



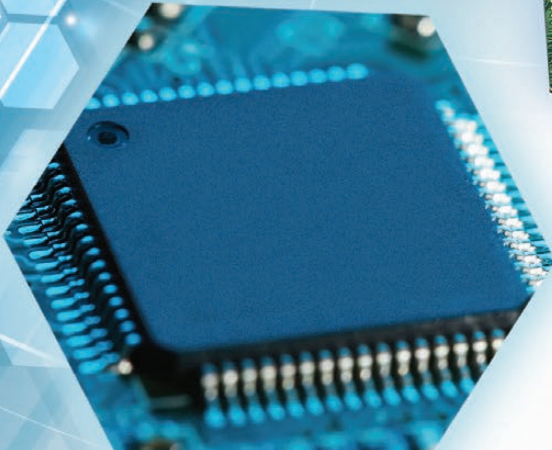
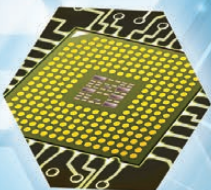
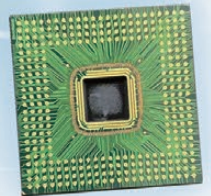
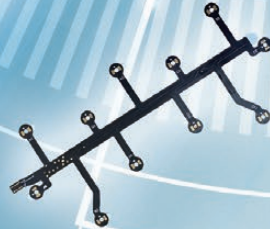
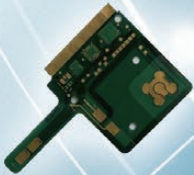
**AKM Industrial Company Limited**

**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 2021



## HIGHLIGHTS

- For the six months ended 30 June 2021, the unaudited revenue increased to approximately HK\$1,017,311,000, representing an increase of approximately 53.33% as compared to approximately HK\$663,476,000 for the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$11,219,000, representing an increase of approximately 109.35% as compared to approximately HK\$5,359,000 for the corresponding period of last year.
- For the six months ended 30 June 2021, basic earnings per share of the Group were approximately HK0.73 cents.
- The board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (the corresponding period in 2020: 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 2021 together with the comparative unaudited figures for the corresponding period of 2020, as follows:

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Note	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Turnover	4	<b>1,017,311</b>	663,476
Cost of sales		<b>(934,924)</b>	(597,841)
Gross profit		<b>82,387</b>	65,635
Other income		<b>34,874</b>	21,169
Distribution costs		<b>(13,888)</b>	(11,825)
Administrative expenses		<b>(36,428)</b>	(23,763)
Research and development expenses		<b>(52,515)</b>	(40,213)
Share of profit of associates		<b>2,606</b>	3,054
Finance costs		<b>(6,484)</b>	(4,353)
<hr/>			
Profit before taxation	5	<b>10,552</b>	9,704
Taxation	6	<b>(1,444)</b>	(4,346)
<hr/>			
Profit for the period		<b>9,108</b>	5,358
Other comprehensive income (expenses):			
Item that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		<b>14,610</b>	(24,803)
<hr/>			
Total comprehensive income (loss) for the period		<b>23,718</b>	(19,445)

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	2020
<i>Note</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Profit for the period attributable to		
Owners of the Company	<b>11,219</b>	5,359
Non-controlling interests	<b>(2,111)</b>	(1)
	<b>9,108</b>	5,358
Total comprehensive income (loss) attributable to		
Owners of the Company	<b>25,630</b>	(19,444)
Non-controlling interests	<b>(1,912)</b>	(1)
	<b>23,718</b>	(19,445)
Earnings per share ( <i>HK cents</i> )	<i>8</i>	
– basic	<b>0.73</b>	0.35

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		920,657	898,327
Right-of-use assets		50,770	51,286
Interest in associates		44,443	41,555
Equity instrument designated at fair value through other comprehensive income		375,090	371,435
Deposits for property, plant and equipment		64,357	26,855
		<b>1,455,317</b>	1,389,458
Current assets			
Inventories		207,991	206,880
Trade and other receivables	10	691,074	722,335
Amounts due from associate		–	4,309
Pledged bank deposits		2,502	2,368
Bank balances and cash		108,407	129,853
		<b>1,009,974</b>	1,065,745
Current liabilities			
Trade and other payables	11	669,956	682,033
Amounts due to associates		7,440	–
Deferred income		17,925	15,355
Taxation payable		8,390	15,490
Bank borrowings		171,680	144,236
Lease liabilities		1,959	1,869
		<b>877,350</b>	858,983
Net current assets		<b>132,624</b>	206,762
Total assets less current liabilities		<b>1,587,941</b>	1,596,220

		<b>30 June 2021</b>	31 December 2020
	<i>Note</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
		<b>(Unaudited)</b>	(Audited)
Capital and reserves			
Share capital	12	<b>921,553</b>	921,553
Reserves		<b>560,070</b>	556,745
Equity attributable to owners of the Company		<b>1,481,623</b>	1,478,298
Non-controlling interests		<b>19,092</b>	12,491
<b>Total Equity</b>		<b>1,500,715</b>	1,490,789
Non-current liabilities			
Lease liabilities		<b>2,948</b>	3,349
Bank borrowings		<b>23,388</b>	38,979
Deferred income		<b>46,061</b>	49,295
Deferred tax liabilities		<b>14,829</b>	13,808
		<b>87,226</b>	105,431
		<b>1,587,941</b>	1,596,220

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital	Statutory surplus reserve	Investment revaluation reserve	Restricted stock incentive scheme reserve	Translation reserve	Retained profits	Total	Non-controlling interests	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2021	921,553	59,360	31,186	(7,116)	40,060	433,855	1,478,298	12,491	1,490,789
Profit for the period	-	-	-	-	-	11,219	11,219	(2,111)	9,108
Exchange differences arising on translation of foreign operations	-	-	-	-	14,411	-	14,411	199	14,610
Total comprehensive income for the period	-	-	-	-	14,411	11,219	25,630	(1,912)	23,718
Purchase of shares under the restricted stock incentive scheme	-	-	-	-	-	-	-	-	-
Non-controlling interests from establishment of a subsidiary	-	-	-	-	-	-	-	8,513	8,513
Dividends paid	-	-	-	-	-	(22,305)	(22,305)	-	(22,305)
At 30 June 2021	921,553	59,360	31,186	(7,116)	54,471	422,769	1,481,623	19,092	1,500,715
At 1 January 2020	921,553	45,232	9,274	(5,105)	(47,818)	344,014	1,267,150	-	1,267,150
Profit for the period	-	-	-	-	-	5,359	5,359	(1)	5,358
Exchange differences arising on translation of foreign operations	-	-	-	-	(24,803)	-	(24,803)	-	(24,803)
Total comprehensive income for the period	-	-	-	-	(24,803)	5,359	(19,444)	(1)	(19,445)
Purchase of shares under the restricted stock incentive scheme	-	-	-	(2,467)	-	-	(2,467)	-	(2,467)
Non-controlling interests from establishment of a subsidiary	-	-	-	-	-	-	-	4,932	4,932
Dividends paid	-	-	-	-	-	(15,382)	(15,382)	-	(15,382)
At 30 June 2020	921,553	45,232	9,274	(7,572)	(72,621)	333,991	1,229,857	4,931	1,234,788

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Net cash from operating activities	<b>127,060</b>	128,157
Net cash used in investing activities	<b>(142,247)</b>	(370,652)
Net cash from financing activities	<b>(8,423)</b>	161,513
Decrease in cash and cash equivalents	<b>(23,610)</b>	(80,982)
Cash and cash equivalents at beginning of the period	<b>129,853</b>	119,707
Effect of foreign exchange rate changes	<b>2,164</b>	(3,394)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>108,407</b>	35,331



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

### 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") and related products. Its subsidiaries established in the PRC are principally engaged in manufacture and sale of FPC and flexible packaging substrates, sourcing and sale of electronic components and other components and products during the six months ended 30 June 2021.

### 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 2020 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 2020 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 2021 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 2020.

#### **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 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 16	COVID-19-Related Rent Concessions
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

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.

#### 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 six months ended 30 June 2021, the Group had two business segments, namely (i) the circuit boards and components business and (ii) other. These segments are the basis on which the Group reports its key segment information.

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	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Circuit boards and components business	998,644	646,032	–	–	–	–	45,258	30,075
Other	18,667	17,444	–	–	–	–	456	156
<b>Total</b>	<b>1,017,311</b>	<b>663,476</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>45,714</b>	<b>30,231</b>
Interest income							584	1,059
Share of profit (loss) of associates							2,606	3,054
Unallocated corporate expense							(31,868)	(20,287)
Finance costs							(6,484)	(4,353)
Profit before taxation							<b>10,552</b>	<b>9,704</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:

	<b>Turnover</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
PRC (excluding Hong Kong)	<b>779,949</b>	469,675
Hong Kong	<b>115,296</b>	103,076
Others	<b>122,066</b>	90,725
<b>Total</b>	<b>1,017,311</b>	663,476

**5. PROFIT BEFORE TAXATION**

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)

Profit before taxation has been arrived at after charging:

Allowance for obsolete inventories	<b>4,384</b>	11,705
Depreciation of property, plant and equipment	<b>85,125</b>	66,817
Amortisation of prepaid lease payments	<b>634</b>	–
Depreciation of right-of-use assets	<b>1,053</b>	837

and after crediting:

Interest income	<b>584</b>	1,059
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## 6. TAXATION

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profit Tax	<b>73</b>	112
PRC Enterprise Income Tax	<b>487</b>	3,626
	<b>560</b>	3,738
Deferred tax:	<b>884</b>	608
	<b>1,444</b>	4,346

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 2021 and 30 June 2020, 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.

Both of AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") and AKM Electronics Technology (Suzhou) Company Limited ("AKM Suzhou") were awarded with the Foreign Invested Advanced-Technology Enterprise Certificate, whereby AKM Panyu was entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2015, which was then renewed for a further term of three years commenced from 1 January 2018. The tax reduction had expired on 31 December 2020 and AKM Panyu is applying for the renewal of the Foreign Invested Advanced – Technology Enterprise Certificate which, if approved, AKM Panyu will enjoy tax reduction for a further term of three years commenced from 1 January 2021; AKM Suzhou is entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2016, which was then renewed for a further term of 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 2021 (the corresponding period in 2020: 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>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the purpose of basic earnings per share		
Profit for the period attributable to owners of the Company	<b>11,219</b>	5,359
	<hr/>	
	<b>Number of shares</b>	
	<b>2021</b>	<b>2020</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,538,237,500</b>	1,538,237,500
	<hr/>	

## 9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$143,345,000 (corresponding period in 2020: approximately HK\$79,026,000) on the acquisition of property, plant and equipment, including equipment which was inspected and commissioned for production of approximately HK\$68,958,000 (the corresponding period in 2020: approximately HK\$20,135,000) and plant and construction in progress of approximately HK\$74,387,000 (the corresponding period in 2020: approximately HK\$58,891,000).

## 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>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>316,972</b>	367,561
31 – 60 days	<b>146,517</b>	134,212
61 – 90 days	<b>97,938</b>	101,881
91 – 120 days	<b>63,427</b>	73,939
121 days – 1 year	<b>36,999</b>	17,164
	<b>661,853</b>	694,757

## 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>2021</b>	2020
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Within 30 days	<b>215,063</b>	248,663
31 – 60 days	<b>133,588</b>	117,831
61 – 90 days	<b>138,210</b>	72,286
91 – 120 days	<b>27,933</b>	34,053
121 days – 1 year	<b>30,586</b>	41,786
Over one year	<b>7,757</b>	649
	<b>553,137</b>	515,268

## 12. SHARE CAPITAL

	Number of shares	Share capital <i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2021	1,538,237,500	921,553
At 30 June 2021	1,538,237,500	921,553

## 13. CAPITAL COMMITMENTS

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– Contracted for but not provided in the financial statements	<b>233,273</b>	98,947



## 14. RELATED PARTY TRANSACTIONS

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<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 ("GoerTek")	<b>46,101</b>	35,641
Sourcing of materials by the Group from GoerTek	<b>674</b>	–
Sales of goods by the Group to Suzhou Anjie Technology Co. Ltd ("Anjie")	<b>594</b>	1,461
Sourcing of materials by the Group from Anjie	–	–
<b>Transactions with fellow subsidiaries:</b>		
Rentals for office paid by the Group	<b>60</b>	60
<b>Transactions with New Career Guangzhou Electronics Company Limited, an associate:</b>		
Sales of goods by the Company	<b>12,725</b>	6,975
Sourcing of materials by the Company	<b>30,879</b>	11,655
Rentals for plant and office received by the Group	<b>577</b>	241
<b>Transactions with Jiujiang Flex Co., Ltd., an associate:</b>		
Sales of goods by the Company	–	5
Sourcing of materials by the Company	<b>220</b>	43
Interests	–	110

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 June 2021 (the "Period"), the revenue of the Group amounted to approximately HK\$1,017,311,000, representing an increase of approximately 53.33% as compared to approximately HK\$663,476,000 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 the circuit boards and components business. The overall gross profit margin for the Period decreased to approximately 8.10% (the corresponding period of 2020: approximately 9.89%), while the gross profit margin of the circuit boards and components business decreased to approximately 8.20% (the corresponding period of 2020: approximately 10.14%), which was mainly due to the combined effects of the decrease in product prices due to fierce market competition and the increase in the costs of raw materials. The profit attributable to the owners of the Company was approximately HK\$11,219,000, representing an increase of approximately 109.35% as compared to approximately HK\$5,359,000 for the corresponding period of last year. The increase of the profit attributable to the owners of the Company for the Period was due to the significant increase in sales revenue.

Other income of the Group for the Period amounted to approximately HK\$34,874,000, representing an increase of approximately 64.74% as compared to approximately HK\$21,169,000 for the corresponding period of last year. The increase in other income was mainly due to the increase in government grants and scrap income.

The distribution costs of the Group for the Period amounted to approximately HK\$13,888,000, representing an increase of approximately 17.45% as compared to approximately HK\$11,825,000 for the corresponding period of last year. The increase in distribution costs was mainly attributable to the increase in transportation costs and other logistics costs due to increase in sales.

The administrative expenses of the Group for the Period amounted to approximately HK\$36,428,000, representing an increase of approximately 53.30% as compared to approximately HK\$23,763,000 for the corresponding period of last year. The increase in administrative expenses was mainly due to the increase in salary expenses and employee welfare expenses, the increase in loss from disposal of fixed assets arising from the disposal of replaced equipments and the increase in impairment of idle equipments or equipments with reduced utilization rate due to changes in product structure and changes in production techniques.

The research and development (“R&D”) expenses of the Group for the Period amounted to approximately HK\$52,515,000, representing an increase of approximately 30.59% as compared to approximately HK\$40,213,000 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 by the Group, such as investments in R&D of high frequency and high speed flexible printed circuit and module products, High Density Interconnector (HDI) flexible printed circuit products as well as intelligent innovation.

The finance costs of the Group for the Period amounted to approximately HK\$6,484,000, representing an increase of approximately 48.95% as compared to approximately HK\$4,353,000 for the corresponding period of last year. The increase in finance costs was mainly due to the overall increase in interest expenses as a result of increase in bank loans for working capital and the increase in interest expenses for discounted notes receivable.

## Business Review and Prospects

### *Business Review*

The Group is principally engaged in the businesses of the manufacture and sales of FPC and flexible packaging substrates (including components) which are used in electronic products.

For the six months ended 30 June 2021, the revenue of the Group amounted to approximately HK\$1,017,311,000, representing an increase of approximately 53.33% as compared to approximately HK\$663,476,000 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. During the Period, the revenue from the circuit boards and components business was approximately HK\$998,644,000, while the revenue of circuit boards and components business for the corresponding period of last year was approximately HK\$646,032,000. The revenue from the “other” business was approximately HK\$18,667,000 for the six months ended 30 June 2021, while the revenue from the “other” business for the corresponding period of last year was approximately HK\$17,444,000. For the six months ended 30 June 2021, the profit attributable to the owners of the Company amounted to approximately HK\$11,219,000, representing an increase of approximately 109.35% as compared to approximately HK\$5,359,000 for the corresponding period of last year. The increase of the profit attributable to the owners of the Company for the Period was due to the significant increase in sales revenue.

During the period under review, the Group’s sales of circuit boards and components increased by approximately 54.58% as compared to the corresponding period of last year, and its gross profit margin decreased to approximately 8.20% (the corresponding period of 2020: approximately 10.14%). The decrease in gross profit margin was mainly due to the combined effects of the decrease in product prices due to fierce market competition and the increase in the costs of raw materials. During the period under review, the revenue 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\$18,667,000 and accounted for approximately 1.83% of the total sales volume of the Group.

During the period under review, being influenced by the global novel coronavirus pandemic and the instability in Sino-US relations, while benefiting from the promotion of 5G smart phones, the continuous growth of smart wearable devices and the increase in demand for FPC from the automobile industry, the domestic FPC industry has shown a relatively significant growth. The Group continued to implement and adhere to the strategy of “developing major customers” and strengthen customer development and customer services. Against the backdrop of recovery of the industry, our turnover also increased significantly as compared to the corresponding period of last year. However, the gross profit margin of products decreased to a certain extent due to the combined effects of the decrease in product prices due to fierce market competition and the increase in the costs of raw materials. The Group will continue to deem FPC and flexible packaging substrates products used in mobile phones, consumer electronics, new energy car cells, vehicle electronics, camera compact modules, display modules, wearable devices and other application areas as the key development directions. The Group will also proactively enhance its technological strengths and standards, expand its production capacity, strengthen upstream and downstream co-operation and capture opportunities, in order to achieve better operating results.

During the period under review, the Group’s R&D investment increased by approximately 30.59% to approximately HK\$52,515,000 from approximately HK\$40,213,000 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 by the Group, such as investments in R&D of high frequency and high speed flexible printed circuit and module products, High Density Interconnector (HDI) flexible printed circuit products as well as intelligent innovation. Facing the market prospect of 5G network, development trend of consumer electronic products, as well as the constant increasing demand from downstream customers in product structure and complexity, the Group continued to invest in R&D, and have started mass production on high frequency and high speed flexible printed circuit products based on Liquid Crystal Polymer (LCP) and High Density Interconnector (HDI) flexible printed circuit products for our customers during the period under review.

During the period under review, following the Group’s new intelligent manufacturing plant in Nansha, Guangzhou came into operation, and our investment made on equipment in recent years, the Group’s production capacity has been improved and the Group’s ability to serve its customers has been strengthened. During the period under review, the Group’s new factory in Vietnam started to provide samples to customers, and our plan for the construction of a new plant in Suzhou factory has commenced.

## Outlook

The Group has become an authorised supplier for a number of world-renowned high technology enterprises. 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 two overseas factories in India and Vietnam. The factories in India and Vietnam merely conduct post assembly operations including surface mounting and component assembling for customers. The Group has also established sales centre, R&D centre, quality control, supply chain management, intelligent manufacturing and information technology, etc. which are independent departments from the manufacturing system to cater for the comprehensive needs of the Group's customers. Under the guidance of the strategy of "developing major customers" and with the gradual uplift of the Group's capabilities in R&D, production, quality management, supply chain management and intelligent management, the Group's capability to satisfy the "one-stop demand" of such customers has also been largely improved.

Affected by the global novel coronavirus pandemic and the instability in Sino-US relations, greater fluctuation, increasing uncertainties and wider application of new technologies have become the characteristics of the global electronic products market. In the meantime, as major international customers have increasing concern on supply chain security, the Group is facing a more challenging competitive environment. The Group will maintain a prudent attitude towards the future and will pay close attention to the changes in the economy, industry and major customers. The Group will enhance the risk management and internal capability, adhere to the major customer strategy, continuously uplift the product technological capabilities, seize the market opportunities in new application fields and strengthen the localization service in the overseas markets. By the integration of upstream and downstream resources as well as enhancement in its risk resistance capability, the Group will strive to change the risks into opportunities and continuously improve its operating results.

The management of the Group is of the view that, following the popularity of "5G" smart phones, the increasing demand for wearable products and new energy vehicle electronic products, despite the continuing threat of the novel coronavirus pandemic, the circuit boards and components industry is expected to maintain its growth momentum in the foreseeable future. The Group will continue to invest in the circuit boards industry, adhere to the strategy of "developing major customers", strengthen its core capabilities, enhance the strategic cooperation with relevant shareholders and AKMMeadville Electronics (Xiamen) Co., Ltd (安捷利美維電子(廈門)有限責任公司), overcome various difficulties and 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 2021, net current assets were approximately HK\$132,624,000 (as at 31 December 2020: net current assets of approximately HK\$206,762,000).

As at 30 June 2021, there were bank balances, cash on hand and pledged bank deposits of approximately HK\$110,909,000 (as at 31 December 2020: approximately HK\$132,221,000).

As at 30 June 2021, there were bank borrowings of approximately HK\$195,068,000 (as at 31 December 2020: approximately HK\$183,215,000).

### PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2021, bank deposits of approximately HK\$2,502,000 (as at 31 December 2020: approximately HK\$2,368,000) 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 2021, buildings with carrying amounts of approximately HK\$48,438,000 (as at 31 December 2020: approximately HK\$47,968,000) were pledged to secure the general banking facilities granted to the Group.

### CAPITAL COMMITMENTS

As at 30 June 2021, the Group had outstanding capital commitments of approximately HK\$233,273,000 (as at 31 December 2020: approximately HK\$98,947,000).

### GEARING RATIO

As at 30 June 2021, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 39.13% (as at 31 December 2020: approximately 39.28%).

## MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this report, during the six months ended 30 June 2021, the Group did not have any material acquisitions or disposals.

## CONTINUING CONNECTED TRANSACTIONS

On 13 January 2020, 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”) for a term commenced from 1 January 2020 and expiring on 31 December 2022. 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 three years ending 31 December 2022 were approved by the independent shareholders at the extraordinary general meeting of the Company held on 20 February 2020. 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 13 January 2020 and the circular dated 5 February 2020. During the period under review, the Group sold circuit board products of approximately HK\$46,101,000 (the corresponding period in 2020: approximately HK\$35,641,000) to GoerTek and its subsidiaries, representing an increase of approximately 29.35% as compared to the corresponding period in 2020.

On 31 December 2020, the Company (for itself and on behalf of its subsidiaries) and Suzhou Anjie Technology Co. Ltd. (蘇州安潔科技股份有限公司) (“Anjie Technology”) (for itself and on behalf of its subsidiaries) entered into a renewed framework agreement (“Renewed Framework Agreement”) for a term commenced from 31 December 2020 and expiring on 31 December 2021, and the annual cap for the year 2021 was set at HK\$40,000,000. Details of the terms of the Framework Agreement, the continuing connected transaction and the annual cap were disclosed in the announcements of the Company dated 31 December 2020. During the period under review, the Group sold FPC products of approximately HK\$594,000 (the corresponding period in 2020: approximately HK\$1,461,000) to Anjie Technology, representing a decrease of approximately 59.34% as compared to the corresponding period in 2020.



## RESTRICTED STOCK INCENTIVE SCHEME

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. As of 30 June 2021, the trustee had purchased 7,300,000 shares in aggregate from the secondary market. As of 30 June 2021, none of the restricted stock granted had been unlocked.

## 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 2021, the Group had a total of 1,653 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 2021.

## CONTINGENT LIABILITIES

The Group had no any material contingent liabilities as at 30 June 2021.

## MATERIAL INVESTMENT

Save as disclosed in this report, the Group did not have any material investment for the six months ended 30 June 2021.

## 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 2021, 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 2021
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 <i>(Note)</i>	Capacity	Long/short position	Approximate percentage of total number of issued shares in the Company as at 30 June 2021
Mr. Xiong Zheng Feng	the Company	1,320,000 ordinary shares	Beneficial owner	Long	0.09
Mr. Chai Zhi Qiang	the Company	1,170,000 ordinary shares	Beneficial owner	Long	0.08

*Note:*

On 27 March 2019, 1,320,000 restricted stock and 1,170,000 restricted stock have been granted to Mr. Xiong Zheng Feng and Mr. Chai Zhi Qiang respectively at the grant price of HK\$0.77 per share in accordance with the restricted stock incentive scheme adopted by the Company on 13 December 2018. There is no change in the number of restricted stock granted to Mr. Xiong Zheng Feng and Mr. Chai Zhi Qiang since the date of grant on 27 March 2019.

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

As at 30 June 2021, 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 2021, 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 and the Stock Exchange 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) <i>(Note 7)</i>	Long/short position	Approximate percentage of total number of issued shares in the Company as at 30 June 2021
Alpha Luck <i>(Note 1)</i>	Beneficial owner	553,900,000 ordinary shares	Long	36.01
China North Industries Corporation ("CNIC") <i>(Note 1 and 2)</i>	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Group Corporation ("CNINGC") <i>(Note 2)</i>	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China South Industries Group Corporation ("CSIGC") <i>(Note 2)</i>	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
Goertek (HongKong) Co., Limited ("HK Goertek") <i>(Note 3)</i>	Beneficial owner	363,650,000 ordinary shares	Long	23.64
Weifang Goertek Trading Co., Limited ("Weifang Goertek") <i>(Note 3)</i>	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
GoerTek Inc. ("GoerTek") <i>(Note 3)</i>	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
Jiang Bin <i>(Note 4)</i>	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
Hu Shuangmei <i>(Note 4)</i>	Spouse interest	363,650,000 ordinary shares	Long	23.64
Anjie Technology (Hong Kong) Company Limited ("HK Anjie") <i>(Note 5)</i>	Beneficial owner	200,000,000 ordinary shares	Long	13.00
Anjie Technology <i>(Note 5)</i>	Interest in controlled corporation	200,000,000 ordinary shares	Long	13.00

Name of substantial shareholder	Capacity	Class and number of securities owned (other than under equity derivatives) <i>(Note 7)</i>	Long/short position	Approximate percentage of total number of issued shares in the Company as at 30 June 2021
Wang Chunsheng <i>(Note 6)</i>	Interest in controlled corporation and spouse interest	200,000,000 ordinary shares	Long	13.00
Lu Li <i>(Note 6)</i>	Interest in controlled corporation and spouse interest	200,000,000 ordinary shares	Long	13.00

*Notes:*

- As Alpha Luck is wholly and beneficially owned by CNIC, CNIC is deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.
- 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.
- 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.
- As at 30 June 2021, GoerTek is owned as to 17.09% by GoerTek Group Co., Ltd., which in turn is owned as to 92.59% by Mr. Jiang Bin. Mr. Jiang Bin also owned 10.93% of the issued shares in GoerTek. Ms. Hu Shuangmei, the spouse of Mr. Jiang Bin, owned 0.63% of the issued shares in GoerTek. Each of Mr. Jiang Bin and Ms. Hu Shuangmei is deemed to be interested in the same number of shares of the Company in which GoerTek is interested under Part XV of the SFO.
- 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.
- As at 30 June 2021, Mr. Wang Chunsheng owned 20.94% of the issued shares in Anjie Technology. Ms. Lu Li, the spouse of Mr. Wang Chunsheng, owned 29.09% of the issued shares in Anjie Technology. Each of Mr. Wang Chunsheng and Ms. Lu Li is deemed to be interested in the same number of shares of the Company in which Anjie Technology is interested under Part XV of the SFO.
- None of Alpha Luck, CNIC, CNIGC, CSIGC, HK Goertek, Weifang Goertek, GoerTek, Mr. Jiang Bin, Ms. Hu Shuangmei, HK Anjie, Anjie Technology, Mr. Wang Chunsheng nor Ms. Lu Li 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 2021, 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 2021.

## **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.

## **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. Zhang Guo Qi, 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. Zhang Guo Qi. 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. Zhang Guo Qi. As such, the majority of the members are independent non-executive Directors.

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

Save as disclosed in this report, 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 2021.

## EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this report, there were no other important events affecting the Group that have occurred after 30 June 2021 and up to the date of this report.



## DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

The 2021 interim financial report 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 2021

*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 Liu Jianzhe; and the independent non-executive Directors of the Company are Hung Chi Yuen Andrew, Cui Zheng and Zhang Guo Qi.*