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If you have sold or transferred all your shares in **AKM Industrial Company Limited** (the “Company”), you should at once hand this circular and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Independent Board Committee containing their recommendations to the Independent Shareholders is set out on pages 15 to 16 of this circular. A letter from Lego Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 35 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Thursday, 20 February 2020 at 10:00 a.m. is set out on pages 42 to 44 of this circular. Whether or not you are able to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or adjourned meeting thereof as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or adjourned meeting thereof as the case may be) should you so wish.

5 February 2020

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DEFINITIONS

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

“associates”	has the meaning ascribed thereto 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
“Continuing Connected Transactions”	the Subject Transactions contemplated under the Renewed Purchase Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Thursday, 20 February 2020 at 10:00 a.m. to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“Existing Purchase Agreement”	the existing framework purchase agreement dated 6 December 2016 entered into between GoerTek (for itself and on behalf of its Subsidiaries) and the Company (for itself and on behalf of its Subsidiaries) in relation to the Subject Transactions for a term commenced from 1 January 2017 and expired on 31 December 2019
“FPC”	flexible printed circuits
“GoerTek”	歌爾股份有限公司(GoerTek Inc.), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange with the stock code of 002241
“GoerTek Group”	GoerTek and its Subsidiaries

DEFINITIONS

“Goertek HongKong”	Goertek (HongKong) Co., Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of GoerTek
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee of the Board (consisting three independent non-executive Directors namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Yang Zhaoguo) which has been formed to advise and give recommendations to the Independent Shareholders in respect of the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“Independent Financial Adviser” or “Lego Corporate Finance ”	Lego Corporate Finance Limited, a licensed corporation licensed under the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong to conduct type 6 regulated activity (advising on corporate finance), appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“Independent Shareholders”	Shareholders who/which are not required to abstain from voting at the EGM
“Independent Third Party(ies)”	has the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	31 January 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange

DEFINITIONS

“Proposed Annual Caps”	the annual caps proposed by the Company for the Continuing Connected Transactions (exclusive of value-added tax) for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Macau and Taiwan
“Renewed Purchase Agreement”	the framework purchase agreement dated 13 January 2020 entered into between GoerTek (for itself and on behalf of its Subsidiaries) and the Company (for itself and on behalf of its Subsidiaries) in relation to the Subject Transactions for a further term of three years commenced from 1 January 2020 and expiring on 31 December 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Subject Transactions”	the sale of parts, components and other products (including but not limited to FPC products) by the Group to GoerTek or GoerTek Group
“Subsidiaries”	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
“substantial shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Director:

Xiong Zheng Feng (*Chairman*)

Non-executive Directors:

Gao Xiaoguang

Jia Junan

Wang Chunsheng

Zhang Xiaoming

Yu Daochun

Independent non-executive Directors:

Hung Chi Yuen Andrew

Cui Zheng

Yang Zhaoguo

Principal place of business

in the PRC:

63 Huan Shi Road South

Information Technology Park

Nansha District

Guangzhou City

The People's Republic of China

Registered office:

Rooms 2708-11, 27/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

5 February 2020

To the Shareholders

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 13 January 2020.

LETTER FROM THE BOARD

On 13 January 2020, the Company (for itself and on behalf of its Subsidiaries) entered into the Renewed Purchase Agreement with GoerTek (for itself and on behalf of its Subsidiaries) in relation to the Subject Transactions for a term of three years commenced from 1 January 2020 and expiring on 31 December 2022 which will become effective upon the approval of the Independent Shareholders at the EGM. The Renewed Purchase Agreement was entered into between the parties to renew the Existing Purchase Agreement which term has expired on 31 December 2019.

As GoerTek is a substantial shareholder of the Company, the Subject Transactions contemplated under the Renewed Purchase Agreement constitute non-exempt Continuing Connected Transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with details of, among others, (i) further details of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps; (ii) recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

THE RENEWED PURCHASE AGREEMENT

The principal terms of the Renewed Purchase Agreement are as follows:

Date:	13 January 2020
Parties:	(i) the Company (for itself and on behalf of its Subsidiaries) (as supplier) (ii) GoerTek (for itself and on behalf of its Subsidiaries) (as purchaser)
Contract Period:	1 January 2020 to 31 December 2022
Subject:	The Company (for itself and on behalf of its Subsidiaries) agreed to supply, and GoerTek (for itself and on behalf of its Subsidiaries) agreed to purchase, parts, components and other products (including but not limited to FPC products) by separate orders during the contract period.

LETTER FROM THE BOARD

Price determination: Price for individual products is to be determined by the parties with reference to the prevailing market price of products of similar nature and to be agreed by the parties in writing under separate contract(s), order(s) and/or price quotation(s) in writing.

Payment terms: Within 60 to 90 days from the date of receipt of invoice(s) by the purchaser. The specific term of payment to be agreed by the parties in the respective contract(s), order(s) and/or price quotation(s).

The validity of the Renewed Purchase Agreement is subject to the approval of the Independent Shareholders of the Company at the EGM.

Proposed Annual Caps

The Proposed Annual Caps for the Continuing Connected Transactions (exclusive of value-added tax) for the relevant periods are set out below:

	1 January 2020 to 31 December 2020 RMB	1 January 2021 to 31 December 2021 RMB	1 January 2022 to 31 December 2022 RMB
Proposed Annual Caps	200,000,000	250,000,00	300,000,000

The Proposed Annual Caps have been prepared by the Company primarily based on the following major factors and assumptions:

- (i) the historical transaction amounts under the Existing Purchase Agreement for each of the year ended 31 December 2017, 31 December 2018 and 31 December 2019;
- (ii) the capability in products development of the Group remains competitive;

LETTER FROM THE BOARD

- (iii) the expected increase in demand for the Group's products by GoerTek Group for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 due to:
 - (a) the expected increase in the application of the Group's products for developing GoerTek Group's products for utilization in consumer electronics with augmented reality ("AR"), virtual reality ("VR"), true wireless stereos ("TWS") and/or artificial intelligence ("AI") technologies in the "post-mobile era";
 - (b) the expected increase in the development and commercialization of AR/VR market in the forthcoming years following the launch of 5G network and the increasingly mature of AR/VR technologies;
 - (c) the increase in co-operation between the Group and GoerTek Group in respect of FPCs and micro-electronic products (such as integrated circuit chips, micro electro-mechanical system chips and sensors), for the production of various kind of consumer electronics, such as speakers, smart phones, VR products, laptops, pads and wearable products, electronic bracelets, TWS earphones and smartwatches, for GoerTek Group's end customer(s) ("**GoerTek End Customers**");
 - (d) the continuous award and maintenance of qualified supplier recognition for the supply of the Group's products in manufacturing GoerTek Group's products to GoerTek End Customers;
 - (e) the continuous grant of product certification by GoerTek Group and GoerTek End Customers for adopting the Group's products in GoerTek Group's products manufactured for GoerTek End Customers; and
 - (f) further uplift of the Group's position in the supply chain of GoerTek Group; and
- (iv) the prices of the products supplied by the Group to GoerTek Group will remain relatively stable and competitive for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022.

LETTER FROM THE BOARD

Such projection is assumed solely for determining the Proposed Annual Caps 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 GoerTek Group.

Existing annual caps and historical transaction amounts

The existing annual caps and the historical transaction amounts under the Existing Purchase Agreement for each of the year ended 31 December 2017, 31 December 2018 and 31 December 2019 were as follows:

	For the year ended 31 December 2017 RMB	For the year ended 31 December 2018 RMB	For the year ended 31 December 2019 RMB
Existing annual caps	210,000,000	250,000,000	300,000,000
	For the year ended 31 December 2017 (Audited) RMB	For the year ended 31 December 2018 (Audited) RMB	For the year ended 31 December 2019 (Unaudited) RMB
Historical transaction amount (Note)	103,988,000	119,440,000	83,390,000

Note:

For the three years ended 31 December 2019, the products supplied by the Group to GoerTek Group included FPC products (such as single-sided FPC, double-sided FPC and multi-layered FPC) and flexible packaging substrates, which were mainly used by GoerTek Group in the production of speakers, microphones, antennas and/or in the assembly of other products.

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Pricing Policy

As stated in the Renewed Purchase Agreement, price for individual products will be determined by the parties with reference to the prevailing market price of products of similar nature and to be agreed by the parties in writing under separate contract(s), order(s) and/or price quotation(s) in writing. Although the products of the Group supplied to GoerTek Group are tailored made in accordance with the technical specifications provided by GoerTek Group and no identical products with same specifications were produced for and sold to Independent Third Parties, save and except for the technical specifications and the model type of products which are intended to use for different applications by the Group's customers, the nature of the products sold to GoerTek Group and sold to Independent Third Parties are similar. To determine the price of different model of products with different technical specifications, various price determination factors will be taken into consideration by the management of the Group, such as production costs of products of similar nature; the production technique and costs required for meeting the specific technical specifications; the application of the products; and the prevailing market price of products of similar nature. The management of the Group will then undergo the pricing control procedures as set out in the paragraph headed "Internal Control" below so as to determine the price for products with different technical specifications supplied to GoerTek Group.

Implications under the Listing Rules

As at the Latest Practicable Date, Goertek HongKong, a wholly-owned subsidiary of GoerTek, holds 363,650,000 Shares of the Company, representing approximately 23.64% of the issued shares of the Company. Accordingly, GoerTek is a substantial shareholder and a connected person of the Company under the Listing Rules. The Subject Transactions contemplated under the Renewed Purchase Agreement constitute Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for each of the Proposed Annual Caps for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 exceed 5%, the Subject Transactions contemplated under the Renewed Purchase Agreement constitute non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are therefore subject to the approval of the Independent Shareholders at the EGM.

As the Continuing Connected Transactions are subject to the compliance of Independent Shareholders' approval requirement, no Subject Transactions will be conducted between the Group and GoerTek Group unless and until the Continuing Connected Transactions and the Proposed Annual Caps are approved by the Independent Shareholders of the Company at the EGM.

LETTER FROM THE BOARD

Reasons for the Continuing Connected Transactions

The Group has maintained a stable and amicable business relationship with GoerTek in the past. As the term of the Existing Purchase Agreement had expired on 31 December 2019, the Directors (including the independent non-executive Directors) consider that to continue the Subject Transactions pursuant to the Renewed Purchase Agreement will increase/stabilise the Group's sales revenue and profits. As the development of consumer electronics entering into post-mobile era, the commercialization and application of VR, AR, TWS and AI technologies in consumer electronics are accelerating continuously. With the launch of 5G network, it is expected that there will be rapid growth of VR and AR products in the forthcoming years. To capture the business opportunities in the popularity of such consumer electronics, it will be conducive for the Group to maintain and increase its collaboration with GoerTek to promote their complementary strengths in the industries and to create synergistic effects for the businesses of the Group and GoerTek Group. It is anticipated that through the cooperation with GoerTek Group, the Group's products will gradually penetrate into the supply chain of additional international brands of consumer electronics. Barring unforeseen circumstances, the gross profit margin for the sale of products to GoerTek Group which is comparable to that of the sales of products in similar nature by the Group to the other Independent Third Parties can be maintained in the forthcoming years and is expected to bring the Group both of sales revenue and profits.

Given that the terms of the Renewed Purchase Agreement have been negotiated on an arm's length basis and the Renewed Purchase Agreement is entered into on normal commercial terms in the ordinary and usual course of business of the Group, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) are of the view that the terms and conditions of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

As at the Latest Practicable Date, Mr. Gao Xiaoguang, a non-executive Director of the Company, is a vice president of GoerTek. Mr. Jia Junan, another non-executive Director of the Company, is a vice president and the secretary to the board of directors of GoerTek. Mr. Gao Xiaoguang and Mr. Jia Junan are therefore considered to have material interests in the transactions contemplated under the Renewed Purchase Agreement. Each of Mr. Gao Xiaoguang and Mr. Jia Junan has abstained from voting on the board resolutions of the Company in relation to the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Renewed Purchase Agreement.

LETTER FROM THE BOARD

INTERNAL CONTROL

The Company has adopted the following internal control measures for regulating the entering into of all transactions under the Renewed Purchase Agreement (including the relevant price determination mechanism):

1. Although all of the products sold by the Group to GoerTek Group are tailored made in accordance with the technical specifications provided by GoerTek Group and no identical products with same technical specifications sold to GoerTek Group were produced for and sold to other Independent Third Parties, the price for individual products sold to GoerTek Group is quoted by the Group at the stage of product sampling with reference to the prevailing market price and production costs of products of similar nature that are in similar production technique, the application of products and the production technique and costs required for meeting the specific technical specifications. The responsible officer(s) of the sales department will prepare the price quotation based on the production costs and production quantity in relation to the order(s) for joint approval by the production department and finance department. In the event that the gross profit margin for a particular price quotation falls within the pre-approved range of gross profit margin for a particular product of the Group (“**Pre-Approved Range of Profit Margin**”), the price quotation will be approved by the sales manager of the Group. The Pre-Approved Range of Profit Margin 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 the event that the gross profit margin for a particular price quotation is lower than the Pre-Approved Range of Profit Margin, the price quotation will be jointly approved by the general manager of the Group and the head of finance department. In approving the price quotation fell below the Pre-Approved Range of Profit Margin, the general manager of the Group and the head of finance department 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 of Profit Margin is economically and commercially viable to the Group. The price for individual products quoted by the Group will subsequently subject to be agreed by GoerTek Group after considering other offer(s).

LETTER FROM THE BOARD

2. The management of the Company will ensure that both of the price quotation made within the Pre-Approved Range of Profit Margin and price quotation fell below the Pre-Approved Range of Profit Margin mentioned in paragraph 1 above will not be less favourable to the Company than price quotation made in respect of similar products supplied to Independent Third Parties at the material time of such price quotation is made.
3. The management of the Company will ensure that neither the staff members preparing price quotation within the Pre-Approved Range of Profit Margin nor the senior management approving price quotation fell below the Pre-Approved Range of Profit Margin, i.e. the general manager of the Group and the head of finance department, is/ are associated with GoerTek Group.
4. The independent non-executive Directors have reviewed and will continue to regularly review the Continuing Connected Transactions under the Renewed Purchase Agreement, and the auditors of the Company will also conduct an annual review on the pricing and annual caps of the Continuing Connected Transactions under the Renewed Purchase Agreement.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising the three independent non-executive Directors (namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Yang Zhaoguo) has been established to advise the Independent Shareholders in relation to the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Your attention is drawn to the recommendation of the Independent Board Committee set out in its letter dated 5 February 2020 on pages 15 to 16 of this circular.

Lego Corporate Finance has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 5 February 2020 on pages 17 to 35 of this circular.

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.

LETTER FROM THE BOARD

INFORMATION OF GOERTEK GROUP

GoerTek Group is principally engaged in the development, production, and sale of: acoustic, optic, wireless communication technologies and related products, robots and automation, intelligence mechanical and information products, molds for precision electronic products, precision metal hardwares, semi-conductor type micro electro-mechanical products, consumer electronics, LED packaging and related products, development and sale of the aforesaid products; services related to the aforesaid technology and products; import and export of goods, import and export of technology.

EGM

A notice convening the EGM to be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Thursday, 20 February 2020 at 10:00 a.m. is set out on pages 42 to 44 of this circular, at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps by way of poll. GoerTek and its associates will be required to abstain from voting at the EGM. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, other than GoerTek and its associates, no other Shareholder has any interest in the transactions contemplated under the Renewed Purchase Agreement and is required to abstain from voting on the relevant resolutions at the EGM.

A proxy form for use in connection with the EGM is accompanied with this circular. Whether or not you are able to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or adjourned meeting thereof as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or adjourned meeting thereof as the case maybe) should you so wish.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and that the entering into of the Renewed Purchase Agreement and the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that all Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

The text of the letter from the Independent Board Committee is set out on pages 15 to 16 of this circular. The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 35 of this circular. Independent Shareholders are recommended to read carefully these two letters for details of the advices.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice convening the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



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)

5 February 2020

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 5 February 2020 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Lego Corporate Finance has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 14 of the Circular, and the letter from the Independent Financial Adviser as set out on pages 17 to 35 of the Circular which contains its advice in respect of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the Renewed Purchase Agreement and having taken into consideration of the advice of Lego Corporate Finance as the Independent Financial Adviser, we are of the view that the terms of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and that the entering into of the Renewed Purchase Agreement and the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Cap.

Yours faithfully

For and on behalf of

Independent Board Committee

Hung Chi Yuen Andrew

Independent

non-executive Director

Cui Zheng

Independent

non-executive Director

Yang Zhaoguo

Independent

non-executive Director

LETTER FROM LEGO CORPORATE FINANCE

The following is the full text of the letter of advice from Lego Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which have been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.



5 February 2020

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Renewed Purchase Agreement (including the Proposed Annual Caps), details of which are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 5 February 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

Reference is made to the announcement of the Company dated 6 December 2016 and the circular of the Company dated 29 December 2016 in respect of the sale of parts, components and other products (including but not limited to FPC products) by the Group to GoerTek Group under the Existing Purchase Agreement. As the term of the Existing Purchase Agreement expired on 31 December 2019, on 13 January 2020, the Company (for itself and on behalf of its Subsidiaries) and GoerTek (for itself and on behalf of its Subsidiaries) renewed the Existing Purchase Agreement by entering into the Renewed Purchase Agreement in relation to the Subject Transactions for a further term of three years commenced from 1 January 2020 and expiring on 31 December 2022.

LETTER FROM LEGO CORPORATE FINANCE

As at the Latest Practicable Date, Goertek HongKong, a wholly-owned subsidiary of GoerTek, holds 363,650,000 Shares, representing approximately 23.64% of the issued shares of the Company. Accordingly, GoerTek is a substantial shareholder and a connected person of the Company under the Listing Rules.

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for each of the Proposed Annual Caps for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 exceed 5%, the Subject Transactions contemplated under the Renewed Purchase Agreement constitute non-exempt continuing connected transactions of the Company, and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listings Rules. The Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are therefore subject to the approval of the Independent Shareholders at the EGM. GoerTek and its associates will be required to abstain from voting at the EGM.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Yang Zhaoguo, has been established to advise the Independent Shareholders as to whether the terms of the Renewed Purchase Agreement and the Continuing Connected Transactions are in the ordinary and usual course of business of the Group based on normal commercial terms, and whether the terms of which (including the Proposed Annual Caps) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

As at the Latest Practicable Date, Lego Corporate Finance did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of Lego Corporate Finance. In the last two years, there was no engagement between the Group and Lego Corporate Finance. Apart from normal professional fees paid or payable to us in connection with this appointment as the independent financial adviser, no arrangement exist whereby we had received or will receive any fees or benefits from the Company or any other party to the transactions. Accordingly, we are qualified to give independent advice in respect of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

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BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the EGM and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company and GoerTek or any of their respective subsidiaries or associates.

LETTER FROM LEGO CORPORATE FINANCE

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into consideration of the following principal factors and reasons:

1. Background of and reasons for the entering into of the Renewed Purchase Agreement

The Group

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

The following table is a summary of the audited financial information of the Group for the financial years ended 31 December 2017 and 2018, as extracted from the annual report of the Company for the year ended 31 December 2018 (the “**2018 Annual Report**”) and the unaudited financial information of the Group for the six months ended 30 June 2018 and 2019, as extracted from the interim report of the Company for the six months ended 30 June 2019 (the “**2019 Interim Report**”).

	For the year ended 31 December		For the six months ended 30 June	
	2017	2018	2018	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Revenue				
– Circuit boards and components business <i>(Note)</i>	1,098,218	1,216,351	510,228	599,911
– Other	20,620	7,452	7,452	29,855
Total	1,118,838	1,223,803	517,680	629,766
Gross profit	220,211	151,971	78,484	63,130
Gross profit margin	19.7%	12.4%	15.2%	10.0%
Profit for the year/period	79,008	69,334	31,074	7,933

Note: 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” in the 2019 Interim Report.

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As illustrated in the table above, revenue of the Group amounted to approximately HK\$1,223.8 million for the year ended 31 December 2018, representing an increase of approximately 9.4% as compared to that of approximately HK\$1,118.8 million for the year ended 31 December 2017. According to the 2018 Annual Report, such increase was mainly due to the increase in sales of flexible packaging substrates business. In addition, the Group recorded a profit of approximately HK\$69.3 million for the year ended 31 December 2018, representing a decrease of approximately 12.2% comparing to the profit of approximately HK\$79.0 million for the year ended 31 December 2017. As disclosed in the 2018 Annual Report, the decrease in profit for the year ended 31 December 2018 was mainly due to (i) fierce competition in the FPC business led to the decrease in product price and increase in raw material price, which resulted in decrease in gross profit margin for the FPC business; and (ii) the yield rate for new application field of the flexible packaging substrates business is yet to be improved and economy of scale is yet to be achieved.

According to the 2019 Interim Report, revenue of the Group amounted to approximately HK\$629.8 million for the six months ended 30 June 2019, representing an increase of approximately 21.7% as compared to that of approximately HK\$517.7 million for the six months ended 30 June 2018. The increase was mainly due to the increased order levels from major customers of the circuit boards and components business and sales growth of the sourcing and “other” business of the Group (i.e. the sourcing and sale of electronic components). Although the Group recorded an increase in revenue, the Group recorded a lower gross profit margin from approximately 15.2% for the six months ended 30 June 2018 to approximately 10.0% for the six months ended 30 June 2019. The profit for the six months ended 30 June 2019 of the Group was approximately HK\$7.9 million, representing a decrease of approximately 74.5% as compared to approximately HK\$31.0 million for the corresponding period of the previous year. According to the 2019 Interim Report, 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 expenses of the Group due to increase in research and development investment in new materials, new products and new production techniques in order to prepare for, among others, the market prospect of the upcoming commercial launch of the 5G network; and (iii) the decrease in other income principally due to the decrease in interest income and government grants.

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As stated in the 2019 Interim Report, 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. Furthermore, 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.

GoerTek Group

GoerTek is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange since May 2008 with the stock code of 002241. GoerTek Group is principally engaged in the development, production, and sale of: acoustic, optic, wireless communication technologies and related products, robots and automation, intelligence mechanical and information products, molds for precision electronic products, precision metal hardwares, semiconductor type micro electro-mechanical products, consumer electronics, LED packaging and related products, development and sale of software related to the aforesaid products; services related to the aforesaid technology and products; import and export of technology. We noted from the annual report of GoerTek Group for the year ended 31 December 2018 that GoerTek has recorded revenue of approximately RMB23.8 billion for the year ended 31 December 2018 and the total assets of GoerTek Group as at 31 December 2018 amounted to approximately RMB29.7 billion. As stated in the official website of GoerTek, GoerTek provides products and services to global leading electronics product companies, including Samsung, Sony, Microsoft, Panasonic, LG, Plantronics and Cisco, etc. The revenue of the Group derived from the sales to GoerTek Group for the years ended 31 December 2017 and 2018 were approximately RMB104.0 million (equivalent to approximately HK\$120.0 million) and RMB119.4 million (equivalent to approximately HK\$141.2 million), respectively, represents approximately 10.7% and 11.5% of the total revenue of the Group for the respective year.

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The Existing Purchase Agreement and the Renewed Purchase Agreement

As set out in the Letter from the Board, the Group has maintained a stable and amicable business relationship with GoerTek in the past. We are advised that the Group has been supplying parts, components and other products (including but not limited to FPC products) to GoerTek Group since 2012 prior to GoerTek becoming the substantial Shareholder in January 2014. As disclosed in the announcement of the Company dated 6 December 2016 and the circular of the Company dated 29 December 2016, the Group entered into the Existing Purchase Agreement with GoerTek, pursuant to which the Group has supplied the parts, components and other products including FPC products (such as single-sided FPC, double-sided FPC and multi-layered FPC) (the “**Products**”) for a term commenced from 1 January 2017 and expired on 31 December 2019. As disclosed in the Announcement, such Group’s products were mainly used by GoerTek in the production of speakers, microphones, antennas and/or in the assembly of other products to GoerTek Group. As the term of the Existing Purchase Agreement expired on 31 December 2019, the Company (for itself and on behalf of its Subsidiaries) and GoerTek (for itself and on behalf of its Subsidiaries) renewed the Existing Purchase Agreement by entering into the Renewed Purchase Agreement in relation to the Subject Transactions for a further term of three years commenced from 1 January 2020 and expiring on 31 December 2022. As disclosed in the Letter from the Board, the Directors considered that continuing the Subject Transactions pursuant to the Renewed Purchase Agreement will increase/stabilise the Group’s sales revenue and profits. As the development of consumer electronics entering into post-mobile era, the commercialization and application of augmented reality (“**AR**”), virtual reality (“**VR**”), true wireless stereos (“**TWS**”) and artificial intelligence (“**AI**”) technologies in consumer electronics are accelerating continuously. With the launch of 5G network, it is expected that there will be rapid growth of VR and AR products in the forthcoming years. To capture the business opportunities in the popularity of such consumer electronics, it will be conducive for the Group to maintain and increase its collaboration with GoerTek to promote their complementary strengths in the industries and to create synergistic effects for the businesses of the Group and GoerTek Group. It is anticipated that through the cooperation with GoerTek Group, the Group’s products will gradually penetrate into the supply chain of additional international brands of consumer electronics. Barring unforeseen circumstances, the gross profit margin for the sale of products to GoerTek Group which is comparable to that of the sales of products in similar nature by the Group to the other Independent Third Parties can be maintained in the forthcoming years and is expected to bring the Group both of sales revenue and profits.

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Considering (i) the long established business relationship with GoerTek since 2012; (ii) that the Continuing Connected Transactions are consistent with the stated objective of the Group to serve major international customers in view of the background of GoerTek and its customers portfolio as described above; and (iii) the aforementioned reasons for and benefits of entering into the Renewed Purchase Agreement, we concur with the view of the Company that the Continuing Connected Transactions will enable the Group to maintain a stable and amicable business relationship with GoerTek and increase the sales revenue and profits for the Group; and the entering into of the Renewed Purchase Agreement is beneficial to the Company and the Shareholders as a whole.

2. Principal terms of the Renewed Purchase Agreement

The purpose of the Renewed Purchase Agreement is to provide a framework of the agreed general terms and conditions governing the Continuing Connected Transactions, and each of the Continuing Connected Transactions to be undertaken by the Group shall be subject to specific terms and conditions (including the pricing terms) under separate orders during the contract period. The terms and conditions of such separate orders will be determined based on the principles contained in the Renewed Purchase Agreement and are subject to mutual agreement between the relevant parties.

Nature of the transactions

Pursuant to the Renewed Purchase Agreement, the Company (for itself and on behalf of its Subsidiaries) conditionally agreed to supply to GoerTek (for itself and on behalf of its Subsidiaries), and GoerTek (for itself and on behalf of its Subsidiaries) conditionally agreed to purchase the Products from the Company (for itself and on behalf of its Subsidiaries) by separate orders during the contract period from 1 January 2020 to 31 December 2022, subject to the Independent Shareholders' approval of the resolutions relating to the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

Pricing policy and internal control measures

In respect of the pricing policy under the Renewed Purchase Agreement, as stated in the Letter from the Board, price for individual products will be determined by the parties with reference to the prevailing market price of products of similar nature and to be agreed by the parties in writing under separate contract(s), order(s) and/or price quotation(s) in writing.

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As advised by the management of the Group, the Group had not in the past conducted any similar transactions with other Independent Third Parties as the technical specifications and model of products sold to GoerTek Group are tailored made in accordance with the technical specifications provided by GoerTek Group, and thus identical products with same specifications were not produced for and sold to any other Independent Third Parties. As such, there are no independent relevant transactions available for direct comparison. Notwithstanding the above, in order to assess whether the price of the products supplied to GoerTek Group under the Renewed Purchase Agreement is fair and reasonable, we have discussed with the management of the Group and understand that, save and except for the technical specifications and the model type of products which are intended to use for different applications by the Group's customers, the nature of the products sold to GoerTek and sold to other Independent Third Parties are similar. In addition, as advised by the management of the Group we understand that only the Group's Suzhou subsidiary (the "**Suzhou Subsidiary**") transacted with GoerTek Group and supplied similar products to other Independent Third Parties during the two years ended 31 December 2018 and six months ended 30 June 2019. As such, we have obtained and reviewed the Suzhou Subsidiary's overall cost structure and the gross profit margin analysis derived from (i) all transactions between the Suzhou Subsidiary and GoerTek; and (ii) all other transactions entered into between the Suzhou Subsidiary and the other Independent Third Parties for each of the two years ended 31 December 2018 and six months ended 30 June 2019 (the "**Gross Profit Margin Analysis**") based on the information provided by the Company. Despite the fact that there are differences in products in terms of the technical specifications and model between the products supplied to the Independent Third Parties and the products supplied to GoerTek Group, we noted that the gross profit margin derived from the Subject Transactions for each of the two years ended 31 December 2018 and six months ended 30 June 2019 falls within the range of the gross profit margins derived from other transactions entered into between the Suzhou Subsidiary and the other Independent Third Parties.

As stated in the Letter from the Board, to determine the price of different model of products with different technical specifications, various price determination factors (the "**Price Determination Factors**") will be taken into consideration by the management of the Group, such as production costs of products of similar nature; the production technique and costs required for meeting the specific technical specifications; the application of the products; and the prevailing marketing price of products of similar nature. The management of the Group will then undergo the pricing control procedures to determine the price for products with different technical specifications supplied to GoerTek's Group.

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In respect of the aforesaid internal control measures for the pricing control procedure, as stated in the Letter from the Board, it is the Group's internal control policy that the price for individual products sold to GoerTek Group is quoted by the Group at the stage of product sampling with reference to the Price Determination Factors. The responsible officer(s) of the sales department will prepare the price quotation based on the production costs and production quantity in relation to the order(s) for joint approval by the production department and finance department. In the event that the gross profit margin for a particular price quotation falls within the pre-approved range of gross profit margin for a particular product of the Group ("**Pre-Approved Range of Profit Margin**"), the price quotation will be approved by the sales manager of the Group. In the event that the gross profit margin for a particular quotation is lower than the Pre-Approved Range of Profit Margin, the price quotation will be jointly approved by the general manager of the Group and the head of finance department. In approving the price quotation fell below the Pre-Approved Range of Profit Margin, the general manager of the Group and the head of finance department 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 of Profit Margin is economically and commercially viable to the Group. The management of the Company will ensure that both of the price quotation made within the Pre-Approved Range of Profit Margin and price quotation fell below the Pre-Approved Range of Profit Margin as mentioned above will not be less favourable to the Company than price quotation made in respect of similar products supplied to Independent Third Parties at the material time of such price quotation is made. The price for individual products quoted by the Group will subsequently subject to be agreed by GoerTek Group after considering other offer(s). In addition, the management of the Company will ensure that neither the staff members preparing price quotation within the Pre-Approved Range of Profit Margin nor the senior management approving price quotation fell below the Pre-Approved range of Profit Margin, i.e. the general manager of the Group and the head of finance department, is/are associated with GoerTek Group.

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In assessing whether appropriate pricing methods and procedures have been in place to ensure the transactions to be carried out under the Renewed Purchase Agreement are on normal commercial terms, we have discussed with and reviewed the sample documents provided by the Company (including, among other things, price quotations from the Group to GoerTek Group and price quotations from the Group to Independent Third Parties; and the Renewed Purchase Agreement and other purchase agreements signed between the Group and its customers who are Independent Third Parties) with respect to the sales of Products on a random basis. The selected sample documents represent four out of ten, four out of ten and three out of ten FPC customers of the Suzhou Subsidiary or approximately 13.8%, 20.3% and 15.1% of sales to those FPC customers of the Group for each of the two years ended 31 December 2018 and six months ended 30 June 2019, respectively. Based on the above sample size and having considered that the samples were being selected on a random basis, we are of the view that the samples are fair and representative. We further noted that (i) the pricing and payment terms of the Products provided to GoerTek Group were no less favourable to the Company than those provided to Independent Third Parties; (ii) the price quotation is based on the production costs (including the costs of raw materials, together with labour cost, power, utilities and other relevant costs) and production quantity to the sales orders which is jointly approved by the production department and finance department, and the final price quotation will be provided to the customers subject to (a) the approval by sales managers of the Group if the gross profit margin falls within the Pre-Approved Range of Profit Margin; and (b) the joint approval by the general manager of the Group and the head of finance department if gross profit margin is lower than the Pre-Approved Range of Profit Margin; and (iii) neither the staff members preparing the price quotation within the Pre-Approved Range of Profit Margin nor the senior management approving price quotation fell below the Pre-Approved Range of Profit Margin, i.e. the general manager of the Group and the head of finance department, is/are associated with GoerTek Group.

Having considered that: (i) the pricing and payment terms of the supply of the Products under the Renewed Purchase Agreement shall be (a) on normal commercial terms; (b) determined with reference to prevailing market prices; and (c) no less favourable to the Company than those available from the Independent Third Parties; (ii) the gross profit margin derived from the Subject Transactions falls within the range of the gross profit margins derived from other transactions entered into between the Group and other Independent Third Parties; and (iii) the Group's internal pricing policy as mentioned above in which segregation of duties is maintained by the separation of frontline staff members (unrelated to GoerTek Group) that prepare the relevant quotations/documents and the senior staff members (unrelated to GoerTek Group) that review and approve the final quotation, we are of the view that the pricing terms of the Renewed Purchase Agreement to be on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

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Credit terms

According to the Renewed Purchase Agreement, the payments shall be made within 60 to 90 days from the date of receipt of invoice(s) by the purchaser. The specific term of payment to be agreed by the parties in the respective contract(s), order(s) and/or price quotation(s). We noted that the payment terms under the Renewed Purchase Agreement fall within the range of the credit terms available to the other trade customers of the Company which normally ranged from 0 to 120 days as set out in the 2018 Annual Report.

In light of the foregoing, we are of the opinion that the principal terms and conditions of the Renewed Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

3. Proposed Annual Caps

Review of the historical figures

The table below sets out the historical transaction amounts of the sale of the Products by the Group to GoerTek Group for each of the three years ended 31 December 2019 (the “**Review Period**”); and the comparison of the transaction amounts with the relevant annual caps during the Review Period (the “**Utilisation Rate(s)**”):

	For the year ended 31 December 2017 RMB'000	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000
Sale of Products to GoerTek Group (<i>Note</i>)	103,988	119,440	83,390
Existing annual caps	210,000	250,000	300,000
Utilisation Rate	49.5%	47.8%	27.8%

Note: For the three years ended 31 December 2019, the Products supplied by the Group to GoerTek Group included FPC products (such as single-sided FPC, double-sided FPC and multi-layered FPC) and flexible packaging substrates, which were mainly used by GoerTek Group in the production of speakers, microphones, antennas and/or in the assembly of other products.

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Despite the Group's sales to GoerTek Group recorded a growth for the years ended 31 December 2017 and 2018, we noted that the Group's sales to GoerTek Group decreased from approximately RMB119.4 million for the year ended 31 December 2018 to approximately RMB83.4 million for the year ended 31 December 2019, representing a decrease of approximately RMB36.0 million or 30.2%. As advised by the management of the Group, such decrease was mainly due to certain sales performance of GoerTek Group's products, such as speakers and speaker modules for mobile phones, were adversely affected by the unsatisfactory performance of the overall mobile phone market in 2019, which in turn resulted in the decrease in the procurement amount of the Group's products from GoerTek Group.

Assessment of the Proposed Annual Caps

The Proposed Annual Caps for the Continuing Connected Transactions (exclusive of value-added tax) for the relevant periods are set out below:

	1 January 2020 to 31 December 2020 RMB	1 January 2021 to 31 December 2021 RMB	1 January 2022 to 31 December 2022 RMB
Proposed Annual Caps	200,000,000	250,000,000	300,000,000

We have discussed with the management of the Group regarding the underlying assumptions and bases that have been taken into account by the Company in determining the Proposed Annual Caps. We noted that it has taken into account (i) the historical transaction amounts under the Existing Purchase Agreement during the Review Period; (ii) the capability in product development of the Group remains competitive; (iii) the expected increase in demand for the Group's products by GoerTek Group for each of the year ending 31 December 2020, 2021 and 2022 due to: (a) the expected increase in the application of the Group's products for developing GoerTek Group's products for utilisation in consumer electronics with AR, VR, TWS and/or AI technologies in the "post-mobile era"; (b) the expected increase in the development and commercialisation of AR/VR market in the forthcoming years following the launch of 5G network and the increasingly mature of AR/VR technologies; (c) the increase in co-operation between the Group and GoerTek Group in respect of FPCs and micro-electronic products (such as integrated circuit chips, micro electro-mechanical system chips and sensors), for the production of various kind of consumer electronics, such as speakers, smart phones, VR products, laptops, pads and wearable products, electronic bracelets, TWS earphones and smartwatches, for GoerTek Group's end customer(s) (the "**GoerTek End Customers**"); (d) the

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continuous award and maintenance of qualified supplier recognition for the supply of the Group's products in manufacturing GoerTek Group's products to GoerTek End Customers; (e) the continuous grant of product certification by GoerTek Group and GoerTek End Customers for adopting the Group's products in GoerTek Group's products manufactured for GoerTek End Customers; and (f) further uplift of the Group's position in the supply chain of GoerTek Group; and (iv) the prices of the products supplied by the Group to GoerTek Group will remain relatively stable and competitive for each of the year ending 31 December 2020, 2021 and 2022.

We have assessed the fairness and reasonableness of the Proposed Annual Caps after consideration of the following principal factors:

- (i) *Projected sales of the Group's products to GoerTek Group for three years ending 31 December 2022*

According to an announcement of GoerTek dated 10 September 2019 and a feasibility study report dated 10 September 2019 issued by GoerTek (the "**GoerTek Feasibility Report**")¹, in September 2019, GoerTek issued convertible notes in the aggregate principal amount of RMB4.0 billion and intended to use the proceeds for, among others, (1) developing TWS, AR and VR products that are compatible with 5G network and AI technologies; and (2) construction of a new research and development facilities in Qinghai, PRC for developing such products. As disclosed in the GoerTek Feasibility Report, market demands of TWS, AR and VR products are expected to grow vastly in the coming years and can be used for recreational and medical purposes.

As advised by the management of the Group, in order to capture the expected growth for consumers electronics compatible with 5G network, AR, VR, TWS and/or AI technologies, in 2019, the Group enhanced its focus in research and development to cater for the next generation products to be supplied to GoerTek Group and other customers, whereby the Group's research and development expenses increased from approximately HK\$28.9 million for six months ended 30 June 2018 to approximately HK\$33.7 million for the six months ended 30 June 2019, representing an increase of approximately HK4.8 million or 16.6%. As a result, the Group has major breakthroughs and successfully developed new high frequency and high speed FPCs and micro-electronic products (such as integrated circuit chips, micro electro-mechanical system chips and sensors) compatible with 5G network, AR, VR, TWS and/or AI technologies for various kind of consumer electronics, such as, VR products, smartwatches and earphones. As advised by the management of the Company, it

¹ URL reference: http://pdf.dfcfw.com/pdf/H2_AN201909101354487323_1.pdf

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is the Group's target to supply more FPC products to GoerTek Group during the three years ending 31 December 2022 compared to those during the year ended 31 December 2019.

(ii) Projected trends of the 5G network products

According to a presentation in respect of the 2019 international printed circuit board market published by Prismark Partners LLC on 19 March 2019 (the "**Prismark Presentation**"), an electronics industry consulting firm working with clients covering global leading electronic materials suppliers including 3M, AMD, NVIDIA, Intel and Micron, the year-on-year growth of the electronics industry (i.e. military/aero, industrial/medical, automotive, consumer, communications and computer sectors) is expected to realize a compound annual growth rate ("**CAGR**") of approximately 3.2% from 2018 to 2023, reaching approximately USD2.45 trillion in 2023. The growth is primarily attributable to a surge in demand for (i) rearmament; (ii) industrial automation; (iii) instrumentation; (iv) driver automation; (v) electronic vehicles; (vi) immersive televisions; (vii) home automation; (viii) wearables; (ix) the 5G roll out; (x) hyperscale expansion and (xi) data centre.

According to the Prismark Presentation, printed circuit manufacturers in China are expected to produce printed circuit boards with a total value amounting to approximately USD40.6 billion, representing approximately 54.3% of total market shares in 2023, increasing from approximately USD29.7 billion of total value which represented approximately 50.5% of total market shares in 2017. In addition, it is stated in the Prismark Presentation that the 5G subscriber growth is expected to exceed the growth rate of the 4G subscriber growth, bringing forward an expected equipment spending per added 5G subscriber at approximately USD40 in 2022 from approximately USD5 in 2019, representing a CAGR of approximately 68.2% over the period. According to the Prismark Presentation, the 5G ramp is expected to bring about a surge in transactions for wearables (i.e. smartbands, smartwatches and lifestyle and clinical sensors) from approximately 139 million units and approximately USD21.9 billion of value in 2018 to 205 million units and approximately USD28.7 billion of value in 2023, representing a CAGR of approximately 21% in units and 14% in value over the period respectively.

In light of the above, it appears that the accelerated 5G development and demand for smart devices in different sectors could increase the demand of the Products to be supplied to GoerTek Group.

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(iii) Market data of printed circuit board

According to the Prismark Presentation, the year-on-year growth rate of world printed circuit value is expected to increase from approximately 3.8% in 2020 to approximately 4.5% in 2023, and taking into account that (i) the Proposed Annual Caps for each of the years ending 31 December 2020, 2021 and 2022 were less than 0.1% of the total revenue generated from the production of flexible circuits by the top 40 printed circuits board suppliers in world in 2018, respectively; and (ii) GoerTek Group may commence to place orders for the Group's products to manufacture end products to global leading electronics companies during the three years ending 31 December 2022, it is expected that demand for the Group's FPC products would increase and the business relationship between GoerTek Group and the Group will be further strengthened therefrom and hence a possible significant increase in demand of the Products to be supplied to GoerTek Group.

After taking into account, among others, (i) the Group's major breakthroughs in development of new high frequency and high speed FPCs and micro-electronic products which will expand the application width of the Group's products with 5G network, AR, VR, TWS and/or AI technologies for various kind of consumer electronics, such as, VR products, smartwatches and earphones; (ii) the target sales orders to be placed by GoerTek Group with the Group; and (iii) the historical growth rate in total revenue of the Group of approximately 36.2% and 9.4% for the years ended 31 December 2017 and 2018 respectively, we are of the view that the Proposed Annual Caps were set by the Board after due and careful consideration and are fair and reasonable so far as the Shareholders are concerned and in the interest of both the Company and the Shareholders as a whole. In addition, the Subject Transactions are of revenue nature from the Group's perspective and additional buffer to the Proposed Annual Caps will enable flexibility for the Group to accommodate any further growth in revenue to be generated under the Renewed Purchase Agreement.

LETTER FROM LEGO CORPORATE FINANCE

4. Annual review of the continuing connected transactions

Pursuant to Rules 14A.55 and 14A.56 of the Listing Rules, the Subject Transactions contemplated under the Renewed Purchase Agreement are subject to the following requirements:

- (i) the independent non-executive Directors must review the Continuing Connected Transactions every year and confirm in the annual reports that the Continuing Connected Transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (ii) the Company must engage its auditors to report on the Continuing Connected Transactions every year, and that the Company's auditors must provide a letter to the Board confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
 - have not been approved by the Board;
 - were not, in all material respects, in accordance with the pricing policy of the Group if the transactions involve the provision of goods or services by the Group;
 - were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and
 - have exceeded the annual caps.

In light of the above, we noted that as disclosed in the 2018 Annual Report, the Directors (including all the independent non-executive Directors) had reviewed the continuing connected transactions under the Existing Purchase Agreement and had confirmed that the continuing connected transactions under the Existing Purchase Agreement were entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties; and (iii) in accordance with the Existing Purchase Agreement governing the transactions and on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM LEGO CORPORATE FINANCE

The auditors of the Company have performed a review of the continuing connected transactions for the financial year ended 31 December 2018 and that the Company has received an unqualified letter from the auditors containing their finding and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules.

Based on the above and in view of the Continuing Connected Transactions under the Renewed Purchase Agreement will be subject to annual review of the independent non-executive Directors and the auditors of the Company, we are of the view that appropriate measures have been and will continue to be in place to govern the conduct of the Continuing Connected Transactions under the Renewed Purchase Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the nature of the Continuing Connected Transactions and the long-established business relationship between the Group and GoerTek Group since 2012;
- that the Continuing Connected Transactions, which will be conducted on normal commercial terms, are consistent with the stated objective of the Group and enable the Group to maintain the business relationship with one of its major customers who are expected to continue contributing a significant revenue stream for its business and to secure more sales orders;
- that the pricing basis and the payment terms as provided under the Renewed Purchase Agreement are on normal commercial terms and fair and reasonable;
- that the Proposed Annual Caps have been set by the Board after due and careful considerations, at a level which will be in the interests of both the Company and the Shareholders, in view of the factors as discussed in section (3) above;

LETTER FROM LEGO CORPORATE FINANCE

- the Proposed Annual Caps are of revenue nature and the increase will enable flexibility for the Group to accommodate any further growth in revenue to be generated under the Renewed Purchase Agreement; and
- the control and review procedures and arrangements in place to safeguard the interests of the Company and the Shareholders in relation to the Continuing Connected Transactions.

We are of the view that the Renewed Purchase Agreement has been entered into within the ordinary and usual course of business of the Group based on normal commercial terms and the terms and conditions thereof together with the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Renewed Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
for and on behalf of
Lego Corporate Finance Limited
Stanley Ng
Managing Director

Mr. Stanley Ng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Lego Corporate Finance Limited to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). He has over 15 years of experience in the accounting and investment banking industries.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company and each of 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 any of 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules:

(1) *The Company*

(i) *Interest in shares of the Company*

Name of Director or Chief Executive	Name of the Company in which interest is held	Class and number of shares of which interested	Capacity	Long/short position	Approximate percentage of the total number of issued shares of the Company
Mr. Xiong Zheng Feng	the Company	9,400,000 ordinary shares	Beneficial owner	Long	0.61
Mr. Chai Zhi Qiang	the Company	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 underlying shares in which interest is held (Note)	Capacity	Long/short position	Approximate percentage of the total number of issued shares in the Company
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.

(2) The associated corporation

As at the Latest Practicable Date, 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.

(B) Substantial shareholders' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

As at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, Shareholder (other than a Director) who had an interest or short position in the Shares and underlying Shares 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 10% or more of the total number of issued shares carrying rights to vote in all circumstances at general meetings of any members of the Group is as follows:

APPENDIX
GENERAL INFORMATION

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives) <i>(Note 5)</i>	Long/short position	Approximate percentage of the total number of issued shares of the Company
Alpha Luck Industrial Ltd. (“Alpha Luck”)	Beneficial owner	553,900,000 ordinary shares	Long	36.01
China North Industries Corporation (“CNIC”) <i>(Notes 1 and 2)</i>	Interest in controlled corporation	553,900,000 ordinary shares	Long	36.01
China North Industries Group Corporation (“CNIGC”) <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 <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 <i>(Note 3)</i>	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
Anjie Technology (Hong Kong) Company Limited (“HK Anjie”) <i>(Note 4)</i>	Beneficial owner	200,000,000 ordinary shares	Long	13.00
Suzhou Anjie Technology Co. Ltd (“Anjie Technology”) <i>(Note 4)</i>	Interest in controlled corporation	200,000,000 ordinary shares	Long	13.00

Notes:

1. 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.
2. 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.
3. As Goertek HongKong 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 Goertek HongKong under Part XV of the SFO.
4. 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.
5. As at the Latest Practicable Date, none of Alpha Luck, CNIC, CNIGC, CSIGC, Goertek HongKong, Weifang Goertek, GoerTek, HK Anjie nor Anjie Technology is interested in any securities of the Company under equity derivatives.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as (i) Mr. Gao Xiaoguang, a non-executive Director, and Mr. Jia Junan, another non-executive Director, were considered to have material interests in the Renewed Purchase Agreement as disclosed in the announcement of the Company dated 13 January 2020; (ii) Mr. Wang Chunsheng, a non-executive Director, was considered to have material interest in 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 Technology (for itself and on behalf of its Subsidiaries) as disclosed in the announcement of the Company dated 31 December 2019; and (iii) Mr. Xiong Zheng Feng, the executive Director, was the chairman of the board of directors of a joint venture company (subsequently named as “安捷利美維電子(廈門)有限責任公司”) formed under the joint venture agreement as disclosed in the announcement of the Company dated 27 December 2019, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, despite the issue of the profit warning announcement of the Company on 26 July 2019, the Directors were of the view that there is no material adverse change in the financial or trading positions of the Group since 31 December 2018, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Lego Corporate Finance	A licensed corporation to carry out type 6 of the regulated activity under the SFO

Lego Corporate Finance has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which they appear.

As at the Latest Practicable Date, Lego Corporate Finance did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Lego Corporate Finance did not have any direct or indirect interest in any assets which have been, since 31 December 2018 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

- (a) The registered office of the Company is situated at Rooms 2708-11, 27/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong.
- (b) The share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited of Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road West, Wanchai, Hong Kong.
- (c) In the event of any inconsistency, the English language text of this circular and the accompanying proxy form shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company in Hong Kong at Rooms 2708-11, 27/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from date of this circular up to and including the date of the EGM (and any adjournment thereof):

- (a) the Existing Purchase Agreement;
- (b) the Renewed Purchase Agreement;
- (c) the letter from the Independent Board Committee as set out in pages 15 to 16 of this circular;
- (d) the letter from Lego Corporate Finance as set out in pages 17 to 35 of this circular; and
- (e) the written consent from Lego Corporate Finance referred to in this Appendix.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**EGM**”) of AKM Industrial Company Limited (the “**Company**”) will be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Thursday, 20 February 2020 at 10:00 a.m. for the purpose of considering and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**
 - (i) the framework purchase agreement dated 13 January 2020 (“**Renewed Purchase Agreement**”) entered into between the Company (for itself and on behalf of its subsidiaries) and GoerTek Inc. (for itself and on behalf of its subsidiaries) (a copy of the Renewed Purchase Agreement having been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (ii) the Proposed Annual Caps for each of the year ending 31 December 2020, 31 December 2021 and 31 December 2022 (as defined and described in the circular of which this resolution forms part) in relation to the transactions contemplated under the Renewed Purchase Agreement be and are hereby approved; and

NOTICE OF EGM

- (iii) any one director of the Company be and is hereby authorized to do all such acts and things and execute all such documents where he/she consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Renewed Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.”

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

Hong Kong, 5 February 2020

Registered Office:

Rooms 2708-11, 27/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal place of business in China:

63 Huan Shi Road South
Information Technology Park
Nansha District
Guangzhou City
The People's Republic of China

Notes:

- (i) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A member who is the holder of two or more shares of the Company (“**Shares**”) may appoint more than one proxy to represent him and vote on his behalf at the EGM provided that if more than one proxy is so appointed the appointment shall specify the number of Shares in respect of each such proxy is so appointed. A proxy need not be a member of the Company.
- (ii) The form of proxy must be signed by a member or the attorney of the member duly authorized in writing or, in the case of a corporation, must be signed either under its common seal or under the hand of an officer or attorney so authorized.
- (iii) To be valid, the proxy form must be delivered to the share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the EGM or adjourned meeting thereof.

NOTICE OF EGM

- (iv) Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (v) Where there are joint registered holders of any Share(s), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share(s) as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such Share(s) shall alone be entitled to vote in respect thereof.

As at the date hereof, the executive director of the Company is Mr. Xiong Zheng Feng; the non-executive directors of the Company are Mr. Gao Xiaoguang, Mr. Jia Junan, Mr. Wang Chunsheng, Madam Zhang Xiaoming and Mr. Yu Daochun; and the independent non-executive directors of the Company are Mr. Hung Chi Yuen Andrew, Mr. Cui Zheng and Mr. Yang Zhaoguo.