

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

# **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

## **HIGHLIGHTS**

- For the year ended 31 December 2019, the turnover of the Company and its subsidiaries (collectively, the “Group”) amounted to approximately HK\$1,463,630,000, representing an increase of approximately 19.60% as compared to the turnover of last year, and the profit attributable to the owners of the Company for the year amounted to approximately HK\$117,711,000, while the profit attributable to the owners of the Company of last year was approximately HK\$69,334,000.
- Earnings per share of the Group was approximately HK7.66 cent for the year ended 31 December 2019.
- The board of Directors recommend the payment of final dividend of HK1 cent per share for the year ended 31 December 2019 (2018: HK1 cent per share).

## **THE FINANCIAL STATEMENTS**

### **Results**

The board (the “Board”) of directors (the “Directors”) of the Company hereby announces the audited consolidated results of the Group for the year ended 31 December 2019 (the “year”), together with the comparative audited figures for the year 2018, as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
Revenue	4	<b>1,463,630</b>	1,223,803
Cost of sales		<u><b>(1,254,943)</b></u>	<u>(1,071,832)</u>
Gross profit		<b>208,687</b>	151,971
Other income	5	<b>41,171</b>	56,253
Distribution costs		<b>(20,952)</b>	(19,433)
Administrative expenses		<b>(40,017)</b>	(41,187)
Research and development expenses		<b>(57,352)</b>	(63,774)
Share of results of associates		<b>1,202</b>	163
Finance costs	6	<u><b>(2,091)</b></u>	<u>(215)</u>
Profit before taxation	7	<b>130,648</b>	83,778
Taxation	8	<u><b>(12,937)</b></u>	<u>(14,444)</u>
Profit for the year attributable to owners of the Company		<u><b>117,711</b></u>	<u>69,334</u>
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<b>(26,238)</b>	(60,102)
Share of exchange differences of associates		<u><b>(106)</b></u>	<u>(183)</u>
		<b>(26,344)</b>	(60,285)
Item that will not be reclassified to profit or loss:			
Fair value gain(loss) on equity instruments designated at fair value through other comprehensive income		<u><b>8,253</b></u>	<u>(1,359)</u>
Total other comprehensive expense		<u><b>(18,091)</b></u>	<u>(61,644)</u>
Total comprehensive income for the year attributable to owners of the Company		<u><b>99,620</b></u>	<u>7,690</u>
Earnings per share			
– Basic and diluted ( <i>HK cents</i> )	10	<u><b>HK7.66 cents</b></u>	<u>HK4.58 cents</u>

# CONSOLIDATE STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>798,687</b>	779,632
Right-of-use assets		<b>49,064</b>	–
Prepaid lease payments		–	45,717
Interests in associates		<b>36,415</b>	3,828
Equity instrument designated at fair value through other comprehensive income		<b>25,808</b>	18,078
Deposits for property, plant and equipment		<b>12,952</b>	20,980
		<b>922,926</b>	868,235
<b>Current assets</b>			
Inventories		<b>124,848</b>	117,812
Trade and other receivables	<i>11</i>	<b>679,221</b>	528,870
Prepaid lease payments		–	1,207
Tax recoverable		–	102
Pledged bank deposits		<b>2,364</b>	2,358
Bank balances and cash		<b>119,707</b>	152,865
		<b>926,140</b>	803,214
<b>Current liabilities</b>			
Trade and other payables	<i>12</i>	<b>467,545</b>	425,940
Amounts due to associates		<b>4,617</b>	–
Deferred income		<b>3,968</b>	763
Tax payable		<b>13,118</b>	5,371
Bank borrowings		<b>39,358</b>	–
Lease liabilities		<b>1,112</b>	–
		<b>529,718</b>	432,074

	<i>Notes</i>	<b>2019</b> <b><i>HK\$'000</i></b>	2018 <i>HK\$'000</i>
Net current assets		<u>396,422</u>	<u>371,140</u>
Total assets less current liabilities		<u><b>1,319,348</b></u>	<u>1,239,375</u>
Capital and reserves			
Share capital	<i>13</i>	921,553	921,553
Reserves		<u>345,597</u>	<u>266,464</u>
Equity attributable to owners of the Company		<b>1,267,150</b>	1,188,017
Non-current liabilities			
Lease liabilities		3,481	–
Deferred income		37,262	24,042
Deferred tax liabilities		11,455	10,196
Liability due to a shareholder		<u>–</u>	<u>17,120</u>
		<u><b>52,198</b></u>	<u>51,358</u>
		<u><b>1,319,348</b></u>	<u>1,239,375</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 1. GENERAL

AKM Industrial Company Limited (the “Company”) is a public limited company incorporated in Hong Kong with limited liability on 9 December 1993.

The shares of the Company were listed on the GEM (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 18 August 2004. On 18 June 2014, the Company transferred the listing of its shares from GEM to the Main Board of the Stock Exchange. The registered office of the Company is situated at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, and the principal place of business of the Company is situated at 63 Huan Shi Road South, Information Technology Park, Nansha District, Guangzhou City, the People’s Republic of China (the “PRC”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which also is the functional currency of the Company.

The Company is an investment holding company and is also engaged in sourcing of raw materials and equipment and trading of flexible printed circuits (“FPC”) related products. Its subsidiaries established in the PRC (the “PRC subsidiaries”) are principally engaged in manufacture and sales of FPC, flexible packaging substrates, sourcing and sales of electronic components and other components and products during the year.

## 2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

HKFRS 16	Leases
HK International Financial Reporting Interpretations Committee (“IFRIC”) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to Hong Kong Accounting Standard 19 (“HKAS”)	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

Except as described below, the application of other new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## **HKFRS 16 Leases**

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases, and the related interpretations.

### ***Impacts on application of HKFRS 16 Leases***

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value asset. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17 Leases.

On transition to HKFRS 16, the Group has elected the practical expedient to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts, elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	<b>As at 1 January 2019</b>
	<i>HK\$'000</i>
Operating lease commitments disclosed as at 31 December 2018	410
<i>Less:</i> Recognition exemption – short-term leases	<u>(410)</u>
Lease liabilities as at 1 January 2019 relating to operating leases recognised upon application of HKFRS 16	<u><u>–</u></u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<b>Carrying amount previously reported at 31 December 2018</b>	<b>Impact on adoption of HKFRS16</b>	<b>Carrying amount as restated at 1 January 2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Right-of-use assets ( <i>Note below</i> )	–	46,924	46,924
Prepaid lease payments ( <i>Note below</i> )	<u>46,924</u>	<u>(46,924)</u>	<u>–</u>
	<u><u>46,924</u></u>	<u><u>–</u></u>	<u><u>46,924</u></u>

*Note:* Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portions of prepaid lease payments amounting to HK\$45,717,000 and HK\$1,207,000, respectively were reclassified to right-of-use assets.

On the date of initial application of HKFRS 16, the Group has also used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

## New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>1</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS7	Interest Rate Benchmark Reform <sup>1</sup>
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2020

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors of the Company anticipate that the application of new and amendments to HKFRSs will have no material impact on the results and consolidated financial statements of the Group.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.



#### 4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the businesses of manufacture and sale of electronic products and sourcing and sale of electronic components. All revenue generated by the Group is recognised at a point in time when control of the goods has transferred to the customers, being when the goods are shipped to the specific location (delivery).

Sales-related warranties associated with products cannot be purchased separately, the Group accounts for warranties in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications.

Revenue is recognised from the Group’s contracts with customers with fixed price and short-term duration.

##### **Segment information**

This segment information reported to the executive director of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and assessment of segment performance focuses on type of goods delivered and services provided.

For management purposes, during the year ended 31 December 2018, the Group had three business segments namely (i) the business of manufacture and sale of FPC; (ii) the business of manufacture and sale of flexible packaging substrates; and (iii) other.

The CODM regularly reviews revenue and results analysis by these three business segments. In the current year, the presentation of reportable segments of the Group are revised as detailed below as the CODM believes the current reportable segments could provide better summary to them in reviewing the Group’s operating performance and making decision in resource allocation. Accordingly, the comparative figures of the reportable segments have been restated for the purpose of presenting segment information.

The Group’s business segments in relation to the “FPC business – the manufacture and sale of FPC” and the “Flexible packaging substrates business – the manufacture and sale of flexible packaging substrates” which were presented as separate reportable segments in the prior years are considered as a single operating segment by the CODM in the current year. Accordingly, the information of these operations have been aggregated into a single reportable segment which is reported as “circuit boards and components business – the manufacture and sale of FPC and flexible packaging substrates (including components)” for segment reporting. Accordingly, during the year ended 31 December 2019, for management purposes, the Group had two business segments namely (i) the circuit boards and components business – the manufacture and sale of FPC and flexible packaging substrates; and (ii) other.

Principal activities during the year ended 31 December 2019 are as follows:

Circuit boards and components business	–	The manufacture and sales of FPC and flexible packaging substrates (including components)
Other	–	The sourcing and sale of electronic components

### Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

	Segment revenue – external sales		Segment results	
	2019 HK\$'000	2018 HK\$'000 (Restated)	2019 HK\$'000	2018 HK\$'000 (Restated)
Circuit boards and components business	1,448,487	1,216,351	158,238	106,246
Other	15,143	7,452	2,743	110
Total	<u>1,463,630</u>	<u>1,223,803</u>	160,981	106,356
Interest income			2,834	7,372
Central administration costs			(32,278)	(29,898)
Finance costs			(2,091)	(215)
Share of results of associates			<u>1,202</u>	<u>163</u>
Profit before taxation			<u>130,648</u>	<u>83,778</u>

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, finance costs and share of results of associates. This is the measure reported to the Executive Directors, the Group's CODM, for the purposes of resource allocation and performance assessment.

No analysis of the Group's assets and liabilities by operating and reportable segments is disclosed as they are not reviewed by the CODM nor otherwise regularly provided to the CODM for review.

The Group did not have any significant inter-segment sales during the year ended 31 December 2019 and 31 December 2018.

## Geographical information

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile). The following table provides an analysis of the Group’s revenue from external customers by the geographical location of the customer:

	<b>2019</b>	2018
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
PRC other than Hong Kong	<b>1,185,204</b>	823,068
Hong Kong	<b>184,794</b>	298,740
Other	<b>93,632</b>	101,995
	<b><u>1,463,630</u></b>	<u>1,223,803</u>

Substantially all of the Group’s non-current assets, including property, plant and equipment and right-of-use assets are located in the PRC.

## 5. OTHER INCOME

	<b>2019</b>	2018
	<b><i>HK\$’000</i></b>	<i>HK\$’000</i>
Release of government grant for construction of factory on existing lands and the “02 Major Project”	<b>1,796</b>	791
Government grant for research and development projects	<b>23,316</b>	31,758
Government subsidies	<b>4,936</b>	2,484
Interest income	<b>2,834</b>	7,372
Rental income	<b>339</b>	378
Compensation income from litigation claim	<b>12</b>	1,420
Scrap income	<b>6,616</b>	4,307
Net exchange gain	<b>257</b>	7,002
Others	<b>1,065</b>	741
	<b><u>41,171</u></b>	<u>56,253</u>

## 6. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Interests on:		
Bank borrowings	1,827	215
Lease liabilities	264	–
	<u>2,091</u>	<u>215</u>

## 7. PROFIT BEFORE TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging		
Research and development expenses		
Staff costs	9,524	17,419
Other research and development expenses	47,828	46,355
	<u>57,352</u>	<u>63,774</u>
Directors' and chief executive's emoluments	1,227	1,411
Other staff costs	152,155	120,702
Other staff's retirement schemes contributions	13,551	11,360
	<u>166,933</u>	<u>133,473</u>
Total staff costs		
<i>Less:</i> Other staff costs included in research and development expenses shown above	<u>(9,524)</u>	<u>(17,419)</u>
	<u>157,409</u>	<u>116,054</u>
Amortisation of prepaid lease payments	–	1,250
Auditor's remuneration	850	980
Cost of inventories recognised as an expense ( <i>Note</i> )	1,254,943	1,071,832
Depreciation for property, plant and equipment	114,234	89,830
Depreciation of right-of-use assets	3,119	–
Loss on disposal of property, plant and equipment	2,272	5,598
Minimum lease payments under operating leases in respect of land and buildings	–	698
Provision for allowance for credit losses	402	127
	<u>402</u>	<u>127</u>

*Note:* The amount includes net allowance for inventories of HK\$99,000 (2018: net reversal allowance for inventories of approximately HK\$684,000).

## 8. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	416
PRC Enterprise Income Tax	<u>15,392</u>	<u>14,661</u>
	<u>15,392</u>	<u>15,077</u>
Over provision in prior years		
Hong Kong Profits Tax	–	(27)
PRC Enterprise Income Tax	<u>(3,964)</u>	<u>(2,169)</u>
	<u>(3,964)</u>	<u>(2,196)</u>
	<u>11,428</u>	<u>12,881</u>
Deferred tax:		
Current year	<u>1,509</u>	<u>1,563</u>
	<u>12,937</u>	<u>14,444</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the year ended 31 December 2019 and 31 December 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%. For the year ended 31 December 2019, no provision for Hong Kong profits tax has been made as the group company in Hong Kong has no assessable profits.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People’s Republic of China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

AKM Electronics Industrial (Panyu) Ltd. (“AKM Panyu”) and AKM Electronic Technology (Suzhou) Ltd. (“AKM Suzhou”) were awarded the Foreign Invested Advanced-Technology Enterprise Certificate in prior years. AKM Suzhou is entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2016, which was then renewed for a further term of three years commenced from 1 January 2019. AKM Panyu was entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2015, which was then renewed for a further term of three years commenced from 1 January 2018.

## 9. DIVIDEND

Pursuant to the board of directors’ meeting on 27 March 2020, the directors recommended to declare the final dividend for the year ended 31 December 2019 of HK1 cent per share totalling HK\$15,382,000. Such recommendation is to be approved by the shareholders at the annual general meeting.

During the year ended 31 December 2019, a final dividend of HK1 cent per share in respect of the year ended 31 December 2018 totalling HK\$15,382,000 was declared and paid to the owners of the Company.

## 10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	<b>2019</b>	2018
	<i>HK\$’000</i>	<i>HK\$’000</i>
Earnings		
Profit for the year attributable to owners of the Company		
for the purpose of basic earnings	<u><u>117,711</u></u>	<u><u>69,334</u></u>
	<b>Number of shares</b>	
	<b>2019</b>	2018
Number of shares		
Weighted average number of ordinary shares less shares held under the restricted stock incentive scheme during the year, for the purpose of basic earnings per share	<u><u>1,537,398,075</u></u>	<u><u>1,514,092,021</u></u>

There was no potential ordinary share in existence for the two years ended 31 December 2019, basic and diluted earnings per share are the same for both years.

## 11. TRADE AND OTHER RECEIVABLES

Trade and other receivables include the following balances:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Trade and bills receivables	<b>665,447</b>	506,486
<i>Less:</i> Allowance for credit losses	<u><b>(520)</b></u>	<u>(127)</u>
	<b>664,927</b>	506,359
Other receivables and prepayments and tax recoverable	<u><b>14,294</b></u>	<u>22,511</u>
	<u><b>679,221</b></u>	<u>528,870</u>

The Group allows a credit period ranging from 30 to 120 days to its trade customers. Before accepting any new customer, the management assesses the potential customer's credit quality and defines credit limits by customer.

The following is an aged analysis of trade and bills receivables, net of allowance for credit losses presented based on the invoice dates (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period, which approximated the respective revenue recognition dates:

	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
Within 30 days	<b>332,680</b>	266,561
31 – 60 days	<b>157,915</b>	105,349
61 – 90 days	<b>97,291</b>	58,657
91 – 120 days	<b>54,475</b>	54,909
121 days – 1 year	<u><b>22,566</b></u>	<u>20,883</u>
	<u><b>664,927</b></u>	<u>506,359</u>

## 12. TRADE AND OTHER PAYABLES

The following is an aged analysis by invoice date/bills issued date of trade and bills payables at the end of the reporting period:

	<b>2019</b> <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	<b>218,502</b>	119,291
31 – 60 days	<b>70,503</b>	91,481
61 – 90 days	<b>40,365</b>	77,454
91 – 120 days	<b>6,370</b>	40,818
121 days – 1 year	<b>103</b>	8,198
Over 1 year	<b>1</b>	3,689
	<b>335,844</b>	340,931

## 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Share capital</b> <i>HK\$'000</i>
Issued and fully paid:		
At 1 January 2018	1,234,337,500	466,667
Issue of subscription shares ( <i>Note</i> )	303,900,000	454,886
At 31 December 2018 and at 31 December 2019	<b>1,538,237,500</b>	<b>921,553</b>

*Note:*

On 30 January 2018, the Company issued 103,900,000 ordinary shares and 200,000,000 ordinary shares at the subscription price of HK\$1.5 per share to Alpha Luck Industrial Limited and Anjie Technology (Hong Kong) Company Limited respectively. The net proceeds raised by the Company was approximately HK\$454,886,000. The number of ordinary shares in issue of the Company increased to 1,538,237,500 shares. The new shares issued rank pari passu in all respects with the existing shares in issue.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

For the year ended 31 December 2019, the turnover of the Group was approximately HK\$1,463,630,000, representing an increase of approximately 19.60% as compared to approximately HK\$1,223,803,000 of last year. The increase in turnover was mainly due to the increase in purchase of major customers and the increase in sales of new products such as camera modules, wireless charging modules and new energy car cells.

Profit attributable to owners of the Company for the year ended 31 December 2019 was approximately HK\$117,711,000, representing an increase of approximately 69.77% as compared to approximately HK\$69,334,000 of last year. The increase in profit was mainly attributable to the remarkable growth realised in the overall sales of the Group and the increase in gross profit margin of the circuit boards and components business.

The turnover for the circuit boards and components business of the Group for the year was approximately HK\$1,448,487,000 (overall turnover for the FPC business and the flexible packaging substrates business in 2018: approximately HK\$1,216,351,000). During the year under review, the overall gross profit margin increased to approximately 14.26% (2018: approximately 12.42%), of which the gross profit margin of circuit boards and components business increased to approximately 14.22% (overall gross profit margin of FPC business and the flexible packaging substrates business in 2018: approximately 12.48%).

For the year ended 31 December 2019, the other income of the Group amounted to approximately HK\$41,171,000, representing a decrease of approximately 26.81% as compared to approximately HK\$56,253,000 of last year. The decrease in other income was mainly attributable to the decrease in interest income and exchange gains.

For the year ended 31 December 2019, the distribution costs of the Group amounted to approximately HK\$20,952,000, representing an increase of approximately 7.82% as compared to approximately HK\$19,433,000 of last year. The increase in distribution costs during the year under review was mainly attributable to the increase of sales, which resulted in (i) the increase in commission, and (ii) the increase in transportation expenses, express fees and travelling expenses.

For the year ended 31 December 2019, the administrative expenses of the Group were approximately HK\$40,017,000, representing a decrease of approximately 2.84% as compared to approximately HK\$41,187,000 of last year. The decrease in administrative expenses was mainly due to the decrease in loss from disposal of assets during the year under review.

For the year ended 31 December 2019, the research and development expenses of the Group amounted to approximately HK\$57,352,000, representing a decrease of approximately 10.07% as compared to approximately HK\$63,774,000 of last year. The decrease in research and development expenses was mainly attributable to the decrease in government projects undertaken by the Group.

For the year ended 31 December 2019, the finance cost of the Group amounted to approximately HK\$2,091,000, representing an increase of approximately 872.56% as compared to approximately HK\$215,000 of last year. The significant increase in finance cost was mainly due to the significant increase in bank borrowings.

## **BUSINESS REVIEW**

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

For the year ended 31 December 2019, the turnover of the Group amounted to approximately HK\$1,463,630,000, representing an increase of approximately 19.60% as compared to approximately HK\$1,223,803,000 for 2018. The increase in turnover was mainly attributable to the increase in purchase of major customers and the increase in sales of new products such as camera modules, wireless charging modules and new energy car cells. During the year under review, the turnover of the Group's circuit boards and components business was approximately HK\$1,448,487,000, while the overall turnover of FPC business and flexible packaging substrates business for the year ended 31 December 2018 was approximately HK\$1,216,351,000. In 2019, the profit attributable to the owners of the Company amounted to approximately HK\$117,711,000, representing a significant increase of approximately 69.77% as compared to approximately HK\$69,334,000 in 2018. The increase in profit was mainly attributable to the remarkable growth realised in the overall sales of the Group and the increase in gross profit margin of the circuit boards and components business.

During the year under review, the turnover of the Group's circuit boards and components business increased by approximately 19.08% as compared to the overall turnover of the FPC business and flexible packaging substrates business last year, and its gross profit margin increased to approximately 14.22% (2018: approximately 12.48% for the overall gross profit margin of FPC business and flexible packaging substrates business). During the year under review, turnover from the FPC business was approximately HK\$1,228,364,000, representing an increase of approximately 13.24% as compared to approximately HK\$1,084,759,000 last year, and turnover from the flexible packaging substrates business was approximately HK\$220,123,000, representing an increase of approximately 67.28% as compared to approximately HK\$131,592,000 last year. During the year under review, the turnover of the "other" business of the Group amounted to approximately HK\$15,143,000, which was mainly derived from the business of sourcing and sales of electronic components, and accounted for approximately 1.03% of the total sales volume of the Group.

During the year under review, by following the strategy of “developing major customers”, the Group strengthened its efforts in customer development and customer services. The Group also proactively enhanced its technical capabilities and standard, explored new application fields, and strengthened the integration of upstream and downstream resources through acquisitions or cooperation, captured opportunities to achieve better operating results. The Guangzhou Nansha Factory and Suzhou Factory achieved increase in the amount of orders and deliveries and improvement in their core capabilities. The Group also achieved satisfactory growth in new market fields such as camera modules, new energy car cells and wireless charging modules.

During the year under review, although the overall shipment volume of the smartphone industry declined and direct orders from major mobile phone customers decreased as affected by the upcoming launch of 5G communication networks, by exploring new products such as camera modules, wireless charging modules, etc. for acting as smartphone manufacturers’ second-tier supplier, and by expanding new application fields such as new energy car cells, the overall sales of the Group’s circuit boards and components business still increased by approximately 19.08% as compared to that of last year. By increasing the proportion of products with high complexity and high technology levels, and adjusting the price bidding strategy for low-end products, the overall gross profit margin of circuit boards and components business of the Group recorded an increase from approximately 12.48% in 2018 to approximately 14.22% in 2019.

During the year under review, the research and development expenses of the Group amounted to approximately HK\$57,352,000, representing a decrease of approximately 10.07% as compared to approximately HK\$63,774,000 of last year. The decrease in research and development expenses was mainly attributable to the decrease in government projects undertaken by the Group. The Group will continue to increase investment in research and development in order to continuously uplifting technology standard and technical capability and conducting research and development in new materials, new products and new production techniques.

As disclosed in the Company’s circular dated 20 December 2017, the Group intended to establish an intelligent manufacturing factory with ancillary facilities in the existing factory of the Group in Nansha, Guangdong, PRC for assembling new application modules of FPC. During the year under review, construction of the main building of the relevant project had been completed. It is expected that trial production will be commenced in some of the intelligent workshops in the first half of 2020.

On 6 December 2016, the Company (for itself and on behalf of its subsidiaries) and GoerTek Inc. (“GoerTek”, for itself and on behalf of its subsidiaries) entered into a purchase agreement (the “Purchase Agreement”) in relation to the transactions for selling of parts, components and other products (including but not limited to FPC products) for a term commenced from 1 January 2017 and expired on 31 December 2019. Such transactions constituted non-exempt continuing connected transactions of the Company under the Listing Rules. As the 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) entered into a renewed purchase agreement (the “Renewed Purchase Agreement”) for a term commenced from 1 January 2020 and expiring on 31 December 2022. The Renewed Purchase Agreement and the transactions contemplated thereunder, as well as the annual caps for each of the years ending 31 December 2020, 31 December 2021 and 31 December 2022 were approved by the independent shareholders at the extraordinary general meeting of the Company held on 20 February 2020. Details of the terms of the Renewed Purchase Agreement, the continuing connected transactions and the annual caps were disclosed in the Company’s announcement dated 13 January 2020 and the circular dated 4 February 2020. The annual cap set for the continuing connected transactions for the year ended 31 December 2019 was RMB300,000,000. During the year under review, the Group sold circuit board products of approximately RMB83,389,000 (equivalent to approximately HK\$94,793,000) to GoerTek and its subsidiaries, representing a decrease of approximately 30.18% as compared to that of the year ended 31 December 2018 (2018: approximately RMB119,440,000 (equivalent to approximately HK\$141,220,000)).

As disclosed in the Company’s announcement dated 31 December 2019, AKM Electronics Industrial (Panyu) Limited (“AKM Panyu”), a wholly-owned subsidiary of the Company, had commenced the sales of FPC products to Suzhou Anjie Technology Co. Ltd (蘇州安潔科技股份有限公司) (“Anjie Technology”) since June 2019 as part of its ordinary and usual course of business. During the year under review, the Group sold FPC products of approximately RMB5,762,000 to Anjie Technology (equivalent to approximately HK\$6,550,000), which had exceeded the minimum exemption threshold of HK\$3,000,000, while the respective applicable percentage ratios were less than 5%. The transactions concerned are therefore subject to the reporting, annual review and announcement requirements but are exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. On 31 December 2019, the Company (for itself and on behalf of its subsidiaries) and Anjie Technology (for itself and on behalf of its subsidiaries) entered into a framework materials sale and purchase agreement (“Framework Agreement”) for a term commenced from 31 December 2019 and expiring on 31 December 2020, and the annual cap for the year 2020 was set at HK\$60,000,000. Details of the terms of the Framework Agreement, the continuing connected transaction and the annual cap were disclosed in the announcements of the Company dated 31 December 2019 and 15 January 2020.

On 13 December 2018, the Group proposed to adopt the restricted stock incentive scheme (the “Scheme”) to further improve corporate governance of the Group, retain and motivate the Scheme participants to make contributions to the long-term growth and profits of the Group with a view to achieving the objectives of increasing the value of the Group and to promote a greater alignment of interests between the scheme participants and the shareholders. Pursuant to the Scheme, the Board shall select the scheme participants and determine the number of restricted stock to be granted. The Company has appointed a trustee to purchase the shares from the secondary market. At the extraordinary general meeting held on 31 January 2019, the Scheme was duly approved by the independent shareholders. On 14 February 2019 and 27 March 2019, the Board approved the initial grant of restricted stock under the Scheme, pursuant to which 27,500,000 shares of restricted stock were granted to 81 selected scheme participants on 14 February 2019 at the grant price of HK\$0.65 per share and 2,490,000 shares of restricted stock were granted to Mr. Xiong Zheng Feng (executive director) and Mr. Chai Zhi Qiang (chief executive officer) on 27 March 2019 at the grant price of HK\$0.77 per share. Details of the Scheme and the initial grant of restricted stock were disclosed in the Company’s announcements dated 13 December 2018, 31 January 2019, 14 February 2019, 15 February 2019 and 27 March 2019 and the circular dated 16 January 2019. As of 31 December 2019, the trustee had purchased 4,480,000 shares in aggregate from the secondary market. As of 31 December 2019, none of the restricted stock granted had been unlocked.

On 22 March 2019, the Group entered into respective equity transfer agreement with Jiangxi Changjiang Chemical Co., Ltd. (江西長江化工有限責任公司) (“Changjiang Chemical”) (a connected person of the Group, and an indirect subsidiary of the Group’s controlling shareholder China South Industries Group Corporation (中國兵器裝備集團有限公司)) and Capital Loyal Limited (京龍有限公司) (“Capital Loyal”) (an independent third party). Pursuant to such agreements, the Group acquired 38% and 10% equity interest in Jiujiang Flex Co., Limited (九江福萊克斯有限公司) (“Jiujiang Flex”) from Changjiang Chemical and Capital Loyal respectively (the “Acquisitions”). The Acquisitions were completed in April 2019, and the Group is interested in an aggregate of 48% equity interest of Jiujiang Flex, which in turn has become an associate of the Group. Details of the Acquisitions were disclosed in the announcement of the Company dated 22 March 2019.

On 27 December 2019, AKM Panyu, a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Meizhi Investment (Xiamen) Co., Ltd. (美智投資(廈門)有限公司) (“Meizhi Investment”), Xiamen Semiconductor Investment Group Co., Ltd. (廈門半導體投資集團有限公司) (“Xiamen Semiconductor”) and Anmei Ventures (Xiamen) Equity Investment Partnership (Limited Partnership) (安美創業(廈門)股權投資合夥企業(有限合夥)) (“Anmei Ventures”) for the formation of the joint venture company AKMMeadville Electronics (Xiamen) Co., Ltd. (安捷利美維電子(廈門)有限責任公司) (“AKMMeadville”). Under the joint venture agreement, the joint venture company shall be owned as to 6% by AKM Panyu, 53% by Meizhi Investment, 40% by Xiamen Semiconductor and 1% by Anmei Ventures. The registered capital of AKMMeadville is RMB4,500,000,000. AKM Panyu contributed a total amount of RMB270,000,000 (representing 6% of the total contribution) in the form of cash. On 20 January 2020, AKMMeadville (as purchaser) entered into an equity interests purchase agreement with TTM Technologies China Limited (as seller) and the seller’s ultimate controlling shareholder TTM Technologies Inc., pursuant to which the purchaser conditionally agreed to acquire all of the equity interests of Guangzhou Meadville Electronics Co., Ltd. (廣州美維電子有限公司), Shanghai Meadville Electronics Co., Ltd. (上海美維電子有限公司), Shanghai Meadville Science & Technology Co., Ltd. (上海美維科技有限公司) and Shanghai Kaiser Electronics Co., Ltd. (上海凱思爾電子有限公司) for a total consideration of US\$550,000,000. Details of the relevant matters were disclosed in the announcements of the Company dated 27 December 2019 and 23 January 2020.

## **OUTLOOK**

The Group has become an authorised supplier for a number of world-renowned high-tech companies. To meet the requirements of the global supply chain system of such customers, the Group has established two production bases (Southern China Guangzhou Factory and Eastern China Suzhou Factory) and has established a new overseas factory in Uttar Pradesh, India in 2019 to serve customers with production bases in proximity. The India factory had commenced to produce product samples for customers in the second half year of 2019. The Group also plans to invest in a new overseas factory in Vietnam in 2020 to serve international customers with production bases in Vietnam. The Group has also established sales centre, research and development centre, supply chain management etc. which are independent from the manufacturing system to cater for the comprehensive needs of the Group’s customers. Under the guidance of the strategy of “developing major customers” and with the gradual uplift of the Group’s technology, production, quality management, supply chain management and information technology capabilities, the Group’s capability to satisfy the “one-stop demand” of such customers has also been largely improved.

Although the global electronic products market is showing trend of rapid development, competition in the electronic product market is becoming increasingly fierce, technological innovation and intelligent manufacturing have gradually become the mainstream of the industry. At the same time, the novel coronavirus pandemic and the unstable China-United States relations has also brought relatively high uncertainties to the market. The Group remains cautious about the future and will pay close attention to the changes in the economy, industry and major customers to evaluate its risk exposures and the impacts on orders and supply chain. Meanwhile, the Group will enhance its internal capacity, so that, (i) by adhering to the strategy of “developing major customers” to strengthen efforts in exploring and serving major customers in key markets; (ii) by strengthening technology research and development and improving intelligent manufacturing capabilities, to improve the technical standard of products and the capability for mass production of high-end products; and (iii) by strengthening the localization service capabilities for overseas market, integrating upstream and downstream resources and improving the risk resistance capabilities, the Group will strive to turn risks into opportunities and continuously improve its operating results.

The management of the Group is of the opinion that, following the commercial launch of the 5G network, the popularity of “5G” smartphones and the rapid development of wearable product market, and the overcome of the adverse effects of the novel coronavirus, the circuit boards and components business is expected to maintain its continuous growth in the foreseeable future. The Group will adhere to the strategy of “developing major customers”, continuously uplift the technology capabilities of products, pay full attention to the market opportunities in new application fields. By following development strategies such as strengthening integration of upstream and downstream resources, and enlarging economic scale to promote operational efficiency, the Group will be able to strengthen its core capabilities, overcome the adverse effects of the novel coronavirus and keep on improving its operating results, so as to present satisfactory results and bring favourable returns to its shareholders.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group financed its operations primarily with internally generated funds from operating activities and existing bank facilities. It is anticipated that the Group has sufficient working capital to meet its present funding requirements. As at 31 December 2019, the outstanding loan balance of the Group was approximately HK\$39,358,000 (31 December 2018: HK\$0).

## **EMPLOYEE**

As at 31 December 2019, the Group had a total of 1,315 full-time employees based in Hong Kong and China (2018: 1,270 employees). For the year ended 31 December 2019, the total labor costs (including Director's remuneration) for the Group amounted to approximately HK\$166,933,000 (2018: approximately HK\$133,473,000). The Group determines and reviews the remunerations of its Directors and employees based on their respective qualifications, experiences, performances and the market rates, so as to maintain the remuneration of the Directors and employees at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with the statutory obligations under the laws and regulations of China and Hong Kong. The Directors believe that being one of the most important assets of the Group, employees are important contributors to the success of the Group. The Group appreciates the importance of staff training, therefore, regular trainings are provided to the employees to enhance their technical and product knowledge. The majority of the Group's employees are stationed in China.

## **MATERIAL INVESTMENT**

Save as disclosed in this announcement, the Group did not have any material investments during the year ended 31 December 2019.

## **USE OF PROCEEDS FROM THE SUBSCRIPTIONS**

On 29 November 2017, the Company entered into a subscription agreement with Alpha Luck, a controlling shareholder of the Company, and a subscription agreement with Anjie Technology respectively, pursuant to which Alpha Luck and Anjie Technology respectively subscribed for 103,900,000 shares and 200,000,000 shares at the Subscription Price of HK\$1.5 per share (collectively the "Subscriptions"). The Subscriptions were completed simultaneously on 30 January 2018. The net proceeds amounted to approximately HK\$454,886,000 ("Net Proceeds of Subscriptions"). As of 31 December 2019, approximately HK\$387,606,000 of the Net Proceeds of Subscriptions had been applied, among which: (i) approximately HK\$88,720,000 was used for the civil engineering construction of the new intelligent factory; (ii) approximately HK\$112,669,000 was used for expanding the production capacities and enhancing production capabilities of the Group's existing production plant of FPC products (all of which was used for acquiring new machineries); (iii) approximately HK\$137,331,000 was used for the enhancement of production capacities and capabilities of the Group's flexible packaging substrates products (all of which was used for acquiring new machineries); and (iv) approximately HK\$48,886,000 was used for the general working capital of the Group (all of which was applied as supplemental working capital). The capital utilization was consistent with the intended use of the Net Proceeds of Subscriptions as disclosed in the circular of the Company dated 20 December 2017.



As at 31 December 2019, approximately HK\$67,280,000 of the Net Proceeds of Subscriptions (“Remaining Net Proceeds”) has not yet been utilized, which is intended to be applied for the construction of the new intelligent factory and the establishment of new production lines in the new factory. It is expected that the Remaining Net Proceeds will be fully utilised by 2020 in accordance with the intended use as stated above.

## **SUBSEQUENT EVENT**

Save as disclosed in this announcement, there were no other important events affecting the Group that have occurred since 31 December 2019 and up to the date of this announcement.

## **MATERIAL ACQUISITIONS AND DISPOSALS**

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

## **FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR PURCHASE OF CAPITAL ASSETS**

Save as disclosed in this announcement, the Group did not have any future plans for material investment or purchase of capital asset as at 31 December 2019.

## **PLEDGE OF ASSETS OF THE GROUP**

As at 31 December 2019, bank deposits of approximately HK\$2,364,000 (as at 31 December 2018: approximately HK\$2,358,000) of the Group were pledged as collateral to secure bank facilities granted to the Group. The Group did not have trade receivables pledged as collateral to secure bank facilities (as at 31 December 2018: Nil).

As at 31 December 2019, land use rights and buildings with carrying amounts of HK\$0 and approximately HK\$51,069,000 respectively (as at 31 December 2018: approximately HK\$16,318,000 and HK\$49,291,000) were pledged to secure the general bank facilities granted to the Group.

## **CONTINGENT LIABILITIES**

The Group had no material contingent liabilities as at 31 December 2019.

## **GEARING RATIO**

As at 31 December 2019, the net cash and cash equivalents of the Group amounted to approximately HK\$119,707,000. As at 31 December 2019, the gearing ratio of the Group was approximately 31.47% (as at 31 December 2018: approximately 28.92%), which was calculated based on the Group's total liabilities of approximately HK\$581,916,000 (as at 31 December 2018: HK\$483,432,000) and the Group's total assets of approximately HK\$1,849,066,000 (as at 31 December 2018: HK\$1,671,449,000).

## **EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES**

The income and expenditure of the Group are mainly denominated in US dollars and RMB, while the assets and liabilities of the Group are denominated in HK dollars and RMB. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US dollars and RMB. The operating results and the financial position of the Group may be affected by any changes in the exchange rates, the Group has not taken any hedging measures in this regard. Furthermore, the conversion of RMB denominated balances into foreign currencies is subject to the foreign exchange control rules and regulations promulgated by the Chinese government. However, taking into account the Group's current operation and capital requirements, the Directors do not consider the Group is subject to any material foreign exchange risk.

## **DIVIDEND**

The Directors recommend the payment of final dividend of HK1 cent per share for the year ended 31 December 2019 (2018: HK1 cent per share) to the shareholders whose names appear on the register of members of the Company on Friday, 5 June 2020. Subject to the approval by the shareholders at the forthcoming annual general meeting (the "AGM"), the proposed final dividend is expected to be paid on or around Thursday, 18 June 2020.

The register of members of the Company will be closed from Wednesday, 3 June 2020 to Friday, 5 June 2020 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 2 June 2020.

## **CLOSURE OF SHARE REGISTER FOR ANNUAL GENERAL MEETING**

The register of members of the Company will be closed from Tuesday, 19 May 2020 to Friday, 22 May 2020 (both days inclusive) for the purposes of determining shareholder's eligibility to attend and vote at the AGM and during which no transfer of shares will be effected. To be qualified to attend the AGM, which is to be held on Friday, 22 May 2020, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Monday, 18 May 2020.

## **CORPORATE GOVERNANCE**

Save for the deviation as disclosed in this announcement, the Company had complied with all the code provisions set out in the Corporate Governance Code (collectively "Code") contained in Appendix 14 of the Listing Rules by establishing formal and transparent procedures to protect and maximize the interests of shareholders during the year under review.

## **AUDIT COMMITTEE**

The Company established the audit committee with written terms of reference in compliance with Rules 3.21 to 3.23 of the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process, risk management and internal control system of the Group and provide advice and comments on the Company's draft of annual reports and accounts and half-year reports. During the year under review, the audit committee comprised of three members, namely Mr. Hung Chi Yuen Andrew, Mr. Yang Zhaoguo and Mr. Cui Zheng. All of them were independent non-executive directors. The chairman of the audit committee was Mr. Hung Chi Yuen Andrew.

The Group's audited annual results for the year ended 31 December 2019 had been reviewed by the audit committee.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 2019, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules:

### (a) 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 securities of which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total number of issued shares in the Company as at 31 December 2019
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 total number of issued shares in the Company as at 31 December 2019
Mr. Xiong Zheng Feng	the Company	1,320,000 ordinary shares	Beneficial owner	Long	0.09
Mr. Chai Zhi Qiang	the Company	1,170,000 ordinary shares	Beneficial owner	Long	0.08

*Note:*

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

**(b) The associated corporation**

As at 31 December 2019, 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.

**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year under review was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS' INTEREST IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE**

No transaction, arrangement or contract of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year under review or at the end of the year under review.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, to the best knowledge of the Directors and chief executive of the Company, shareholders (other than Directors) who had any interests or short positions in the shares and underlying shares of the Company 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 all issued shares to vote in all circumstances at general meetings of any members of the Group are set out as below:

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 total number of issued shares in the Company as at 31 December 2019
Alpha Luck <i>(Note 1)</i>	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) Co., Limited (“HK Goertek”) <i>(Note 3)</i>	Beneficial owner	363,650,000 ordinary shares	Long	23.64
Weifang Goertek Trading Co., Limited (“Weifang Goertek”) <i>(Note 3)</i>	Interest in controlled corporation	363,650,000 ordinary shares	Long	23.64
GoerTek <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
Anjie Technology <i>(Note 4)</i>	Interest in controlled corporation	200,000,000 ordinary shares	Long	13.00

*Note:*

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 HK Goertek is wholly and beneficially owned by Weifang Goertek, which in turn is wholly and beneficially owned by GoerTek, both Weifang Goertek and GoerTek are deemed to be interested in the same number of shares of the Company held by HK Goertek under Part XV of the SFO.
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. None of Alpha Luck, CNIC, CNIGC, CSIGC, HK Goertek, Weifang Goertek, GoerTek, HK Anjie or Anjie Technology was interested in any securities of the Company under equity derivatives.

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

Save as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 December 2019.

## **COMPETING INTERESTS**

None of the Directors or their respective close associates (as defined under the Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

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

Hong Kong, 27 March 2020

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