
IMPORTANT

If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in AKM Industrial Company Limited (the “Company”), you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or any securities of the Company.



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)

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE AND PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Placing Manager



GUOTAI JUNAN SECURITIES (HONG KONG) LIMITED

Financial Adviser



GUOTAI JUNAN CAPITAL LIMITED

A notice convening the extraordinary general meeting of the Company to be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Friday, 27 December 2013 at 10:00 a.m. is set out at pages 23 to 25 of this circular. Whether or not you are able to attend such meeting, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding such meeting (or adjourned meeting thereof as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the meeting (or adjourned meeting thereof as the case may be) should you so wish.

This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular 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 circular misleading.

This circular 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>.

9 December 2013

CHARACTERISTICS OF GEM

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 of Hong Kong Limited (“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.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated 27 November 2013 in relation to, inter alia, the Shares Subscription and the Placing
“Associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday) on which commercial banks in Hong Kong are open for usual banking business throughout their normal business hours
“Closing Date”	the date falling on the seventh Business Day after the conditions as set out in the Placing Agreement have been satisfied (or such other date as the Company and the Placing Manager may mutually agree in writing)
“Company”	AKM Industrial Company Limited (stock code: 8298), a company incorporated in Hong Kong with limited liability, the Shares of which are listed on GEM
“Completion Date”	the date falling on the seventh Business Day after the conditions as set out in the Subscription Agreement have been fulfilled (or such other date as mutually agreed between the Company and GoerTek)
“Connected Person(s)”	has the meaning ascribed thereto under the GEM Listing Rules, including those defined in Chapter 1 and Chapter 20 thereto
“Director(s)”	the director(s) of the Company

DEFINITIONS

“Encumbrances”	any mortgage, charge, lien, encumbrance, hypothecation, right of others, proxy, voting trust or similar arrangement, pledge, priority or security interest, collateral security agreement, limitations on voting rights, limitations on rights of ownership filed with any governmental authority, claim, charge, equities, mortgage, pledge, objection, deferred purchase, sale-and-repurchase or sale-and-leaseback, arrangement, title defect, title retention agreement, option, restrictive covenant, restriction on transfer, right of first refusal, right of first offer, or any comparable interest or right created by or arising under any laws, of any nature whatsoever and includes any agreement for any of the same
“EGM”	an extraordinary general meeting of the Company to be convened in compliance with the GEM Listing Rules to approve, inter alia, (i) the Shares Subscription and a specific mandate for the allotment and issue of the Subscription Shares; and (ii) the Placing and a specific mandate for the allotment and issue of the Placing Shares
“GEM”	The Growth Enterprise Market of The Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“GoerTek”	歌爾聲學股份有限公司 (GoerTek Inc.), a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange with stock code 002241
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

DEFINITIONS

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), whom, to the best of the Director’s knowledge, information and belief having made all reasonable enquiries, is/are independent of, and not connected with, the Company, any director(s), chief executive(s), controlling shareholders or substantial shareholder(s) (as defined in the GEM Listing Rules) of the Company or any of its Subsidiaries or their respective associates
“Last Trading Day”	25 November 2013, being the last trading day of the Shares immediately prior to the suspension in trading of the Shares on GEM at 1:00 p.m. on 26 November 2013 (Tuesday) pending the release of the Announcement
“Latest Practicable Date”	6 December 2013, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Committee”	the Listing Committee of the Stock Exchange
“Long Stop Date”	31 March 2014
“Placee(s)”	any professional institutional or other investor independent of and not connected or acting in concert with each other, the Company, the Directors, controlling shareholders, substantial shareholders and chief executive (as defined in the GEM Listing Rules) of the Company, its Subsidiaries or their respective associates (as defined in the GEM Listing Rules) procured by the Placing Manager to subscribe or purchase (as the case may be) any of the Placing Shares pursuant to the Placing Manager’s obligations under the Placing Agreement
“Placing”	the placing of the Placing Shares by the Placing Manager to the Placees pursuant to the Placing Agreement

DEFINITIONS

“Placing Agreement”	the conditional agreement dated 27 November 2013 entered into between the Company and the Placing Manager in relation to the Placing
“Placing Manager”	Guotai Junan Securities (Hong Kong) Limited, a licensed corporation licensed under the Securities and Futures Ordinance, Cap.571 of the Laws of Hong Kong to conduct type 1 (dealing in securities) and type 4 (advising on securities) regulated activities
“Placing Price”	the placing price of HK\$0.513 per Placing Share
“Placing Shares”	a total of 132,150,000 new Shares to be allotted and issued pursuant to the terms and conditions of the Placing Agreement
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shares Subscription”	the subscription of the Subscription Shares at the Subscription Price by GoerTek pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 27 November 2013 entered into between the Company and GoerTek in relation to the Shares Subscription
“Subscription Price”	HK\$0.513 per Share, totalling HK\$149,241,960
“Subscription Shares”	the 290,920,000 new Shares to be subscribed by GoerTek and issued by the Company pursuant to the Subscription Agreement

DEFINITIONS

“Subsidiaries”	has the same meaning as in Section 2 of the Companies Ordinance (Cap 32) of the Laws of Hong Kong and if the context requires, for the purpose of the GEM Listing Rules only, has the meaning ascribed to it under Rule 1.01 of the GEM Listing Rules
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



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)

Executive Directors:

Xiong Zheng Feng (*Chairman*)

Chai Zhi Qiang

Li Ying Hong

Non-executive Director:

Meng Weiwei

Independent non-executive Directors:

Hung Chi Yuen Andrew

Liang Zhi Li

Bi Keyun

Registered office:

Rooms 2708-11, 27/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

Principal place of business

in the PRC:

63 Huan Shi Road South

Information Technology Park

Nansha District

Guangzhou City

The People's Republic of China

9 December 2013

To the Shareholders

Dear Sir or Madam,

**SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE
AND
PLACING OF NEW SHARES UNDER SPECIFIC MANDATE**

INTRODUCTION

On 27 November 2013 the Board announced that the Company entered into the Subscription Agreement with GoerTek on 27 November 2013 pursuant to which GoerTek has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 290,920,000 Subscription Shares at a price of HK\$0.513 per Subscription Share.

LETTER FROM THE BOARD

The Board also announced that the Company entered into the Placing Agreement with the Placing Manager on 27 November 2013 for the placing of a total of 132,150,000 Placing Shares to not less than six Placées at the Placing Price of HK\$0.513 per Placing Share.

The purpose of this circular is to give Shareholders further information in relation to the Shares Subscription, the Placing and the notice of EGM.

SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

Introduction

On 27 November 2013, the Company entered into the Subscription Agreement with GoerTek pursuant to which GoerTek has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 290,920,000 Subscription Shares at a price of HK\$0.513 per Subscription Share.

The principal terms and conditions of the Subscription Agreement are set out below:

The Subscription Agreement

Date : 27 November 2013

Issuer : The Company

Subscriber : GoerTek

GoerTek may nominate Goertek (HongKong) Co., Limited (香港歌爾泰克有限公司), a wholly-owned subsidiary of GoerTek to be registered as the shareholder of the Subscription Shares (“**Nominated Shareholder**”) upon completion of the Shares Subscription provided that not less than 7 Business Days prior notice in writing for such nomination will be given by GoerTek to the Company before the completion of the Shares Subscription.

To the best of the Directors’ knowledge, information and belief, and having made all reasonable enquiries, each of GoerTek and the Nominated Shareholder is an Independent Third Party.

LETTER FROM THE BOARD

The Subscription Shares

290,920,000 new Subscription Shares representing approximately 52.90% of the existing issued share capital of the Company as at the Latest Practicable Date and approximately 29.90% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares.

Subscription Price

The Subscription Price of HK\$0.513 per Subscription Share was arrived at after arm's length negotiation between the Company and GoerTek with reference to: (i) the audited net assets of the Company as at 31 December 2012 and the unaudited net assets of the Company as at 30 June 2013; and (ii) the prevailing market price of the Shares. The net Subscription Price per Subscription Share is approximately HK\$0.510.

The Subscription Price represents:

- (i) a premium of approximately 2.60% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on 25 November 2013, being the Last Trading Day;
- (ii) a premium of approximately 0.98% to the average closing price of approximately HK\$0.508 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 7.10% to the average closing price of approximately HK\$0.479 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 24.51% to the average closing price of approximately HK\$0.412 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 32.56% to the average closing price of approximately HK\$0.387 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;
- (vi) a premium of approximately 14.77% to the audited net asset value ("NAV") attributable to owners of the Company of approximately HK\$0.447 per Share as at 31 December 2012; and

LETTER FROM THE BOARD

- (vii) a premium of approximately 11.76% to the unaudited NAV attributable to owners of the Company of approximately HK\$0.459 per Share as at 30 June 2013.

The Subscription Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

Ranking

The Subscription Shares, when fully paid and allotted, will rank pari passu in all respects with all existing Shares in issue as at the date of issue of the Subscription Shares and the Placing Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Conditions of the Shares Subscription

The Shares Subscription is conditional upon the followings:

- (i) the passing of necessary resolution(s) by the shareholders of the Company (who are not required to abstain from voting pursuant to the GEM Listing Rules) at the EGM to approve, inter alia, the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Subscription Shares;
- (ii) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Subscription Shares;
- (iii) the receipt by the Company of a PRC legal opinion in the form and substance satisfactory to the Company from a firm of lawyers practicing the laws of the PRC (“**PRC Lawyer**”) and acceptable to the Company confirming:
 - (a) each of GoerTek and (if applicable) the Nominated Shareholder has duly obtained all necessary consent, permits, approvals, authorisations and waivers from all of the relevant PRC governmental authorities and the China Securities Regulatory Commission in respect of the transactions contemplated in the Subscription Agreement; and
 - (b) all other issues or matters which the Company shall require advices from the PRC Lawyer in relation to the Shares Subscription by GoerTek;

LETTER FROM THE BOARD

- (iv) the Placing Agreement having become unconditional in all respects (other than for the condition for the Subscription Agreement to become unconditional);
- (v) the parties to the Subscription Agreement having obtained any and all other consents, permits, approvals, authorisations and waivers necessary or appropriate for the entering into and consummation of the transactions contemplated by the Subscription Agreement; and
- (vi) all of the warranties and representations set out in the Subscription Agreement shall be true and accurate in all material respects on the date of the Subscription Agreement and at all times up to and including the Completion Date.

The Company may in its sole discretion waive the conditions set out in sub-paragraphs (v) and (vi) above at any time prior to the completion of the Shares Subscription by notice in writing to GoerTek and such waiver may be made subject to such terms and conditions as the Company shall deem appropriate.

Completion of the Shares Subscription

Completion of the Shares Subscription shall take place simultaneously with the completion of the Placing on the seventh Business Day (or such other date as mutually agreed between the Company and GoerTek) after the fulfillment or waiver of the conditions set out above. In the event that the conditions are not fulfilled or, as the case may be, waived by the Company by 4:00 p.m. of the Long Stop Date, i.e. 31 March 2014 (or such later time and/or date as the Company and GoerTek may mutually agree), the obligations of the parties under the Subscription Agreement shall cease and determine and neither party of the Subscription Agreement shall have any claim against the other save in respect of any antecedent breaches of the Subscription Agreement.

In the event that the conditions of the Shares Subscription are fulfilled on or before 4:00 p.m. of the Long Stop Date (or such later time and/or date as the Company and GoerTek may mutually agree), but the Placing cannot be completed for whatever reason(s), the obligations of the parties under the Subscription Agreement shall cease and determine and neither party hereto shall have any claim under the Subscription Agreement against the other save in respect of any antecedent breaches of the Subscription Agreement.

As at the Latest Practicable Date, none of the conditions of the Shares Subscription have been fulfilled.

LETTER FROM THE BOARD

Nomination of non-executive Director

Upon completion of the Subscription Agreement, GoerTek will be entitled to nominate one non-executive Director to the board of Directors of the Company. As at the Latest Practicable Date, the Company had not received any notice of nomination of director from GoerTek.

Undertakings by GoerTek

GoerTek unconditionally and irrevocably undertakes to and covenants with the Company that it will not and will (if applicable) procure the Nominated Shareholder will not, within a period of twelve (12) months commencing from the Completion Date (“**Restricted Period**”), sell, transfer or otherwise dispose of or create any Encumbrance or other rights in respect of any of the Subscription Shares or sell, transfer or otherwise dispose of or create any Encumbrance or other rights over any shares in the Nominated Shareholder or any company controlled by GoerTek which is for the time being the beneficial owner of any of the Subscription Shares (including but not limited to the shareholder of the Nominated Shareholder).

GoerTek or the Nominated Shareholder (as the case may be) may only sell, dispose or transfer the Subscription Shares at any time after the expiration of the Restricted Period provided that:

- (i) prior written notice of not less than 7 Business Days in respect of such proposed sale, transfer or disposal of any part or parts of the Subscription Shares is duly served on the Company by GoerTek and (if applicable) by the Nominated Shareholder before any of such sale, disposal or transfer;
- (ii) prior written notice of not less than 14 Business Days before any sale, disposal or transfer is duly served on the Company by GoerTek and (if applicable) the Nominated Shareholder if the number of the Subscription Shares to be sold, disposed or transferred to any person(s) and/or entity(ies) (“**Transferee(s)**”) who/which by itself/himself or herself or who/which together with his/her/its Connected Person(s) after such sale, disposal or transfer shall hold 5% or more (in aggregate) of the issued share capital of the Company from time to time;
- (iii) unless prior written consent is duly given by the Company (which it may withhold in its absolute discretion), the Transferee(s) and/or its Connected Person(s) is/are not and will not directly or indirectly carry on or be engaged or concerned or interested in the business of the Group or any business similar to or competes with any business carried on or intended to be carried on or engaged by the Group from time to time. As a condition to the provision of written consent by the Company under the Subscription

LETTER FROM THE BOARD

Agreement, the Transferee and/or its Connected Persons may be required to execute an undertaking for non-competition in writing (in such form and substance provided by the Company); and

- (iv) all reasonable steps will be taken by GoerTek or (if applicable) the Nominated Shareholder to ensure that such sale, disposal and/or transfer of the Subscription Shares will be carried out in an orderly manner and will not create a false or disorderly market in the trading of the Shares of the Company.

Furthermore, GoerTek also unconditionally and irrevocably undertakes to and covenants with the Company that so long as GoerTek, the Nominated Shareholder and/or any Connected Person(s) of GoerTek or the Nominated Shareholder remains as shareholder of the Company of not less than 20% of the issued share capital of the Company (individually or aggregately), GoerTek will not and will (if applicable) procure the Nominated Shareholder and their respective Connected Person(s) not to invest (directly or indirectly) in any business or business entity(ies) which directly or indirectly carry on or be engaged or concerned or interested in any business of the Group or any business similar to or competes with any business carried on or intended to be carried on or engaged by the Group unless prior written consent is duly given by the Company (which it may withhold in its absolute discretion). Such restriction shall not apply to the direct or indirect holding of any securities listed on a stock exchange where the total voting rights exercisable at general meetings of the company concerned as represented by such holding do not exceed 5% of the total voting rights attaching to the securities of the same class as that held by GoerTek, the Nominated Shareholders and/or its Connected Person(s).

Use of proceeds

The gross proceeds from the Shares Subscription will be approximately HK\$149.24 million and the net proceeds from the Shares Subscription will be approximately HK\$148.37 million which are intended to be used for (i) the expansion of the flexible packaging substrates business of the Group; (ii) the research and development of other new products; and (iii) general working capital of the Group.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares.

LETTER FROM THE BOARD

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Introduction

On 27 November 2013, the Company entered into the Placing Agreement with the Placing Manager for the placing of a total of 132,150,000 Placing Shares to not less than six Placees at the Placing Price of HK\$0.513 per Placing Share.

The Placing Agreement

Date : 27 November 2013

Issuer : The Company

Placing Manager : The Placing Manager

The Placing Manager has been appointed as agent to place the Placing Shares and will receive a placing commission of 2.5% on the gross proceeds of the Placing. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Manager under normal commercial terms and with reference to prevailing market rate.

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

Placee(s)

The Placing Shares will be placed to not less than six Placees, who/which will be professional institutional or other investors procured by the Placing Manager. All Placees and their respective ultimate beneficial owner(s) will be Independent Third Parties. To the extent any Placing Shares are not placed, the Placing Manager will subscribe for such relevant unplaced Placing Shares at the Placing Price which subscription will be completed simultaneously with the other Placees in accordance with the Placing Agreement.

It is expected that none of the Placees will become a substantial shareholder (as defined in the GEM Listing Rules) of the Company as a result of the Placing.

LETTER FROM THE BOARD

Placing Shares

The Placing Shares represent, in aggregate, 24.03% of the existing issued share capital of the Company and approximately 13.58% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Placing Shares.

The Placing Shares will, upon issue, rank pari passu in all respects with the existing Shares in issue as at the date of issue of the Placing Shares and the Subscription Shares. The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Placing Price

The Placing Price of HK\$0.513 per Placing Share was determined at after arm's length negotiations between the Company and the Placing Manager with reference to (i) the audited net assets of the Company as at 31 December 2012 and the unaudited net assets of the Company as at 30 June 2013; and (ii) the prevailing market price of the Shares of the Company. The net Placing Price per Placing Share is approximately HK\$0.496.

The Placing Price represents:

- (i) a premium of approximately 2.60% to the closing price of HK\$0.50 per Share as quoted on the Stock Exchange on 25 November 2013, being the Last Trading Day;
- (ii) a premium of approximately 0.98% to the average closing price of approximately HK\$0.508 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 7.10% to the average closing price of approximately HK\$0.479 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day;
- (iv) a premium of approximately 24.51% to the average closing price of approximately HK\$0.412 per Share as quoted on the Stock Exchange for the last 90 consecutive trading days up to and including the Last Trading Day;
- (v) a premium of approximately 32.56% to the average closing price of approximately HK\$0.387 per Share as quoted on the Stock Exchange for the last 180 consecutive trading days up to and including the Last Trading Day;

LETTER FROM THE BOARD

- (vi) a premium of approximately 14.77% to the audited NAV attributable to owners of the Company of approximately HK\$0.447 per Share as at 31 December 2012; and
- (vii) a premium of approximately 11.76% to the unaudited NAV attributable to owners of the Company of approximately HK\$0.459 per Share as at 30 June 2013.

The Directors (including the independent non-executive Directors) consider that the Placing Price and the terms and conditions of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Placing Shares will be allotted and issued pursuant to a specific mandate to be sought from the Shareholders at the EGM.

Placing Costs

Subject to the completion of the Placing Agreement, the Company shall pay to the Placing Manager the placing commission of 2.5% of the gross proceeds of the Placing and all reasonable costs and expenses in relation to the Placing.

Conditions of the Placing

The Placing is conditional upon the fulfillment of each of the following conditions by the Long Stop Date or such later date as the parties thereto may agree:

- (i) the passing of necessary resolution(s) by the shareholders of the Company (who are not required to abstain from voting pursuant to the GEM Listing Rules) at the EGM to approve the Placing Agreement and the transactions contemplated thereunder (including but not limited to the issue and allotment of the Placing Shares);
- (ii) the Listing Committee of the Stock Exchange agreeing to grant a listing of and permission to deal in, the Placing Shares;
- (iii) the Subscription Agreement having become unconditional in all respects (other than for the condition for the Placing Agreement to become unconditional); and
- (iv) the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Placing Agreement, if applicable.

LETTER FROM THE BOARD

In the event that the conditions of the Placing is not fulfilled on or before the Long Stop Date (or such later date as the parties thereto may mutually agree), all rights, obligations and liabilities of the Placing Manager and of the Company thereunder shall cease and determine and neither parties thereto shall have any claim against the other in relation thereto save for the payment by the Company of all reasonable costs and expenses as reasonably and properly incurred by the Placing Manager in relation to the Placing.

In the event that the conditions of the Placing are fulfilled on or before the Long Stop Date or such later date as the parties thereto may mutually agree, but GoerTek fails to complete the subscription of Subscription Shares in accordance with the Subscription Agreement, all rights, obligations and liabilities of the Placing Manager and of the Company thereunder shall cease and determine and neither parties hereto shall have any claim against the other in relation thereto save for the reasonable costs and expenses to be paid by the Company to the Placing Manager in relation to the Placing.

As at the Latest Practicable Date, none of the conditions of the Placing have been fulfilled.

Completion of the Placing

Completion of the Placing shall take place simultaneously with the completion of the Shares Subscription at or before 4:00 p.m. at a date no later than the Closing Date.

Termination

The Placing Manager may, by giving notice in writing to the Company, at any time prior to 6:00 p.m. on the day immediately preceding the Closing Date, terminate the Placing Agreement without liability to the Company, if:

- (i) there develops, occurs or comes into force:
 - (a) any new law or regulation or any change in existing laws or regulations which in the reasonable opinion of the Placing Manager has a material adverse effect on the financial position of the Group as a whole; or
 - (b) any significant change (whether or not permanent) in local, national or international economic, financial, political or military conditions, securities market conditions or currency exchange rates or exchange controls, including without limitation, any outbreak or escalation of hostilities, declaration by Hong Kong or elsewhere of a national emergency or other calamity or crisis,

LETTER FROM THE BOARD

the effect of which in the reasonable opinion of the Placing Manager has or may have a material adverse effect on the success of the Placing, or makes it impracticable or inadvisable or inexpedient to proceed therewith;

- (ii) any material breach of any of the representations, warranties and undertakings by the Company set out in the Placing Agreement comes to the knowledge of the Placing Manager or any event occurs or any matter arises on or after the date hereof and prior to 6:00 p.m. on the day immediately preceding the Closing Date which if it had occurred or arisen before the date hereof would have rendered any of such representations, warranties and undertakings untrue or incorrect in any material respects or there has been a material breach of, or failure to perform, any other provision of this Agreement on the part of the Company; or
- (iii) any material and adverse change in the prospects, earnings, business, properties, stockholders' equity or in the financial position of the Group as a whole which in the reasonable opinion of the Placing Manager make it impractical or inadvisable to proceed with the Placing.

In the event that the Placing Manager terminates the Placing Agreement pursuant to the above factors, all obligations of the parties under the Placing Agreement shall cease and determine and neither party shall have any claim against the other party in respect of any matter arising out of or in connection with the Placing Agreement except for any antecedent breach of any obligation under the Placing Agreement.

Use of proceeds

The gross proceeds from the Placing will be approximately HK\$67.79 million and the net proceeds from the Placing will be approximately HK\$65.55 million which are also intended to be used for (i) the expansion of the flexible packaging substrates business of the Group; (ii) the research and development of other new products; and (iii) general working capital of the Group.

Application for listing

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, all the Placing Shares.

LETTER FROM THE BOARD

REASONS FOR THE SHARES SUBSCRIPTION AND THE PLACING

The Board considers that the Shares Subscription and the Placing represent opportunities to raise capital for the Company for further development of the businesses of the Group while broadening its shareholder and capital base. The Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Placing Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company and each of GoerTek and the Placing Manager respectively and believe that the terms of the Subscription Agreement and the Placing Agreement are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole.

The proposed allocation of the total net proceeds from the Shares Subscription and the Placing of approximately HK\$214 million are as follows:

- (i) approximately HK\$180 million will be applied for the expansion of the flexible packaging substrates business of the Group;
- (ii) approximately HK\$15 million will be applied for the research and development of new products; and
- (iii) approximately HK\$19 million will be applied as the general working capital of the Group.

Expansion of flexible packaging substrates business

As reported in the quarterly reports and interim report of the Company in 2013, orders for other flexible packaging substrates, including chip on films ("COF") and flexible integrated circuits and module packaging substrates were received by the Group since the first quarter of 2013. Such new products together with the original business of encapsulation of COF modules constitute a re-named segment of business for the Group, i.e. "flexible packaging substrates". For the nine months ended 30 September 2013, income from the flexible packaging substrates business (including both of the income from the original business of encapsulation of COF modules and income from the new product lines of COF films and flexible integrated circuits and module packaging substrates) increased by approximately 673% as compared to the corresponding period of last year of approximately HK\$1.5 million (which represented the income from the original business of encapsulation of COF modules only). For the same period, the gross profit margin of flexible packaging substrates business also recorded a substantial growth to approximately 57.09% from the gross loss margin of 53.68% for the original business of encapsulation of COF modules in the corresponding period of last year. In order to expand the production capability and capacity of these new product lines of flexible packaging substrates which, in the opinion of the Directors, will provide a new growth point for the Group, phase II of the Suzhou factory of the Group will be

LETTER FROM THE BOARD

integrated with series of high-end production facilities and equipment with advanced technology imported from overseas market. Based on the preliminary feasibility studies on the new production lines for flexible packaging substrates business, approximately HK\$35 million will be applied for internal construction of production facilities, including clean room for industrial use, and approximately HK\$145 million will be applied for the acquisition of equipment.

Research and development of new products

The research and development of new products of the Group will, on the one hand, be focused on the expansion of species of flexible packaging substrates and, on the other hand, be focused on the optimization of flexible printed circuits products in order to cope with the fast developing trend of electronic products. For the nine months ended 30 September 2013, the research and development expenses of the Group amounted to approximately HK\$16.14 million, representing an increase of approximately 88.1% as compared to the corresponding period of last year. The Directors are of the view that strong research and development capability is essential to the continuous growth of the Group.

General working capital

For the nine months ended 30 September 2013, the administrative expenses of the Group amounted to approximately HK\$19.47 million which corresponds to the amount of net proceeds allocated as general working capital of the Group.

As the Directors are of the opinion that the introduction of GoerTek as a substantial shareholder of the Company will, on the one hand, strengthen the cooperation with GoerTek and increase the competitive edge of the Group in the market and, on the other hand, create synergetic effect in the provision of products to various global leading electronic manufacturers, the Directors did not consider other pre-emptive fund raising methods or alternative financing methods. As at the Latest Practicable Date, the Company has no imminent plan to acquire any businesses from GoerTek and has not entered into any discussion with GoerTek in this respect.

Notwithstanding that there will be dilution impact to the existing Shareholders, the Directors are of the view that the introduction of GoerTek as a substantial shareholder of the Company and the raising of capital from the Shares Subscription and the Placing will enhance the competitiveness of the Group in the industry and enable the Group to rapidly expand its production capacity in the high-end and high-growth flexible packaging substrates business that is expected to substantially improve the profitability of the Group. Hence, it is in the interest of the Company and the Shareholders to proceed with the Shares Subscription and the Placing. Further, the Subscription Price and the Placing Price were arrived at after arm's length negotiation between the Company and each of GoerTek and the Placing Manager which represents a premium of approximately 2.60% to the closing price on the Last Trading Day, a premium of approximately 14.77% to the audited NAV

LETTER FROM THE BOARD

attributable to owners of the Company as at 31 December 2012 and a premium of approximately 11.76% to the unaudited NAV attributable to owners of the Company as at 30 June 2013, the Directors are of the view that the Subscription Price and the Placing Price are fair and reasonable so far as the Shareholders are concerned.

EQUITY FUND RAISING ACTIVITIES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Company has not conducted any fund raising exercises in the past twelve months before the date of the Announcement.

CHANGES ON SHAREHOLDING STRUCTURE OF THE COMPANY

The changes of the shareholding structure of the Company as a result of the Shares Subscription and the Placing are as follows:

Shareholders	As at the Latest Practicable Date		Immediately after the completion of the Shares Subscription and the completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate Percentage</i>	<i>No. of Shares</i>	<i>Approximate Percentage</i>
Alpha Luck Industrial Ltd. ("Alpha Luck") (Note 1)	360,000,000	65.47	360,000,000	37.00
Mr. Xiong Zheng Feng (Note 2)	16,750,000	3.05	16,750,000	1.72
Mr. Chai Zhi Qiang (Note 3)	13,500,000	2.45	13,500,000	1.39
Ms. Li Ying Hong (Note 4)	4,700,000	0.85	4,700,000	0.48
Mr. Liang Zhi Li	800,000	0.15	800,000	0.08
GoerTek	–	–	290,920,000	29.90
The Placees (Note 5)	–	–	132,150,000	13.58
Other public shareholders (Note 5)	154,150,000	28.03	154,150,000	15.85
Total	549,900,000	100	972,970,000	100

Notes:

- As Alpha Luck is wholly and beneficially owned by Silver City International (Holdings) Ltd. ("Silver City"), which in turn is wholly and beneficially owned by China North Industries Corporation ("CNIC"), both Silver City and CNIC are deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.

LETTER FROM THE BOARD

2. Mr. Xiong Zheng Feng is interested in 16,750,000 issued shares of the Company and 2,000,000 underlying shares of the Company which reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to him under a Pre-IPO Share Option Scheme adopted on 6 August 2004 (“**Pre-IPO Scheme**”), which position remained unchanged since the date of grant on 6 August 2004.
3. Mr. Chai Zhi Qiang is interested in 13,500,000 issued shares of the Company and 2,800,000 underlying shares of the Company which reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to him under the Pre-IPO Scheme, which position remained unchanged since the date of grant on 6 August 2004.
4. Ms. Li Ying Hong is interested in 4,700,000 issued shares of the Company and 800,000 underlying shares of the Company which reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to her under the Pre-IPO Scheme, which position remained unchanged since the date of grant on 6 August 2004.
5. According to the Placing Agreement, the Placing Shares will be subscribed by not less than six Placees who/whom will be Independent Third Parties and none of the Placees will become a substantial shareholder (as defined under the GEM Listing Rules) of the Company as a result of the Placing. Hence, the Placees and the “Other public shareholders” will together constitute public float of the Company upon completion of the Shares Subscription and the Placing.

INFORMATION OF THE GROUP

The Group is principally engaged in the manufacture and sale of FPC, which are used in communication, LCD, consumer electronic products such as mobile phones, LCD, car electronics and cameras. The Group is also engaged in sourcing and sale of electronic components and the manufacture and sale of flexible packaging substrates (including the encapsulation of COF modules and the new product lines of COF films and flexible integrated circuits and module packaging substrates).

INFORMATION OF GOERTEK

GoerTek is principally engaged in the development, production and sale of acoustic and multimedia technology and products, near field communication, web conferencing system related products, automated electronic products production facilities, molds for precision electronic products, semi-conductor type micro electro-mechanical products, consumer electronics, computer accessories, LED packaging and related products, development and sale of installation software of the aforesaid products, services related to the aforesaid technology and products, import and export of goods, import and export of technology.

LETTER FROM THE BOARD

THE EGM

The EGM will be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Friday, 27 December 2013 at 10:00 a.m. to consider, and if thought fit, approve the necessary ordinary resolutions in connection with the Subscription Agreement and the Placing Agreement and the transactions contemplated thereunder including, but not limited to, (i) the Shares Subscription and a specific mandate for the allotment and issue of the Subscription Shares; and (ii) the Placing and a specific mandate for the allotment and issue of the Placing Shares. A notice convening the EGM is set out on pages 23 to 25 of this circular.

Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong share registrar and transfer office, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM (or adjourned meeting thereof as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM (or adjourned meeting thereof as the case may be) should you so wish.

PROCEDURES TO VOTE

Pursuant to Rule 17.47(4) of the GEM Listing Rules, voting of resolutions at the EGM will be taken by way of poll, and an announcement will be made by the Company after the EGM on the results of the EGM.

To the best of the knowledge, information and belief of the Directors, no Shareholder is required to abstain from voting on the resolutions proposed in the EGM.

RECOMMENDATION

Based on the reasons set out in the paragraph headed "Reasons for the Shares Subscription and the Placing" above, the Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Placing Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company and each of GoerTek and the Placing Manager respectively and believe that the terms of the Subscription Agreement and the Placing Agreement are fair and reasonable based on the current market conditions and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolutions to be put forward to the Shareholders at the EGM to consider, and, if thought fit, approve the Subscription Agreement and the Placing Agreement and the transactions contemplated thereunder.

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

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting (the “**EGM**”) of AKM Industrial Company Limited (the “**Company**”) will be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on Friday, 27 December 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT:**
 - (i) the subscription agreement dated 27 November 2013 (“**Subscription Agreement**”) entered into between the Company and GoerTek Inc. (“**GoerTek**”) in respect of the subscription (“**Shares Subscription**”) of a total of 290,920,000 new shares of HK\$0.10 each in the share capital of the Company (“**Subscription Shares**”) at a subscription price of HK\$0.513 per Subscription Share (“**Subscription Price**”) (a copy of the Subscription Agreement having been produced to the meeting and marked “A” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
 - (ii) conditional upon the Listing Committee (“**Listing Committee**”) of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, the Subscription Shares, the allotment and issue of the Subscription Shares to GoerTek pursuant to the Subscription Agreement be and is hereby approved and the grant of a specific mandate for the directors of the Company (“**Directors**”) to allot and issue the Subscription Shares at the Subscription Price pursuant to the Subscription Agreement be and is hereby approved; and

NOTICE OF EGM

(iii) any one or more of the Directors be and is/are hereby authorized to do all such acts and things and execute all such documents where he/she/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

2. **“THAT:**

- (i) the placing agreement dated 27 November 2013 (“**Placing Agreement**”) entered into between the Company and Guotai Junan Securities (Hong Kong) Limited (“**Placing Manager**”) in respect of the placing (“**Placing**”) of a total of 132,150,000 new shares of HK\$0.10 each in the share capital of the Company (“**Placing Shares**”) at a placing price of HK\$0.513 per Placing Share (“**Placing Price**”) (a copy of the Placing Agreement having been produced to the meeting and marked “B” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (ii) conditional upon the Listing Committee of The Stock Exchange granting the listing of, and permission to deal in, the Placing Shares, the allotment and issue of the Placing Shares to the placees pursuant to the Placing Agreement be and is hereby approved and the grant of a specific mandate for the Directors to allot and issue the Placing Shares at the Placing Price pursuant to the Placing Agreement be and is hereby approved; and
- (iii) any one or more of the Directors be and is/are hereby authorized to do all such acts and things and execute all such documents where he/she/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Placing Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 9 December 2013

NOTICE OF EGM

Registered Office:

Rooms 2708-11, 27/F
West Tower, Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal place of business in China:

63 Huan Shi Road South
Information Technology Park
Nansha District
Guangzhou City
The People's Republic of China

Notes:

- (i) Any member of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his/her/its behalf. A member who is the holder of two or more shares of the Company (“Shares”) may appoint more than one proxy to represent him and vote on his behalf at the EGM provided that if more than one proxy is so appointed the appointment shall specify the number of Shares in respect of each such proxy is so appointed. A proxy need not be a member of the Company.
- (ii) The form of proxy must be signed by a member or the attorney of the member duly authorized in writing or, in the case of a corporation, must be signed either under its common seal or under the hand of an officer or attorney so authorized.
- (iii) To be valid, the proxy form must be delivered to the Hong Kong share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong together with a power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the EGM or adjourned meeting thereof.
- (iv) Delivery of an instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (v) Where there are joint registered holders of any Share(s), any one of such persons may vote at the EGM, either personally or by proxy, in respect of such Share(s) as if he was solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members in respect of such Share(s) shall alone be entitled to vote in respect thereof.