



**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**

**2013**

**FIRST QUARTERLY REPORT**

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

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*This report, for which the directors (the “Directors”) of AKM Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

## HIGHLIGHTS

- For the three months ended 31 March 2013, the unaudited turnover increased to approximately HK\$112.08 million, representing an increase of approximately 5.24% as compared to the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$1.84 million, representing a decrease of approximately 15.81% as compared to the corresponding period of last year.
- Basic and diluted earnings per share of the Group was approximately HK0.34 cents for the three months ended 31 March 2013.

# THE FINANCIAL STATEMENTS

## Quarterly Results

The board of Directors (the "Board") hereby announces the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 31 March 2013 (the "period"), together with the comparative unaudited figures for the corresponding period of last year, as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013 and 31 March 2012

	Notes	Three months ended 31 March	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Revenue	2	<b>112,076</b>	106,491
Cost of sales		<b>(97,934)</b>	(91,841)
Gross profit		<b>14,142</b>	14,650
Other income		<b>1,363</b>	472
Distribution costs		<b>(2,037)</b>	(1,673)
Administrative expenses		<b>(5,549)</b>	(5,390)
Research and development expenses		<b>(4,901)</b>	(2,348)
Share of result of a jointly controlled entity		–	(2,196)
Finance costs		<b>(1,020)</b>	(1,516)
Profit before taxation		<b>1,998</b>	1,999
Taxation	3	<b>(104)</b>	(317)
Profit for the period		<b>1,894</b>	1,682
Other comprehensive income:			
Exchange differences arising on translation of foreign operations		<b>1,437</b>	(771)
Total comprehensive income for the period		<b>3,331</b>	911
Profit for the period attributable to:			
Owners of the Company		<b>1,837</b>	2,182
Non-controlling interests		<b>57</b>	(500)
		<b>1,894</b>	1,682
Total comprehensive expenses attributable to:			
Owners of the Company		<b>3,274</b>	1,414
Non-controlling interests		<b>57</b>	(503)
		<b>3,331</b>	911
Earnings per share	5		
Basic		<b>0.34 cents</b>	0.40 cents
Diluted		<b>0.34 cents</b>	N/A

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY***For the three months ended 31 March 2013 and 31 March 2012*

	Attributable to owners of the Company							
	Share capital <i>HK\$'000</i> (Unaudited)	Share premium <i>HK\$'000</i> (Unaudited)	Translation reserve <i>HK\$'000</i> (Unaudited)	Share options reserve <i>HK\$'000</i> (Unaudited)	Retained profits <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)	Non-controlling interests <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
At 1 January 2013	54,000	53,868	59,935	2,318	71,381	241,502	2,225	243,727
Exchange differences arising on translation of foreign operations	-	-	1,437	-	-	1,437	-	1,437
Profit for the period	-	-	-	-	1,837	1,837	57	1,894
Total comprehensive income for the period	-	-	1,437	-	1,837	3,274	57	3,331
Lapse of share options	-	-	-	(78)	-	(78)	-	(78)
At 31 March 2013	54,000	53,868	61,372	2,240	73,218	244,698	2,282	246,980
At 1 January 2012	54,000	53,868	61,848	2,475	34,927	207,118	3,326	210,444
Exchange differences arising on translation of foreign operations	-	-	(768)	-	-	(768)	(3)	(771)
(Loss) profit for the period	-	-	-	-	2,182	2,182	(500)	1,682
Total comprehensive income (expenses) for the period	-	-	(768)	-	2,182	1,414	(503)	911
At 31 March 2012	54,000	53,868	61,080	2,475	37,109	208,532	2,823	211,355

## NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period ended 31 March 2013

### 1. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) and Hong Kong Accounting Standards (“HKAS”) and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those set out in the Group’s annual financial statements for the year ended 31 December 2012.

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

### 2. REVENUE AND SEGMENTS INFORMATION

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

#### (a) Segment information

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

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

Principal activities are as follows:

FPC business	–	the manufacture and sale of FPC
Sourcing and sale of electronic components	–	provision of sourcing and sale of electronic components
Flexible packaging substrates ( <i>Note</i> )	–	the manufacture and sale of flexible packaging substrates (including encapsulation of COF modules)

Note: The flexible packaging substrates business includes (i) encapsulation of COF modules; (ii) COF films; and (iii) flexible integrated circuits and module packaging substrates. During the quarter under review, orders for other flexible packaging substrates, including COF films and flexible integrated circuits and module packaging substrates were received by the Group. As such new products of the Group adopt similar production technology and share substantially same production lines with the encapsulation of COF modules, the encapsulation of COF modules, COF films and flexible integrated circuits and module packaging substrates are regarded as same series of products of the Group and are therefore re-named as a segment of “flexible packaging substrates” to include the original business of encapsulation of COF modules and to reflect the expansion of new product lines accordingly.

### Segment revenues and results

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

#### Three months ended 31 March

	Segment revenue		Inter-segment sales		Eliminations		Segment results	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
FPC business	93,495	91,526	30,924	59,568	(30,924)	(59,568)	3,381	8,132
Sourcing and sale of electronic components	15,445	14,684	9,913	8,555	(9,913)	(8,555)	879	1,478
Flexible packaging substrates	3,136	281	-	23	-	(23)	1,797	(341)
<b>Total</b>	<b>112,076</b>	<b>106,491</b>	<b>40,837</b>	<b>68,146</b>	<b>(40,837)</b>	<b>(68,146)</b>	<b>6,057</b>	<b>9,269</b>
Interest income							39	29
Share of result of a jointly controlled entity							-	(2,196)
Central administration costs							(3,078)	(3,587)
Finance costs							(1,020)	(1,516)
<b>Profit before taxation</b>							<b>1,998</b>	<b>1,999</b>

Revenue reported above represents revenue generated from external customers.

**(b) Geographical segments**

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

	<b>Turnover</b>	
	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
PRC (other than Hong Kong)	<b>84,240</b>	66,006
Hong Kong	<b>13,469</b>	38,836
Others	<b>14,367</b>	1,649
Total	<b>112,076</b>	106,491

**3. TAXATION**

	<b>Three months ended 31 March</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Current tax:		
Hong Kong Profits Tax	<b>(32)</b>	(133)
PRC Enterprise Income Tax	<b>(72)</b>	(403)
	<b>(104)</b>	(536)
Deferred tax:		
Current period	<b>0</b>	220
Total	<b>(104)</b>	(317)

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

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. The 50% reduction of enterprise income tax enjoyed by AKM Electronic Technology (Suzhou) Company Limited expired on 31 December 2012.



According to a notification announced by the relevant government authorities on 27 April 2013, AKM Electronics Industrial (Panyu) Ltd. (“AKM Panyu”) has been recognised as a Foreign Advanced-Technology Enterprise, pursuant to which AKM Panyu will be entitled to a tax reduction from 25% to 15% for the period commenced from 1 January 2012 and expiring on 31 December 2014. Since the assessable profit of AKM Panyu for the year ended 31 December 2012 was fully offset with the unused tax loss brought forward in prior years, no overprovision in PRC Enterprise Income Tax is required and the financial figures reported by the Company for the year ended 31 December 2012 remained unchanged.

#### 4. DIVIDENDS

The Directors do not recommend payment of an interim dividend for the three months ended 31 March 2013 (2012: Nil).

#### 5. EARNINGS PER SHARE

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

	Three months ended 31 March	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Earnings for the purpose of basic and diluted earnings per share (earnings for the period attributable to owners of the Company)	<b>1,837</b>	2,182
	<b>Number of shares</b>	
	<b>2013</b>	2012
Number of ordinary shares for the purpose of basic earnings per share	<b>540,000,000</b>	540,000,000
Effect of dilutive potential ordinary shares from share options	<b>1,375,143</b>	N/A
Number of ordinary shares for the purpose of diluted earnings per share	<b>541,375,143</b>	N/A

**No diluted earnings per share for the first quarter of 2012 has been presented as the exercise prices of the outstanding share options were higher than the average market price of shares of the Company.**

# MANAGEMENT DISCUSSION AND ANALYSIS

## Financial Review

For the three months ended 31 March 2013, the turnover of the Group amounted to approximately HK\$112.08 million, representing an increase of approximately 5.24% as compared to the corresponding period of last year, which was mainly due to the increase in the sales of FPC, sourcing and sales of electronic components and the sale of flexible packaging substrates (including both of the original business of the encapsulation of COF modules and the new product lines of COF films and flexible integrated circuits and module packaging substrates). The gross profit margin for the period decreased to approximately 12.62% (the corresponding period of 2012: approximately 13.76%), which was mainly due to the decrease in the gross profit margin for both the sales of FPC and sourcing and sales of electronic components. The profit attributable to the owners of the Company for the period was approximately HK\$1.84 million, while the profit attributable to the owners of the Company was approximately HK\$2.18 million for the corresponding period of last year, representing a decrease of approximately 15.81%. The decrease in profit was mainly due to the decrease in gross profit margin for both the sales of FPC and sourcing and sales of electronic components, as well as the significant increase in research and development expenses.

Other income of the Group for the three months ended 31 March 2013 amounted to approximately HK\$1.36 million, representing an increase of approximately 188.77% as compared to the corresponding period of last year. The increase in other income was mainly due to the release of part of government grants for research and development from deferred income to other income following the progress of the relevant research and development projects.

The distribution costs of the Group for the three months ended 31 March 2013 amounted to approximately HK\$2.04 million, representing an increase of approximately 21.76% as compared to the corresponding period of last year. The increase in distribution expenses was due to the increase in expenses for the operation and maintenance of a branch company in Korea established in the second half of year 2012.

The administrative expenses of the Group for the three months ended 31 March 2013 amounted to approximately HK\$5.55 million, representing an increase of approximately 2.95% as compared to the corresponding period of last year. The increase in administrative expenses was due to the increase in travelling and reception expenses.

The research and development expenses of the Group for the three months ended 31 March 2013 amounted to approximately HK\$4.90 million, representing an increase of approximately 108.73% as compared to the corresponding period of last year. The increase in research and development expenses was due to the recruitment of a team of high-calibre R&D talents.

The finance costs of the Group for the three months ended 31 March 2013 amounted to approximately HK\$1.02 million, representing a decrease of approximately 32.72% as compared to the corresponding period of last year. The decrease in finance costs was mainly due to the significant decrease in interest rates of bank borrowings.

## **Business Review and Outlook**

### ***Business Review***

During the first quarter of 2013, the turnover of the Group amounted to approximately HK\$112.08 million, representing an increase of approximately 5.24% as compared to the corresponding period of last year. During the period, the turnover from the sales of FPC, sourcing and sales of electronic components and the sale of flexible packaging substrates (including both of the original business of the encapsulation of COF modules and the new product lines of COF films and flexible integrated circuits and module packaging substrates) were approximately HK\$93.50 million, HK\$15.45 million and HK\$3.14 million respectively. The turnover from the sales of FPC, sourcing and sales of electronic components and the encapsulation of COF modules during the corresponding period of last year were approximately HK\$91.53 million, HK\$14.68 million and HK\$0.28 million respectively. During the first quarter of 2013, the profit attributable to the owners of the Company amounted to approximately HK\$1.84 million, representing a decrease of approximately 15.81% as compared to the corresponding period of last year. The decrease in profit was mainly due to the decrease in gross profit margin for both the sales of FPC and sourcing and sales of electronic components, as well as the significant increase in research and development expenses.

During the first quarter of 2013, the Group's sales of FPC increased by approximately 2.15% as compared to the corresponding period of last year, and the gross profit margin of FPC decreased to approximately 11.9% (the corresponding period of 2012: approximately 14.37%). The turnover from sourcing and sales of electronic components increased by approximately 5.18% as compared to the corresponding period of last year, while its gross profit margin decreased to approximately 7.31% (the corresponding period of 2012: approximately 12.12%). During the quarter under review, orders for other flexible packaging substrates, including COF films and flexible integrated circuits and module packaging substrates were received by the Group. As such new products of the Group adopt similar production technology and share substantially same production lines with the encapsulation of COF modules, the encapsulation of COF modules, COF films and flexible integrated circuits and module packaging substrates are regarded as same series of products of the Group and are therefore re-named as a segment of "flexible packaging substrates" to include the original business of encapsulation of COF modules and to reflect the expansion of new product lines accordingly. During the period under review, income from the flexible packaging substrates (including both of the income from the encapsulation of COF modules and the income from the new product lines of COF films and flexible integrated circuits and module packaging substrates) increased by approximately 1016.01% as compared to the corresponding period of last year of approximately HK\$0.28 million (which represented the income from the original business of the encapsulation of COF modules only), and its gross profit margin (taken into account all of the above-mentioned original business and new product lines) increased to approximately 60.18% (while the gross loss margin for the above-mentioned original business for the corresponding period of 2012: approximately 100.34%).

During the quarter under review, the Group's business recorded a slight growth as compared with the corresponding period of last year, while its net profit decreased slightly under the pressure of increasing costs. To better fulfill the future needs of its customers, the Group has started to implement an equipment investment plan so as to expand the production capacity of its Nansha Factory and Suzhou Factory and improve their technology level. It is expected that the equipment investment plan will be completed at the end of the second quarter of the year.

## Outlook

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

In light of changes in market competition and the adjustment to its competition strategies, the Group has shifted its focus to serve large international clients by offering them the high-density interconnect FPC and rigid-flex FPC products. During the year, the Group will continue to focus on the following aspects: identifying and developing major international customers, securing more sales orders, developing the high-value-added businesses relating to the high-density interconnect FPC and the flexible packaging substrates, further expanding the production capacity of its Nansha Factory and Suzhou Factory and improving their automation level, enhancing the stability in the production of high-end FPC and further optimizing the corporate value chain. Internal management and competitiveness will be continuously strengthened and our profitability is expected to be gradually uplifted.

The Board of Directors is of the opinion that, with its continuous investment in the FPC industry for the expansion of production capacity and the business of electronic components, the Group has become capable of serving large international clients and fulfilling their personalized needs. Despite the downturn and increasing competition in the industry, as well as the continuous increase in labour costs and other operating expenses in Mainland China, the Group is confident that it will be able to expand its operation scale, achieve economies of scale and bring satisfactory results and promising return to its shareholders in future, through effective market development, enhancing its cooperation relationship with large international clients and improving its internal management and business synergies.

## DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 31 March 2013, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"):

#### (a) The Company

##### (i) Interest in shares of the Company

Name	Name of 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	the Company	14,190,000 ordinary shares	Beneficial owner	Long	2.63
Mr. Chai Zhi Qiang	the Company	11,500,000 ordinary shares	Beneficial owner	Long	2.13
Ms. Li Ying Hong	the Company	2,700,000 ordinary shares	Beneficial owner	Long	0.5

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

Name of Director	Class and number of underlying shares held under physically settled equity derivatives	(Note)	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	2,000,000 ordinary shares	1	Beneficial owner	Long	0.37
	2,000,000 ordinary shares	2 & 3	Beneficial owner	Long	0.37
Mr. Chai Zhi Qiang	2,800,000 ordinary shares	1	Beneficial owner	Long	0.52
	2,000,000 ordinary shares	2 & 4	Beneficial owner	Long	0.37
Ms. Li Ying Hong	600,000 ordinary shares	1	Beneficial owner	Long	0.11
	2,000,000 ordinary shares	2 & 5	Beneficial owner	Long	0.37
Mr. Liang Zhi Li	800,000 ordinary shares	2 & 6	Beneficial owner	Long	0.15
Mr. Wang Heng Yi	800,000 ordinary shares	2 & 6,7	Beneficial owner	Long	0.15

## Notes:

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

2. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Liang Zhi Li and Mr. Wang Heng Yi in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.36 per share granted to him/her under a share option scheme adopted on 6 August 2004, which position remains unchanged since the date of grant on 9 July 2007.
3. Mr. Xiong Zheng Feng is, in aggregate, interested in approximately 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, 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, 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 March 2013, to the best knowledge of the Directors, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of any associated corporations of the Company (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and Rules 5.46 to 5.68 of the GEM Listing Rules.



## (b) Substantial Shareholders

Save as disclosed below, as at 31 March 2013, 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 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.

## COMPETING INTERESTS

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

## RESIGNATION AND APPOINTMENT OF DIRECTORS

On 4 February 2013, Mr. Wang Heng Yi resigned as an independent non-executive Director, a member of audit committee and a member of remuneration committee of the Company, Mr. Bi Keyun was appointed as an independent non-executive Director, a member of audit committee and a member of remuneration committee of the Company on the same day.

## AUDIT COMMITTEE

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

The audit committee comprises three members, Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Bi Keyun. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Hung Chi Yuen Andrew. As Mr. Wang Heng Yi resigned on 4 February 2013, Mr. Bi Keyun was appointed as a member of audit committee on the same day.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the three months ended 31 March 2013.

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

9 May 2013, Hong Kong