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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)

DISCLOSEABLE TRANSACTION FORMATION OF A JOINT VENTURE COMPANY

THE JV AGREEMENT

The Board of the Company is pleased to announce that on 27 December 2019, AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司), a wholly-owned subsidiary of the Company, entered into the JV Agreement with the Relevant Entities for the formation of the JV Company.

Pursuant to the JV Agreement, the JV Company shall be, after its formation, owned as to 6% by AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司), 53% by Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) and 1% by Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)). The registered capital of the JV Company is expected to be RMB4.50 billion. AKM Electronics Industrial (Panyu) Ltd. (安捷利(番禺)電子實業有限公司) will contribute a total amount of RMB270 million in the form of cash. The Relevant Entities will contribute a total amount of RMB4.23 billion in the form of cash.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the total commitment of the Group to the JV Company pursuant to the JV Agreement are more than 5% but less than 25%, the entering into the JV Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INTRODUCTION

The Board of the Company is pleased to announce that on 27 December 2019, AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司), a wholly-owned subsidiary of the Company, entered into a JV Agreement with the Relevant Entities for the formation of the JV Company.

THE JV AGREEMENT

The principal terms of the JV Agreement are summarized below:

Date:	27 December 2019
Parties and shareholding ratio:	<ol style="list-style-type: none">(1) AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司) 6%(2) Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司) 53%(3) Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) 40%(4) Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) 1%
Total registered capital of the JV Company:	RMB4.50 billion
Capital contribution:	RMB4.50 billion, to be contributed as follows: <ol style="list-style-type: none">(1) RMB270 million representing 6% of total capital contribution in the form of cash by AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司)(2) RMB2.385 billion representing 53% of total capital contribution in the form of cash by Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司)

- (3) RMB1.8 billion representing 40% of total capital contribution in the form of cash by Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司)
- (4) RMB45 million representing 1% of total capital contribution in the form of cash by Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥))

The amount of capital contributions was determined after arm's length negotiation between the parties to the JV Agreement with reference to the capital shareholding of the JV Company. Capital contribution by AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司) will be funded by the internal resources and external borrowing of the Group.

Time of payment of capital contribution:

The parties shall pay the total amount of capital contribution in one payment on or before such date and into the bank account as are specified in a payment notice issued by the board of directors of the JV Company to the parties.

Corporate organization of the JV Company:

The shareholders' meeting of the JV Company is composed of all shareholders, which shall be responsible for the decision-making for material matters, and is the body with the highest authority in the JV Company.

Board composition:

The board of the JV Company will consist of seven directors. AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司) is entitled to appoint one director. Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司) is entitled to appoint three directors and Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) and Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) are each entitled to appoint one director, respectively. One director shall be elected by the employee representative committee or the employee committee (as the case may be).

Deed of adherence:	Any subsequent incoming shareholder to the JV Company shall enter into the deed of adherence and be treated as party to the JV Agreement, provided the transfer of the existing interest in the JV Company to the incoming shareholder shall comply with provisions of the JV Agreement and the articles of association of the JV Company.
Obligations of the Parties under the JV Agreement:	<ol style="list-style-type: none"> (1) Each party shall provide or sign the necessary documents and materials for the establishment of the JV Company in a timely manner, and shall assist in the related matters such as business registration. (2) In the process of establishment of the JV Company, if the JV Company suffers detriments due to any of the Parties' breach of the JV Agreement, the relevant Party shall be liable to compensate the JV Company. (3) Each party shall make payment for the capital contribution in full and on time and shall be subject to the relevant provisions under the JV Agreement in relation to the liability for the breach of the JV Agreement in the event of default of payment. (4) Upon establishment of the JV Company, the capital contribution by each party shall not be withdrawn. (5) Each party shall assume the responsibilities as a shareholder of the JV Company in accordance with the relevant PRC laws and the JV Company's articles of association. (6) Each party shall undertake to and procure the JV Company to comply with the relevant laws and regulations (including but not limited to any laws and regulations in relation to tax, foreign exchange control, employee social insurance and housing provident fund) of its place of registration.
Establishment costs:	The costs incurred for the establishment of the JV Company shall be borne by the JV Company upon its establishment.
Term of business of the JV Company:	The term shall be perpetual.

Early termination:

The JV Agreement shall be terminated:

- (1) if the Parties agree to dissolve the JV Company in writing; or
- (2) under the circumstances in which the JV Company is permitted to be dissolved in accordance with applicable laws and regulations.

Breach of payment terms
for capital contribution:

If any shareholder fails to pay its share of capital contribution, such shareholder shall be liable as follows:

- (1) Any payment of capital contribution not paid up by the designated payment date shall bear the daily default interest of 0.01% of the outstanding amount payable to the JV Company. In the event that such default continues for more than 30 days, such defaulting shareholder is deemed to surrender its right to capital contribution, and the non-defaulting shareholders shall have the right to subscribe for the same proportional to their respective shareholding in the JV Company.
- (2) The defaulting shareholder shall facilitate the signing of the relevant equity transfer agreement, and procure the transferee to promptly complete payment of its capital contribution obligations to the JV Company as a new shareholder. The defaulting shareholder shall also cooperate to assist with relevant registration procedures in regard to the change of shareholders in the JV Company.
- (3) The defaulting shareholder shall compensate the JV Company in a timely manner for any losses caused to the JV Company as a result of its breach of the JV Agreement.

Governing law:

Laws of the PRC

INFORMATION ON THE GROUP AND THE PARTIES TO THE JV AGREEMENT

Information on the JV Company

The JV Company will be incorporated in the PRC and the business scope of the JV Company primarily includes production of optoelectronic products and other electronic devices, printed circuit boards, electronic components, integrated circuits, electronic vacuum devices, semiconductor discrete devices and other electronic equipment. The JV Company would be owned as to 6% by AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司), 53% by Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司), 40% by Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司), and 1% by Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)), the details of which are set out below.

The Information on the Group

The Group is principally engaged in the businesses of the manufacturing and sale of flexible printed circuits, flexible packaging substrates and their respective components, which are used in electronic products. AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司) is principally engaged in the business of the manufacturing and sale of flexible circuit, boards and components used in communications, liquid crystal displays and retail electronic products.

Information on the Relevant Entities

Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司) is a company incorporated in the PRC with limited liability and is principally engaged in the business of development, operation and investment in relation to electronic products. Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司) is ultimately owned and controlled by the People's Government of Haicang District in Xiamen, PRC, which is a local governmental body in the PRC. Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司) is able to contribute to the JV Company with its financial resources and support.

Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) is a company incorporated in the PRC with limited liability and is principally engaged in the manufacture of semiconductor and the engineering and technology research and experimental development in areas including the field of semiconductor technology, services in connection with the technical consultation, transfer and other services related to semiconductor technology, and investment in primary, secondary or tertiary industries. Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) is ultimately owned and controlled by the People's Government of Haicang District in Xiamen, PRC, which is a local governmental body in the PRC. Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司) is able to contribute to the JV Company with its business synergy.

Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) is a limited partnership incorporated in the PRC and is principally engaged in the business of development, operation and investment in relation to electronic products. Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) is ultimately owned by two individuals. The general partner of Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) is an individual, namely Mr. Kong Lingwen. Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥)) is able to contribute to the JV Company with its good experience in corporate operation.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Relevant Entities and their ultimate owners are independent third parties not connected with the Company or any of its connected persons.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

Through the formation of the JV Company, AKM Electronics Industrial (Panyu) Ltd. (安捷利(番禺)電子實業有限公司) and the Relevant Entities are able to complement the strength of each other and share resources, which is beneficial to the development of the business of the JV Company. The Board expects that the JV Company may enhance future earning capability and potential of the Group.

The Board is of the view that the terms of the JV Agreement are normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the total commitment of the Group to the JV Company pursuant to the JV Agreement are more than 5% but less than 25%, the entering into the JV Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

As at the date of this announcement, the Company and the Relevant Entities are still in the process of setting up the JV Company, hence the JV Company may or may not be set up, and the information set out in this announcement are based on, among others, a preliminary assessment of the potential financial impact of the joint venture on the Group. Shareholders and potential investors of the Company are thus advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

In this announcement, unless context otherwise requires, the following expressions have the following meanings:

“Associate(s)”	have the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Company”	AKM Industrial Company Limited (stock code: 1639), a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	have the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“independent third parties”	third party(ies) independent of and not connected with the Company and connected persons of the Company
“JV Agreement”	the joint venture agreement dated 27 December 2019 entered into between AKM Electronics Industrial (Panyu) Ltd.* (安捷利(番禺)電子實業有限公司) and the Relevant Entities in relation to the formation of the JV Company
“JV Company”	a limited liability company to be formed under the JV Agreement and to be incorporated under the laws of the PRC
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region and Taiwan for the purpose of this announcement

“Relevant Entities”	Meizhi Investment (Xiamen) Co., Ltd.* (美智投資(廈門)有限公司), Xiamen Semiconductor Investment Group Co., Ltd.* (廈門半導體投資集團有限公司), and Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership)* (安美創業(廈門)股權投資合夥企業(有限合夥))
“RMB”	Renminbi, the lawful currency of PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	have the meaning ascribed to it under the Listing Rules
“%”	per cent

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

Hong Kong, 27 December 2019

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

* *For identification purpose only*