

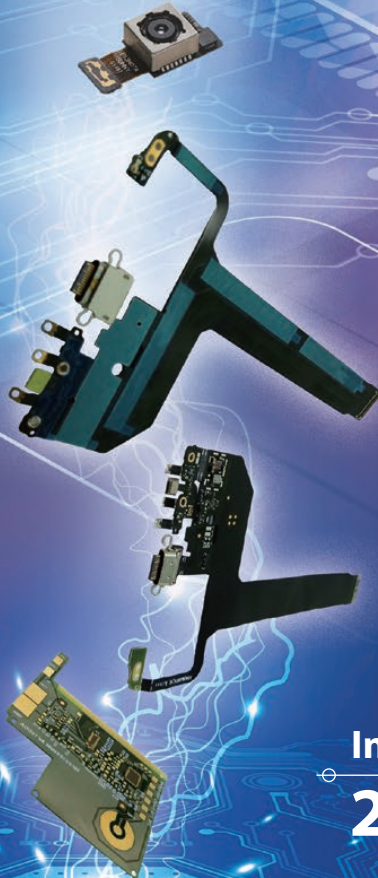


**AKM Industrial Company Limited**

**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**

**2019**

## HIGHLIGHTS

- For the six months ended 30 June 2019, the unaudited revenue increased to approximately HK\$629,766,000, representing an increase of approximately 21.65% as compared to approximately HK\$517,680,000 for the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$7,933,000, representing a decrease of approximately 74.47% as compared to approximately HK\$31,074,000 for the corresponding period of last year.
- For the six months ended 30 June 2019, basic earnings per share of the Group was approximately HK0.52 cents.
- The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the corresponding period in 2018: nil).

## THE FINANCIAL STATEMENTS

### Interim Results

The board (the “Board”) of directors (“Directors”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 together with the comparative unaudited figures for the corresponding period of 2018, as follows:

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***For the six months ended 30 June 2019*

	Notes	For the six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Turnover	4	<b>629,766</b>	517,680
Cost of sales		<b>(566,636)</b>	(439,196)
Gross profit		<b>63,130</b>	78,484
Other income		<b>13,218</b>	20,889
Distribution costs		<b>(8,513)</b>	(10,488)
Administrative expenses		<b>(18,103)</b>	(19,686)
Research and development expenses		<b>(33,730)</b>	(28,943)
Share of loss of an associate		<b>(508)</b>	(4)
Finance costs		<b>(727)</b>	(219)
Profit before taxation	5	<b>14,767</b>	40,033
Taxation	6	<b>(6,834)</b>	(8,959)
Profit for the period		<b>7,933</b>	31,074
Other comprehensive expenses:			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		<b>(897)</b>	(19,604)
Total comprehensive income for the period		<b>7,036</b>	11,470
Earnings per share ( <i>HK cents</i> )	8		
– basic		<b>0.52</b>	2.09

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 30 June 2019*

		<b>30 June</b>	31 December
		<b>2019</b>	2018
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
Non-current assets			
Property, plant and equipment		<b>807,749</b>	779,632
Prepaid lease payments		–	45,717
Right-of-use assets		<b>46,121</b>	–
Interest in associates		<b>35,368</b>	3,828
Equity investments at fair value through other comprehensive income		<b>18,004</b>	18,078
Deposits for acquisition of property, plant and equipment		<b>14,249</b>	20,980
		<b>921,491</b>	868,235
Current assets			
Inventories		<b>122,251</b>	117,812
Trade and other receivables	9	<b>576,375</b>	528,870
Prepaid lease payments		–	1,207
Tax recoverable		<b>102</b>	102
Pledged bank deposits		<b>2,358</b>	2,358
Bank balances and cash		<b>37,853</b>	152,865
		<b>738,939</b>	803,214
Current liabilities			
Trade and other payables	10	<b>419,996</b>	425,940
Deferred income		<b>1,827</b>	763
Taxation payable		<b>8,062</b>	5,371
		<b>429,885</b>	432,074
Net current assets		<b>309,054</b>	371,140
Total assets less current liabilities		<b>1,230,545</b>	1,239,375

		<b>30 June 2019</b>	31 December 2018
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
Capital and reserves			
Share capital	11	<b>921,553</b>	921,553
Reserves		<b>258,118</b>	266,464
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Equity attributable to owners of the Company		<b>1,179,671</b>	1,188,017
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Non-current liabilities			
Deferred income		<b>23,558</b>	24,042
Deferred taxation		<b>10,196</b>	10,196
Liability due to a shareholder		<b>17,120</b>	17,120
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		<b>50,874</b>	51,358
<hr/>			
		<b>1,230,545</b>	1,239,375
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the six months ended 30 June 2019*

	Share capital	Statutory surplus reserve	Investment revaluation reserve	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 2019	921,553	33,959	1,021	(21,474)	252,958	1,188,017
Profit for the period	-	-	-	-	7,933	7,933
Exchange differences arising on translation of foreign operations	-	-	-	(897)	-	(897)
Total comprehensive income for the period	-	-	-	(897)	7,933	7,036
Dividends paid	-	-	-	-	(15,382)	(15,382)
At 30 June 2019	921,553	33,959	1,021	(22,371)	245,509	1,179,671
At 1 January 2018	466,667	22,551	2,380	38,811	210,414	740,823
Profit for the period	-	-	-	-	31,074	31,074
Exchange differences arising on translation of foreign operations	-	-	-	(19,604)	-	(19,604)
Total comprehensive income for the period	-	-	-	(19,604)	31,074	11,470
Issue of shares (net of transaction costs)	454,886	-	-	-	-	454,886
Dividends paid	-	-	-	-	(15,382)	(15,382)
At 30 June 2018	921,553	22,551	2,380	19,207	226,106	1,191,797

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2019*

	<b>For the six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Net cash from (used in) operating activities	<b>38,030</b>	(66,177)
Net cash used in investing activities	<b>(140,573)</b>	(140,944)
Net cash from financing activities	<b>(15,382)</b>	371,528
Increase (decrease) in cash and cash equivalents	<b>(117,925)</b>	164,407
Cash and cash equivalents at beginning of the period	<b>152,865</b>	89,288
Effect of foreign exchange rate changes	<b>2,120</b>	(6,483)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>37,060</b>	247,212

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2019*

### 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, 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, flexible packaging substrates and their respective components.

### 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 2018 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 of the Laws of Hong Kong ((Cap.622) the “Companies Ordinance”) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 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 407(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 consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new Hong Kong Financial Reporting Standards ("HKFRSs"), the condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with the Hong Kong Financial Reporting Standards issued by the HKICPA and the accounting policies and methods of computation used therein are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

#### **Application of new and amendments to Hong Kong Financial Reporting Standards ("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 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

### **3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

#### *3.1.1 Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### As a lessee

##### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

##### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office properties and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets.

Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

#### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use).

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

### *3.1.2 Transition and summary of effects arising from initial application of HKFRS 16*

#### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16 and recognised right-of-use assets of HK\$46,924,000 at 1 January 2019.

	<b>At 1 January 2019</b> <i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	410
<i>Less: Recognition exemption – short-term leases</i>	<i>(410)</i>
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Lease liabilities as at 1 January 2019	–

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following.

	<b>Right-of-use assets</b> <i>HK\$'000</i>
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	–
Reclassified from prepaid lease payments	46,924
<hr/>	
	46,924

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK\$1,207,000 and HK\$45,717,000 respectively were reclassified to right-of-use assets.

Application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### 4. REVENUE AND SEGMENTS INFORMATION

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

##### (a) Business segments

For the year ended 31 December 2018, 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) other.

For the six months ended 30 June 2019, the Group has combined the previously disclosed segments of “business of manufacture and sale of FPC” and “business of manufacture and sale of flexible packaging substrates” into “business of manufacture and sale of circuit boards and components”. The reason for such combination was that, following the expansion of investment scale and sales volume of the flexible packaging substrates business, in order to maximize utilization of equipment capacity and factories as well as improving staff productivity, production equipment, factories and production labour and technicians were in fact shared by the FPC business and flexible packaging substrates business, and there was no longer an independent production workshop for the flexible packaging substrates business. As a result, it was impossible to differentiate the respective assets and liabilities in financial disclosure and it became increasingly difficult to separately calculate their gross profits. The auditor of the Group proposed to combine the FPC business and the flexible packaging substrates business into one segment. Hence, the Group had two business segments for the six months ended 30 June 2019, namely (i) business of manufacture and sale of circuit boards and components; and (ii) other.

The two segments as explained above are the basis on which the Group reports its segment information to the chief operating decision makers.

Principal activities are as follows:

Circuit boards and components business	–	the manufacture and sale of FPC and flexible packaging substrates (including components)
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.

**Six months ended 30 June**

	Segment revenue		Inter-segment sales		Eliminations		Segment results	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Circuit boards and components business	599,911	510,228	-	-	-	-	26,451	51,823
Other	29,855	7,452	-	-	-	-	956	110
<b>Total</b>	<b>629,766</b>	<b>517,680</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,407</b>	<b>51,933</b>
Interest income							1,837	4,884
Share of loss of an associate							(508)	(4)
Unallocated corporate expense							(13,242)	(16,561)
Finance costs							(727)	(219)
<b>Profit before taxation</b>							<b>14,767</b>	<b>40,033</b>

**(b) Geographical segments**

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

	Revenue	
	Six months ended 30 June 2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
PRC (excluding Hong Kong)	488,148	371,527
Hong Kong	102,018	113,900
Others	39,600	32,253
<b>Total</b>	<b>629,766</b>	<b>517,680</b>

## 5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit before taxation has been arrived at after charging:		
Allowance for obsolete inventories	3,721	6,080
Depreciation of property, plant and equipment	53,322	43,806
Amortisation of prepaid lease payments	611	647
and after crediting:		
Exchange gain	–	310
Interest income	1,837	4,884

## 6. TAXATION

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profit Tax	–	121
PRC Enterprise Income Tax	6,834	8,838
	<b>6,834</b>	8,959
Deferred tax:		
	–	–
	<b>6,834</b>	8,959

On 21 March 2018, the two-tiered profits tax rates regime was implemented in Hong Kong. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. For the periods ended 30 June 2019 and 30 June 2018, Hong Kong Profits Tax of the qualified entity was calculated in accordance with the two-tiered profits tax rates regime.

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.

AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") was awarded the Foreign Invested Advanced-Technology Enterprise Certificate, whereby it is entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2018. The Foreign Invested Advanced-Technology Enterprise Certificate of AKM Electronics Technology (Suzhou) Company Limited ("AKM Suzhou") expired on 31 December 2018 and AKM Suzhou is applying for a review of its qualification as a Foreign Invested Advanced-Technology Enterprise which, if passed, will entitle AKM Suzhou to tax rate reduction from 25% to 15% for three years commenced from 1 January 2019.

## 7. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2019 (the corresponding period in 2018: Nil).



## 8. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	<b>7,933</b>	31,074
	<b>Number of shares</b>	
	<b>2019</b>	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,538,237,500</b>	1,489,546,340

## 9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$109,393,000 (corresponding period in 2018: approximately HK\$132,039,000) on the acquisition of property, plant and equipment, including equipment which was inspected and commissioned for production of approximately HK\$80,900,000 (the corresponding period in 2018: approximately HK\$58,261,000) and plant and construction in progress of approximately HK\$28,493,000 (the corresponding period in 2018: approximately HK\$73,778,000).

## 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:

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>242,075</b>	266,561
31 – 60 days	<b>133,735</b>	105,185
61 – 90 days	<b>87,804</b>	58,657
91 – 120 days	<b>63,122</b>	54,909
121 days – 1 year	<b>15,036</b>	20,883
	<b>541,772</b>	506,195

## 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:

	<b>At</b>	At
	<b>30 June</b>	31 December
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>129,663</b>	119,291
31 – 60 days	<b>97,341</b>	91,481
61 – 90 days	<b>53,162</b>	77,454
91 – 120 days	<b>31,617</b>	40,818
121 days – 1 year	<b>16,880</b>	8,198
Over 1 year	<b>4,526</b>	3,689
	<b>333,189</b>	340,931

## 12. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$ '000</i>
Issued and fully paid:		
At 1 January 2019	1,538,237,500	921,553
At 30 June 2019	1,538,237,500	921,553

## 13. CAPITAL COMMITMENTS

	At 30 June 2019 <i>HK\$ '000</i> (Unaudited)	At 31 December 2018 <i>HK\$ '000</i> (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment which is contracted for but not provided in the financial statements	<b>82,145</b>	66,222

## 14. RELATED PARTY TRANSACTIONS

	<b>Six months ended 30 June</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Transactions with shareholders:</b>		
Sales of goods by the Group to GoerTek Inc. and its subsidiaries	<b>44,880</b>	62,249
Sales of goods by the Group to Suzhou Anjie Technology Co. Ltd ("Anjie")	<b>6</b>	0
Sourcing of materials by the Group from Anjie	<b>53</b>	3
<b>Transactions with fellow subsidiaries:</b>		
Rentals for office charged to the Group	<b>60</b>	60
<b>Transactions with New Career Guangzhou Electronics Company Limited, an associate:</b>		
Sales of goods by the Group	<b>4,077</b>	346
Sourcing of materials by the Group	<b>8,566</b>	31
Rentals for plant and office received by the Group	<b>152</b>	156
<b>Transactions with Jiujiang Flex Co., Ltd., an associate:</b>		
Sourcing of materials by the Group	<b>31</b>	0

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2019 (the “Period”), the revenue of the Group amounted to approximately HK\$629,766,000, representing an increase of approximately 21.65% as compared to approximately HK\$517,680,000 for 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 circuit boards and components business and sales growth of the “other” business of the Group. The gross profit margin for the Period decreased to approximately 10.02% (the corresponding period of 2018: approximately 15.16%), which was mainly due to changes in market competition pattern and more fierce market competition. The profit attributable to the owners of the Company was approximately HK\$7,933,000, representing a decrease of approximately 74.47% as compared to approximately HK\$31,074,000 for the corresponding period of last year. The significant decrease of the profit attributable to the owners of the Company for the Period was primarily attributable to (i) the decrease in overall gross profit margin of the Group’s major products due to changes in market competition pattern and more fierce market competition; (ii) the increase in research and development (“R&D”) expenses of the Group mainly due to increase in R&D investment in new materials, new products and new production techniques; and (iii) the decrease in other income principally due to the decrease in interest income and government grants.

Other income of the Group for the Period amounted to approximately HK\$13,218,000, representing a decrease of approximately 36.72% as compared to approximately HK\$20,889,000 for the corresponding period of last year. The decrease in other income was mainly due to the decreases in interest income and government grants.

The distribution costs of the Group for the Period amounted to approximately HK\$8,513,000, representing a decrease of approximately 18.83% as compared to approximately HK\$10,488,000 for the corresponding period of last year. The decrease in distribution costs was mainly attributed to the decrease in labour costs.

The administrative expenses of the Group for the Period amounted to approximately HK\$18,103,000, representing a decrease of approximately 8.04% as compared to approximately HK\$19,686,000 for the corresponding period of last year. The decrease in administrative expenses was mainly due to the decrease in staff costs during the Period.

The R&D expenses of the Group for the Period amounted to approximately HK\$33,730,000, representing an increase of approximately 16.54% as compared to approximately HK\$28,943,000 for the corresponding period of last year. The increase in R&D expenses was mainly due to the increase in R&D investment in new materials, new products and new production techniques.

The finance costs of the Group for the Period amounted to approximately HK\$727,000, representing an increase of approximately 231.96% as compared to approximately HK\$219,000 for the corresponding period of last year. The increase in finance costs was mainly due to an increase in the amount of bank bills discounting.

## **Business Review and Prospects**

### ***Business Review***

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

For the six months ended 30 June 2019, the Group has combined the previously disclosed segments of “business of manufacture and sale of FPC” and “business of manufacture and sale of flexible packaging substrates” into “business of manufacture and sale of circuit boards and components”. The reason for such combination was that, following the expansion of investment scale and sales volume of the flexible packaging substrates business, in order to maximize utilization of equipment capacity and factories as well as improving staff productivity, production equipment, factories and production labour and technicians were in fact shared by the FPC business and flexible packaging substrates business, and there was no longer an independent production workshop for the flexible packaging substrates business. As a result, it was impossible to differentiate the respective assets and liabilities in financial disclosure and it became increasingly difficult to separately calculate the respective gross profits of the two business segments. Therefore, the auditor of the Group proposed to combine the FPC business and the flexible packaging substrates business into one business segment. After the combination of business segments, the Group had two business segments for the six months ended 30 June 2019, namely (i) business of manufacture and sale of circuit boards and components; and (ii) other.

For the six months ended 30 June 2019, the revenue of the Group amounted to approximately HK\$629,766,000, representing an increase of approximately 21.65% as compared to approximately HK\$517,680,000 for the corresponding period of last year. The increase in revenue was mainly attributable to the increased order levels from major customers of the circuit boards and components business and sales growth of the “other” business of the Group. During the Period, the revenue from the circuit boards and components business was approximately HK\$599,911,000, while the total revenue of FPC business and flexible packaging substrates business for the corresponding period of last year was approximately HK\$510,228,000. The revenue from the “other” business was approximately HK\$29,855,000 for the six months ended 30 June 2019, while the revenue from the “other” business for the corresponding period of last year was approximately HK\$7,452,000. For the six months ended 30 June 2019, the profit attributable to the owners of the Company amounted to approximately HK\$7,933,000, representing a decrease of approximately 74.47% as compared to approximately HK\$31,074,000 for the corresponding period of last year. The significant decrease of the profit attributable to the owners of the Company for the Period was primarily attributable to (i) the decrease in overall gross profit margin of the Group’s major products due to changes in market competition pattern and more fierce market competition; (ii) the increase in R&D expenses of the Group due to increase in R&D investment in new materials, new products and new production techniques; and (iii) the decrease in other income principally due to the decrease in interest income and government grants.

During the period under review, the Group’s sales of circuit boards and components increased by approximately 17.58% as compared to the total revenue of the FPC business and flexible packaging substrates business for the corresponding period of last year, and its gross profit margin decreased to approximately 10.36% (the corresponding period of 2018: approximately 15.36% for the overall gross profit margin of FPC business and flexible packaging substrates business). During the period under review, sales revenue from the FPC business was approximately HK\$506,515,000, representing an increase of approximately 13.30% as compared to approximately HK\$447,055,000 for the corresponding period of last year, and sales revenue from the flexible packaging substrates business was approximately HK\$93,396,000, representing an increase of approximately 47.84% as compared to approximately HK\$63,173,000 for the corresponding period of last year. The income of the “other” business of the Group was mainly derived from the business of sourcing and sales of electronic components, which amounted to approximately HK\$29,855,000 and accounted for approximately 4.74% of the total sales volume of the Group.

During the period under review, despite being influenced by multiple factors including steady increase in demand for new energy car cells, the US-China trade war, and the sluggish demand for and decrease in price of smart phones prior to the official commercial launch of the 5G communication network, the Group still maintained an increase in revenue. However, due to various factors including lower product price and increase in costs and that economy of scale for flexible packaging substrates is yet to be achieved, the profit margin of the circuit boards and components business of the Group registered a relatively large decrease.

During the period under review, the Group continued to push forward the strategy of “developing major customers and focusing on principal businesses”. On the basis of retaining and enhancing orders from existing major core customers, the Group has achieved significant progress in securing more orders from new application areas such as new energy car cells, vehicle electronics and optic camera modules, in addition to its modest success in soliciting major customers for the areas of wireless charges and display modules.

During the period under review, the Group has commenced the establishment of a new overseas factory in Uttar Pradesh, India to serve its customers with production bases in proximity, which will mainly engage in surface mounting and component assembling for FPC.

During the period under review, the Group’s R&D investment increased by approximately 16.54% to approximately HK\$33,730,000 from approximately HK\$28,943,000 for the corresponding period of last year. The increase in R&D expenses was mainly due to increase in R&D investment in new materials, new products and new production techniques. Against the backdrop of intense market competition, in order to enhance the market share in the new application fields of FPC and flexible packaging substrates, to well-prepare for the market prospect of the upcoming commercial launch of the 5G network and to address the continuous uplift in demands by downstream customers in terms of product structure and complexity, the Group will continue to increase investment in R&D for ongoing improvement in technological level and engineering techniques, R&D of new materials, new products and new production techniques and automation of equipment.



As disclosed in the Company's circular dated 20 December 2017, the Group intended to establish an intelligent factory with ancillary facilities in the existing factory of the Group in Nansha, Guangdong, PRC for assembling new application modules of FPC. During the period under review, roof sealing of the structure for the project had been completed. It is expected that construction of the main building will be completed by the end of 2019.

As disclosed in the Company's announcement dated 22 March 2019, the Group has entered into equity transfer agreements with Jiangxi Changjiang Chemical Co., Ltd. ("Changjiang Chemical") (a connected person of the Group and an indirect subsidiary of China South Industries Group Corporation, a controlling shareholder of the Group) and Capital Loyal Limited ("Capital Loyal") (an independent third party) pursuant to which the Group acquired 38% and 10% equity interests in Jiujiang Flex Co., Ltd. ("Jiujiang Flex") from Changjiang Chemical and Capital Loyal respectively (the "Acquisition"). As at the date of this report, the Acquisition had been completed. The Group is interested in 48% equity interests in Jiujiang Flex which in turn has become an associate of the Group.

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 a renewed purchase agreement (the "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 under review, the Group sold FPC and flexible packaging substrates products of approximately HK\$44,880,000 (the corresponding period in 2018: approximately HK\$62,249,000) to GoerTek and its subsidiaries, representing a decrease of approximately 27.90% as compared to the corresponding period in 2018.

On 20 November 2018, AKM Electronics Technology (Suzhou) Company Limited (“AKM Suzhou”, a wholly-owned subsidiary of the Company) entered into the Technology Development Co-operation Agreement with China North Industries Corporation (“CNIC”, a controlling shareholder of the Company) in relation to the co-operation between the parties in a research and development project titled “Development of intelligent production technologies for semi-conductor flexible circuit boards and their modules”. CNIC shall pay AKM Suzhou an aggregate of RMB15,000,000 (equivalent to approximately HK\$16,950,000) (the “Research and Development Fee”), and AKM Suzhou shall apply such amount for (i) the purchase of relevant equipment and instruments related to R&D; (ii) the purchase of intelligent management system; and (iii) R&D and testing of technical equipment. In case of any shortfall, AKM Suzhou shall be responsible for a further input of research and development fees not exceeding 10% of the Research and Development Fee. The Research and Development fee had been received by the Group in December 2018. AKM Suzhou is expected to establish a demonstrative intelligent production line with specific technology features by December 2019, and to complete the construction of an intelligent factory during the term of the Agreement. The intelligentization of Guangzhou Nansha Factory and Suzhou Factory is designated by the Group as its key initiatives to enhance core competitiveness.

On 13 December 2018, the Group proposed to adopt the restricted stock incentive scheme (the “Scheme”) to further improve corporate governance of the Group, retain and motivate the Scheme participants to make contributions to the long-term growth and profits of the Group with a view to achieving the objectives of increasing the value of the Group and to promote a greater alignment of interests between the Scheme Participants and the Shareholders. Pursuant to the Scheme, the Board shall select the Scheme Participants and determine the number of restricted stock to be granted. The Company has appointed a trustee to purchase the Shares from the secondary market. At the extraordinary general meeting held on 31 January 2019, the Scheme was duly approved by the Independent Shareholders. On 14 February 2019 and 27 March 2019, the Board approved the initial grant of restricted stock under the Scheme, pursuant to which 27,500,000 shares of restricted stock were granted to 81 selected Scheme Participants on 14 February 2019 at the grant price of HK\$0.65 per Share and 2,490,000 shares of restricted stock were granted to Mr. Xiong Zheng Feng (executive Director) and Mr. Chai Zhi Qiang (chief executive officer) on 27 March 2019 at the grant price of HK\$0.77 per Share. Details of the Scheme and the initial grant of restricted stock were disclosed in the Company’s announcements dated 13 December 2018, 31 January 2019, 14 February 2019, 15 February 2019 and 27 March 2019 and the circular dated 16 January 2019.

## Outlook

The Group has become an authorised supplier for a number of world-renowned manufacturers. To meet the requirements of the global supply chain system of such customers, the Group has established two production bases (Southern China Guangzhou Factory and Eastern China Suzhou Factory) and has commenced the establishment of a new overseas factory in Uttar Pradesh, India since early 2019 to serve its customers with production bases in proximity. The Group has also established market management department, sales centre, research and development centre, supply chain management department, etc. which are independent from the manufacturing system to cater for the comprehensive needs of the Group's customers. With the gradual uplift of technology capabilities, production capability, quality management capability and supply chain management capability of FPC and flexible packaging substrates businesses, the Group's capability to satisfy the "one-stop demand" of such customers has also been largely improved.

As influenced by the changing international, political and economic environment and the US-China trade war, the global electronic market may experience a profound transformation and drastic changes, rendering more intense market competition. There is an increasing oversupply in mid-end and low-end products, resulting in a continuous decrease in profit margin. As major international customers have a heightened demand for supply chain security and domestic protection, the Group is facing a more challenging competitive environment. Following the stable enhancement in the Group's capability to serve major international customers, the continuous increase of investment in the new application fields of FPC and flexible packaging substrates and the foreseeable achievement in the R&D of production technologies, the Group is confident to (i) achieve optimized customer mix and product portfolio, technological advancement and development of high-end products through market exploration and expansion of new application fields; and (ii) capture the market opportunities from the internationalised operations of its major customers by the provision of "one-stop services" in the local areas so as to keep improving the operations of its FPC and flexible packaging substrates businesses. Meanwhile, the Group is still looking for suitable investment opportunities in the upstream and downstream of the industries in order to further enhance core competitiveness of the Group.

The management of the Group is of the opinion that, following the changes in the political and economic landscape and collaboration pattern of the industry chain, the commercial launch of the 5G network as well as the continuous expansion in new application fields for FPC and flexible packaging substrates, the circuit boards and components business will maintain its growth momentum in the foreseeable future. The Group will adhere to the strategies of developing major customers, continuously uplifting the technology capabilities of products, seizing the market opportunities in new application fields and strengthening upstream and downstream cooperation in the industry. In this way, the Group will be able to promote its operational efficiency through achieving economies of scale and strengthen its core capabilities to keep on improving its operating results, 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 2019, net current assets were approximately HK\$309,054,000 (as at 31 December 2018: net current assets of approximately HK\$371,140,000).

As at 30 June 2019, there were bank balances, cash on hand and pledged bank deposits of approximately HK\$40,211,000 (as at 31 December 2018: approximately HK\$155,223,000).

As at 30 June 2019, there were bank borrowings of HK\$0 (as at 31 December 2018: HK\$0).

## PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2019, bank deposits of approximately HK\$2,358,000 (as at 31 December 2018: approximately HK\$2,358,000) 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 2019, land use rights and buildings with carrying amounts of approximately HK\$16,248,000 and HK\$49,079,000 respectively (as at 31 December 2018: approximately HK\$16,318,000 and HK\$49,291,000 respectively) were pledged to secure the general banking facilities granted to the Group.

## CAPITAL COMMITMENTS

As at 30 June 2019, the Group had outstanding capital commitments of approximately HK\$82,145,000 (as at 31 December 2018: approximately HK\$66,222,000).

## GEARING RATIO

As at 30 June 2019, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 28.95% (as at 31 December 2018: approximately 28.92%).

## MATERIAL ACQUISITIONS AND DISPOSALS

As disclosed in the Company's announcement dated 22 March 2019, the Group has entered into equity transfer agreements with Changjiang Chemical (a connected person of the Group and an indirect subsidiary of China South Industries Group Corporation, a controlling shareholder of the Group) and Capital Loyal (an independent third party), pursuant to which the Group acquired 38% and 10% equity interests in Jiujiang Flex from Changjiang Chemical and Capital Loyal, respectively. As at the date of this report, the Acquisition had been completed. The Group is interested in 48% equity interests in Jiujiang Flex which in turn has become an associate of the Group.

Save as disclosed in this report, during the six months ended 30 June 2019, the Group did not have any material acquisitions or disposals.

## 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 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\$1.5 per share (collectively the “Subscriptions”). The Subscriptions were completed simultaneously on 30 January 2018. The net proceeds amounted to approximately HK\$454,886,000 (the “Net Proceeds of Subscriptions”). As at 30 June 2019, approximately HK\$365,680,000 of the Net Proceeds of Subscriptions had been applied, among which: (i) approximately HK\$66,794,000 was used for the construction of the new intelligent factory and part of the equipment; (ii) approximately HK\$112,669,000 was used for expanding the production capacities and enhancing production capabilities of the Group’s existing production factory of FPC products (all of which was used for acquiring new machineries); (iii) approximately HK\$137,331,000 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\$48,886,000 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 2019, approximately HK\$89,206,000 of the Net Proceeds of Subscriptions (“Remaining Net Proceeds”) had not yet been utilized, which is intended to be applied for the construction of the new intelligent factory and the establishment of new production lines in the new factory. It is expected that the Remaining Net Proceeds will be fully utilized in 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 translation, 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 business segments comprised of the manufacture and sale of circuit boards and components 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 2019, the Group had a total of 1,284 full-time employees based in Hong Kong and the PRC. 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 the PRC and Hong Kong. The majority of the Group's employees are stationed in the PRC.

## 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 2019.

## CONTINGENT LIABILITIES

The Group had no any material contingent liabilities as at 30 June 2019.

## MATERIAL INVESTMENT

Save as disclosed in this report, the Group did not have any material investment for the six months ended 30 June 2019.

## 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 2019, 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:

#### (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 as at 30 June 2019
Mr. Xiong Zheng Feng	9,400,000 ordinary shares	Beneficial owner	Long	0.61
Mr. Chai Zhi Qiang	7,975,000 ordinary shares	Beneficial owner	Long	0.52



*(ii) Interest in the underlying shares of the Company*

Name of Director or Chief Executive	Name of the Company in which interest is held	Class and number of the underlying shares in which interest is held	Note	Capacity	Long/short position	Approximate percentage of total number of issued shares in the Company as at 30 June 2019
Mr. Xiong Zheng Feng	the Company	1,320,000 ordinary shares	1 and 2	Beneficial owner	Long	0.09
Mr. Chai Zhi Qiang	the Company	1,170,000 ordinary shares	1 and 3	Beneficial owner	Long	0.08

*Notes:*

- The respective interests held by Mr. Xiong Zheng Feng and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company represent the restricted stock granted to them at the grant price of HK\$0.77 per share in accordance with the restricted stock incentive scheme of the Company on 27 March 2019. The number of restricted stock granted to them has not changed since the grant date of 27 March 2019.
- Mr. Xiong Zheng Feng is interested in 9,400,000 issued shares of the Company and 1,320,000 underlying shares.
- Mr. Chai Zhi Qiang is interested in 7,975,000 issued shares of the Company and 1,170,000 underlying shares.

***(b) The associated corporation***

As at 30 June 2019, 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 2019, 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 owned (other than under equity derivatives) (Note 6)	Long/short position	Approximate percentage of total number of issued shares in the Company as at 30 June 2019
Alpha Luck Industrial Ltd. ("Alpha Luck") (Note 1 and 2)	Beneficial owner	553,900,000 ordinary shares	Long	36.01
Silver City International (Holdings) Ltd. ("Silver City") (Note 1 and 2)	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Corporation ("CNIC") (Note 1, 2 and 3)	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Group Corporation ("CNIGC") (Note 3)	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China South Industries Group Corporation ("CSIGC") (Note 3)	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
Goertek (HongKong) Co., Limited ("HK Goertek") (Note 4)	Beneficial owner	363,650,000 ordinary shares	Long	23.64
Weifang Goertek Trading Co., Limited ("Weifang Goertek") (Note 4)	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
GoerTek Inc. ("GoerTek") (Note 4)	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
Anjie Technology (Hong Kong) Company Limited ("HK Anjie") (Note 5)	Beneficial owner	200,000,000 ordinary shares	Long	13.00
Suzhou Anjie Technology Co. Ltd ("Anjie Technology") (Note 5)	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. On 31 July 2019, Silver City entered into an equity transfer agreement with CNIC for the transfer of all issued shares in Alpha Luck to CNIC ("Transfer") which completion is expected to take place in August 2019. Upon completion of the Transfer, Silver City will cease to hold any share in Alpha Luck and will cease to be interested in the shares of the Company.
3. 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.
4. 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.
5. 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.
6. 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 2019, 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 2019.

## 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.

## APPOINTMENT AND RETIREMENT OF DIRECTOR

There was no appointment or retirement of Directors of the Company during the Period.

## REMUNERATION COMMITTEE

The Company has established a remuneration committee, which comprises of one non-executive Director and two independent non-executive Directors. The chairman of the committee is Mr. Yang Zhaoguo, an independent non-executive Director, and other members are Ms. Zhang Xiaoming 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 of 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 of 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 2019.

## 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 2019 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 2019 will be published on the website of The Stock Exchange of Hong Kong Limited ([www.hkexnews.hk](http://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, 12 August 2019

*As at the date of this report, the executive Director of the Company is Xiong Zheng Feng; the non-executive Directors of the Company are Gao Xiaoguang, Jia Junan, Wang Chunsheng, Zhang Xiaoming and Yu Daochun; and the independent non-executive Directors of the Company are Hung Chi Yuen Andrew, Cui Zheng and Yang Zhaoguo.*