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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: 8298)

DISCLOSEABLE TRANSACTION DISPOSAL OF A NON WHOLLY-OWNED SUBSIDIARY

The Board wishes to announce that on 21 June 2012, the Company entered into the Transfer Agreement with the Transferee in relation to the disposal of the Transfer Shares and its interests in the Shareholder's Loan at a total consideration of HK\$12,139,802 (subject to the Consideration Adjustment).

As the consideration ratio for the Consideration exceeds 5% but less than 25%, the transaction contemplated under the Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

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THE TRANSFER AGREEMENT

Date : 21 June 2012

Parties : (i) the Company (as transferor); and
(ii) 深圳市宏業海投資有限公司, a limited liability company established in the PRC (as transferee).

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Transferee and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

The assets to be disposed by the Company comprises of (i) the Transfer Shares; and (ii) the Shareholder's Loan.

As at the date of this announcement, Ever Proven, a limited company incorporated in the British Virgin Islands, is held as to 75% by the Company and as to 25% by Kam Sun International Limited (“**Kam Sun**”), an Independent Third Party. Shenzhen Smart, a sino-foreign equity joint venture incorporated in the PRC with a registered capital and paid-up capital of HK\$30,000,000, is owned as to 53% by Ever Proven. Hence, by disposing the 75% issued share capital of Ever Proven, the Company also disposes all of its indirect interests in Shenzhen Smart. After Completion, the Company no longer has any interests in either Ever Proven or Shenzhen Smart.

Consideration

The total consideration (“**Consideration**”) is HK\$12,139,802, including HK\$5,397,302 as consideration for the Transfer Shares, and HK\$6,742,500 as consideration for the interest in the Shareholder’s Loan.

The Consideration:

- (i) excludes all debts and other accounts payables of Ever Proven and Shenzhen Smart which have not been disclosed to the Transferee (“**Undisclosed Debts**”);
- (ii) excludes the differences in all shortening, decline, depreciation or loss in value of current assets of Ever Proven and Shenzhen Smart as compared to which have been disclosed to the Transferee (“**Depreciation of Assets**”); and
- (iii) subject to the Consideration Adjustment (as defined below).

The Consideration of HK\$12,139,802 was determined after arm’s length negotiations between the parties and with reference to (i) Shenzhen Smart’s audited net asset value (“**Audited NAV**”) as at 31 March 2012 of RMB24,756,034.72 (equivalent to approximately HK\$30,540,383) as reflected in an audited accounts of Shenzhen Smart; and (ii) the proportionate shareholding of the Company in Ever Proven and its indirect interests in Shenzhen Smart.

Consideration Adjustment

According to the Transfer Agreement, the parties have agreed to jointly appoint an independent valuer (“**Independent Valuer**”) to provide valuation on the net asset value of Shenzhen Smart as at 31 March 2012. If the difference between the net asset value of Shenzhen Smart appraised by the Independent Valuer (“**Appraised NAV**”) and the Audited NAV is within a range of 3%, the Consideration shall be adjusted either upwards or downwards in accordance with the Appraised NAV, the proportionate interest of the Company in Shenzhen Smart and on the basis that the consideration of the Shareholder’s Loan is dollar for dollar (the “**Consideration Adjustment**”).

The parties have also agreed that, in the event that the difference between the Appraised NAV and the Audited NAV exceeds the range of 3%, the Disposal shall be cancelled. The Company shall then return all Consideration already paid, without interest, to the Transferee, whereupon, all rights, obligations and duties of either party under the Transfer Agreement shall cease to have effect immediately and no longer be legally binding. Both parties agree to co-operate in all necessary procedures to terminate the Transfer Agreement, and either party shall not seek any compensation for loss from the other.

Payment of the Consideration

The Consideration will be paid by the Transferee to the Company by way of installments in the following manner:

- (i) HK\$1,213,980, being 10% of the Consideration, shall be paid by the Transferee to the Company within 5 working days from the date of signing of the Transfer Agreement (“**First Deposit**”);
- (ii) HK\$1,820,970, being 15% of the Consideration, shall be paid by the Transferee to the Company within 30 days from the date of signing of the Transfer Agreement (“**Second Deposit**”);
- (iii) HK\$6,676,891, being 55% of the Consideration, shall be paid by the Transferee to the Company at Completion;
- (iv) HK\$2,427,961, being the remaining 20% of the Consideration, shall be paid by the Transferee to the Company within 30 days from the date of Completion (“**Remaining Consideration**”);

In the event that after the Financial Due Diligence (as defined below), the Transferee discovered Undisclosed Debts and Depreciation of Assets, the parties agreed to deduct the actual amount of such Undisclosed Debts and Depreciation of Assets from the Remaining Consideration and proceed to Completion.

In the event that the total amount of Undisclosed Debts and Depreciation of Assets exceeds HK\$742,681, the Company shall have the right to return the First Deposit and Second Deposit without interest to the Transferee and terminate all transactions contemplated under the Transfer Agreement. All rights, obligations and duties of either party under the Transfer Agreement shall cease to have effect immediately and no longer be legally binding. Both parties agree to co-operate in all necessary procedures to terminate the Transfer Agreement, and either party shall not seek any compensation for loss from the other.

Financial Due Diligence

Pursuant to the Transfer Agreement, the Transferee shall conduct financial due diligence (“**Financial Due Diligence**”) in respect of the financial conditions of Ever Proven and Shenzhen Smart within 30 days from the date of signing of the Transfer Agreement. If the Transferee discovered that the amount of Undisclosed Debts and/or Depreciation of Assets exceeds a total of HK\$742,681, the Transferee shall have the right to terminate the transactions contemplated under the Transfer Agreement. The Company shall then return all deposits already received as soon as possible, whereupon, all rights, obligations and duties of either party under the Transfer Agreement shall cease to have effect immediately and no longer be legally binding. Both parties agree to co-operate in all necessary procedures to terminate the Transfer Agreement, and either party shall not seek any compensation for loss from the other.

If the Transferee had not discovered and raised any Undisclosed Debts and/or Depreciation of Assets within 30 days from the date of signing of the Transfer Agreement, or proceed with the payment of the Second Deposit or complete with the transactions contemplated under the Transfer Agreement after discovering and raising any Undisclosed Debts and/or Depreciation of Assets, the Transferee shall be responsible for all Undisclosed Debts and/or Depreciation of Assets subsequently discovered.

Conditions for Completion

The conditions for Completion are:

- (i) the Company shall provide the following documents upon completion, and shall have completed all legal procedures in relation to the transfer of Transfer Shares and the Shareholder's Loan:
 - (a) the Company shall provide a board resolutions approving the transactions contemplated under the Transfer Agreement;
 - (b) a written declaration issued by Kam Sun, the other shareholder of Ever Proven, confirming its waiver on its pre-emption rights in respect of the Transfer Shares;
 - (c) the Company shall sign an undertaking for exemption of liability exempting the Transferee from tax liabilities that have arisen from debts before the date of Completion and tax liabilities that may arise from the share transfer; and
 - (d) after the completion of the Financial Due Diligence by the Transferee within 30 days of the signing of the Transfer Agreement, no Undisclosed Debts and/or Depreciation of Assets exceeding an aggregate amount of HK\$742,681 has been discovered;
- (ii) the transfer of the Transfer Shares and the Shareholder's Loan are non-separable transactions, and must be proceeded and completed simultaneously; and
- (iii) the acquisition of a total of 47% registered capital in Shenzhen Smart by the Transferee from three Independent Third Parties is anticipated to be effectively completed.

Completion

Completion of the transactions contemplated under the Transfer Agreement (“**Completion**”) shall take place within 30 days after all the conditions for Completion have been satisfied. If the Transferee did not complete the payment of all the Consideration according to the terms of the Transfer Agreement after all the conditions for Completion have been satisfied, the Company shall have the right to forfeit all deposits already paid by the Transferee as liquidated damages.

In the event that after reasonable efforts by both parties, the conditions for Completion could not be completed within 6 months from the date of signing of the Transfer Agreement, the parties agree to terminate the transactions contemplated under the Transfer Agreement. All rights, obligations and duties of either party under the Transfer Agreement shall cease to have effect immediately and no longer be legally binding. Both parties agree to co-operate in all necessary procedures to terminate the Transfer Agreement, and either party shall not seek any compensation for loss from the other.

INFORMATION ON EVER PROVEN AND SHENZHEN SMART

Ever Proven, a limited company incorporated in the British Virgin Islands, is principally engaged in investment holding. Shenzhen Smart, a sino-foreign equity joint venture incorporated in the PRC, which registered capital is owned as to 53% by Ever Proven and is a jointly controlled entity of the Group, is principally engaged in the provision of surface mount technology service.

The key financial information of Ever Proven for the two financial years ended 31 December 2011 and 31 December 2010 are as follows:

	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	(audited)	(audited)
Profit (Loss) before taxation	(3,865,844)	679,054
Profit (Loss) for the year	(3,640,996)	687,266

The key financial information of Shenzhen Smart for the two financial years ended 31 December 2011 and 31 December 2010 are as follows:

	For the year ended 31 December	
	2011	2010
	HK\$	HK\$
	(audited)	(audited)
Turnover	56,173,238	197,769,380
Profit (Loss) before taxation	(7,333,554)	(154,960)
Profit (Loss) for the year	(7,333,554)	(154,960)

FINANCIAL EFFECTS OF THE DISPOSAL

Upon Completion, the Company will cease to hold any interest in Ever Proven, and the financial results and position of Ever Proven and Shenzhen Smart will cease to be consolidated into the Group's financial statements.

It is estimated that, upon Completion, the Group will record either a gain or a loss of approximately HK\$364,000, which is estimated with reference to (i) the carrying value of the Company's proportionate and indirect interest in Shenzhen Smart of approximately HK\$12.13 million as at 31 March 2012; and (ii) taking into account a possible upward or downward adjustment of the Consideration within a range of 3% of the Audited NAV pursuant to the Consideration Adjustment. The proceeds of the Disposal are intended to be applied as the Group's general working capital.

REASONS FOR AND BENEFIT OF THE DISPOSAL

As disclosed in the consolidated statement of comprehensive income in the Annual Reports 2009, 2010 and 2011 of the Company, the Company's share of loss of Shenzhen Smart amounted to HK\$3,040,780, HK\$82,129 and HK\$3,886,784 for the year ended 31 December 2009, 2010 and 2011 respectively. As the Group has shifted its focus to serving large international clients with the provision of high density interconnect flexible printed circuits ("FPC") and rigid-flex FPC products, the Board is of the view that the entering into of the Transfer Agreement represents a good opportunity of the Group to dispose the loss making business and avoid any further loss to be incurred by the Group.

The Directors, including the independent non-executive directors, consider that (i) the Disposal is in the best interest of the Company; (ii) the Consideration was determined after arm's length negotiations; and (iii) the terms of the Transfer Agreement are normal commercial terms and are fair and reasonable as far as the Shareholders as a whole.

BUSINESSES OF THE GROUP AND THE TRANSFEREE

The Group is principally engaged in the manufacture and sale of flexible printed circuits, which are used in communication, LCD, consumer electrical and electronic appliances such as mobile phones, LCD, car electronics and cameras. The Group is also engaged in sourcing and sale of electronic components and the encapsulation of Chip On Film modules.

The licensed scope of businesses of the Transferee includes investments in shareholding, consultation on economic information (excluding securities, insurance, funds, financial business, human resources consultancy services and other restricted activities).

DISCLOSEABLE TRANSACTION

As the consideration ratio for the Consideration exceeds 5% but less than 25%, the transaction contemplated under the Transfer Agreement constitutes a discloseable transaction of the Company under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

Unless otherwise specified, the following words and phrases have the following meanings in this announcement:

“Board”	the board of Directors;
“Company”	AKM Industrial Company Limited, a company incorporated in Hong Kong on 9 December 1993 with limited liability under the Companies Ordinance;
“Companies Ordinance”	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong;
“Consideration”	The consideration of HK\$12,139,802 to be received by the Company for the Disposal;
“Director(s)”	the director(s) of the Company, including the independent non-executive Directors;
“Disposal”	the disposal of the Transfer Shares and the Shareholder’s Loan by the Company to the Transferee pursuant to the Transfer Agreement;
“Ever Proven”	Ever Proven Investments Limited, a company incorporated in the British Virgin Islands with an issued share capital of 100 ordinary shares of US\$1.00 each, which issued share capital is owned as to 75% by the Company and 25% by Kam Sun;
“GEM”	the Growth Enterprise Market of the Stock Exchange;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM;
“Group”	the Company and its subsidiaries;

“Independent Third Party(ies)”	a person(s) or company(ies) who or which is/are independent of and not connected with the Directors, chief executive or substantial shareholder of the Company, or any of their respective subsidiaries or associates as defined under the GEM Listing Rules;
“PRC”	the People’s Republic of China;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Shares;
“Shareholder’s Loan”	a shareholder’s loan in the amount of HK\$6,742,500 due from Ever Proven to the Company;
“Shenzhen Smart”	深圳思碼特電子有限公司(Shenzhen Smart Electronics Co. Ltd.), a sino-foreign equity joint venture incorporated in the PRC with a registered capital and paid-up capital of HK\$30,000,000, is a jointly controlled entity of the Group and is owned as to 53% by Ever Proven;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Transferee”	深圳市宏業海投資有限公司, a limited liability company established in the PRC and an Independent Third Party;
“Transfer Agreement”	the transfer agreement dated 21 June 2012 entered into between the Company and the Transferee in relation to the disposal of the Transfer Shares and the Shareholder’s Loan by the Company;
“Transfer Shares”	75 issued ordinary shares of US\$1.00 each in Ever Proven (representing 75% of the total issued shares of Ever Proven), being all the issued shares held by the Company in Ever Proven;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC and for the purpose of this announcement, Renminbi is translated into Hong Kong dollars at a fixed rate of RMB0.8106 = HK\$1.00;
“%”	per cent.

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

Hong Kong, 21 June 2012

As at the date of this announcement, the executive Directors are Mr. Xiong Zheng Feng, Mr. Chai Zhi Qiang and Ms. Li Ying Hong; the non-executive Director is Mr. Han Li Gang; and the independent non-executive Directors are Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Wang Heng Yi.

This announcement, for which the Directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange 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 announcement 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 announcement misleading.

This announcement will remain on the GEM website at <http://www.hkgem.com> on the “Latest Company Announcement” page for at least seven days from the date of its publication and on the Company’s website at <http://www.akmcompany.com> on the “Company Announcement” page.