study published in "Stout Restricted Stock Study 2023" by Stout Risius Ross, LLC. This discount represents the average transaction discount observed from a total of 776 transactions during the period between 1980 and 2023. Therefore, the Directors believe it is credible to apply a 20% discount in the computation. The implied P/E Ratios under the Subscription derived from the earnings for the year ended 31 March 2024 (the "**FY2024 Implied P/E**"), the implied P/E Ratios under the Subscription derived from the projected earnings for the year ending 31 March 2025 (the "**FY2025 Implied P/E**"), and the average implied P/E Ratio derived from the average projected earnings for the three years ending 31 March 2027 (the "**Projected Average Implied P/E**") are 10.50, 3.44 and 2.19 times, respectively, representing a discount to the Adjusted Ratio of not less than 50%. The Directors consider this deep discount after commercial and business negotiations with the Warrantors is favorable to the Company and its Shareholders as a whole.

After considering that (i) the Target Company has formulated a detailed business development plan aiming for significant growth, pursuant to which the Target Company has invested in more equipment and increased its inventory level, therefore, the historical financial performance of the Target Company for the year ended 31 March 2024 did not reflect the full potential of its expanded production capacity and the expansion initiatives undertaken; (ii) the Target Company has secured several agreements with substantial contract amount and is expected to begin generating revenue from these contracts in July 2024. These agreements are projected to greatly enhance the financial performance for the year ending 31 March 2025, with an anticipated increase in the forecasted profit by 206.51% compared to the profit for the year ended 31 March 2024; and (iii) the revenue guarantee given by the Warrantors, the Directors are of the view that in addition to the FY2024 Implied P/E, both the FY2025 Implied P/E and the Projected Average Implied P/E also serve as relevant and appropriate assessment benchmarks. Given that the FY2024 Implied P/E, the FY2025 Implied P/E and the Projected Average Implied P/E are significantly lower than the Adjusted Ratio, which indicates a potentially attractive investment opportunity, the Directors considered the Subscription will contribute positively to the company's growth and profitability in the future.

As such, the Board is of the view that the Subscription Price is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(2) REVENUE GUARANTEE

The Directors consider the set net profit margin under the revenue guarantee provisions of the Subscription Deed was determined after arm's length negotiation between the parties and was fair and reasonable after taking into account the following factors, (i) the continuous increase in revenue for the last three years with average revenue growth of 53% and continuous increase in gross profit margin, which indicates increase in economic of scale; (ii) the current net profit margin of the Target Company; (iii) the ongoing projects on hand of the Target Company and the expected projects to be carried out by the Target Company during the guaranteed period, being the three years ending 31 March 2027; (iv) the new management team of the Target Company shall endeavor to improve material price performance. They will proactively explore opportunities to collaborate with cost-effective material suppliers from South East Asian countries, particularly renowned first-tier brands from mainland China. This strategic approach aims to reduce the cost of sales, resulting in improved profit margins for the Target Company; and (v) the expected profit margin of 10% to be generated by the Target Company for each of the years ending 31 March 2025, 31 March 2026 and 31 March 2027 will be not less than the set net profit margin after taking into account the expected increase in revenue with improved gross profit margins and stable operating expenses of which results in an increase in profit margin.

As such, the Board is of the view that the set net profit margin of 10% for the purpose of the revenue guarantee is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

(3) REASONS FOR AND BENEFITS OF THE SUBSCRIPTION DEED

The green new energy business of the Group involves the development, design, production and sales of new energy generation and energy storage system and provision of services for sales of electricity and was commenced by the Group as a new segment during the year ended 31 December 2022 in view of the rising energy prices and vigorous promotion of the use of renewable energy worldwide, where the Board was of the view that the renewable energy will gradually become the main source of power for countries around the world. Since then, the Group has been actively developing this new business segment by actively seeking cooperative distributors to promote its high-quality energy storage products under its own brand and identifying suitable areas for the development of solar farms.

The Group has been exploring the potential of the green new energy business at the Pan Pacific region and is looking at commencing a rooftop solar panel installation business around the region. The Subscription represents one of the Group's efforts in developing its green new energy business, whereby the Group could leverage on the expertise, experience and business connection with construction companies, architects, commercial landlords and property managers of the Target Company in New Zealand, where it is engaged in design, installation and maintenance of sustainable energy products, to support the Group's expansion and development of its green new energy business in New Zealand and its proximity.

(4) INFORMATION ON THE HOLDCO

The ultimate beneficial owners of the Holdco are Mr. Alastair James Mortensen as to 50% and Mr. Heath Lloyd Ellis Coleman as to 50%.

Save as disclosed above, all other information and contents set out in the Announcement remain unchanged.

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

Hong Kong, 17 May 2024

As at the date of this announcement, the Board comprises seven members, of which Mr. Kwan Kam Tim, Mr. Yip Wing Shing, Mr. Zhang Guangying and Ms. Leung Ng Mui May are the executive directors of the Company; 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 of the Company.