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AKM Industrial Company Limited
安捷利實業有限公司

(incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock Code: 1639)

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

Reference is made to the announcement of the Company dated 31 December 2019 and the supplemental announcement of the Company dated 15 January 2020 in respect of the sales of FPC products to Anjie by the Group under the Existing Framework Agreement.

As the term of the Existing Framework Agreement will expire on 31 December 2020, the Company (for itself and on behalf of its Subsidiaries) and Anjie (for itself and on behalf of its Subsidiaries) renewed the Existing Framework Agreement by entering into the Renewed Framework Agreement in relation to the Subject Transactions for a term of one year commencing from 1 January 2021 and expiring on 31 December 2021.

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

As each of the applicable percentage ratios (as defined under the Listing Rules) for the Annual Cap 2021 of the Subject Transactions exceeds 0.1% but is less than 5%, the Subject Transactions are 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.

INTRODUCTION

Reference is made to the announcement of the Company dated 31 December 2019 and the supplemental announcement of the Company dated 15 January 2020 in respect of the sales of FPC products (“**Subject Transactions**”) to Anjie by the Group under the Existing Framework Agreement.

As the term of the Existing Framework Agreement will expire on 31 December 2020, the Company (for itself and on behalf of its Subsidiaries) and Anjie (for itself and on behalf of its Subsidiaries) renewed the Existing Framework Agreement by entering into the Renewed Framework Agreement in relation to the Subject Transactions for a term of one year commencing from 1 January 2021 and expiring on 31 December 2021.

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

THE SUBJECT TRANSACTIONS

The Group and Anjie Group had commenced on the collaboration of product development since 2018. The FPC products sold to Anjie Group are mainly used by Anjie Group in the production of components for consumer electronics products and new energy vehicles.

Pricing Policy

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

In determining the pricing for the products supplied by the Group to Anjie, the prices quoted by other suppliers of Anjie Group for same and similar products will be taken into consideration during the price negotiation and determination process. In particular, in preparing price quotation for the Group's products, the Company's management will consider the production costs of individual products and will add on a profit margin on individual products that is within a pre-approved range of gross profit margin ("**Pre-Approved Range**") with reference to the prices of other suppliers and the prices of similar products in the market so as to maintain the price competitiveness for the Group's products. In the event that the proposed gross profit margin for a particular price quotation falls within the Pre-Approved Range, the price quotation will be approved by the sales department of the Group. In the event that the proposed gross profit margin for a particular price quotation is lower than the Pre-Approved Range, the price quotation will be jointly approved by the general manager of the Group and the head of finance department of the Group. The Pre-Approved Range is determined and adjusted from time to time by the management of the Company with reference to the market conditions, such as the price movement of raw materials and technology development trend in the industry. In approving the price quotation fell below the Pre-Approved Range, the general manager of the Group and the head of finance department of the Group will normally take into consideration of various factors, such as the nature of products to be supplied, the level of production technique required for the products, the payment terms of the particular order(s), the size of the order(s), the production capacity of the Group available at the time of order(s), the delivery time slot with the principle that the price quotation fell below the Pre-Approved Range is economically and commercially viable to the Group.

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

Historical transaction amount of the Subject Transactions

The aggregate consideration for the Subject Transactions (exclusive of value-added tax) for the eleven months ended 30 November 2020 amounted to approximately RMB2,036,702 (equivalent to approximately HK\$2,280,739). Based on the Company's internal review on the Subject Transactions, the aggregate consideration of the Subject Transactions for the year ended 31 December 2020 (exclusive of value-added tax) is expected to be approximately RMB 2,153,360 (equivalent to approximately HK\$2,411,378).

The annual cap proposed for the Subject Transactions for the year ended 31 December 2020 (“**Annual Cap 2020**”) under the Existing Framework Agreement is HK\$60,000,000. The difference between the Annual Cap 2020 and the actual transaction amount for the Subject Transactions for the year ended 31 December 2020 was mainly due to the outburst of the novel coronavirus pandemic in early 2020, which affected the progress of growth and development in wireless charges modules anticipated by Anjie and the Group. Therefore, the amount of orders for FPC products placed by Anjie to the Group for production of wireless charges modules during year 2020 did not increase substantially as anticipated by Anjie and the Group.

Proposed Annual Cap of the Subject Transactions

The proposed annual cap for the Subject Transactions for the year ending 31 December 2021 (“**Annual Cap 2021**”) is estimated at HK\$40,000,000 which is determined based on the following major factors and assumptions:

- (a) the historical transaction amount under the Existing Framework Agreement and the expected transaction amount for year 2021 with reference to the prevailing economic environment;
- (b) the grant of qualified supplier recognition to the Group by Anjie during year 2020 and the continuous award and maintenance of such qualified supplier recognition for the supply of the Group’s products in manufacturing Anjie Group’s products to Anjie’s end customers for the year ending 31 December 2021;
- (c) the co-operation intentions in negotiation amongst the parties which cover both of the possible extension of the scope of product development and the possible uplift of the Group’s position in the supply chain of Anjie Group;
- (d) the capability in products development of the Group remains competitive;
- (e) the foreseeable growth in the overall demand for consumer electronics products and new energy vehicles; and
- (f) the continuous stabilization in novel coronavirus situation and the resurgence of overall economic environment from the pandemic.

The above projection is assumed solely for determining the Annual Cap 2021 and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and/or Anjie Group.

Reasons for the Continuing Connected Transactions

The Group commenced on the collaboration of product development with Anjie Group since 2018 and has maintained a stable and amicable business relationship with Anjie. As the term of the Existing Framework Agreement will expire on 31 December 2020, the Directors (including the independent non-executive Directors) consider that to continue the Subject Transactions pursuant to the Renewed Framework Agreement will create synergetic effects on the businesses of the parties which are beneficial to the parties' product development. As disclosed in the 2020 Interim Report of the Group, the Group has continued to deem application fields such as mobile phones, consumer electronics, new energy car cells, vehicle electronics, optic camera modules, wireless charges modules and display modules as the key development directions for the Group. The supply of FPC products by the Group to Anjie for the application in consumer electronics products and new energy vehicles will strengthen the core competitiveness of the Group in the product development for the application in such end products. Further, barring unforeseen circumstances, the gross profit margin for the sale of products to Anjie Group which is comparable to that of the sales of products in similar nature by the Group to the other Independent Third Parties is expected to bring the Group both of sales revenue and profits. In addition, the Subject Transactions will facilitate the Group's collaboration with its substantial shareholder, Anjie, which will be conducive to promoting their complementary strengths in industries and to creating synergistic effects for the businesses of the Group and Anjie Group.

As at the date of this announcement, Mr. Wang Chunsheng, a non-executive Director of the Company, is the chairman of the board of directors of Anjie and a controlling shareholder of Anjie interested in 55.33% of the issued shares of Anjie. Mr. Wang Chunsheng is therefore considered to have material interests in the Subject Transactions. Mr. Wang Chunsheng has abstained from voting on the board resolutions of the Company in relation to the Subject Transactions and the Annual Cap 2021. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the Subject Transactions.

The other Directors (including the independent non-executive Directors) consider that (i) the Subject Transactions and the Renewed Framework Agreement are entered into on normal commercial terms and in the ordinary and usual course of business of the Group and the terms of the Subject Transactions and the Renewed Framework Agreement have been negotiated on an arm's length basis; and (ii) the terms and conditions of the Subject Transactions, the Renewed Framework Agreement and the Annual Cap 2021 are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

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

As each of the applicable percentage ratios (as defined under the Listing Rules) for the Annual Cap 2021 exceeds 0.1% but is less than 5%, the Subject Transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION OF THE GROUP

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

INFORMATION OF ANJIE

Anjie is principally engaged in the research and development, production and sale of intelligent terminal components products such as precision functional components, precision mechanics and modules, which are applied in intelligent terminal such as smart phones, laptops, pads, all-in-one computers, wearable products, smart home, new energy vehicles and information storage devices.

DEFINITIONS

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

“Anjie”	Suzhou Anjie Technology Co. Ltd (蘇州安潔科技股份有限公司), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange with stock code 002635
“Anjie Hong Kong”	Anjie Technology (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Anjie

“Anjie Group”	Anjie and its Subsidiaries
“Board”	the board of Directors
“Company”	AKM Industrial Company Limited (stock code: 1639), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Director(s)”	the director(s) of the Company
“Existing Framework Agreement”	the existing framework material sale and purchase agreement dated 31 December 2019 entered into between the Company (for itself and on behalf of its Subsidiaries) and Anjie (for itself and on behalf of its Subsidiaries) in respect of the sales of products by the Group to Anjie Group for the period from the date of signing of the agreement to 31 December 2020
“FPC”	flexible printed circuits
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	has the meaning ascribed there to under the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange
“PRC”	the People’s Republic of China
“Renewed Framework Agreement”	the framework material sale and purchase agreement dated 31 December 2020 entered into between the Company (for itself and on behalf of its Subsidiaries) and Anjie (for itself and on behalf of its Subsidiaries) in respect of the sales of products by the Group to Anjie Group for a term of one year commencing from 1 January 2021 to 31 December 2021
“Share(s)”	ordinary share(s) of the Company

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

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

Hong Kong, 31 December 2020

As at the date of this announcement, the executive Director is Xiong Zheng Feng; the non-executive Directors are Gao Xiaoguang, Jia Junan, Wang Chunsheng, Zhang Xiaoming and Liu Jianzhe; and the independent non-executive Directors are Hung Chi Yuen Andrew, Cui Zheng and Zhang Guo Qi.