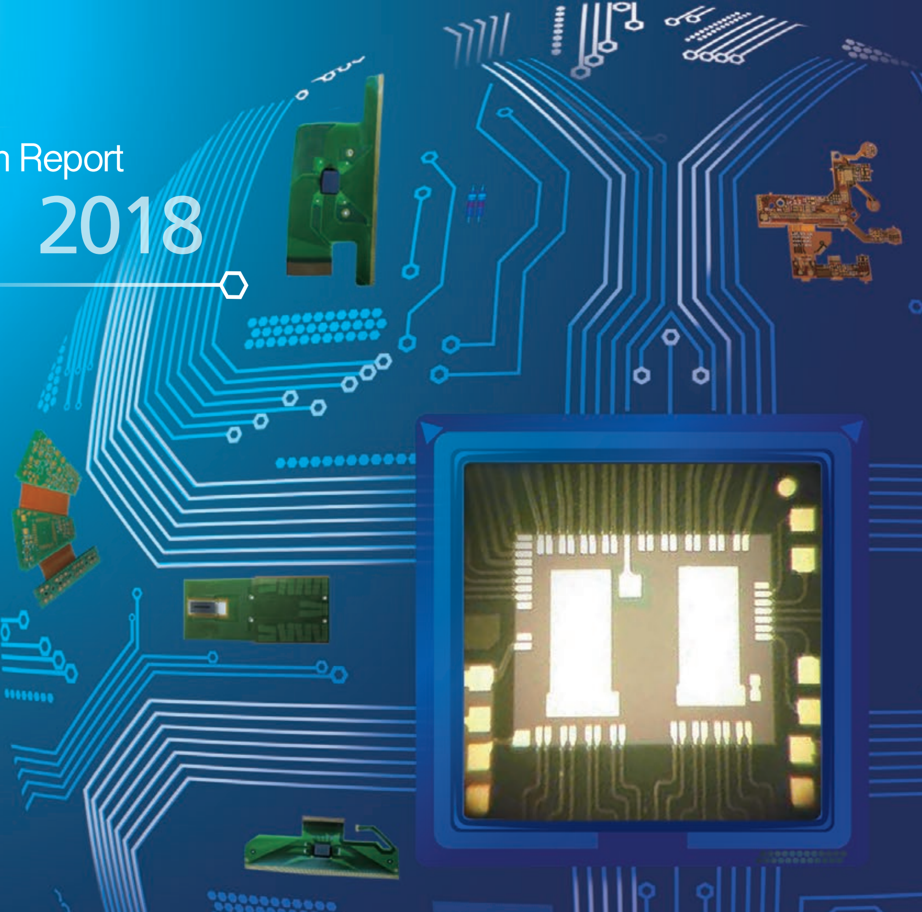
AKM Industrial Company Limited

安 捷 利 實 業 有 限 公 司

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

Stock Code : 1639

Interim Report 2018



HIGHLIGHTS

- For the six months ended 30 June 2018, the unaudited revenue increased to approximately HK$517,680,000, representing an increase of approximately 6.23% as compared to approximately HK$487,330,000 for the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK$31,074,000, representing an increase of approximately 32.11% as compared to approximately HK$23,522,000 for the corresponding period of last year.

- For the six months ended 30 June 2018, basic earnings per share of the Group was approximately HK$2.09 cents.

- The board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (the corresponding period in 2017: nil).

THE FINANCIAL STATEMENTS

Interim Results

The board (the "Board") of directors ("Directors") hereby announces the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 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 2018

	Notes	**For the six months ended 30 June** **2018** ***HK$'000*** **(Unaudited)**	2017 *HK$'000* (Unaudited)
Turnover	*4*	**517,680**	487,330
Cost of sales		**(439,196)**	(397,074)
Gross profit		**78,484**	90,256
Other income		**20,889**	12,665
Loss on disposal of subsidiaries		**–**	(3,224)
Distribution costs		**(10,488)**	(8,626)
Administrative expenses		**(19,686)**	(17,548)
Research and development expenses		**(28,943)**	(38,239)
Share of (loss) profits of an associate		**(4)**	11
Finance costs		**(219)**	(1,752)
Profit before taxation	*5*	**40,033**	33,543
Taxation	*6*	**(8,959)**	(10,029)
Profit for the period		**31,074**	23,514
Other comprehensive (expenses) income:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(19,604)**	19,777
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		**–**	(1,729)
Total comprehensive income for the period		**11,470**	41,562
Profit for the period attributable to:			
Owners of the Company		**31,074**	23,522
Non-controlling interests		**–**	(8)
		31,074	23,514
Total comprehensive income attributable to:			
Owners of the Company		**11,470**	41,558
Non-controlling interests		**–**	4
		11,470	41,562
Earnings per share *(HK cents)*	*8*		
– basic		**2.09**	2.04

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**677,019**	633,309
Prepaid lease payments		**48,139**	49,187
Interest in an associate		**3,810**	3,848
Available-for-sale investments		**–**	17,945
Equity investments at fair value through other comprehensive income		**20,152**	–
Deposits for acquisition of property, plant and equipment		**58,910**	14,694
		808,030	718,983
Current assets			
Inventories		**117,123**	95,480
Trade and other receivables	10	**438,467**	361,043
Prepaid lease payments		**1,254**	1,265
Pledged bank deposits		**2,357**	2,357
Bank balances and cash		**247,212**	89,288
		806,413	549,433
Current liabilities			
Trade and other payables	11	**381,054**	413,146
Deferred income		**793**	5,288
Taxation payable		**6,310**	8,456
Bank borrowings	12	**–**	67,976
		388,157	494,866

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Net current assets		**418,256**	54,567
Total assets less current liabilities		**1,226,286**	773,550
Capital and reserves			
Share capital	*13*	**921,553**	466,667
Reserves		**270,244**	271,776
Total equity		**1,191,797**	738,443
Non-current liabilities			
Deferred income		**25,383**	26,001
Deferred taxation		**9,106**	9,106
		34,489	35,107
		1,226,286	773,550

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company							
	Share capital	Statutory surplus reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 31 December 2017 (audited)	**466,667**	**22,551**	**–**	**38,811**	**210,414**	**738,443**	**–**	**738,443**
Adjustment *(see note 3)*	**–**	**–**	**2,380**	**–**	**–**	**2,380**	**–**	**2,380**
At 1 January 2018 (adjusted)	**466,667**	**22,551**	**2,380**	**38,811**	**210,414**	**740,823**	**–**	**740,823**
Profit for the period	**–**	**–**	**–**	**–**	**31,074**	**31,074**	**–**	**31,074**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**(19,604)**	**–**	**(19,604)**	**–**	**(19,604)**
Total comprehensive income for the period	**–**	**–**	**–**	**(19,604)**	**31,074**	**11,470**	**–**	**11,470**
Issue of shares (net of transaction costs)	**454,886**	**–**	**–**	**–**	**–**	**454,886**	**–**	**454,886**
Dividends paid	**–**	**–**	**–**	**–**	**(15,382)**	**(15,382)**	**–**	**(15,382)**
At 30 June 2018	**921,553**	**22,551**	**2,380**	**19,207**	**226,106**	**1,191,797**	**–**	**1,191,797**
At 1 January 2017	333,161	–	–	(3,684)	153,949	483,426	631	484,057
Profit (loss) 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	–	–	–	(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 (net of transaction costs)	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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	**(66,177)**	62,674
Net cash used in investing activities	**(140,944)**	(80,551)
Net cash from financing activities	**371,528**	45,844
Increase in cash and cash equivalents	**164,407**	27,967
Cash and cash equivalents at beginning of the period	**89,288**	26,603
Effect of foreign exchange rate changes	**(6,483)**	1,906
Cash and cash equivalents at end of the period, represented by bank balances and cash	**247,212**	56,476

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2018

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 GEM ("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$"), which is the functional currency of the Company.

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

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 2017 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 2017 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 cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to HKFRS 9 Prepayment Features with Negative Compensation in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from (i) sales of raw materials and equipment; (ii) sales of FPC; (iii) sales of flexible packaging substrates.

Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

In the opinion of the directors of the Company, the application of HKFRS 15 does not have a material impact on amounts of revenue recognised in respective reporting periods.

Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

The directors of the Company reviewed and assessed the Group's financial assets and financial liabilities as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed as below.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. In the opinion of directors, the results of the assessment and the impact is not material.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Available-for-sale HK$'000	Equity investments at fair value through other comprehensive income ("FVTOCI") HK$'000	Investment revaluation reserve HK$'000
Closing balances at 31 December 2017 – HKAS 39	17,945	–	–
Effect arising form initial application of HKFRS 9:			
Reclassification			
From Available-for-sale	(17,945)	17,945	
Remeasurement			
From cost less impairment to fair value		2,380	2,380
Opening balances at 1 January 2018	–	20,325	2,380

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK$17,945,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of HKFRS 9, HK$17,945,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI which related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gain of HK$2,380,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

The reclassification of available-for-sale investments as at 31 December 2017 reconcile to the opening balance of equity instruments at FVTOCI as at 1 January 2018 is presented in the above summary.

Except application of HKFRS 9 and HKFRS 15 mentioned above, the application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior interim periods and/or disclosures set out in these condensed consolidated financial statements.

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 currently has three business segments, namely (i) the business of manufacture and sale of FPC; (ii) the business of manufacture and sale of flexible packaging substrates business; and (iii) sourcing and sale of electronic components. 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 – external sales		Inter-segment sales		Eliminations		Segment results	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
FPC business	**447,055**	461,788	**–**	1,122	**–**	(1,122)	**54,821**	58,909
Flexible packaging substrates business	**63,173**	17,550	**–**	–	**–**	–	**(2,998)**	(8,386)
Other	**7,452**	7,992	**–**	–	**–**	–	**110**	119
Total	**517,680**	487,330	**–**	1,122	**–**	(1,122)	**51,933**	50,642
Interest income							**4,884**	625
Share of (loss) profit of an associate							**(4)**	11
Unallocated corporate expense							**(16,561)**	(15,983)
Finance costs							**(219)**	(1,752)
Profit before taxation							**40,033**	33,543

(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 (place of domicile). The following table provides an analysis of the Group's revenue from external customers by geographical locations:

	Revenue	
	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PRC (excluding Hong Kong)	**371,527**	310,004
Hong Kong	**113,900**	109,576
Others	**32,253**	67,750
Total	**517,680**	487,330

All revenue of the Group is recognised at a point in time.

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for obsolete inventories	**6,080**	3,788
Depreciation of property, plant and equipment	**43,806**	28,697
Amortisation of prepaid lease payments	**647**	599
and after crediting:		
Net exchange gain	**310**	1,680
Interest income	**4,884**	625

6. TAXATION

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong Profit Tax	**121**	–
PRC Enterprise Income Tax	**8,838**	9,404
	8,959	9,404
Deferred tax:		
Current	**–**	625
	8,959	10,029

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profit tax rates regime. The Bill was gazetted on 29 March 2018.

Under the two tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. For the period ended 30 June 2018, Hong Kong Profits Tax of the qualified entity is calculated in accordance with the two-tiered profits tax rates regime.

For the period ended 30 June 2017, Hong Kong Profits Tax was calculated at the flat rate of 16.5%.

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 2018 respectively.

7. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2018 (the corresponding period in 2017: Nil).

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	**31,074**	23,522

	Number of shares	
	2018	2017
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,489,546,340**	1,151,752,194

Note: On 30 January 2018, the Company issued 103,900,000 ordinary shares and 200,000,000 ordinary shares at the subscription price of HK$1.5 per share to Alpha Luck Industrial Ltd. ("Alpha Luck") and Anjie Technology (Hong Kong) Company Limited ("HK Anjie") respectively. The number of ordinary shares in issue of the Company increased to 1,538,237,500 shares.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK$132,039,000 (corresponding period in 2017: approximately HK$80,495,000) on the acquisition of property, plant and equipment, including equipments which were inspected and commissioned for production of approximately HK$58,261,000 (the corresponding period in 2017: approximately HK$38,732,000) and plant and construction in progress of approximately HK$73,778,000 (the corresponding period in 2017: approximately HK$41,763,000).

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 according to the invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates:

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**202,647**	156,619
31 – 60 days	**96,753**	118,060
61 – 90 days	**49,809**	28,793
91 – 120 days	**22,880**	28,201
121 days – 1 year	**28,195**	6,641
	400,284	338,314

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 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 30 days	**121,896**	124,210
31 – 60 days	**80,951**	88,957
61 – 90 days	**57,155**	71,040
91 – 120 days	**21,073**	34,974
121 days – 1 year	**4,715**	15,965
Over 1 year	**1,176**	3,735
	286,966	338,881

12. BANK BORROWINGS

	At 30 June 2018 ***HK$'000*** **(Unaudited)**	At 31 December 2017 *HK$'000* (Audited)
Borrowings which are repayable within one year (included in current liabilities):		
Bank loans – unsecured	–	27,366
Bank loans – secured	–	24,284
	–	51,650
Bank borrowings which are repayable after 1 year (but contains the terms of repayable on demand):		
After 1 year but within 2 years – secured	–	1,954
After 2 years but within 5 years – secured	–	14,372
	–	67,976

Note: After the completion of the Subscriptions on 30 January 2018, in order to utilize capital effectively and timely and to avoid foreign exchange risk, the Company repaid all bank borrowings in advance in March 2018.

13. SHARE CAPITAL

	Number of shares	**Share capital**
		HK$'000
Issued and fully paid:		
At 1 January 2018	1,234,337,500	466,667
Issue of subscription shares *(Note)*	303,900,000	454,886
At 30 June 2018	1,538,237,500	921,553

Note: On 30 January 2018, the Company issued 103,900,000 ordinary shares and 200,000,000 ordinary shares at the subscription price of HK$1.5 per share to Alpha Luck and HK Anjie respectively. The net proceeds raised by the Company was approximately HK$454,886,000. The number of ordinary shares in issue of the Company increased to 1,538,237,500 shares.

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

14. CAPITAL COMMITMENTS

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment which is contracted for but not provided in the financial statements	**66,976**	23,566

15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The Group's equity investments at fair value through other comprehensive income ("FVTOCI") are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2018, the equity investments at FVTOCI in the condensed consolidated statement of financial position amounted to HK$20,325,000 (2017: nil), which representing 7.11% unlisted equity interests in a company established in the PRC and is measured in accordance to Level 3 fair value measurements based on market approach.

There were no transfers between Level 1 and 3 during the period.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

16. RELATED PARTY TRANSACTIONS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Transactions with a shareholder and its subsidiaries:		
Sales of goods by the Group to GoerTek	**62,249**	50,270
Sourcing of materials by the Group from Anjie	**3**	–
Transactions with fellow subsidiaries:		
Rentals for office charged to the Group	**60**	60
Transactions with an associate:		
Sales of goods by the Group	**346**	97
Sourcing of materials by the Group	**31**	–
Rentals for plant and office received by the Group	**156**	20

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2018 (the "Period"), the revenue of the Group amounted to approximately HK$517,680,000, representing an increase of approximately 6.23% as compared to the corresponding period of last year. The increase in revenue for the Period was mainly attributable to the increased order levels from major customers of flexible packaging substrates business. The gross profit margin for the Period decreased to approximately 15.16% (the corresponding period of 2017: approximately 18.52%), which was mainly due to the decrease in gross profit margin for the sales of FPC. The profit attributable to the owners of the Company for the Period was approximately HK$31,074,000, while the profit attributable to the owners of the Company for the corresponding period of last year was approximately HK$23,522,000, representing an increase of approximately 32.11%. The increase of the profit attributable to the owners of the Company for the Period was mainly due to (i) the increase in revenue in the sales and the decrease in gross loss margin of the Group's flexible packaging substrates; and (ii) the substantial increase in other income.

Other income of the Group for the Period amounted to approximately HK$20,889,000, representing an increase of approximately 64.93% as compared to approximately HK$12,665,000 for the corresponding period of last year. The increase in other income was mainly due to the increases in government grants/subsidies and interest income.

The distribution costs of the Group for the Period amounted to approximately HK$10,488,000, representing an increase of approximately 21.59% as compared to approximately HK$8,626,000 for the corresponding period of last year. The increase in distribution costs was mainly attributed to the increase in labour costs.

The administrative expenses of the Group for the Period amounted to approximately HK$19,686,000, representing an increase of approximately 12.18% as compared to approximately HK$17,548,000 for the corresponding period of last year. The increase in administrative expenses was mainly due to the increase in staff costs during the Period.

The research and development ("R&D") expenses of the Group for the Period amounted to approximately HK$28,943,000, representing a decrease of approximately 24.31% as compared to approximately HK$38,239,000 for the corresponding period of last year. The decrease in R&D expenses was mainly due to (i) the decrease in R&D expenses occurred from trial production of the Group's flexible packaging substrates for the Period as compared to the R&D expenses occurred from trial production during the corresponding period of last year; and (ii) the decrease in depreciation expenses of equipments during the Period.

The finance costs of the Group for the Period amounted to approximately HK$219,000, representing a decrease of approximately 87.5% as compared to approximately HK$1,752,000 for the corresponding period of last year. The decrease in finance costs was mainly due to the early repayment of all bank borrowings in March 2018.

Business Review and Prospects

Business Review

The Group is principally engaged in the businesses of the manufacturing and sale of FPC, flexible packaging substrates and their respective components, which are used in electronic products.

During the first half of 2018, the revenue of the Group amounted to approximately HK$517,680,000, representing an increase of approximately 6.23% as compared to approximately HK$487,330,000 for the corresponding period of last year. The increase in revenue was mainly attributable to the increased order levels from major customers of flexible packaging substrates business. During the Period, the revenue for the sales of FPC and the sales of flexible packaging substrates were approximately HK$447,055,000 and HK$63,173,000 respectively, while 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 for the corresponding period of last year. During the first half of 2018, the profit attributable to the owners of the Company amounted to approximately HK$31,074,000, while the profit attributable to the owners of the Company amounted to approximately HK$23,522,000 for the corresponding period of last year, representing an increase of approximately 32.11%. The increase of the profit attributable to the owners of the Company for the Period was mainly due to (i) the increase in revenue in the sales and the decrease in gross loss margin of the Group's flexible packaging substrates; and (ii) the substantial increase in other income.

During the first half of 2018, the Group's sales of FPC decreased by approximately 3.19% as compared to the corresponding period of last year, and its gross profit margin decreased to approximately 17.85% (the corresponding period of 2017: approximately 20.08%). The sales of flexible packaging substrates increased by approximately 259.96% as compared to the corresponding period of last year, and its gross loss margin decreased to approximately 2.27% (gross loss margin for the corresponding period of 2017: approximately 14.85%).

During the first half of 2018, the Group's performance in FPC business was burdened by the fall in the mobile communication market of mainland China, resulting in a decrease in the gross profit margin of the Group's FPC business due to fixed asset amortization and costs inflation. The Group's flexible packaging substrates business attained a relatively good progress in the introduction of new customers, resulting in a substantial increase in sales volume, the gross loss margin decreased to approximately 2.27% from approximately 14.85% from the corresponding period of last year. Nevertheless, economies of scale for the flexible packaging substrate business is yet to be achieved due to the significant upfront investments incurred and the high level of fixed costs and staff costs. There is still relatively large room for improvement for the flexible packaging substrate business which is still during the ramp-up period.

During the Period, against the fall in mobile communication products shipment volume, the Group continued to implement the strategy of "developing major customers and focusing on principal businesses". On the basis of retaining the current major core customers, the Group explored for new customers and attained relatively good progress especially in new application areas such as wireless charging and new energy vehicles.

During the Period, the Group's R&D expenses amounted to approximately HK$28,943,000, representing a decrease of approximately 24.31% as compared to approximately HK$38,239,000 for the corresponding period of last year. The decrease in R&D expenses was mainly due to (i) the decrease in R&D expenses occurred from trial production of the Group's flexible packaging substrates for the Period as compared to the R&D expenses occurred from trial production during the corresponding period of last year; and (ii) the decrease in depreciation expenses of equipments during the Period. Due to the continuous increase of new application fields of FPC and flexible packaging substrates and the continuous uplift of requirements in product structure and complexity by downstream customers, the Group will continue to increase investment in R&D to continuously uplift technology standard and technical capability, to conduct R&D in new materials, new products and new production techniques and automation transformation in equipment.

As disclosed in the Company's circular dated 20 December 2017, the Group intends to establish an intelligent factory with ancillary facilities in the existing factory of the Group at Nansha, Guangdong, PRC for assembling new application modules of FPC. During the Period, the preliminary preparation such as land exploration, construction design and construction report for approval have been completed. It is expected that the construction would commence in the third quarter and the main building could be completed in the next year.

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$62,249,000 (the corresponding period in 2017: approximately HK$50,270,000) to GoerTek and its subsidiaries, representing an increase of approximately 23.83% as compared to the corresponding period in 2017.

On 29 November 2017, the Company entered into a subscription agreement with Alpha Luck Industrial Limited ("Alpha Luck"), a controlling shareholder of the Company, and a subscription agreement with Suzhou Anjie Technology Co. Ltd ("Anjie Technology") respectively, pursuant to which Alpha Luck and Anjie Technology respectively subscribed for 103,900,000 shares and 200,000,000 shares at the Subscription Price of HK$1.50 per share (collectively the "Subscriptions"). The Subscriptions were completed simultaneously on 30 January 2018. The net proceeds of Subscriptions of approximately HK$454,886,000 is intended to be applied to (i) the construction of the FPC new intelligent factory ("New Factory") and the establishment of new production lines in the New Factory; (ii) expanding the production capacities and enhancing production capabilities of the Group's existing production plant of FPC products by acquiring new machineries and continuously improving and developing production techniques through research and development; (iii) enhancement of production capacities and capabilities of the Group's flexible packaging substrates products by acquiring new machineries and continuously improving and developing production techniques through research and development; and (iv) general working capital of the Group. Details of the Subscriptions were disclosed in the Company's announcements dated 29 November 2017, 9 January 2018 and 30 January 2018 and in the Company's circular dated 20 December 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. The Group has also established sales centre, research and development centre, supply chain management department, etc. which are independent from the production system. With the gradual uplift of technical capability, production capability and scale in the FPC business and flexible packaging substrates business, the Group's capability to satisfy the "one-stop demand" of such customers is also largely improved.

The management of the Group considers that along with the continuous development and changes of the electronic industry, the adjustment of the industry structure at a faster pace, and the endless emergence of new technologies and new applications, the prospects of application of FPC and flexible packaging substrates stays positive. The Group will strengthen and commence more cooperation with upstream and downstream industries, grasp the opportunities in the market and expand new application of the products.

Following the stable enhancement in the Group's capability to serve major international customers and the gradual application of products in new application areas, the Group is confident to face the dramatic changes in the market, seize the market opportunities, tackle the difficulties in the ramp-up period of the flexible packaging substrates business, continuously improve the operation conditions of FPC and flexible packaging substrates, so as to present satisfactory results and bring favourable returns to 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 2018, net current assets were approximately HK$418,256,000 (as at 31 December 2017: net current assets of approximately HK$54,567,000).

As at 30 June 2018, there were bank balances, cash on hand and pledged bank deposits of approximately HK$249,569,000 (as at 31 December 2017: approximately HK$91,645,000).

As at 30 June 2018, there were bank borrowings of HK$0 (as at 31 December 2017: approximately HK$67,976,000).

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2018, bank deposits of approximately HK$2,357,000 (as at 31 December 2017: approximately HK$2,357,000) 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 2018, land use rights and buildings with carrying amounts of approximately HK$17,401,000 and HK$52,758,000 respectively (as at 31 December 2017: approximately HK$17,551,000 and HK$53,212,000 respectively) were pledged to secure the general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had outstanding capital commitments of approximately HK$66,976,000 (as at 31 December 2017: approximately HK$23,566,000).

GEARING RATIO

As at 30 June 2018, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 26.18% (as at 31 December 2017: approximately 41.78%).

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2018, the Group did not have any material acquisitions or disposals.

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 was approximately HK$133,506,000 ("Net Proceeds of Rights Issue"). As of 31 December 2017, approximately HK$118,200,000 of the Net Proceeds of Rights Issue had been utilized, among which: (i) approximately HK$96,600,000 was utilized for the development of the Group's flexible packaging substrates business, all of which was applied for purchase of new machineries; and (ii) approximately HK$21,600,000 was utilized for the general working capital of the Group, all of which was applied as supplemental working capital. The capital utilization was consistent with the intended use of the Net Proceeds of Rights Issue as disclosed in the circular of the Company dated 20 February 2017. As of 31 December 2017, approximately HK$15,306,000 intended to be applied for the development of the Group's flexible packaging substrates business was not yet utilized.

As of 30 June 2018, the Net Proceeds of Rights Issue was fully utilized, among which: (i) approximately HK$111,906,000 was utilized for the development of the Group's flexible packaging substrates business, all of which was applied for purchase of new machineries; and (ii) approximately HK$21,600,000 was utilized for the general working capital of the Group, all of which was applied as supplemental working capital. The capital utilization was consistent with the intended use of the Net Proceeds of Rights Issue as disclosed in the circular of the Company dated 20 February 2017.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

On 29 November 2017, the Company entered into a subscription agreement with Alpha Luck, a controlling shareholder of the Company, and a subscription agreement with Anjie Technology respectively, pursuant to which Alpha Luck and Anjie Technology respectively subscribed for 103,900,000 shares and 200,000,000 shares at the Subscription Price of HK$1.50 per share (collectively the "Subscriptions"). The Subscriptions were completed simultaneously on 30 January 2018. The net proceeds amounted to approximately HK$454,886,000 ("Net Proceeds of Subscriptions"). As of 30 June 2018, approximately HK$165,036,000 of the Net Proceeds of Subscriptions has been applied, among which: (i) approximately HK$1,016,000 was used for the preliminary preparation for the construction of the new intelligent factory, mainly applied for payment of the fees for land exploration, construction design and construction report for approval; (ii) approximately HK$53,430,000 was used for expanding the production capacities and enhancing production capabilities of the Group's existing production plant of FPC products (all of which was used for acquiring new machineries); (iii) approximately HK$65,590,000 was used for the enhancement of production capacities and capabilities of the Group's flexible packaging substrates products (all of which was used for acquiring new machineries); and (iv) approximately HK$45,000,000 was used for the general working capital of the Group (all of which was applied as supplemental working capital). The capital utilization was consistent with the intended use of the Net Proceeds of Subscriptions as disclosed in the circular of the Company dated 20 December 2017.

As at 30 June 2018, approximately HK$289,850,000 of the Net Proceeds of Subscriptions has not yet been utilized, among which, (i) approximately HK$154,984,000 is intended to be applied for the construction of the new intelligent factory and the establishment of new production lines in the new factory, which is expected to be fully utilized in 2020; (ii) approximately HK$38,570,000 is intended for expanding the production capacities and enhancing production capabilities of the Group's existing production plant of FPC products, which is expected to be fully utilized by the first half of 2019; (iii) approximately HK$92,410,000 is intended to be applied for the enhancement of production capacities and capabilities of the Group's flexible packaging substrates products, which is expected to be fully utilized by the second half of 2019; and (iv) approximately HK$3,886,000 is intended to be applied for the general working capital of the Group. The Company expected to fully utilize the remaining Net Proceeds of Subscriptions by 2020 in accordance with the intended use as stated above.

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.

SEGMENTAL INFORMATION

The Group's principal activities are the manufacture and sale of FPC, the manufacture and sale of flexible packaging substrates business and sourcing and sale of electronic components. 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 2018, the Group had a total of 1,410 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 2018.

CONTINGENT LIABILITIES

The Group had no any material contingent liabilities as at 30 June 2018.

MATERIAL INVESTMENT

Save as disclosed in this report, the Group did not have any material investment for the six months ended 30 June 2018.

DISCLOSURE OF INTERESTS

Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 30 June 2018, 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 or Chief Executive	Class and number of shares in which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total number of issued shares in the Company
Mr. Xiong Zheng Feng	7,900,000 ordinary shares	Beneficial owner	Long	0.51
Ms. Li Ying Hong	6,625,000 ordinary shares	Beneficial owner	Long	0.43
Mr. Chai Zhi Qiang	6,975,000 ordinary shares	Beneficial owner	Long	0.45

(ii) Interest in the underlying shares of the Company through equity derivatives

As at 30 June 2018, to the best knowledge of the Directors, none of the Directors nor chief executive of the Company had or was deemed to have any interest in the underlying shares of the Company.

(b) The associated corporation

As at 30 June 2018, 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.

Substantial shareholders

Save as disclosed below, as at 30 June 2018, 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 number of issued shares in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	553,900,000 ordinary shares	Long	36.01
Silver City International (Holdings) Ltd. ("Silver City") *(Note 1)*	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Corporation ("CNIC") *(Note 1 and 2)*	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Group Corporation ("CNIGC") *(Note 2)*	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01

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 number of issued shares in the Company
China South Industries Group Corporation ("CSIGC") *(Note 2)*	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
Goertek (HongKong) Co., Limited ("HK Goertek")	Beneficial owner	363,650,000 ordinary shares	Long	23.64
Weifang Goertek Trading Co., Limited ("Weifang Goertek") *(Note 3)*	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
GoerTek Inc. ("GoerTek") *(Note 3)*	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
Anjie Technology (Hong Kong) Company Limited ("HK Anjie")	Beneficial owner	200,000,000 ordinary shares	Long	13.00
Suzhou Anjie Technology Co. Ltd ("Anjie Technology") *(Note 4)*	Interest in controlled corporation	200,000,000 ordinary shares	Long	13.00

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 the equity interest of CNIC was owned as to 56.7% by CNIGC and as to 37.54% by CSIGC, both of CNIGC and CSIGC are deemed to be interested in the same number of shares of the Company held by CNIC under Part XV of the SFO.

3. 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.

4. As HK Anjie is wholly and beneficially owned by Anjie Technology, Anjie Technology is deemed to be interested in the same number of shares of the Company held by HK Anjie under Part XV of the SFO.

5. As at 30 June 2018, none of Alpha Luck, Silver City, CNIC, CNIGC, CSIGC, HK Goertek, Weifang Goertek, GoerTek, HK Anjie nor Anjie Technology 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 2018, the Company complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

As Mr. Zhao Xiao did not seek for renewal of his appointment as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee upon the expiry of his term of office on 15 February 2018, the number of independent non-executive Directors and the number of members of the audit committee of the Company fall below the minimum numbers required under Rules 3.10(1) and 3.21 of the Listing Rules respectively since 15 February 2018 and the requirement that the remuneration committee should comprise a majority of independent non-executive Directors under Rule 3.25 of the Listing Rules also could not be complied with. Further, the requirement that the nomination committee should comprise a majority of independent non-executive Directors under Code A.5.1 of Appendix 14 of the Listing Rules also could not be complied with. The Company appointed Mr. Yang Zhaoguo as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee on 15 May 2018. Accordingly, Rules 3.10(1), 3.21, 3.25 and Code A.5.1 of the Listing Rules have been complied with since 15 May 2018.

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 2018.

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 close 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.

APPOINTMENT AND RETIREMENT OF DIRECTOR

On 30 January 2018, Mr. Wang Chunsheng was appointed as a non-executive director of the Company by the Board. On 15 February 2018, Mr. Zhao Xiao did not seek for renewal of his appointment as an independent non-executive director of the Company, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee of the Company due to his other business commitments upon expiration of his term of office. On 15 May 2018, Mr. Yang Zhaoguo was appointed as an independent non-executive Director, the chairman of the remuneration committee, a member of the audit committee and a member of the nomination committee 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. Yang Zhaoguo, 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. Cui Zheng and Mr. Yang Zhaoguo. 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. Yang Zhaoguo. 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 2018.

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 2018 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 2018 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, 10 August 2018

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