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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)

FURTHER CLARIFICATION ANNOUNCEMENT
RELATING TO
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

References are made to the interim results announcement (the “**Interim Results Announcement**”) dated 9 August 2012 of AKM Industrial Company Limited (the “**Company**”) and its subsidiaries for the six months ended 30 June 2012, the interim report (the “**Interim Report**”) published by the Company on 13 August 2012 and the clarification announcement of the Company dated 10 August 2012 (“**Clarification Announcement**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Interim Results Announcement.

The board of directors (the “**Board**”) of the Company would like to make further clarification on the Interim Results Announcement and the Interim Report as follows:

(A) RE-CLASSIFICATION OF DISPOSED BUSINESS

Due to the entering into of a transfer agreement dated 21 June 2012 by the Company with an independent third party for the transfer of the 75% interests owned by the Company in Ever Proven Investments Limited (“**Ever Proven**”), the 53% interests in Shenzhen Smart Electronics Co. Ltd. indirectly owned by the Company through Ever Proven and a shareholder’s loan due from Ever Proven to the Company to the independent third party (collectively the “**Disposed Business**”), the Disposed Business should be re-classified as a stand-alone item for strict compliance with HKFRS 5 - Non-current assets held for sale and discontinued operations (“**Re-classification**”). Accordingly, the sections headed “Condensed Consolidated Statement of Financial Position” and “Condensed Consolidated Statement of Cash Flows” in the Interim Results Announcement and the Interim Report should be replaced by the following in entirety, with the adjustments made pursuant to the Re-classification set out and the amended figures marked with asterisk (“*****”) signs:

(i) CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 June 2012 and 31 December 2011*

		2012		2011	
	Notes	30 June Original figure HK\$ (Unaudited)	Adjusted figure	30 June After adjustment HK\$ (Unaudited)	31 December HK\$ (Audited)
Non-current assets					
Property, plant and equipment	8	203,406,193		203,406,193	209,428,884
Prepaid lease payments		57,324,479		57,324,479	58,564,077
Interest in a jointly controlled entity		14,941,845	(14,941,845)	—*	18,857,509
Deposits for acquisition of property, plant and equipment		1,613,151		1,613,151	2,235,624
		<u>277,285,668</u>	<u>(14,941,845)</u>	<u>262,343,823*</u>	<u>289,086,094</u>
Current assets					
Inventories		51,597,027		51,597,027	42,885,969
Trade and other receivables	9	127,685,167		127,685,167	128,770,998
Bills receivables	9	4,762,324		4,762,324	10,335,077
Prepaid lease payments for lands		1,291,747		1,291,747	1,304,976
Amount due from a jointly controlled entity		1,338,535		1,338,535	—
Pledged bank deposits		2,354,308		2,354,308	27,125,950
Bank balances and cash		17,090,067	(14,547)	17,075,520*	13,943,465
		<u>206,119,175</u>	<u>(14,547)</u>	<u>206,104,628*</u>	<u>224,366,435</u>
Assets held for sale			<u>14,956,392</u>	<u>14,956,392*</u>	
		<u>206,119,175</u>	<u>14,941,845</u>	<u>221,061,020*</u>	<u>224,366,435</u>

		2012	2011
	Notes	30 June Original figure HK\$ (Unaudited)	30 June After adjustment HK\$ (Unaudited)
			31 December HK\$ (Audited)
Current liabilities			
Trade and other payables	10	86,408,572	86,408,572
Bills payables	10	13,296,221	13,296,221
Deferred income		816,844	816,844
Amount due to a fellow subsidiary		118,191	118,191
Amount due to a jointly controlled entity		–	–
Loan from an intermediate holding company		48,000	48,000
Taxation payable		3,741,521	3,741,521
Bank borrowings	11	79,860,158	79,860,158
Loan from a minority shareholder of a subsidiary		2,247,500	(2,247,500)
Loan from ultimate holding company		977,159	–*
Bank overdrafts		6,549,741	6,549,741
		<u>194,063,907</u>	<u>191,816,407*</u>
			223,618,415
Liabilities held for sale		<u>2,247,500</u>	<u>2,247,500*</u>
		<u>194,063,907</u>	<u>194,063,907</u>
			223,618,415
Net current assets		<u>12,055,268</u>	<u>26,997,113*</u>
			748,020
Total assets less current liabilities		<u>289,340,936</u>	<u>289,340,936</u>
			289,834,114
Capital and reserves			
Share capital	12	54,000,000	54,000,000
Reserves		155,715,049	155,715,049
Equity attributable to owners of the Company		<u>209,715,049</u>	<u>209,715,049</u>
Minority interests		<u>2,636,171</u>	<u>2,636,171</u>
			3,325,737
Total equity		<u>212,351,220</u>	<u>212,351,220</u>
			210,443,960
Non-current liabilities			
Deferred income		31,040,063	31,040,063
Loans from an intermediate holding company		44,790,000	44,790,000
Loan from ultimate holding company		977,159	977,159
Bank borrowings	11	–	–
Deferred taxation		182,494	182,494
		<u>76,989,716</u>	<u>76,989,716</u>
			79,390,154
		<u>289,340,936</u>	<u>289,340,936</u>
			289,834,114

(ii) CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS*For the six months ended 30 June 2012 and 30 June 2011*

	Six months ended 30 June			2011
		2012		2011
		HK\$		HK\$
	Original figure (Unaudited)	Adjusted figure	After adjustment (Unaudited)	(Audited)
Net cash from (used in) operating activities	8,889,888	–	8,889,888	(3,054,324)
Net cash used in investing activities	14,512,332	(14,547)	14,497,785*	3,662,006
Net cash from financing activities	<u>(26,638,332)</u>	–	<u>(26,638,332)</u>	<u>3,147,428</u>
(Decrease) increase in cash and cash equivalents	(3,236,112)	(14,547)	(3,250,659)*	3,755,110
Cash and cash equivalents at beginning of the year	13,943,465	–	13,943,465	3,049,223
Effect of foreign exchange rate changes	<u>(167,027)</u>	–	<u>(167,027)</u>	<u>387,756</u>
Cash and cash equivalents at end of the period representing	10,540,326	(14,547)	10,525,779*	7,192,089
Bank balances and cash	17,090,067	(14,547)	17,075,520*	20,669,178
Bank overdraft	<u>(6,549,741)</u>	–	<u>(6,549,741)</u>	<u>(13,477,089)</u>
	<u>10,540,326</u>	<u>(14,547)</u>	<u>10,525,779*</u>	<u>7,192,089</u>

The section headed “Liquidity, Financial Resources and Capital Structure” in the Interim Results Announcement and the Interim Report should be amended accordingly as follows, with the amended text underlined:

“LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital to meet its present funding requirements.

As at 30 June 2012, net current assets were approximately HK\$26.997 million (as at 31 December 2011: net current assets of approximately HK\$0.748 million).

As at 30 June 2012, there were bank balances, cash on hand and bank deposits of approximately HK\$19.430 million (as at 31 December 2011: approximately HK\$41.069 million).

As at 30 June 2012, there were bank borrowings of approximately HK\$79.860 million (as at 31 December 2011: approximately HK\$102.960 million) and bank overdraft of approximately HK\$6.550 million (as at 31 December 2011: approximately HK\$4.067 million).

(B) UNAUDITED SEGMENT RESULTS FOR COF BUSINESS

Commencing from the audited results of the Company for the year ended 31 December 2011 as shown in the annual results announcement for the year ended 31 December 2011 and the annual report of the Company for the year ended 31 December 2011 (collectively “**Annual Results 2011**”), the revenue recognition criteria for COF business had been adjusted (“**Criteria Adjustment**”) to more accurately reflect the nature of the revenue generated from the COF business which is processing fee. Prior to the Criteria Adjustment, for the unaudited segment results for the three months ended 30 June 2011 and the six months ended 30 June 2011, the total selling price of COF modules, which consisted of the costs of raw materials and the processing fees were accounted as the total revenue of the COF business. Taking into account that the COF business of the Group is, in fact, a processing business and the revenue generated from the business is, in fact, processing fee, the revenue recognition criteria for COF business was adjusted to account for the processing fee only since the Annual Results 2011, i.e. the costs of raw materials for the COF business were net off from the revenue generated from the business.

For clarity, the section headed “Condensed Consolidated Statement of Comprehensive Income” and the sub-sections headed “Segment revenues and results” and “Geographical segments” under note 3 “Turnover and segments information” in the Notes to the Condensed Consolidated Financial Statements in the Interim Results Announcement and the Interim Report were edited to include the relevant figures adjusted in accordance with the Criteria Adjustment for the six months ended 30 June 2011 and for the three months ended 30 June 2011 (“**Adjusted Figures**”) and set out below for information (with Adjusted Figures marked with asterisk (“*”) signs):

(i) Condensed Consolidated Statement of Comprehensive Income*For the six months and three months ended 30 June 2012 and 30 June 2011*

	Notes	Six months ended 30 June			Three months ended 30 June		
		2012	2011		2012	2011	
		HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		(Unaudited)	Original figure (Unaudited)	Restated (Unaudited)	(Unaudited)	Original figure (Unaudited)	Restated (Unaudited)
Turnover	3	230,350,927	202,691,116	189,277,680*	123,859,870	100,273,057	94,556,467*
Cost of sales		(198,535,743)	(183,442,430)	(170,028,994)*	(106,695,149)	(89,225,138)	(83,508,548)*
Gross profit		31,815,184	19,248,686	19,248,686	17,164,721	11,047,919	11,047,919
Other income		1,637,174	656,025	656,025	1,165,435	394,741	394,741
Distribution costs		(4,455,931)	(4,511,564)	(4,511,564)	(2,782,935)	(2,024,519)	(2,024,519)
Administrative expenses		(11,587,480)	(9,682,514)	(9,682,514)	(6,196,915)	(5,678,929)	(5,678,929)
Research and development expenses		(5,197,145)	(5,351,285)	(5,351,285)	(2,849,064)	(2,516,184)	(2,516,184)
Share of result of a jointly controlled entity		(3,301,074)	(2,634,641)	(2,634,641)	(1,105,261)	(2,134,498)	(2,134,498)
Finance costs		(3,321,735)	(2,659,755)	(2,659,755)	(1,806,132)	(1,410,299)	(1,410,299)
Profit (loss) before taxation	4	5,588,993	(4,935,048)	(4,935,048)	3,589,849	(2,321,769)	(2,321,769)
Taxation	5	(608,011)	(556,515)	(556,515)	(291,219)	(133,436)	(133,436)
Profit (loss) for the period		4,980,982	(5,491,563)	(5,491,563)	3,298,630	(2,455,205)	(2,455,205)
Other comprehensive income (expenses):							
Exchange differences arising on translation of foreign operations		(3,073,723)	4,766,835	4,766,835	(2,302,607)	3,918,954	3,918,954
Total comprehensive income (loss) for the period		1,907,259	(724,728)	(724,728)	996,023	1,463,749	1,463,749
Profit (loss) for the period attributable to:							
Owners of the Company		5,628,076	(5,506,175)	(5,506,175)	3,445,508	(2,205,866)	(2,205,866)
Minority interests		(647,094)	14,612	14,612	(146,878)	(249,339)	(249,339)
		4,980,982	(5,491,563)	(5,491,563)	3,298,630	(2,455,205)	(2,455,205)
Total comprehensive income (expenses) attributable to:							
Owners of the Company		2,596,826	(932,048)	(932,048)	1,182,612	1,550,274	1,550,274
Minority interests		(689,567)	207,320	207,320	(186,589)	(86,525)	(86,525)
		1,907,259	(724,728)	(724,728)	996,023	1,463,749	1,463,749
Profit (loss) per share (cent) basic	7	1.04	(1.02)	(1.02)	0.64	(0.41)	(0.41)

(ii) Segment revenues and results

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

Segment information about these businesses is presented below.

Six months ended 30 June

	Segment revenue			Inter-segment sales		Eliminations		Segment results		
	2012 HK\$	2011 HK\$	2011 HK\$	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$	2012 HK\$	2011 HK\$	2011 HK\$
	Original Figure (Unaudited)	Restated (Unaudited)	Restated (Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	Original Figure (Unaudited)	Restated (Unaudited)
FPC business	194,902,016	98,849,798	98,849,798	108,853,906	-	(108,853,906)	-	16,358,556	7,093,684	7,093,684
Sourcing and sale of electronic components business	34,688,562	87,345,864	87,345,864	24,840,070	16,763,690	(24,840,070)	(16,763,690)	3,421,516	3,860,263	3,860,263
COF business	760,349	16,495,454	656,238*	24,707	-	(24,707)	-	(705,841)	(1,609,859)	(803,649)*
LCM business (Note 1)	-	-	2,425,780*	-	-	-	-	-	-	(806,210)*
Total	<u>230,350,927</u>	<u>202,691,116</u>	<u>189,277,680*</u>	<u>133,718,683</u>	<u>16,763,690</u>	<u>(133,718,683)</u>	<u>(16,763,690)</u>	<u>19,074,231</u>	<u>9,344,088</u>	<u>9,344,088</u>
Interest income								244,765	183,180	183,180
Share of result of a jointly controlled entity								(3,301,074)	(2,634,641)	(2,634,641)
Unallocated corporate (expenses) income								(7,107,194)	(9,167,920)	(9,167,920)
Finance costs								(3,321,735)	(2,659,755)	(2,659,755)
Profit (loss) before taxation								<u>5,588,993</u>	<u>(4,935,048)</u>	<u>(4,935,048)</u>

Three months ended 30 June

	Segment revenue			Inter-segment sales		Eliminations		Segment results		
	2012	2011		2012	2011	2012	2011	2012	2011	2011
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	Original	Restated						Original	Restated	
	figure	figure						figure	figure	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
FPC business	103,376,313	51,630,011	51,630,011	49,285,934	-	(49,285,934)	-	8,226,025	5,448,663	5,448,663
Sourcing and sale of electronic components business	20,004,756	42,277,143	42,277,143	16,284,862	(11,933,564)	(16,284,862)	11,933,564	1,943,727	1,715,978	1,715,978
COF business	478,801	6,365,903	305,665*	1,264	-	(1,264)	-	(364,623)	(699,172)	(442,538)*
LCM business (Note 1)	-	-	343,648*	-	-	-	-	-	-	(256,634)*
Total	123,859,870	100,273,057	94,556,467*	65,572,060	(11,933,564)	(65,572,060)	11,933,564	9,805,129	6,465,469	6,465,469
Interest income								216,062	43,928	43,928
Share of result of a jointly controlled entity								(1,105,261)	(2,134,498)	(2,134,498)
Unallocated corporate (expenses) income								(3,519,949)	(5,286,369)	(5,286,369)
Finance costs								(1,806,132)	(1,410,299)	(1,410,299)
Profit (loss) before taxation								3,589,849	(2,321,769)	(2,321,769)

Notes:

- The LCM business was a business engaged in the manufacture and sales of electronic modules for liquid crystal display modules. The segment revenues and results of LCM business for the six months ended 30 June 2011 and for the three months ended 31 March 2011 had not been individually reported in the interim results of 2011 and the first quarterly results of 2011 as an individual segment revenues and results of the Group. During these periods, the revenues and results of the LCM business were accounted in the segment revenues and results of COF business as the COF business and LCM business shared substantially similar production technology and the LCM business had been discontinued by the Group in the first quarter of 2011. The relatively minimal revenue and results of the LCM business were mainly accrued during these periods from the account receivables for transitional period after discontinuation and the disposal of its inventories.
- Inter-segment sales are charged at prevailing market rates.

(iii) 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			Turnover		
	Six months ended 30 June			Three months ended 30 June		
	2012	2011		2012	2011	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
		Original figure	Restated		Original figure	Restated
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC (other than Hong Kong)	158,700,401	142,024,319	139,073,363*	92,695,005	80,778,683	79,521,034*
Hong Kong	57,461,247	45,074,148	34,611,668*	18,624,811	6,659,491	2,200,550*
Others	14,189,279	15,592,649	15,592,649	12,540,054	12,834,883	12,834,883
Total	<u>230,350,927</u>	<u>202,691,116</u>	<u>189,277,680*</u>	<u>123,859,870</u>	<u>100,273,057</u>	<u>94,556,467*</u>

If the Adjusted Figures were taken into account, the following statements in the section “Management Discussion and Analysis” in the Interim Results Announcement and the Interim Report shall have following changes, in particular, on the figures marked with asterisk (“*”) signs:

- (i) under “Financial Review”, the sentences “For the six months ended 30 June 2012 (the “period”), the turnover of the Group amounted to approximately HK\$230.35 million, representing an increase of approximately 13.65% as compared to the corresponding period of last year. The gross profit margin for the period increased to approximately 13.81% (the corresponding period of 2011: 9.50%), which was mainly due to the increase in gross profit margin for the sourcing of electronic components and sales of FPC.” shall be read as

“For the six months ended 30 June 2012 (the “period”), the turnover of the Group amounted to approximately HK\$230.35 million, representing an increase of approximately **21.70%*** as compared to the corresponding period of last year. The gross profit margin for the period increased to approximately 13.81% (the corresponding period of 2011: **10.17%***), which was mainly due to the increase in gross profit margin for the sourcing of electronic components and sales of FPC.”

- (ii) under “Business Review”, the sentences “During the first half of 2012, the turnover of the Group amounted to approximately HK\$230.35 million, representing an increase of approximately 13.65% 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 were approximately HK\$194.9 million, HK\$34.69 million and HK\$0.76 million respectively, while the turnover for sales of FPC, sourcing of electronic components and encapsulation of COF during the corresponding period of last year were approximately HK\$98.85 million, HK\$87.35 million and HK\$16.5 million respectively.” shall be read as

“During the first half of 2012, the turnover of the Group amounted to approximately HK\$230.35 million, representing an increase of approximately **21.70%*** 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 were approximately HK\$194.9 million, HK\$34.69 million and HK\$0.76 million respectively, while the turnover for sales of FPC, sourcing of electronic components and encapsulation of COF during the corresponding period of last year were approximately HK\$98.85 million, HK\$87.35 million and **HK\$0.66 million*** respectively.”

(C) AMENDMENT TO NOTE 7 “PROFIT (LOSS) PER SHARE” OF NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The sentence “The diluted profit per share for the period ended 30 June 2012 and 30 June 2011 are not presented as the exercise of the outstanding share options would result in a decrease in profit per share.” in Note 7 “Profit (Loss) Per Share” in the Interim Results Announcement and the Interim Report should read as **“The diluted profit per share for the period ended 30 June 2012 and 30 June 2011 are not presented since the respective exercise prices of outstanding share options were higher than the average market price of shares of the Company.”**

This announcement is supplemental to and should be read in conjunction with the Interim Results Announcement, the Interim Report and the Clarification Announcement. Except as stated above, all other information contained in the Interim Results Announcement, the Interim Report and the Clarification Announcement is correct and remained unchanged. The Board wishes to apologize for the inconveniences caused.

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

Hong Kong, 31 August 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.