



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: 8298

FIRST QUARTERLY REPORT
2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Directors”) of AKM Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM 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 report 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 report misleading.

HIGHLIGHTS

- For the three months ended 31 March 2012, the unaudited turnover increased to approximately HK\$106.49 million, representing an increase of approximately 3.98% as compared to the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$2.18 million, while the loss was approximately HK\$3.30 million for the corresponding period of last year.
- Profit per share of the Group was approximately HK0.40 cents for the three months ended 31 March 2012.

THE FINANCIAL STATEMENTS

Quarterly Results

The board of Directors (the “Board”) hereby announces the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2012 (the “period”), together with the comparative unaudited figures for the corresponding period of last year, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012 and 31 March 2011

| | | Three months ended 31 March | |
|---|-------|--------------------------------|-----------------------------|
| | Notes | 2012 HK\$ (Unaudited) | 2011 HK\$ (Unaudited) |
| Revenue | 2 | 106,491,057 | 102,418,059 |
| Cost of sales | | (91,840,594) | (94,217,292) |
| Gross profit | | 14,650,463 | 8,200,767 |
| Other income | | 471,739 | 261,284 |
| Distribution costs | | (1,672,996) | (2,487,045) |
| Administrative expenses | | (5,390,565) | (4,003,585) |
| Research and development expenses | | (2,348,081) | (2,835,101) |
| Share of result of a jointly controlled entity | | (2,195,813) | (500,143) |
| Finance costs | | (1,515,603) | (1,249,456) |
| Profit (loss) before taxation | | 1,999,144 | (2,613,279) |
| Taxation | 3 | (316,792) | (423,079) |
| Profit (loss) for the period | | 1,682,352 | (3,036,358) |
| Other comprehensive income: | | | |
| Exchange differences arising on translation of foreign operations | | (771,116) | 847,879 |
| Total comprehensive expenses for the period | | 911,236 | (2,188,479) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 2,182,568 | (3,300,309) |
| Non-controlling interests | | (500,216) | 263,951 |
| | | 1,682,352 | (3,036,358) |
| Total comprehensive expenses attributable to: | | | |
| Owners of the Company | | 1,414,214 | (2,482,323) |
| Non-controlling interests | | (502,978) | 293,844 |
| | | 911,236 | (2,188,479) |
| Profit (loss) per share basic | 5 | 0.40 cents | (0.61 cents) |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the three months ended 31 March 2012 and 31 March 2011*

| | Attributable to owners of the Company | | | | | | | |
|---|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Share | Share | Translation | Share | Retained | Total | Non- | Total |
| | capital | premium | reserve | options | profits | controlling | interests | interests |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| At 1 January 2012 | 54,000,000 | 53,868,328 | 61,847,700 | 2,475,075 | 34,927,120 | 207,118,223 | 3,325,737 | 210,443,960 |
| Exchange differences arising on translation of foreign operations | - | - | (768,354) | - | - | (768,354) | (2,762) | (771,116) |
| Profit (loss) for the period | - | - | - | - | 2,182,568 | 2,182,568 | (500,216) | 1,682,352 |
| Total comprehensive income (expenses) for the period | - | - | (768,354) | - | 2,182,568 | 1,414,214 | (502,978) | 911,236 |
| Lapse of share options | - | - | - | - | - | - | - | - |
| At 31 March 2012 | 54,000,000 | 53,868,328 | 61,079,346 | 2,475,075 | 37,109,688 | 208,532,437 | 2,822,759 | 211,355,196 |
| At 1 January 2011 | 54,000,000 | 53,868,328 | 49,367,983 | 2,920,104 | 29,912,744 | 190,069,159 | 4,439,543 | 194,508,702 |
| Exchange differences arising on translation of foreign operations | - | - | 817,986 | - | - | 817,986 | 29,893 | 847,879 |
| (Loss) profit for the period | - | - | - | - | (3,300,309) | (3,300,309) | 263,951 | (3,036,358) |
| Total comprehensive income (expenses) for the period | - | - | 817,986 | - | (3,300,309) | (2,482,323) | 293,844 | (2,188,479) |
| At 31 March 2011 | 54,000,000 | 53,868,328 | 50,185,969 | 2,920,104 | 26,612,435 | 187,586,836 | 4,733,387 | 192,320,223 |

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2012

1. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those set out in the Group’s annual financial statements for the year ended 31 December 2011.

The Quarterly Financial Statements are unaudited but have been reviewed by the audit committee of the Company.

2. REVENUE AND SEGMENTS INFORMATION

Revenue represents the net amounts received and receivable for the sales of flexible printed circuits (“FPC”), sourcing and sale of electronic components and encapsulation of Chip On Film (“COF”) modules to external customers, net of discounts and sales related taxes.

(a) Segment information

Information reported to the Executive Directors of the Company, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focuses on type of goods delivered.

The Group is currently organised into three operating divisions namely (i) the manufacture and sale of FPC; (ii) sourcing and sale of electronic components; and (iii) encapsulation of COF modules. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

| | | |
|--|---|---|
| FPC business | – | the manufacture and sale of FPC |
| Sourcing and sale of electronic components | – | provision of sourcing and sale of electronic components |
| COF business | – | encapsulation of COF modules |

Segment revenues and results

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

Three months ended 31 March

| | Segment revenue | | Inter-segment sales | | Eliminations | | Segment results | |
|--|--------------------|--------------------|---------------------|-------------------|---------------------|---------------------|------------------|------------------|
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ | HK\$ |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| FPC business | 91,525,703 | 47,219,787 | 59,567,972 | 8,536,076 | (59,567,972) | (8,536,076) | 8,132,531 | 1,645,021 |
| Sourcing and sale of electronic components | 14,683,806 | 45,068,721 | 8,555,208 | 7,397,396 | (8,555,208) | (7,397,396) | 1,477,789 | 2,144,285 |
| COF business | 281,548 | 10,129,551 | 23,443 | - | (23,443) | - | (341,218) | (910,687) |
| Total | 106,491,057 | 102,418,059 | 68,146,623 | 15,933,472 | (68,146,623) | (15,933,472) | 9,269,102 | 2,878,619 |
| Interest income | | | | | | | 28,703 | 139,252 |
| Share of result of a jointly controlled entity | | | | | | | (2,195,813) | (500,143) |
| Central administration costs | | | | | | | (3,587,245) | (3,881,551) |
| Finance costs | | | | | | | (1,515,603) | (1,249,456) |
| Profit (loss) before taxation | | | | | | | 1,999,144 | (2,613,279) |

Revenue reported above represents revenue generated from external customers.

(b) Geographical segments

The Group operates in two principal geographical areas, i.e. the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong (country of domicile). The following table provides an analysis of the Group's revenue from external customers by geographical location:

| | Turnover | |
|----------------------------|--------------------|--------------------|
| | 2012 | 2011 |
| | HK\$ | HK\$ |
| | (Unaudited) | (Unaudited) |
| PRC (other than Hong Kong) | 66,005,396 | 61,245,636 |
| Hong Kong | 38,836,436 | 38,414,657 |
| Others | 1,649,225 | 2,757,766 |
| Total | 106,491,057 | 102,418,059 |

3. TAXATION

| | Three months ended 31 March | |
|---------------------------|-----------------------------|-----------------------------|
| | 2012 HK\$ (Unaudited) | 2011 HK\$ (Unaudited) |
| Current tax: | | |
| Hong Kong Profits Tax | (133,285) | (300,000) |
| PRC Enterprise Income Tax | (403,011) | (122,668) |
| | (536,296) | (422,668) |
| Deferred tax: | | |
| Current period | 219,504 | (411) |
| Total | (316,792) | (423,079) |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit of the Group companies incorporated in Hong Kong for both years. The income of its PRC subsidiaries neither arises in, nor is derived from, Hong Kong.

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.

Pursuant to the relevant laws and regulation in the PRC, AKM (Suzhou) FPC Company Limited is exempted from PRC enterprise income tax for two years commenced from 1 January 2008, followed by a 50% reduction for the next three years.

4. DIVIDENDS

The Directors do not recommend payment of an interim dividend for the three months ended 31 March 2012 (2011: Nil).

5. PROFIT (LOSS) PER SHARE

The calculation of the basic profit (loss) per share attributable to owners of the Company is based on the following data:

| | Three months ended 31 March | |
|---|-----------------------------|-----------------------------|
| | 2012 HK\$ (Unaudited) | 2011 HK\$ (Unaudited) |
| Profit (loss) for the purpose of basic profit (loss) per share (profit (loss) for the period attributable to owners of the Company) | 2,182,568 | (3,300,309) |
| | Number of shares | |
| | 2012 | 2011 |
| Number of ordinary shares for the purpose of basic profit (loss) per share | 540,000,000 | 540,000,000 |

The calculation of diluted earnings (loss) per share for the first quarter of both years does not assume the exercise of share options because their respective exercise prices were higher than the average market price of shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 31 March 2012, the turnover of the Group amounted to approximately HK\$106.49 million, representing an increase of approximately 3.98% as compared to the corresponding period of last year, which was mainly due to the increase in turnover of FPC. The gross profit margin for the period increased to approximately 13.76% (the corresponding period of 2011: 8.01%), which was mainly due to the increases in gross profit margin for both of the sales of FPC and the sourcing of electronic components. The profit attributable to the owners of the Company for the period was approximately HK\$2.18 million, while the loss was approximately HK\$3.30 million for the corresponding period of last year. The increase in profit was mainly due to the significant increases in the sales of FPC.

The distribution costs of the Group for the three months ended 31 March 2012 amounted to approximately HK\$1.67 million, representing a decrease of approximately 32.73% as compared to the corresponding period of last year. The decrease in distribution expenses was due to the decrease in distribution expenses and salaries in line with the significant decrease in sourcing and sale of electronic components during the period.

The administrative expenses of the Group for the three months ended 31 March 2012 amounted to approximately HK\$5.39 million, representing an increase of approximately 34.64% as compared to the corresponding period of last year. The increase in administrative expenses was due to the increase in city construction tax and surtaxes expenses in line with the increase in turnover and salaries.

The research and development expenses of the Group for the three months ended 31 March 2012 amounted to approximately HK\$2.35 million, representing a decrease of approximately 17.18% as compared to the corresponding period of last year. The decrease in research and development expenses was due to the decrease in research and development projects and activities.

The finance costs of the Group for the three months ended 31 March 2012 amounted to approximately HK\$1.52 million, representing an increase of approximately 21.3% as compared to the corresponding period of last year. The increase in finance costs was mainly due to the increase in interest rates of bank borrowings.

Business Review and Outlook

Business Review

During the first quarter of 2012, the turnover of the Group amounted to approximately HK\$106.49 million, representing an increase of approximately 3.98% as compared to the corresponding period of last year. During the period, the turnover for sales of FPC, sourcing of electronic components and encapsulation of COF modules were approximately HK\$91.53 million, HK\$14.68 million and HK\$0.28 million respectively. The turnover for sales of FPC, sourcing of electronic components and encapsulation of COF modules during the corresponding period of last year were approximately HK\$47.22 million, HK\$45.07 million and HK\$10.13 million respectively. During the first quarter of 2012, the profit attributable to the owners of the Company amounted to approximately HK\$2.18 million, representing a loss of approximately HK\$3.30 million as compared to the corresponding period of last year. The increase in profit was mainly due to the economy of scale brought by the increase in turnover of FPC.

During the first quarter of 2012, the sales of FPC increased by approximately 93.83% as compared to the corresponding period of last year, and the gross profit margin of FPC increased to approximately 14.37% (the corresponding period of 2011: 11.57%). The turnover of sourcing of electronic components decreased by approximately 67.42% as compared to the corresponding period of last year and the gross profit margin increased to approximately 12.12% (the corresponding period of 2011: 7.63%). The business of encapsulation of COF modules was still in the business development stage.

During the quarter under review, the sales of FPC, which is the core business of the Group, achieved a better progress and resulted in a surge in the sales volume of FPC. The obvious increase in proportion of sales to international clients enhanced our profitability and lead to the improving benefits of the Group.

Outlook

In light of changes in the market competition and the adjustment of the Group's corporate competing strategies, the Group has shifted its focus to serving large international clients with the provision of high density interconnect FPC and rigid-flex FPC products. At present, the Group has become a qualified supplier of a number of globally renowned electronic manufacturers, which demand more complicated techniques to produce their products. During the year, the Group will focus on the following aspects, i.e. identifying and developing major international customers, securing more sales orders, elevating the production capacity of the Suzhou new factory, enhancing the stability of production technology for high-end FPC and optimizing the corporate value chain. Internal management will be strengthened and our profitability will be continually uplifted.

The Group is dedicated to strengthen its core competence and achieve the Company's profit goal, thereby creating greater value for its shareholders, staffs as well as the community. It is the Group's mission to become a major international supplier of FPC and electronic modules and to become an industry leader in the PRC market.

The Board of Directors is of the opinion that, with the completion of production bases for the FPC industry located in Southern China and Eastern China and the expansion in electronic modules business, the Group will be capable of providing services to large international clients and fulfill their personalized needs. Despite the intense competition in the industry which is also suffering from a decline and the continuous increase in labour costs, finance costs and other operating costs in the PRC, the Group is confident that it will be able to achieve scale operation, deliver satisfactory results and offer promising returns to its shareholders in the future to come, through effective market development, strengthening the close cooperative relationship with large international clients and uplifting our internal management standards and business synergies.

DISCLOSURE OF INTERESTS

(a) Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at 31 March 2012, none of the Directors and the chief executive 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 of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"):

(a) The Company

(i) Interest in shares of the Company

| Name of Director | Class and number of shares of which interested (other than under equity derivatives) | Capacity | Long/short position | Approximate percentage of total issued share capital in the Company |
|----------------------------------|--|------------------|---------------------|---|
| Mr. Xiong Zheng Feng (Note 1) | 2,190,000 ordinary shares | Beneficial owner | Long | 0.41 |

Notes:

1. On 5 April 2012, Mr. Xiong Zheng Feng acquired an aggregate of 12,000,000 ordinary shares of the Company at HK\$0.20 per share. Mr. Xiong Zheng Feng was the beneficial owner of an aggregate of 14,190,000 issued shares of the Company since 5 April 2012, representing approximately 2.63% of the total issued share capital of the Company.
2. On 5 April 2012, Mr. Chai Zhi Qiang acquired an aggregate of 11,500,000 ordinary shares of the Company at HK\$0.20 per share. Mr. Chai Zhi Qiang was the beneficial owner of an aggregate of 11,500,000 issued shares of the Company since 5 April 2012, representing approximately 2.13% of the total issued share capital of the Company.
3. On 5 April 2012, Ms. Li Ying Hong acquired an aggregate of 2,700,000 ordinary shares of the Company at HK\$0.20 per share. Ms. Li Ying Hong was the beneficial owner of an aggregate of 2,700,000 issued shares of the Company since 5 April 2012, representing 0.5% of the total issued share capital of the Company.

(ii) Interest in the underlying shares of the Company through equity derivatives

| Name of Director | Class and number of underlying shares held under physically settled equity derivatives | (Notes) | Capacity | Long/short position | Approximate percentage of total issued share capital in the Company |
|----------------------|--|---------|------------------|---------------------|---|
| Mr. Xiong Zheng Feng | 2,000,000 ordinary shares | 1 | Beneficial owner | Long | 0.37 |
| | 2,000,000 ordinary shares | 2 | Beneficial owner | Long | 0.37 |
| Mr. Chai Zhi Qiang | 2,800,000 ordinary shares | 1 | Beneficial owner | Long | 0.52 |
| | 2,000,000 ordinary shares | 2 | Beneficial owner | Long | 0.37 |
| Ms. Li Ying Hong | 600,000 ordinary shares | 1 | Beneficial owner | Long | 0.11 |
| | 2,000,000 ordinary shares | 2 | Beneficial owner | Long | 0.37 |
| Mr. Han Li Gang | 1,600,000 ordinary shares | 2 | Beneficial owner | Long | 0.30 |
| Mr. Liang Zhi Li | 800,000 ordinary shares | 2 | Beneficial owner | Long | 0.15 |
| Mr. Wang Heng Yi | 800,000 ordinary shares | 2 | Beneficial owner | Long | 0.15 |

Notes:

- The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to him/her under a Pre-IPO Scheme adopted on 6 August 2004, which position remains unchanged since the date of grant on 6 August 2004.

2. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Liang Zhi Li and Mr. Wang Heng Yi in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.36 per share granted to him/her under a share option scheme adopted on 6 August 2004, which position remains unchanged since the date of grant on 9 July 2007.
3. Mr. Xiong Zheng Feng is, in aggregate, interested in approximately 1.15% of the total issued share capital in the Company, such interest comprises his interests in 2,190,000 issued shares of the Company and 4,000,000 underlying shares held under equity derivatives.
4. As at 31 March 2012, none of Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Liang Zhi Li nor Mr. Wang Heng Yi is interested in any securities of the Company other than underlying shares held under equity derivatives. Since 5 April 2012, Ms. Li Ying Hong and Mr. Chai Zhi Qiang were beneficially interested in 2,700,000 issued shares and 11,500,000 issued shares of the Company respectively.

(b) The associated corporation

As at 31 March 2012, 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 Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Substantial Shareholders

Save as disclosed below, as at 31 March 2012, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or 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 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group:

| Name of substantial shareholder | Capacity | Class and number of securities in which interested (other than under equity derivatives) <i>(Note 4)</i> | Long/Short position | Approximate percentage of total issued share capital in the Company |
|--|------------------------------------|---|---------------------|---|
| Alpha Luck Industrial Ltd. ("Alpha Luck") | Beneficial owner | 360,000,000 ordinary shares | Long | 66.67 |
| Silver City International (Holdings) Ltd. ("Silver City") <i>(Note 1)</i> | Interest in controlled corporation | 360,000,000 ordinary shares | Long | 66.67 |
| China North Industries Corporation 中國北方工業公司 ("CNIC") <i>(Note 2)</i> | Interest in controlled corporation | 360,000,000 ordinary shares | Long | 66.67 |
| Dalmaty International Corporation ("Dalmaty") <i>(Notes 3&4)</i> | Beneficial owner | 39,660,000 ordinary shares | Long | 7.34 |

Notes:

1. This represents the same block of shares of the Company shown against the name of Alpha Luck. Since Alpha Luck is wholly and beneficially owned by Silver City, Silver City 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 Silver City is wholly and beneficially owned by CNIC, CNIC is deemed to be interested in the same number of shares which Silver City is deemed to be interested under Part XV of the SFO.
3. Dalmay is beneficially owned by 29 shareholders which consist of various Directors, members of the senior management and employees of the Group. Mr. Xiong Zheng Feng, Mr. Chai Zhi Qiang and Ms. Li Ying Hong are interested in 30%, 28.75% and 6.75% respectively in the issued share capital of Dalmay.
4. Dalmay sold 4,300,000 ordinary shares, 6,300,000 ordinary shares and the remaining 29,060,000 ordinary shares of the Company at HK\$0.20 per share on 2 April, 3 April and 5 April 2012 respectively. Since 5 April 2012, Dalmay was no longer beneficially interested in the shares of the Company.
5. None of Alpha Luck, Silver City, CNIC nor Dalmay is interested in any securities of the Company under equity derivatives.

COMPETING INTERESTS

None of the Directors nor their respective associates (as defined under the GEM Listing Rules) had any conflict of interest with any member of the Group or any interest in a business which competes or may compete with the business of any member of the Group during the period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors.

The audit committee comprises three members, Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Wang Heng Yi. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Hung Chi Yuen Andrew.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2012.

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

11 May 2012, Hong Kong