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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)**

## **SUPPLEMENTAL ANNOUNCEMENT**

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

Reference is made to the announcement of AKM Industrial Company Limited (“**Company**”) dated 31 December 2019 (“**Announcement**”) in relation to, among others, the entering into of the Framework Agreement. Unless otherwise specified, capitalised terms used herein shall have the same meaning ascribed to them in the Announcement.

This announcement intends to provide additional information on the pricing policy in relation to the Framework Agreement.

#### **PRICING POLICY**

In determining the pricing for the products supplied by the Group to Anjie, the prices quoted by other suppliers of Anjie Group for same and similar products will be taken into consideration during the price negotiation and determination process. In particular, in preparing price quotation for the Group’s products, the Company’s management will consider the production costs of individual products and will add on a profit margin on individual products that is within a pre-approved range of gross profit margin (“**Pre-Approved Range**”) with reference to the prices of other suppliers and the prices of similar products in the market so as to maintain the price competitiveness for the Group’s products. In the event that the proposed gross profit margin for a particular price quotation falls within the Pre-Approved Range, the price quotation will be approved by the sales department of the Group. In the event that the proposed gross profit margin for a particular price quotation is lower than the Pre-Approved Range, the price quotation will be jointly approved by the general manager of the Group and the head of finance department of the Group. The Pre-Approved Range is determined and adjusted from time to time by the

management of the Company with reference to the market conditions, such as the price movement of raw materials and technology development trend in the industry. In approving the price quotation fell below the Pre-Approved Range, the general manager of the Group and the head of finance department of the Group will normally take into consideration of various factors, such as the nature of products to be supplied, the level of production technique required for the products, the payment terms of the particular order(s), the size of the order(s), the production capacity of the Group available at the time of order(s), the delivery time slot with the principle that the price quotation fell below the Pre-Approved Range is economically and commercially viable to the Group.

Since the price determination methods and procedures are generally in line with industry practices and the management of the Company will ensure that neither staff members preparing price quotation nor the senior management approving price quotation are associated with Anjie Group, the Directors are of the view that the prices of the products supplied by the Group to Anjie are determined with reference to the prevailing market price and the prices are determined based on arm's length negotiations and on normal commercial terms, and the Subject Transactions are conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 15 January 2020

*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.*