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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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.

This announcement, 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 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.

HIGHLIGHTS

- For the year ended 31 December 2012, audited turnover of the Group amounted to approximately HK$600.69 million, which represents an increase of approximate 44.61% as compared to turnover from continuing and discontinued operations of last year, and the profit for the year attributable to owners of the Company amounted to approximately HK$32.45 million, while the profit from continuing and discontinued operations was approximately HK$4.57 million last year.

- Earnings per share of the Company and its subsidiaries (collectively, the "Group") was approximately HK6.01 cent for the year ended 31 December 2012.

- The board of Directors recommend the payment of a final dividend of HK1 cent per share.

THE FINANCIAL STATEMENTS

Results

The board (the "Board") of Directors hereby announces the audited consolidated results of the Group for the year ended 31 December 2012 (the "year"), together with the comparative audited figures for the year 2011, as follows:

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Continuing operations			
Revenue	*4*	**600,686**	412,461
Cost of sales		**(507,521)**	(356,747)
Gross profit		**93,165**	55,714
Other income	*5*	**3,838**	4,929
Distribution costs		**(12,270)**	(8,916)
Administrative expenses		**(27,643)**	(23,714)
Research and development expenses		**(12,648)**	(11,055)
Share of result of a jointly controlled entity		**(3,301)**	(3,887)
Finance costs	*6*	**(6,458)**	(5,844)
Profit before taxation	*7*	**34,683**	7,227
Taxation	*8*	**(2,146)**	(391)
Profit for the year from continuing operations		**32,537**	6,836
Discontinued operation			
Loss for the year from discontinued operation		**–**	(2,864)
Profit for the year		**32,537**	3,972
Other comprehensive income:			
Exchange differences arising on translation		**1,768**	11,963
Total comprehensive income for the year		**34,305**	15,935

	Notes	**2012** *HK$'000*	2011 *HK$'000*
Profit (loss) for the year attributable to:			
Owners of the Company			
– from continuing operations		**32,449**	7,433
– from discontinued operation		**–**	(2,864)
		32,449	4,569
Non-controlling interests		**88**	(597)
		32,537	3,972
Total comprehensive income (expense) attributable to:			
Owners of the Company		**34,384**	17,049
Non-controlling interests		**(79)**	(1,114)
		34,305	15,935
Earnings per share	*10*		
From continuing and discontinued operations			
– basic and diluted		**HK6.01 cents**	HK0.85 cent
From continuing operations			
– basic and diluted		**HK6.01 cents**	HK1.38 cents

Consolidated Statement of Financial Position
At 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**218,118**	209,429
Prepaid lease payments		**57,708**	58,564
Interest in a jointly controlled entity		**–**	18,858
Deposits for acquisition of property, plant and equipment		**2,687**	2,236
		278,513	289,087
Current assets			
Inventories		**69,239**	42,886
Trade and other receivables	*11*	**164,400**	139,106
Prepaid lease payments		**1,316**	1,305
Amount due from an intermediate holding company		**300**	–
Pledged bank deposits		**2,354**	27,126
Bank balances and cash		**47,821**	13,943
		285,430	224,366
Current liabilities			
Trade and other payables	*12*	**158,639**	107,013
Deferred income		**4,413**	1,195
Amount due to ultimate holding company		**995**	–
Amount due to an intermediate holding company		**–**	48
Amount due to a fellow subsidiary		**121**	119
Amount due to a jointly controlled entity		**–**	1,648
Taxation payable		**4,461**	3,333
Bank borrowings		**72,863**	102,960
Loan from a non-controlling shareholder of a subsidiary		**–**	2,248
Loan from ultimate holding company		**995**	987
Bank overdrafts		**–**	4,067
		242,487	223,618
Net current assets		**42,943**	748
Total assets less current liabilities		**321,456**	289,835

	Notes	2012 HK$'000	2011 HK$'000
Capital and reserves			
Share capital		**54,000**	54,000
Reserves		**187,502**	153,118
Equity attributable to owners of the Company		**241,502**	207,118
Non-controlling interests		**2,225**	3,326
Total equity		**243,727**	210,444
Non-current liabilities			
Deferred income		**31,188**	31,771
Loans from an intermediate holding company		**44,760**	44,835
Loan from ultimate holding company		**995**	1,974
Bank borrowings		**–**	298
Deferred taxation		**786**	513
		77,729	79,391
		321,456	289,835

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Attributable to owners of the Company							
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Translation reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
At 1 January 2011	54,000	53,868	49,368	2,920	29,913	190,069	4,440	194,509
Exchange differences arising on translation	–	–	12,480	–	–	12,480	(517)	11,963
Profit for the year	–	–	–	–	4,569	4,569	(597)	3,972
Total comprehensive income for the year	–	–	12,480	–	4,569	17,049	(1,114)	15,935
Lapse of share options	–	–	–	(445)	445	–	–	–
At 31 December 2011	54,000	53,868	61,848	2,475	34,927	207,118	3,326	210,444
Exchange differences arising on translation	–	–	1,935	–	–	1,935	(167)	1,768
Disposal of a subsidiary *(note 13)*	–	–	(3,848)	–	3,848	–	(1,022)	(1,022)
Profit for the year	–	–	–	–	32,449	32,449	88	32,537
Total comprehensive income for the year	–	–	(1,913)	–	36,297	34,384	(1,101)	33,283
Lapse of share options	–	–	–	(157)	157	–	–	–
At 31 December 2012	**54,000**	**53,868**	**59,935**	**2,318**	**71,381**	**241,502**	**2,225**	**243,727**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2012

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability on 9 December 1993. Its parent is Alpha Luck Industrial Limited (incorporated in Hong Kong with limited liability) and its ultimate holding company is China North Industries Corporation, a state-owned enterprise established in the People's Republic of China (the "PRC").

The shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 18 August 2004 ("Listing Date"). 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 PRC.

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public limited company in Hong Kong.

The Company is an investment holding company and is engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit ("FPC"). Its subsidiaries are principally engaged in manufacture and sale of FPC, sourcing and sale of electronic components and encapsulation of Chip On Film modules ("COF"). The business of manufacture and sale of electronic modules for liquid crystal display module ("LCM") has been discontinued during the first quarter of 2011.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amended and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying asset; and
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle[1]
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]

HKAS 19 (as revised in 2011)	Employee benefits[1]
HKAS 27 (as revised in 2011)	Separate financial statements[1]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

All recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

Based on the consolidated statement of financial position of the Group as at 31 December 2012, the directors anticipate that the application of HKFRS 9 is not expected to have a significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HK(SIC) – INT 12 "Consolidation – Special purpose entities" will be withdrawn upon the effective date of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate consolidation.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for annual periods beginning on or after 1 January 2013 with earlier application is permitted provided that all of these standards are applied at the same time.

The directors anticipate that the application of these five standards effective for annual period beginning 1 January 2013 will not have significant impact on the results and financial position of the Group. Also, the Group does not have any associates or jointly controlled entities at 31 December 2012.

The directors of the Group anticipate that the application of the other new revised HKFRSs will have no material impact on the consolidated financial statements.

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 Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. REVENUE AND SEGMENTS INFORMATION

Segment information

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

Prior to 2011, the Group was organised into four operating divisions namely manufacture and sale of FPC, sourcing and sale of electronic components, encapsulation of COF modules and manufacture and sale of electronic modules for LCM. The business of manufacture and sale of electronic modules for LCM has been discontinued during the first quarter of 2011. Also, the Group commenced the business of encapsulation of COF module from the second quarter of 2011 which was a new reportable segment in that year. 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	–	the sourcing and sale of electronic components for surface mount technology and electronic modules
COF modules business	–	encapsulation of COF modules
LCM business	–	the manufacture and sale of electronic modules for LCM (discontinued during first quarter of 2011)

Segment revenues and results

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

	Segment revenue		Inter-segment sales		Eliminations		Segment profit (loss)	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	HK\$'000	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*	***HK\$'000***	*HK\$'000*
Continuing operations								
FPC business	**514,722**	291,232	**273,130**	22,967	**(273,130)**	(22,967)	**60,691**	29,036
Sourcing and sale of electronic components	**82,917**	119,772	**69,933**	29,736	**(69,933)**	(29,736)	**5,573**	3,848
COF modules business	**3,047**	1,457	**53**	–	**(53)**	–	**(603)**	(1,473)
Total from continuing operations	**600,686**	412,461	**343,116**	52,703	**(343,116)**	(52,703)	**65,661**	31,411
Interest income							**310**	264
Share of result of a jointly controlled entity							**(3,301)**	(3,887)
Gain on disposal of a subsidiary							**203**	–
Central administration costs							**(21,732)**	(14,717)
Finance costs							**(6,458)**	(5,844)
Profit before taxation (continuing operations)							**34,683**	7,227

Revenue reported above represents revenue generated from external customers.

Geographical information

The Group operates in two principal geographical areas – the People's Republic of China (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 customers:

	Revenue from external customers	
	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
PRC other than Hong Kong	**319,911**	255,140
Hong Kong	**237,198**	132,816
Others	**43,577**	24,505
	600,686	412,461

Substantially all of the Group's non-current assets, including property, plant and equipment, prepaid lease payments and interest in a jointly controlled entity, are located in the PRC. Accordingly, no non-current assets by geographical location is presented.

5. OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Bad debts recovered	**311**	375
Release of government grant for construction of factory on existing land	**828**	404
Government grant for research and development projects	**632**	1,050
Interest income	**310**	264
Gain on disposal of property, plant and equipment	**–**	37
Gain on disposal of a subsidiary *(note 13)*	**203**	–
Rental income	**349**	786
Write-back of long outstanding payables	**125**	1,912
Scrap income	**527**	–
Sourcing income	**257**	–
Others	**296**	101
	3,838	4,929

6. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Interests on:		
Bank borrowings wholly repayable within five years	**5,194**	5,628
Other borrowings wholly repayable within five years	**1,264**	216
Total borrowing costs	**6,458**	5,844

7. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Research and development expenses		
Staff costs	**1,609**	991
Other research and development expenses	**11,039**	10,064
	12,648	11,055
Directors' and chief executive's remuneration	**902**	735
Other staff costs	**74,118**	50,161
Other staff's retirement benefits costs	**3,819**	2,488
Total staff costs	**78,839**	53,384
Less: Other staff costs included in research and development expenses shown above	**(1,609)**	(991)
	77,230	52,393
Allowance for doubtful debts	**1,138**	2,478
Amortisation of prepaid lease payments	**1,310**	1,277
Auditor's remuneration	**710**	740
Bad debts directly written off	**–**	5
Cost of inventories recognised as an expense *(Note)*	**507,521**	327,352
Depreciation of property, plant and equipment	**24,727**	20,362
Loss on disposal of property, plant and equipment	**111**	–
Minimum lease payments under operating leases in respect of land and buildings	**614**	917
Net foreign exchange losses	**740**	850
Shipping and handling expenses (included in distribution costs)	**1,315**	701

Note: The amount includes allowance for obsolete inventories of HK$2,935,000 (2011: HK$3,335,000).

8. TAXATION

	2012	2011
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**915**	324
PRC Enterprise Income Tax	**1,034**	268
	1,949	592
Under(over)provision in prior years:		
Hong Kong Profits Tax	**12**	(32)
PRC Enterprise Income Tax	**(83)**	–
	(71)	(32)
	1,878	560
Deferred tax:		
Current year	**268**	(169)
	2,146	391

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. The income of the 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 Electronic Technology (Suzhou) Company Limited is exempted from PRC income tax for two years commenced from 1 January 2008, followed by a 50% reduction for the next three years.

The taxation for the year can be reconciled to the profit before taxation per the consolidated statement of comprehensive income as follows:

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation	**34,683**	7,227
Tax at the applicable income tax rate *(Note)*	**(8,671)**	(1,807)
Tax effect of share of result of a jointly controlled entity	**(825)**	(971)
Tax effect of income that are not taxable in determining taxable profit	**140**	7
Tax effect of expenses that are not deductible in determining taxable profit	**(282)**	(56)
Tax effect of deductible temporary differences not recognised	**(829)**	(686)
Tax effect of tax loss not recognised	**(228)**	(600)
Overprovision in prior years	**71**	32
Effect of different tax rates of subsidiaries operating in other jurisdictions	**471**	165
Utilisation of tax losses previously not recognised	**7,560**	3,301
Effect of tax concession granted to a PRC subsidiary	**651**	40
Deferred taxation arising from withholding tax on undistributed profits	**(268)**	169
Others	**64**	16
Taxation for the year	**(2,146)**	(391)

Note: AKM Electronics Industrial (Panyu) Ltd. is the Group's major operating subsidiary and its applicable income tax rate is 25% for both years.

9. DIVIDEND

Subsequent to the end of the reporting period, a final dividend of HK1 cent in respect of the year ended 31 December 2012 (2011: nil) per share has been proposed by the directors and is subject to the approval by the shareholders in the forthcoming annual general meeting.

10. EARNINGS PER SHARE

For continuing and discontinued operations

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

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**32,449**	4,569

	Number of shares	
	2012	2011
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**540,000,000**	540,000,000

The calculation of diluted earnings per share for 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.

For continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to owners of the Company is based on the following data:

	2012	2011
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company	**32,449**	4,569
Adjustment for:		
Loss for the year from discontinued operation	**–**	2,864
Profit for the purpose of basic and diluted earnings per share from continuing operations	**32,449**	7,433

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

For discontinued operation

Basic and diluted loss per share for the discontinued operation is HK0.53 cent per share for the year ended 31 December 2011, based on the loss for the year from the discontinued operation of HK$2,864,000 and the denominators detailed above for both basic and diluted earnings (loss) per share.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables include the following balances of trade and bills receivables:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills receivables	**160,759**	138,235	**45,931**	47,156
Less: Allowance for doubtful debts	**(7,050)**	(6,965)	**(508)**	(508)
	153,709	131,270	**45,423**	46,648
Other tax recoverable	**1,077**	2,324	**–**	–
Other receivables *(Note a)*	**9,614**	5,512	**4,511**	535
	164,400	139,106	**49,934**	47,183

Note:

(a) The amount mainly represents the advances to suppliers. In the opinion of the directors, the amount is expected to be utilised within next 12 months.

The Group and the Company allow a credit period normally ranging from 30 to 90 days to its trade customers. At the discretion of the directors, several major customers were allowed to settle their balances beyond the credit terms up to 120 days.

The following is an aged analysis of trade and bills receivables 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:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**66,458**	41,719	**19,423**	12,630
31 – 60 days	**31,572**	47,137	**8,536**	24,104
61 – 90 days	**26,867**	17,406	**9,018**	3,716
91 – 120 days	**13,568**	14,171	**5,723**	6,169
121 days – 1 year	**14,732**	10,835	**2,723**	29
Over 1 year	**512**	2	**–**	–
	153,709	131,270	**45,423**	46,648

12. TRADE AND OTHER PAYABLES

Trade and other payables include the following balances:

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade and bills payables	**131,088**	82,428	**10**	13,341
Payables for acquisition of property, plant and equipment	**1,927**	1,717	**–**	–
Accrued staff costs	**11,696**	8,951	**265**	–
Construction payables	**4,429**	4,833	**–**	–
Other taxation payables	**263**	1,478	**–**	–
Other payables and accruals	**9,236**	7,606	**2,278**	1,842
	158,639	107,013	**2,553**	15,183

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

	THE GROUP		THE COMPANY	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 30 days	**33,421**	32,788	**10**	3,607
31 – 60 days	**25,105**	29,949	**–**	9,212
61 – 90 days	**25,882**	14,645	**–**	512
91 – 120 days	**25,133**	3,962	**–**	–
121 days – 1 year	**16,630**	1,030	**–**	10
Over 1 year	**4,917**	54	**–**	–
	131,088	82,428	**10**	13,341

13. DISPOSAL OF A SUBSIDIARY

On 21 June 2012, the Group disposed 75% equity interest in Ever Proven Investments Limited, which held 53% interests in the PRC jointly controlled entity, Shenzhen Smart Electronics Co. Ltd., and a shareholder's loan due from Ever Proven to the Company, to an independent third party at a consideration of HK$11,794,000. Details of the disposal were disclosed in the announcement of the Company dated 21 June 2012. The net assets of the subsidiary at the date of disposal were as follows:

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Interest in a jointly controlled entity	14,862
Amount due from a jointly controlled entity	843
Bank balance	15
Amount due to a fellow subsidiary	(860)
Loan from a non-controlling shareholder of a subsidiary	(2,247)
Amount due to immediate holding company	(6,743)
Net assets disposed of	5,870
Gain on disposal of a subsidiary:	
Consideration received and receivable	11,794
Net assets disposed of	(5,870)
Non-controlling interests	1,022
Assignment of amount due to immediate holding company	(6,743)
Gain on disposal	203
Net cash inflow arising on disposal:	
Cash consideration received	9,565
Consideration receivable *(note)*	2,229
Less: bank balance disposed of	(15)
	11,779

Note: The remaining consideration amounting to HK$2,229,000 has been fully settled by the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2012, the turnover of the Group amounted to approximately HK$600.69 million, representing an increase of approximately 44.61% as compared to the turnover from continuing and discontinued operations of last year. The increase in turnover was mainly attributed to the significant increase in the sales of FPC. The gross profit margin for the year increased to approximately 15.51% (2011: 13.17%) due to the improvement in gross profit margin of sourcing and sale of electronic components and the substantial decrease of gross loss margin for the encapsulation of COF modules.

The profit attributable to the owners of the Company for 2012 was approximately HK$32.45 million, while the profit from continuing and discontinued operations was approximately HK$4.57 million for 2011, representing an increase of approximately 610.2%. The increase in profit for the year was attributed to the significant increase in sales of FPC.

The other income of the Group for the year ended 31 December 2012 amounted to approximately HK$3.84 million, representing a decrease of approximately HK$1.09 million as compared to that of last year. The decrease in other income was mainly due to the release of long-term unpaid account payables and the decrease in rental income for the year as compared to that of last year.

The distribution costs of the Group for the year ended 31 December 2012 amounted to approximately HK$12.27 million, representing an increase of approximately 37.62% as compared to the distribution costs from continuing operations of last year. The increase in distribution costs was mainly due to the increase in wages, transportation and miscellaneous costs and expenses and postage expenses in line with the expansion of the scale of operation of the principal activities for the year.

The administrative expenses of the Group for the year ended 31 December 2012 amounted to approximately HK$27.64 million, representing an increase of approximately 16.6% as compared to the administrative expenses from continuing operations of last year. The increase in administrative expenses was mainly due to the increase in salary and related expenses, and the increase in tax payable arising from the expansion of operations.

The research and development expenses of the Group for the year ended 31 December 2012 amounted to approximately HK$12.65 million, representing an increase of approximately 14.41% as compared to that of last year. The increase in research and development expenses was due to the increase in research and development projects and activities.

The finance cost of the Group for the year ended 31 December 2012 amounted to approximately HK$6.46 million, representing an increase of approximately 10.51% as compared to that of last year. The increase in finance costs was due to the increase in interest-bearing borrowings.

BUSINESS REVIEW AND OUTLOOK

Business Review

The Group is principally engaged in the manufacture and sale of FPC, which are used in communication, LCD and consumer electronic products such as mobile phones, LCD module, car electronics and cameras. The Group is also engaged in sourcing and sale of electronic components and the encapsulation of COF modules.

For the year ended 31 December 2012, the turnover of the Group amounted to approximately HK$600.69 million, representing an increase of approximately 44.61% as compared to the turnover from continuing and discontinued operations of 2011. During the year under review, the turnover for sales of FPC, sourcing of electronic components and the encapsulation of COF modules were approximately HK$514.72 million, HK$82.92 million and HK$3.05 million respectively. The turnover for sales of FPC, sourcing of electronic components and the encapsulation of COF modules during the year ended 31 December 2011 were approximately HK$291.23 million, HK$119.77 million and HK$1.46 million respectively. In 2012, the profit attributable to the owners of the Company amounted to approximately HK$32.45 million, representing an increase of approximately 610.2% as compared to the profit from continuing and discontinued operations of 2011. The increase in profit was mainly attributable to the significant increase in sales of FPC.

During the year under review, the turnover for the sales of FPC increased by approximately 76.74% as compared to that of last year. The gross profit margin for the sales of FPC decreased slightly to approximately 16.53% (2011: approximately 17.00%). The turnover for sourcing of electronic components decreased by approximately 30.77% as compared to that of last year, while the gross profit margin increased to approximately 10.22% (2011: approximately 6.11%). The business of encapsulation of COF modules was in the market development stage, and the processing income increased by approximately 109.13% as compared to that of last year, while the gross loss margin was approximately 13.21% (2011: approximately 76.04%).

During the year under review, the sales of FPC, which is the core business of the Group, achieved a better progress, resulting in a surge in the sales volume of FPC. Our Group's FPC production was mainly completed in the Nansha Factory and Suzhou Factory. The Group has commenced to construct the Phase II production plant in Suzhou Factory, in order to meet the future need for capacity expansion of FPC and development of high-end flexible IC carrier.

During the year under review, the gross profit margin of the sourcing and sale of electronic components increased from 6.11% to 10.22%. The Group will focus on the steady development and risk control of this business, and would look for a stable sourcing channel with higher efficiency and lower price mainly through improving the business and optimizing the supply chain management of the Group.

During the year under review, the encapsulation of COF module of the Group was still at the development stage, and the processing income increased by approximately 109.13% as compared to last year, but still recorded a slight loss of approximately HK$0.60 million.

During the year under review, the merger between AKM Electronic Technology (Suzhou) Company Limited and AKM (Suzhou) FPC Company Limited was completed, both of which were wholly-owned subsidiaries of the Group. AKM (Suzhou) FPC Company Limited was deregistered.

During the year under review, as disclosed in the announcement of the Company dated 21 June 2012, since the business of surface mount technology engaged in by Shenzhen Smart Electronics Co. Ltd. ("Shenzhen Smart"), a joint venture of the Group, was in continuous loss, in order to optimize the Group's structure of assets and liabilities, improve the liquidity of assets and focus on the development of its principal businesses, the Company entered into a transfer agreement with an independent third party on 21 June 2012, to transfer the 75% interests in Ever Proven Investments Limited ("Ever Proven") owned by the Company, the 53% interests in Shenzhen Smart 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, and accordingly exited the relevant business. The transfer was completed in December 2012. As at the date of this announcement, the Company has duly received the full consideration according to the terms of the transfer agreement.

During the year under review, the Group established a branch in Korea to strengthen the development of the Korean market, to provide localised and efficient services to Korean customers, to establish close cooperation relationship with Korean customers at the research and development phase of new projects, and to increase the Group's sales to Korean customers. The establishment of the branch in Korea enhanced the Group's ability to obtain orders from Korean customers.

During the year under review, the Group focused on the following aspects in accordance with its corporate development strategy: identifying and developing major international customers, securing more sales orders, further elevating the production capacity of the Nansha Factory and Suzhou Factory, enhancing the stability of production technology for high-end FPC and optimizing the corporate value chain. Internal management quality was also strengthened. The Group has conducted compliance and internal control effectively, and strengthened the control in receivables and inventories application, in order to minimize the risks in corporate operation. The Group's business has been consistently improving and demonstrating a healthy development trend, which shall enhance our profitability.

Outlook

The Group is dedicated to strengthen its core competence and achieve the Group's profit goal, thereby creating greater value for its shareholders, its 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.

In light of changes in the market competition and the adjustment to 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. With the improvement of processing techniques and the continuous promotion of total quality management improvement activities, the Group has already made positive progress in developing more large international clients and obtaining more orders from existing customers. The Group has established two production bases, situated at Southern China and Eastern China respectively. As a result, the Group's production capacity improved significantly while the scale effect started to take shape, and the Group's concept of offering "one-stop service" to customers can be effectively implemented.

In 2013, the Group will continue to focus on the following aspects: identifying and developing major international customers, securing more sales orders, developing the encapsulation of high-value-added FPC and COF modules, further elevating the production capacity of the Nansha Factory and Suzhou Factory and improving automation, enhancing the stability of production technology for high-end FPC and further optimizing the corporate value chain. Internal management and competitiveness will be continually strengthened and our profitability is expected to be gradually uplifted. The Group is confident that its scale of operation will be further expanded and the benefits of economy of scale will also be achieved.

The Board of Directors is of the opinion that, with the production plants in Nansha and Suzhou being put into operation, the Group has established strong production bases in the FPC industry, and structural adjustment to other business units has been basically completed. The Group is capable of providing services to large international clients and fulfill their personalized needs. Despite the drastic changes of the economic environment in China and the World, the intense competition in the industry and the continuous increase in labor costs, finance costs and other operating costs in the PRC, the Group is confident that it will be able to achieve scale operation and bring favorable returns to its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily with internally generated fund from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital for its present funding requirements. As at 31 December 2012, the Group had outstanding borrowings amounting to approximately HK$72.86 million, all of which were bank borrowings and no bank overdrafts.

EMPLOYEES

As at 31 December 2012, the Group had a total of 1,708 full-time employees (2011: 1,442 employees) based in Hong Kong and the PRC. The total staff costs of the Group, including the Directors' remunerations, for the year ended 31 December 2012 amounted to approximately HK$78,839,000 (2011: HK$53,384,000). The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of the PRC and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group which significantly contributed to the success of the Group. Apart from the basic remuneration and staff benefits, the Company also provides employees with share option schemes so as to reward their contributions to the Group and to enable the Group to recruit and retain high-calibre employees. The Group recognises the importance of staff training and, hence, regular training is provided to the Group's staff to enhance their technical and product knowledge. Majority of the Group's employees are stationed in the PRC.

CAPITAL STRUCTURE

Since 18 August 2004, the shares of the Company have been listed on GEM and there has been no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

SIGNIFICANT INVESTMENTS

There were no significant investments held by the Group as at 31 December 2012.

MATERIAL ACQUISITIONS AND DISPOSALS

As disclosed in the announcement of the Company dated 21 June 2012, since the business of surface mount technology engaged in by Shenzhen Smart, a joint venture of the Group, was in continuous loss, in order to optimize the Group's structure of assets and liabilities, improve the liquidity of assets and focus on the development of its principal businesses, the Company entered into a transfer agreement with an independent third party on 21 June 2012, to transfer the 75% interests owned by the Company in Ever Proven, the 53% interests in Shenzhen Smart 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, and accordingly exited the relevant business. The transfer was completed in December 2012. As at the date of this announcement, the Company has duly received the full consideration according to the terms of the transfer agreement.

Save as disclosed above, the Group did not have any material acquisitions or disposals during the year ended 31 December 2012.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group had no future plans for material investments or capital assets as at 31 December 2012.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2012, bank deposits of approximately HK$2.354 million (as at 31 December 2011: approximately HK$27.13 million) and bills receivables of approximately HK$8.411 million (as at 31 December 2011: nil) of the Group were pledged as collateral to secure the banking facilities granted to the Group.

As at 31 December 2012, land use rights and buildings with carrying amounts of approximately HK$20.564 million and HK$63.349 million respectively (as at 31 December 2011: approximately HK$54.19 million and HK$64.36 million) were pledged to secure general banking facilities granted to the Group.

As at 31 December 2012, machinery and equipment with carrying amounts of approximately HK$54.786 million (as at 31 December 2011: nil) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2012, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2012, the Group had a net cash and cash equivalent position of approximately HK$47.821 million. The Group's gearing ratio as at 31 December 2012 was approximately 56.78% (31 December 2011: 59.01%) which was calculated based on the Group's total liabilities of approximately HK$320,216,000 (31 December 2011: HK$303,009,000) and total assets of approximately HK$563,943,000 (31 December 2011: HK$513,453,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The income and expenditure of the Group are mainly received and incurred in US$ and RMB and the assets and liabilities of the Group are denominated in HK$ and RMB. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to US$ and RMB. The results of operations and the financial position of the Group may be affected by any changes in the exchanges rates and the Group has not taken any hedging measures in this connection. Further, the conversion of RMB denominated balances into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the government of the PRC. However, taking into account the Group's current operational and capital requirements, the Directors do not consider the Group is significantly exposed to any foreign currency exchange risk.

DIVIDEND

The Directors recommend the payment of final dividend of HK1 cent per share for the year ended 31 December 2012 (2011:nil). The total amount of dividend appropriated, based on the number of shares in issue, is HK$5.4 million (the total amount of dividend paid in 2011 was HK$0).

The register of members of the Company will be closed from 27 May 2013 to 30 May 2013 (both days inclusive) during which period no transfer of shares will be effected. Subject to the approval of the shareholders of the Company at the forthcoming annual general meeting (the "AGM") of the Company, the proposed final dividend is expected to be payable on 11 June 2013 to the shareholders of the Company whose names appear on the register of members of the Company at close of business on 30 May 2013. 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 24 May 2013.

CLOSURE OF SHARE REGISTER FOR ANNUAL GENERAL MEETING

Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 30 April 2013 shall be entitled to attend and vote at the AGM, which is to be held on 8 May 2013. To be qualified to attend the AGM, 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 Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 29 April 2013. The Register of Members of the Company will be closed from 30 April 2013 to 8 May 2013 (both days inclusive) for the purposes of the AGM during which no transfer of shares will be effected.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the then shareholders of the Company on 6 August 2004, the Company adopted a Pre-IPO Share Option Scheme (the "Pre-IPO Scheme") and another share option scheme (the "Scheme"). During the year ended 31 December 2012, no options were granted under the Scheme.

Details of the movements in the number of options during the year which have been granted under the Pre-IPO Scheme are as follows:

Name or category of participant	**Date of grant** *(Note 1)*	**Exercisable period** *(Notes 1 & 2)*	**Exercise price per share** *HK$*	**Number of share options** Outstanding at 1.1.2012	Lapsed during the year	Outstanding at 31.12.2012
Directors						
Mr. Xiong Zheng Feng	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,000,000	–	2,000,000
Mr. Chai Zhi Qiang	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,800,000	–	2,800,000
Ms. Li Ying Hong	6.8.2004	18.8.2005 to 6.8.2014	0.4	600,000	–	600,000
				5,400,000	–	5,400,000
Employees	6.8.2004	18.8.2005 to 6.8.2014	0.4	3,000,000	–	3,000,000
Total				8,400,000	–	8,400,000

Notes:

1. All dates are shown in the sequence of day.month.year.

2. These share options are exercisable, starting from the first anniversary of the listing date at stepped annual increments of 25% of the total options granted, for a period of not later than 10 years from the date of grant.

Details of the movements in the number of options during the year which have been granted under the Scheme are as follows:

Name or category of participant	Date of grant *(Note 1)*	Exercisable period *(Notes 1 & 2)*	Exercise price per share *HK$*	Number of share options: Outstanding at 1.1.2012	Lapsed during the year	Outstanding at 31.12.2012
Directors						
Mr. Xiong Zheng Feng	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Mr. Chai Zhi Qiang	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Ms. Li Ying Hong	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	–	2,000,000
Mr. Han Li Gang (resigned on 2 November 2012)	9.7.2007	10.7.2007 to 9.7.2017	0.36	1,600,000	(1,600,000)	–
Mr. Liang Zhi Li	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	–	800,000
Mr. Wang Heng Yi *(Note 3)*	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	–	800,000
				9,200,000	(1,600,000)	7,600,000
Employees	9.7.2007	10.7.2007 to 9.7.2017	0.36	9,200,000	–	9,200,000
Total				18,400,000	(1,600,000)	16,800,000

Notes:

1. All dates are shown in the sequence of day.month.year.

2. These share options are exercisable, starting from the day after the date upon which the options were granted, for a period of not later than 10 years from the date of grant.

3. Mr. Wang Heng Yi resigned as an independent non-executive Director on 4 February 2013 and on the same day, 800,000 share options of the Company held by him also lapsed.

Save as disclosed above, none of the Directors or their spouses and children under the age of 18 had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

Save as disclosed below, as at 31 December 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 ("GEM") of the Stock Exchange (the "GEM Listing Rules").

(a) The Company

(i) Interest in shares of the Company

Name	Name of the Company in which interest is held	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)*	the Company	14,190,000 ordinary shares	Beneficial owner	Long	2.63
Mr. Chai Zhi Qiang *(Note 2)*	the Company	11,500,000 ordinary shares	Beneficial owner	Long	2.13
Ms. Li Ying Hong *(Note 3)*	the Company	2,700,000 ordinary shares	Beneficial owner	Long	0.5

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. Since 5 April 2012, Mr. Xiong Zheng Feng was the beneficial owner of an aggregate of 14,190,000 ordinary shares of the Company, representing approximately 2.63% of the total issued shares 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. Since 5 April 2012, Mr. Chai Zhi Qiang was the beneficial owner of an aggregate of 11,500,000 ordinary shares of the Company, representing approximately 2.13% of the total issued shares 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. Since 5 April 2012, Ms. Li Ying Hong was the beneficial owner of an aggregate of 2,700,000 ordinary shares of the Company, representing 0.5% of the total issued shares of the Company.

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

Name of Director	Name of the Company in which interest is held	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	the Company	2,000,000 ordinary shares	*1,*	Beneficial owner	Long	0.37
		2,000,000 ordinary shares	*2 & 3*	Beneficial owner	Long	0.37
Mr. Chai Zhi Qiang	the Company	2,800,000 ordinary shares	*1,*	Beneficial owner	Long	0.52
		2,000,000 ordinary shares	*2 & 4*	Beneficial owner	Long	0.37
Ms. Li Ying Hong	the Company	600,000 ordinary shares	*1,*	Beneficial owner	Long	0.11
		2,000,000 ordinary shares	*2 & 5*	Beneficial owner	Long	0.37
Mr. Liang Zhi Li	the Company	800,000 ordinary shares	*2 & 6*	Beneficial owner	Long	0.15
Mr. Wang Heng Yi	the Company	800,000 ordinary shares	*2, 6 & 7*	Beneficial owner	Long	0.15

Notes:

1. 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 the Pre-IPO Scheme, 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. 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 the Scheme, which position remains unchanged since the date of grant on 9 July 2007.

3. Mr. Xiong Zheng Feng is, in aggregate, interested in approximately 3.37% of the total issued share capital in the Company, such interest comprises his interests in 14,190,000 issued shares of the Company and 4,000,000 underlying shares held under equity derivatives.

4. Mr. Chai Zhi Qiang is, in aggregate, interested in approximately 3.02% of the total issued share capital in the Company since 5 April 2012, such interest comprises his interests in 11,500,000 issued shares of the Company and 4,800,000 underlying shares held under equity derivatives.

5. Ms. Li Ying Hong is, in aggregate, interested in approximately 0.98% of the total issued share capital in the Company since 5 April 2012, such interest comprises his interests in 2,700,000 issued shares of the Company and 2,600,000 underlying shares held under equity derivatives.

6. Neither 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.

7. Mr. Wang Heng Yi resigned as an independent non-executive Director on 4 February 2013 and on the same day, 800,000 share options of the Company held by him also lapsed.

(b) The associated corporation

As at 31 December 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year 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 CONTRACTS OF SIGNIFICANCE

No contracts 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 the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 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) *(Note 3)*	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") *(Note 1)*	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") *(Note 2)*	Interest in controlled corporation	360,000,000 ordinary shares	Long	66.67

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 of the Company which Silver City is deemed to be interested under Part XV of the SFO.

3. None of Alpha Luck, Silver City or CNIC is interested in any securities of the Company under equity derivatives.

CORPORATE GOVERNANCE

The Company maintained the appointment of three independent non-executive Directors during the year under review and as at the date of this announcement. Save as disclosed in this announcement, the Company has complied with all the code provisions set out in the Code on Corporate Governance Practices contained in the GEM Listing Rules during the year.

According to code provision A.1.8, the Company is required to make appropriate insurance coverage for certain legal liabilities which may arise in the course of performing their duties. The Company is actively selecting suitable insurance institutions in this regard and is expected to complete within the next month.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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 2012.

COMPETING INTERESTS

None of the Directors nor their respective associates (as defined under the GEM Listing Rules) had any interest in a business which causes or may cause significant competition with the business of the Group.

AUDIT COMMITTEE

The Company 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 are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to Directors. During the year under review, the audit committee comprised of three members, Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Wang Heng Yi. All of them were independent non-executive Directors. The chairman of the audit committee is Mr. Hung Chi Yuen Andrew. Since Mr. Wang Heng Yi resigned on 4 February 2013, Mr. Bi Keyun was appointed as a member of the audit committee on the same date. The audited consolidated results of the Group for the year had been reviewed by the audit committee.

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

23 March 2013, Hong Kong

As at the date of this announcement, the executive Directors are Xiong Zheng Feng, Chai Zhi Qiang and Li Ying Hong; the non-executive Director is Meng Weiwei; the independent non-executive Directors are Hung Chi Yuen Andrew, Liang Zhi Li and Bi Keyun.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its publication and the Company's website at http://www.akmcompany.com.