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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)**

## **CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE SALES OF FPC PRODUCTS TO ANJIE**

AKM Panyu, a wholly-owned subsidiary of the Company, had commenced the sales of FPC products to Anjie since June 2019 as part of its ordinary and usual course of business.

As at the date of this announcement, Anjie Hong Kong, a wholly-owned subsidiary of Anjie, holds 200,000,000 Shares of the Company, representing approximately 13.00% of the issued shares of the Company. Accordingly, Anjie is a substantial shareholder and a connected person of the Company under the Listing Rules. The Subject Transactions constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

For the period between June 2019 and December 2019, the aggregate consideration for the 2019 Subject Transactions (exclusive of value-added tax) amounted to approximately RMB6,901,870 (equivalent to approximately HK\$7,676,260) which had exceeded the de minimus threshold of HK\$3,000,000, but each of the applicable percentage ratios was less than 5%. The 2019 Subject Transactions are therefore subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company has entered into the Framework Agreement with Anjie. It is anticipated that the total consideration of the 2020 Subject Transactions (exclusive of value-added tax) will also exceed the de minimus threshold. Therefore, the 2020 Subject Transactions are also subject to disclosure under the Listing Rules and the Company is required to set an annual cap for the 2020 Subject Transactions.

## INTRODUCTION

AKM Panyu, a wholly-owned subsidiary of the Company, had commenced the sales of FPC products (“**Subject Transactions**”) to Anjie since June 2019 as part of its ordinary and usual course of business.

As at the date of this announcement, Anjie Hong Kong, a wholly-owned subsidiary of Anjie, holds 200,000,000 Shares of the Company, representing approximately 13.00% of the issued shares of the Company. Accordingly, Anjie is a substantial shareholder and a connected person of the Company under the Listing Rules. The Subject Transactions constitute continuing connected transactions (“**Continuing Connected Transactions**”) of the Company under Chapter 14A of the Listing Rules.

For the period between June 2019 and December 2019, the aggregate consideration for the Subject Transactions (exclusive of value-added tax) amounted to approximately RMB6,901,870 (equivalent to approximately HK\$7,676,260) (“**2019 Subject Transactions**”) which had exceeded the de minimus threshold of HK\$3,000,000, but each of the applicable percentage ratios was less than 5%. The 2019 Subject Transactions are therefore subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Company has entered into the Framework Agreement with Anjie. It is anticipated that the total consideration of the Subject Transactions (exclusive of value-added tax) (“**2020 Subject Transactions**”) will also exceed the de minimus threshold. Therefore, the 2020 Subject Transactions are also subject to disclosure under the Listing Rules and the Company is required to set an annual cap for the 2020 Subject Transactions.

## THE SUBJECT TRANSACTIONS

The Group and Anjie Group had commenced on the collaboration of product development since 2018. Prior to June 2019, the collaboration was focused on samples certification. Since June 2019, orders of sample FPC products were placed by Anjie with AKM Panyu. Since September 2019, Anjie commenced to place batch orders of products with AKM Panyu. The FPC products sold to Anjie Group are mainly used by Anjie Group in the production of components for consumer electronics products and new energy vehicles.

## **Pricing Policy**

All orders placed by Anjie Group for the Subject Transactions are effected by purchase orders in written form which sets out the detailed particulars of products to be ordered, including the product models, the quantity, the unit price, payment terms and the delivery term which were negotiated and concluded on normal commercial terms and on arm's length basis between the Group and Anjie Group. For the 2019 Subject Transactions, the price for individual products were determined by the parties with reference to the prevailing market price of products of similar nature. Pursuant to the Framework Agreement, the price for products will be determined by the parties with reference to the prevailing market price for products of similar nature upon the placement of orders by Anjie Group and to be agreed by the parties in writing under separate purchase orders.

## **Historical transaction amount of the Subject Transactions**

The aggregate consideration for the 2019 Subject Transactions (exclusive of value-added tax) amounted to approximately RMB6,901,870 (equivalent to approximately HK\$7,676,260). Since Anjie only commenced to place orders of sample products in June 2019, no Subject Transaction was recorded prior to June 2019.

Based on the Company's internal review on the Subject Transactions, the aggregate consideration of the Subject Transactions for the year ending 31 December 2019 will not exceed HK\$10,000,000.

## **Proposed Annual Cap of the 2020 Subject Transactions**

The proposed annual cap for the 2020 Subject Transactions ("**Annual Cap 2020**") is estimated at HK\$60,000,000 which is determined based on the following major factors and assumptions:

- (a) the historical transaction amount and the increase of transaction amount following the completion of the relevant product certification process;
- (b) the co-operation intentions in negotiation amongst the parties which cover both of the possible extension of the scope of product development and the possible uplift of the Group's position in the supply chain of Anjie Group;
- (c) the capability in products development of the Group remains competitive;
- (d) the foreseeable growth in the overall demand for consumer electronics products and new energy vehicles;
- (e) the prices of the products supplied by the Group to Anjie Group will remain relatively stable and competitive for the year ending 31 December 2020.

The above projection is assumed solely for determining the Annual Cap 2020 and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and/or Anjie Group.

### **Reasons for the Continuing Connected Transactions**

As disclosed in the 2018 Annual Report and 2019 Interim Report of the Group, the Group has been proactively developing new market fields such as optic camera modules, new energy car cells, vehicle electronics and wireless charges, which have gradually become new area for sales increase. In line with the development of the Group, the collaboration of the Group and Anjie Group on product development commenced since 2018, and such collaboration was further materialized when Anjie commenced to place orders for sample FPC products in June 2019 and to place batch orders in September 2019. Barring unforeseen circumstances, the gross profit margin for the sale of products to Anjie Group which is comparable to that of the sales of products in similar nature by the Group to the other Independent Third Parties is expected to bring the Group both of sales revenue and profits. Further, it will facilitate the Group's collaboration with its substantial shareholder, Anjie, which will be conducive to promoting their complementary strengths in industries and to creating synergistic effects for the businesses of the Group and Anjie Group.

As at the date of this announcement, Mr. Wang Chunsheng, a non-executive Director of the Company, is the chairman of the board of directors of Anjie and a controlling shareholder of Anjie interested in 50.92% of the issued shares of Anjie. Mr. Wang Chunsheng is therefore considered to have material interests in the Subject Transactions. Mr. Wang Chunsheng has abstained from voting on the board resolutions of the Company in relation to the Subject Transactions and the Annual Cap 2020. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Subject Transactions.

The other Directors (including the independent non-executive Directors) consider that (i) the Subject Transactions are entered into on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Subject Transactions have been negotiated on an arm's length basis; and (ii) the terms and conditions of the Subject Transactions and the Annual Cap 2020 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Implications under the Listing Rules**

As at the date of this announcement, Anjie Hong Kong, a wholly-owned subsidiary of Anjie, holds 200,000,000 Shares of the Company, representing approximately 13.00% of the issued shares of the Company. Accordingly, Anjie is a substantial shareholder and a connected person of the Company under the Listing Rules. The Subject Transactions constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As the respective applicable percentage ratios for (i) the aggregate consideration of the 2019 Subject Transactions; and (ii) the Annual Cap 2020, will be less than 5% respectively but each of the aggregate consideration for the 2019 Subject Transactions and the Annual Cap 2020 exceeded HK\$3,000,000, the 2019 Subject Transactions and the 2020 Subject Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the event any future Subject Transactions cause the Annual Cap 2020 to be exceeded or contains any term materially different from those disclosed herein, the Company will if required under the Listing Rules make timely disclosure and/or re-comply with the relevant requirements.

## **INFORMATION OF THE GROUP**

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.

## **INFORMATION OF ANJIE**

Anjie is principally engaged in the business of precision functional devices and precision metal components and modules for consumer electronics. The precision functional devices for consumer electronics that Anjie is engaged in include various types of internal functional components such as pasting, insulating, buffering, shielding, backlight, heat radiating, conductive components and optical films; as well as various types of external functional components such as decorative components, touch panels and window protection glass. Anjie also provides precision functional parts for new energy vehicles.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed thereto under the Listing Rules
“AKM Panyu”	AKM Electronics Industrial (Panyu) Limited (安捷利(番禺)電子實業有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Anjie”	Suzhou Anjie Technology Co. Ltd (蘇州安潔科技股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange with stock code 002635
“Anjie Hong Kong”	Anjie Technology (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Anjie
“Anjie Group”	Anjie and its Subsidiaries
“Board”	the board of Directors
“Company”	AKM Industrial Company Limited (stock code: 1639), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“FPC”	flexible printed circuits
“Framework Agreement”	the framework material sale and purchase agreement dated 31 December 2019 entered into between the Company (for itself and on behalf of its Subsidiaries) and Anjie (for itself and on behalf of its Subsidiaries) in respect of the sales of products by the Group to Anjie Group for the period from the date of signing of the agreement to 31 December 2020
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	has the meaning ascribed there to under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Subsidiary”	has the same meaning as in Section 15 of the Companies Ordinance (Cap 622) of the Laws of Hong Kong and if the context requires, for the purpose of the Listing Rules only, has the meaning ascribed to it under Rule 1.01 of the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 31 December 2019

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