



INTERIM REPORT

2017



AKM Industrial Company Limited

安捷利實業有限公司

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)

Stock Code : 1639

HIGHLIGHTS

- For the six months ended 30 June 2017, the unaudited revenue increased to approximately HK\$487,330,000, representing an increase of approximately 71.32% as compared to approximately HK\$284,453,000 for the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$23,522,000, while the loss attributable to the owners of the Company amounted to approximately HK\$11,297,000 for the corresponding period of last year.
- For the six months ended 30 June 2017, basic earnings per share of the Group was approximately HK2.04 cents.

THE FINANCIAL STATEMENTS

Interim Results

The board of Directors (the “Board”) hereby announces the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period of last year, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2017

	Notes	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	4	487,330	284,453
Cost of sales		(397,074)	(239,166)
Gross profit		90,256	45,287
Other income		12,665	5,018
Loss on disposal of subsidiaries	16	(3,224)	–
Distribution costs		(8,626)	(6,915)
Administrative expenses		(17,548)	(12,512)
Research and development expenses		(38,239)	(36,617)
Share of profits of an associate		11	–
Finance costs		(1,752)	(2,331)
Profit (loss) before taxation	5	33,543	(8,070)
Taxation	6	(10,029)	(3,271)
Profit (loss) for the period		23,514	(11,341)
Other comprehensive income (expenses):			
Exchange differences arising on translation of foreign operations		19,777	(12,385)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		(1,729)	–
Total comprehensive income (expenses) for the period		41,562	(23,726)

	Note	For the six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		23,522	(11,297)
Non-controlling interests		(8)	(44)
		<u>23,514</u>	<u>(11,341)</u>
Total comprehensive income (expenses) attributable to:			
Owners of the Company		41,558	(23,682)
Non-controlling interests		4	(44)
		<u>41,562</u>	<u>(23,726)</u>
		2017	2016 (Restated)
Earnings (loss) per share (HK cents)	8		
– basic		2.04	(1.10)

Condensed Consolidated Statement of Financial Position

At 30 June 2017

	Notes	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	522,508	474,339
Prepaid lease payments		47,971	47,147
Available-for-sale investment		17,279	16,769
Interest in an associate		3,616	–
Deposits for acquisition of property, plant and equipment		39,279	15,363
		630,653	553,618
Current assets			
Inventories		89,021	79,771
Trade and other receivables	10	313,826	318,121
Prepaid lease payments		1,218	1,182
Pledged bank deposits		2,357	2,356
Bank balances and cash		56,476	26,603
		462,898	428,033
Current liabilities			
Trade and other payables	11	339,395	321,807
Deferred income		1,760	2,395
Amount due to an associate		6,435	–
Taxation payable		9,030	6,829
Bank borrowings	12	45,267	134,391
		401,887	465,422
Net current assets (liabilities)		61,011	(37,389)
Total assets less current liabilities		691,664	516,229

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	Note	30 June 2017 HK\$'000 (Unaudited)	31 December 2016 HK\$'000 (Audited)
Capital and reserves			
Share capital	13	466,667	333,161
Reserves		191,823	150,265
Equity attributable to owners of the Company		658,490	483,426
Non-controlling interests		–	631
Total equity		658,490	484,057
Non-current liabilities			
Deferred income		25,422	25,045
Deferred taxation		7,752	7,127
		33,174	32,172
		691,664	516,229

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Translation reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2017	333,161	(3,684)	153,949	483,426	631	484,057
Profit for the period	-	-	23,522	23,522	(8)	23,514
Exchange differences arising on translation of foreign operations	-	19,765	-	19,765	12	19,777
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries (note 16)	-	(1,729)	-	(1,729)	-	(1,729)
Total comprehensive income for the period	-	18,036	23,522	41,558	4	41,562
Issue of shares upon rights issue	133,506	-	-	133,506	-	133,506
Disposal of subsidiaries	-	-	-	-	(635)	(635)
At 30 June 2017	466,667	14,352	177,471	658,490	-	658,490
At 1 January 2016	333,161	32,803	126,005	491,969	3,219	495,188
Loss for the period	-	-	(11,297)	(11,297)	(44)	(11,341)
Exchange differences arising on translation of foreign operations	-	(12,385)	-	(12,385)	-	(12,385)
Total comprehensive expenses for the period	-	(12,385)	(11,297)	(23,682)	(44)	(23,726)
Dividends paid	-	-	-	-	(2,250)	(2,250)
At 30 June 2016	333,161	20,418	114,708	468,287	925	469,212

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	For the six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Net cash from operating activities	62,674	15,393
Net cash used in investing activities	(80,551)	(35,218)
Net cash from financing activities	45,844	15,174
Increase (decrease) in cash and cash equivalents	27,967	(4,651)
Cash and cash equivalents at beginning of the period	26,603	32,851
Effect of foreign exchange rate changes	1,906	(669)
Cash and cash equivalents at end of the period, represented by bank balances and cash	56,476	27,531

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability on 9 December 1993.

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 18 August 2004. On 18 June 2014, the Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange. The registered office of the Company is situated at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, and the principal place of business of the Company is situated at 63 Huan Shi Road South, Information Technology Park, Nansha District, Guangzhou City, Guangdong Province, the People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$") while the functional currency of the Company is HK\$. The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company in Hong Kong.

The Company is an investment holding company and is also engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit ("FPC") and other. Its subsidiaries are principally engaged in manufacture and sale of FPC, manufacture and sale of flexible packaging substrates and trading business of related products.

2. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2016 included in the condensed consolidated interim financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap.622) of the Laws of Hong Kong ("Companies Ordinance") is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

The Interim Financial Statements are unaudited but have been reviewed by the audit committee of the Company.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical costs.

The accounting policies used in preparing the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those used in the Group's consolidated financial statements as set out in the Company's annual report for the year ended 31 December 2016 (the "2016 Financial Statements"), except for the amendment and interpretations of Hong Kong Financial Reporting Standards ("New HKFRSs") issued by the HKICPA which have become effective in this period on the accounting policies in the Groups' interim financial statements and those described below.

Adoption of new accounting policy in this interim period

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. REVENUE AND SEGMENTS INFORMATION

Revenue represents the net amounts received and receivable for the sale of FPC, sale of flexible packaging substrates and sale of other, by the Group to external customers, net of discounts and sales related taxes.

(a) Business segments

For management purposes, the Group had three business segments namely (i) the business of manufacture and sale of FPC; (ii) the business of manufacture and sale of flexible packaging substrates; and (iii) sourcing and sale of electronic components for the year ended 31 December 2016. During the six months ended 30 June 2017, the Group has changed the segment previously disclosed as 'Sourcing and sale of electronic components' to 'Other' since the Group decided to put less focus on sourcing and sale of electronic components business after the disposal of the entire 75% equity interests in Giant Rise Technology Limited, which was the previous principal operating entity of the Group engaged in the said business, in May 2017. These segments are the basis on which the Group reports its principal segment information.

Principal activities are as follows:

- | | | |
|--|---|---|
| FPC business | – | the manufacture and sale of FPC |
| Flexible packaging substrates business | – | the manufacture and sale of flexible packaging substrates |
| Other | – | the sourcing and sale of electronic components |

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

Segment information about these businesses is presented below.

Six months ended 30 June

	Segment revenue		Inter-segment sales		Eliminations		Segment results	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
FPC business	461,788	267,979	1,122	517	(1,122)	(517)	58,909	25,068
Flexible packaging substrates business	17,550	5,573	-	-	-	-	(8,386)	(19,187)
Other	7,992	10,901	-	-	-	-	119	165
Total	487,330	284,453	1,122	517	(1,122)	(517)	50,642	6,046
Interest income							625	37
Share of profit of an associate							11	-
Unallocated corporate expense							(15,983)	(11,822)
Finance costs							(1,752)	(2,331)
Profit (loss) before taxation							33,543	(8,070)

(b) Geographical segments

The Group operates in two principal geographical areas, i.e. the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong (country of domicile). The following table provides an analysis of the Group's revenue from external customers by geographical locations:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
PRC (other than Hong Kong)	310,004	204,188
Hong Kong	109,576	39,500
Others	67,750	40,765
Total	487,330	284,453

5. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:		
Allowance for obsolete inventories	3,788	3,932
Depreciation of property, plant and equipment	28,697	22,996
Amortisation of prepaid lease payments	599	629
and after crediting:		
Interest income	(625)	(37)

6. TAXATION

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
PRC Enterprise Income Tax	9,404	3,271
Deferred tax	625	-
	10,029	3,271

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. The income of the PRC subsidiaries neither arises in, nor is derived from, Hong Kong.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Each of AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") and AKM Electronics Technology (Suzhou) Ltd. ("AKM Suzhou") was awarded the Foreign Invested Advanced-Technology Enterprise Certificate, AKM Panyu and AKM Suzhou are entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2015 and 1 January 2016 respectively.

7. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2017 (the corresponding period in 2016: Nil).

8. EARNINGS (LOSS) PER SHARE

The calculation of earnings (loss) per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit (loss) for the purpose of basic earnings per share		
Profit (loss) for the period attributable to owners of the Company	23,522	(11,297)
	<hr/>	
	Number of shares	
	2017	2016
		(Restated)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,151,752,194	1,026,727,217
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The weighted average number of ordinary shares in issue during the period and the comparative period were adjusted to reflect the effect of the bonus element of the rights issue which was completed in March 2017.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$80,495,000 (corresponding period in 2016: approximately HK\$15,995,000) on the acquisition of property, plant and equipment, including equipments which were inspected and commissioned for production of approximately HK\$38,732,000 (the corresponding period in 2016: approximately HK\$8,356,000) and plant and construction in progress of approximately HK\$41,763,000 (the corresponding period in 2016: approximately HK\$7,639,000).

10. TRADE AND OTHER RECEIVABLES

The Group allows a credit period normally ranging from 30 to 90 days to its trade customers. At the discretion of the Directors, several major customers were allowed to settle their balances beyond the credit terms up to 120 days.

The following is an aged analysis of trade and bills receivables presented based on the invoice dates (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Within 30 days	175,938	160,575
31 – 60 days	58,753	87,311
61 – 90 days	19,948	24,621
91 – 120 days	12,689	17,184
121 days – 1 year	33,053	7,622
	300,381	297,313

11. TRADE AND OTHER PAYABLES

The following is an aged analysis by invoice date/bills issuance date of trade and bills payables at the end of the reporting period:

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Within 30 days	128,552	87,320
31 – 60 days	69,863	63,935
61 – 90 days	35,905	48,831
91 – 120 days	12,900	27,648
121 days – 1 year	14,192	19,679
Over 1 year	518	1,952
	261,930	249,365

12. BANK BORROWINGS

	At 30 June 2017 <i>HK\$'000</i> (Unaudited)	At 31 December 2016 <i>HK\$'000</i> (Audited)
Borrowings which are repayable within one year (included in current liabilities):		
Bank loans – unsecured	5,760	26,921
Bank loans – secured	28,933	80,730
Trust receipts loans – secured	407	–
	<hr/> 35,100	<hr/> 107,651
Bank borrowings which are repayable after 1 year (but contains the terms of repayable on demand):		
After 1 year but within 2 years – secured	7,177	10,543
After 2 years but within 5 years – secured	2,990	16,197
	<hr/> 45,267	<hr/> 134,391

13. SHARE CAPITAL

	Number of shares	Share capital HK\$'000
<i>Issued and fully paid:</i>		
At 1 January 2017	987,470,000	333,161
Issue of rights shares (Note)	246,867,500	133,506
	<hr/>	<hr/>
At 30 June 2017	1,234,337,500	466,667

Note: On 13 March 2017, the Company issued 246,867,500 ordinary shares, on the basis of one rights share for every four ordinary shares at the issue price of HK\$0.55 per share. The net proceeds raised by the Company were approximately HK\$133,506,000. The number of ordinary shares in issue of the Company increased to 1,234,337,500 shares accordingly.

The new shares issued rank pari passu in all respects with the existing shares in issue.

14. CAPITAL COMMITMENTS

	At 30 June 2017 HK\$'000 (Unaudited)	At 31 December 2016 HK\$'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment which is contracted for but not provided in the condensed consolidated financial statements	<hr/>	<hr/>
	101,309	50,597

15. RELATED PARTY TRANSACTIONS

	Six months ended 30 June 2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Transactions with a shareholder and its subsidiaries:		
Sales of goods by the Group	50,270	33,334
Transactions with fellow subsidiaries:		
Rentals for office charged to the Group	60	60
Transactions with an associate:		
Sales of goods by the Group	97	—
Rentals for plant and office received by the Group	20	—

16. DISPOSAL OF SUBSIDIARIES

- (i) On 10 May 2017, the Group entered into an equity transfer agreement with an independent third party in relation to the disposal of 70% equity interests in New Career Guangzhou Electronics Company Limited ("New Career"), a wholly-owned subsidiary of the Group, for a consideration of approximately RMB6,399,000 (equivalent to approximately HK\$7,204,000). New Career is engaged in the manufacture and sale of flexible packaging substrate. The disposal was completed on 17 May 2017. The Group retains 30% equity interests in New Career after completion of the disposal and New Career became the associate of the Group on the same date. The net assets of New Career on the date of disposal were as follows:

	<i>HK\$'000</i>
Assets and liabilities of New Career at the date of disposal:	
Property, plant and equipment	856
Inventories	325
Trade and other receivables	10,219
Bank balances	1,004
Trade and other payables	(423)
	<hr/>
Net assets disposed of	11,981
30% equity interest retained as interest in an associate	(3,616)
Accumulated translation differences reclassified to profit or loss upon disposal	1,213
Loss on disposal	(2,374)
	<hr/>
	7,204
Net cash inflow arising on disposal:	
Cash consideration received	7,204
Less: Cash and bank balances disposed of	(1,004)
	<hr/>
Net cash inflow	6,200
	<hr/>

- (ii) On 16 May 2017, the Group entered into an equity transfer agreement with a third party in relation to the disposal of its entire 75% equity interests in Giant Rise Technology Limited together with its wholly owned subsidiary, Shenzhen Giant Rise Electronics Company Limited (collectively referred to as "Giant Rise Group") for a consideration of approximately HK\$3,355,000. Giant Rise Group is engaged in the trading of raw materials and FPC, sourcing and sales of electronics components. The disposal was completed on 17 May 2017. The Group no longer holds any equity interests in Giant Rise Technology Limited upon the completion of the disposal. The net assets of Giant Rise Group at the date of disposal were as follows:

	<i>HK\$'000</i>
Assets and liabilities of Giant Rise Group at the date of disposal:	
Property, plant and equipment	1
Trade and other receivables	4,455
Bank balances	10
Trade and other payables	(8)
Deferred tax liabilities	(134)
	<hr/>
Net assets disposed of	4,324
Non-controlling interests	(635)
Accumulated translation differences reclassified to profit or loss upon disposal	516
Loss on disposal	(850)
	<hr/>
	3,355
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	3,355
Less: Cash and bank balances disposed of	(10)
	<hr/>
Net cash inflow	3,345
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MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2017 (the "Period"), the revenue of the Group amounted to approximately HK\$487,330,000, representing an increase of approximately 71.32% as compared to approximately HK\$284,453,000 for the corresponding period of last year. The significant increase in revenue for the Period was mainly attributable to the increased order levels from major customers of FPC business and flexible packaging substrates business. The gross profit margin for the Period increased to approximately 18.52% (the corresponding period of 2016: approximately 15.92%), which was mainly due to the increase in gross profit margin for the sales of FPC. The profit attributable to the owners of the Company for the Period was approximately HK\$23,522,000, while the loss attributable to the owners of the Company for the corresponding period of last year was approximately HK\$11,297,000. The significant increase in profit attributable to the owners of the Company for the Period was mainly attributable to the remarkable growth realised in the overall sales of the Group together with the increase in gross profit margin.

Other income of the Group for the Period amounted to approximately HK\$12,665,000, representing an increase of approximately 152.39% as compared to the corresponding period of last year. The increase in other income was mainly due to the increase in government grants/subsidies.

The distribution costs of the Group for the Period amounted to approximately HK\$8,626,000, representing an increase of approximately 24.74% as compared to the corresponding period of last year. The increase in distribution costs was mainly attributed to the significant increase in sales resulting in corresponding increases in labour costs, transportation costs and miscellaneous expenses.

The administrative expenses of the Group for the Period amounted to approximately HK\$17,548,000, representing an increase of approximately 40.25% as compared to the corresponding period of last year. The increase in administrative expenses was due to the increase in staff costs and the expenses incurred for disposal of property, plant and equipment during the Period.

The research and development (“R&D”) expenses of the Group for the Period amounted to approximately HK\$38,239,000, representing an increase of approximately 4.43% as compared to the corresponding period of last year. The increase in R&D expenses was mainly due to the increase in R&D expenses incurred for automation development and new products.

The finance costs of the Group for the Period amounted to approximately HK\$1,752,000, representing a decrease of approximately 24.84% as compared to the corresponding period of last year. The decrease in finance costs was mainly due to the decrease in the amount of bank borrowings.

Business Review and Prospects

Business Review

The Group is principally engaged in the manufacture and sale of FPC and flexible packaging substrates, which are used in communication, LCD, consumer electronic products such as mobile phones, LCD modules, car electronics and cameras.

During the first half of 2017, the revenue of the Group amounted to approximately HK\$487,330,000, representing an increase of approximately 71.32% as compared to approximately HK\$284,453,000 for the corresponding period of last year. The significant increase in revenue was mainly attributable to the increased order levels from major customers of FPC business and flexible packaging substrates business. During the Period, the revenue for the sales of FPC and the sales of flexible packaging substrates were approximately HK\$461,788,000 and HK\$17,550,000 respectively, while the revenue for the sales of FPC and the sales of flexible packaging substrates were approximately HK\$267,979,000 and HK\$5,573,000 respectively for the corresponding period of last year. During the first half of 2017, the profit attributable to the owners of the Company amounted to approximately HK\$23,522,000, while the loss attributable to the owners of the Company amounted to approximately HK\$11,297,000 for the corresponding period of last year. The significant increase in profit for the Period was mainly attributable to the remarkable growth realised in the overall sales of the Group together with the increase in gross profit margin.

During the first half of 2017, the Group's sales of FPC increased by approximately 72.32% as compared to the corresponding period of last year, and its gross profit margin increased to approximately 20.08% (the corresponding period of 2016: approximately 17.13%). The sales of flexible packaging substrates increased by approximately 214.91% as compared to the corresponding period of last year, and its gross loss margin was approximately 14.85% (gross loss margin for the corresponding period of 2016: approximately 14%). Other revenue (i.e. revenue from the business of sourcing and sale of electronic components) was approximately HK\$7,992,000 for the Period, representing a decrease of approximately 26.69% as compared to approximately HK\$10,901,000 for the corresponding period of last year, while its gross profit margin decreased to approximately 1.48% (the corresponding period of 2016: approximately 1.50%).

During the Period, the Group continued to implement the strategy of "developing major customers and focusing on principal businesses" with better results achieved in the strategy of developing major customers, the sales to major customers recorded significant growth. Meanwhile, the Group adjusted the structure of its principal activities, the business of sourcing and sale of electronic components is no longer regarded as part of the principal activities and optimisation has been achieved for the Group's business structure accordingly.

During the Period, the sales of FPC business of the Group recorded a remarkable growth as compared to the corresponding period of last year, which was mainly attributed to positive effects gradually achieved by the Group's strategy for developing major customers and increased order levels from major customers.

During the Period, the sales of flexible packaging substrates business of the Group recorded a remarkable growth as compared to the corresponding period of last year, while improvement has yet to be achieved for the gross profit margin of the business. This was mainly due to the fact that economies of scale is yet to be achieved with significant upfront investments incurred and staff costs remained at high level, despite progress have been attained in acquiring new customers and sales for flexible packaging substrates business recorded remarkable growth.

The Group proactively scaled down and adjusted its business of sourcing and sale of electronic components since 2015 in order to minimize the risks of its trading. During the Period, the Group entered into an equity transfer agreement with a third party for the disposal of its entire 75% equity interests in Giant Rise Technology Limited, a subsidiary of the Group, and the disposal was completed during the Period. Giant Rise Technology Limited and its wholly-owned subsidiary, Shenzhen Giant Rise Electronics Company Limited, were the principal operating entities for the Group's business of sourcing and sale of electronic components. The business of sourcing and sale of electronic components is no longer regarded as one of the Group's principal activities upon the completion of the disposal. In view of the relatively insignificant revenue contributed by the Group's business other than FPC and flexible packaging substrates business that should be included in turnover in accordance with applicable accounting standards, all revenue from the business of sourcing and sale of electronic components is now classified under the category of "Other". During the Period, the Group's other revenue (i.e. revenue from the business of sourcing and sale of electronic components) accounted for approximately 1.64% of the Group's total sales.

On 6 December 2016, the Company (for itself and on behalf of its subsidiaries) and GoerTek Inc ("GoerTek", for itself and on behalf of its subsidiaries) entered into the Renewed Purchase Agreement ("Renewed Purchase Agreement") in relation to the transactions for selling of parts, components and other products (including but not limited to FPC products) for a term commenced from 1 January 2017 and expiring on 31 December 2019. Such transactions constituted non-exempt continuing connected transactions of the Company under the Listing Rules. The Renewed Purchase Agreement and the transactions contemplated thereunder, as well as the annual caps for each of the year ending 31 December 2017, 31 December 2018 and 31 December 2019 were approved by the independent shareholders at the extraordinary general meeting of the Company held on 16 January 2017. Details of the terms of the Renewed Purchase Agreement, the continuing connected transactions and the annual caps were disclosed in the Company's announcement dated 6 December 2016 and the circular dated 29 December 2016. During the Period, the Group sold FPC and flexible packaging substrates products of approximately HK\$50,270,000 (2016: approximately HK\$33,334,000) to GoerTek and its subsidiaries, representing an increase of approximately 50.81% as compared to the corresponding period in 2016.

On 13 March 2017, the Company completed the issue of 246,867,500 rights shares (“Rights Shares”) to the qualifying shareholders by way of rights (“Rights Issue”), at the subscription price of HK\$0.55 per Rights Share. The net proceeds of the Rights Issue were approximately HK\$133,506,000. Details of the Rights Issue were disclosed in the Company’s announcements dated 25 January 2017, 9 February 2017 and 13 March 2017 as well as the prospectus dated 20 February 2017.

Outlook

The Group has become an authorised supplier for a number of world-renowned manufacturers. In order to meet the requirements of the supply chain system of such customers, the Group has established two production bases: Southern China Guangzhou Factory and Eastern China Suzhou Factory. With the gradual uplift of production capability and scale, the Group’s capability to satisfy the “one-stop demand” of such customers is also largely improved. Following the stable enhancement in the Group’s capability to serve major international customers, the Group is confident to maintain a reasonable customer structure through market exploration and to improve the share of supply to its major customers; following the continuous increase of new application fields of FPC and flexible packaging substrates and the foreseeable achievement in the R&D of the production technologies of FPC and flexible packaging substrates, the Group is confident to seize the market opportunities in the new application fields and to continuously improve the operation conditions of FPC and flexible packaging substrates.

The management of the Group is of the opinion that the FPC industry and the flexible packaging substrates industry will maintain their growth momentum despite the lower than expected growth in global economy and the slowdown of China’s economy. With the continuous expansion in scope of applications of FPC and flexible packaging substrates and the emergence of new application fields, the Group is expected to seize the development opportunities for the industry, continue to improve the sales performance of FPC, acquire more customers for its flexible packaging substrate business and overcome the difficulties of flexible packaging substrate business so as to enhance its operating results.

During the year, the Group will continue to (i) intensify technology research and development in order to uplift key technology capabilities and increase product yield rate; (ii) develop new application fields of FPC and flexible packaging substrates and maintain and increase the supply for major customers; and (iii) uplift production and manufacturing capability with lean management. With more reasonable customer structure of FPC business and increase of application opportunities of flexible packaging substrates business, the Group is expected to seize the development opportunities for the industry, overcome the difficulties in the flexible packaging substrates business and continue to increase the operation results, so as to present satisfactory results and provide favorable returns for its shareholders.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital to meet its present funding requirements.

As at 30 June 2017, net current assets were approximately HK\$61,011,000 (as at 31 December 2016: net current liabilities of approximately HK\$37,389,000).

As at 30 June 2017, there were bank balances, cash on hand and pledged bank deposits of approximately HK\$58,833,000 (as at 31 December 2016: approximately HK\$28,959,000).

As at 30 June 2017, there were bank borrowings of approximately HK\$45,267,000 (as at 31 December 2016: approximately HK\$134,391,000).

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2017, bank deposits of approximately HK\$2,357,000 (as at 31 December 2016: approximately HK\$2,356,000) were pledged as collateral to secure the issue of bills payable by banks to certain suppliers of the Group and banking facilities granted to the Group.

As at 30 June 2017, prepaid lease payments, buildings and trade receivables with carrying amounts of approximately HK\$17,329,000, HK\$52,726,000 and nil respectively (as at 31 December 2016: approximately HK\$16,818,000, HK\$51,171,000 and HK\$8,677,000 respectively) were pledged to secure the banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 June 2017, the Group had outstanding capital commitments of approximately HK\$101,309,000 (as at 31 December 2016: approximately HK\$50,597,000).

GEARING RATIO

As at 30 June 2017, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 39.94% (as at 31 December 2016: approximately 50.69%).

MATERIAL ACQUISITIONS AND DISPOSALS

Save for (i) the disposal of 70% equity interests in New Career Guangzhou Electronics Company Limited, a wholly-owned subsidiary of the Group; and (ii) the disposal of the entire 75% equity interests in Giant Rise Technology Limited, a subsidiary of the Group, the Group did not have any material acquisitions or disposals during the six months ended 30 June 2017.

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly received and incurred in US dollars and RMB and the assets and liabilities of the Group are denominated in HK dollars and RMB. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchange rates and the Group has not taken any hedging measures in this connection. Further, the conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC. However, taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

USE OF PROCEEDS FROM RIGHTS ISSUE

On 13 March 2017, the Company completed the issue of 246,867,500 Rights Shares to the qualifying shareholders by way of rights at the subscription price of HK\$0.55 per Rights Share. The net proceeds of the Rights Issue were approximately HK\$133,506,000. As of 30 June 2017, approximately HK\$82,000,000 of raised fund was utilised, among which: (i) approximately HK\$60,400,000 was utilised for the development of the Group's flexible packaging substrates business; and (ii) approximately HK\$21,600,000 was utilised for the general working capital of the Group.

SEGMENTAL INFORMATION

The Group's principal activities are the manufacture and sale of FPC, the manufacture and sale of flexible packaging substrates and other. An analysis of the Group's revenue by geographical markets of its customers and business segments for the period are set out in note 4 to the condensed financial statements.

EMPLOYEE INFORMATION

As at 30 June 2017, the Group had a total of 2,032 full-time employees based in Hong Kong and China. The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remuneration of its directors and staff at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of China and Hong Kong. The majority of the Group's employees are stationed in China.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS

Save as disclosed in this report, the Group has no plans for material investments or capital assets as at 30 June 2017.

CONTINGENT LIABILITIES

The Group had no any material contingent liabilities as at 30 June 2017.

MATERIAL INVESTMENT

Save as disclosed in this report, the Group did not have any material investment for the six months ended 30 June 2017.

DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 June 2017, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"):

(a) *The Company*

(i) *Interest in shares of the Company*

Name of Director	Class and number of shares in which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	7,900,000 ordinary shares	Beneficial owner	Long	0.64
Ms. Li Ying Hong	6,625,000 ordinary shares	Beneficial owner	Long	0.54

(b) The associated corporation

As at 30 June 2017, to the best knowledge of the Directors, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of any associated corporations of the Company (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code.

(b) Substantial shareholders

Save as disclosed below, as at 30 June 2017, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives)	Long/short position	Approximate percentage of total issued share capital in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	450,000,000 ordinary shares	Long	36.46
Silver City International (Holdings) Ltd. ("Silver City") (Note 1)	Interest in controlled corporation	450,000,000 ordinary shares	Long	36.46
China North Industries Corporation ("CNIC") (Note 1)	Interest in controlled corporation	450,000,000 ordinary shares	Long	36.46

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives)	Long/short position	Approximate percentage of total issued share capital in the Company
Goertek (HongKong) Co., Limited ("HK Goertek")	Beneficial owner	363,650,000 ordinary shares	Long	29.46
Weifang Goertek Trading Co., Limited ("Weifang Goertek") (Note 2)	Interest in controlled corporation	363,650,000 ordinary shares	Long	29.46
GoerTek Inc. ("GoerTek") (Note 2)	Interest in controlled corporation	363,650,000 ordinary shares	Long	29.46

Notes:

1. As Alpha Luck is wholly and beneficially owned by Silver City, which in turn is wholly and beneficially owned by CNIC, both Silver City and CNIC are deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.
2. As HK Goertek is wholly and beneficially owned by Weifang Goertek, which in turn is wholly and beneficially owned by GoerTek, both Weifang Goertek and GoerTek are deemed to be interested in the same number of shares of the Company held by HK Goertek under Part XV of the SFO.
3. As at 30 June 2017, none of Alpha Luck, Silver City, CNIC, HK Goertek, Weifang Goertek nor GoerTek was interested in any securities of the Company under equity derivatives.

CORPORATE GOVERNANCE

Save as disclosed in this report, throughout the six months ended 30 June 2017, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than the standard of dealings as set out in the Model Code of the Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the standard of dealings regarding securities transactions throughout the six months ended 30 June 2017.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the Directors nor their respective associates (as defined under the Listing Rules) had any conflict of interest with any member of the Group or any interest in a business which competes or may compete with the business of any member of the Group during the Period.

RETIREMENT OF DIRECTOR

On 26 May 2017, Mr. Chai Zhi Qiang, an executive director of the Company, did not seek for re-election at the annual general meeting and he retired as an executive director of the Company with effect from the conclusion of the annual general meeting. Details of the retirement of Mr. Chai were disclosed in the announcement of the Company dated 26 May 2017. Mr. Chai remains as the chief executive officer of the Company.

REMUNERATION COMMITTEE

The Company has established a remuneration committee, which comprises three non-executive Directors. The chairman of the committee is Mr. Zhao Xiao, an independent non-executive Director, and other members are Ms. Li Ying Hong and Mr. Cui Zheng. As such, the majority of the members are independent non-executive Directors.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors.

The audit committee comprises three members, Mr. Hung Chi Yuen Andrew, Mr. Zhao Xiao and Mr. Cui Zheng. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Hung Chi Yuen Andrew.

NOMINATION COMMITTEE

The Company has established a nomination committee, which comprises two non-executive Directors and one executive Director. The chairman of the committee is Mr. Xiong Zheng Feng, the chairman of the Board, and other members are Mr. Hung Chi Yuen Andrew and Mr. Zhao Xiao. As such, the majority of the members are independent non-executive Directors.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the six months ended 30 June 2017.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Business Review", there were no other important events affecting the Group that have occurred after 30 June 2017 and up to the date of this report.

DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The interim financial report for the year 2017 will be published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (<http://www.akmcompany.com>) in due course.

By Order of the Board
AKM Industrial Company Limited
Xiong Zheng Feng
Chairman

Hong Kong, 11 August 2017

As at the date of this report, the executive Director is Xiong Zheng Feng; the non-executive Directors are Li Ying Hong, Gao Xiaoguang and Jia Junan; and the independent non-executive Directors are Hung Chi Yuen Andrew, Zhao Xiao and Cui Zheng.