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**AKM Industrial Company Limited**  
**安捷利實業有限公司**

*(incorporated in Hong Kong with limited liability under the Companies Ordinance)*

**(Stock Code: 8298)**

**CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the announcement of the Company (“**Announcement**”) dated 27 November 2013 with regard to, inter alia, continuing connected transactions pursuant to Rule 20.41 of the GEM Listing Rules. Subsequent to the completion of the subscription of shares of the Company by Goertek HongKong on 27 January 2014, GoerTek becomes a substantial shareholder of the Company through its wholly-owned subsidiary, Goertek HongKong. As at the date of this announcement, Goertek HongKong holds 290,920,000 Shares of the Company, representing approximately 29.90% of the issued share capital of the Company. Accordingly, GoerTek is a substantial shareholder and a connected person of the Company under the GEM Listing Rules. As disclosed in the Announcement, the Group has sold parts, components and other products (including but not limited to flexible printed circuits (“**FPC**”) products) (“**Subject Transactions**”) to GoerTek pursuant to a framework purchase agreement (“**Purchase Agreement**”) dated 2 April 2012 for an initial period of one year, which shall be automatically renewed for successive terms of one year until being terminated by either party by two months’ written notice in advance before the expiration of that initial term. It is expected that the Group and GoerTek Group will continue to conduct the Subject Transactions which constitute continuing connected transactions of the Company under Chapter 20 of the GEM Listing Rules. On 11 March 2014, the Company (for itself and on behalf of its Subsidiaries) entered into the New Purchase Agreement with GoerTek (for itself and on behalf of its Subsidiaries) in relation to the Subject Transactions for a term commencing from 3 April 2014 and expiring on 31 December 2016.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for each of the Proposed Annual Caps for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016 exceed 5% and HK\$10,000,000, the Subject Transactions constitute non-exempt continuing connected transactions of the Company (“**Continuing Connected Transactions**”) and are therefore subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Rules 20.35 to 20.40 of the GEM Listing Rules. The New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are therefore subject to the approval of the Independent Shareholders at the EGM.

An Independent Board Committee comprising the independent non-executive Directors (namely Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Bi Keyun) has been established to advise the Independent Shareholders, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Continuing Connected Transactions and the Proposed Annual Caps.

## **DESPATCH OF CIRCULAR**

A circular containing, among others, (i) further details of the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a recommendation letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 1 April 2014.

## **INTRODUCTION**

Reference is made to the Announcement with regard to, inter alia, the Continuing Connected Transactions pursuant to Rule 20.41 of the GEM Listing Rules. As disclosed in the Announcement, the Group has sold parts, components and other products (including but not limited to FPC products) to GoerTek pursuant to the Purchase Agreement dated 2 April 2012 for an initial period of one year, which shall be automatically renewed for successive terms of one year until being terminated by either party by two months' written notice in advance before the expiration of that initial term. On 11 March 2014, the Company (for itself and on behalf of its Subsidiaries) entered into the New Purchase Agreement with GoerTek (for itself and on behalf of its Subsidiaries) in relation to the Subject Transactions with the following principal terms:

## **THE NEW PURCHASE AGREEMENT**

- Date: 11 March 2014
- Parties: (i) the Company (for itself and on behalf of its Subsidiaries) (as supplier)  
(ii) GoerTek (for itself and on behalf of its Subsidiaries) (as purchaser)
- Contract Period: 3 April 2014 to 31 December 2016
- Subject: The Company (for itself and on behalf of its Subsidiaries) agreed to supply, and GoerTek (for itself and on behalf of its Subsidiaries) agreed to purchase, parts, components and other products (including but not limited to FPC products) by separate orders during the contract period.

Price determination: Price for individual products is to be determined by the parties with reference to the prevailing market price of products of similar nature and to be agreed by the parties in writing under separate contract(s), order(s) and/or price quotation(s) in writing.

Payment terms: Within 60 to 90 days from the date of receipt of invoice(s) by the purchaser. The specific term of payment to be agreed by the parties in the respective contract(s), order(s) and/or price quotation(s).

The validity of the New Purchase Agreement is subject to the approval of the Independent Shareholders of the Company at the EGM.

### **Proposed Annual Caps**

The annual caps proposed by the Company (“**Proposed Annual Caps**”) for the Continuing Connected Transactions (exclusive of value-added tax) for the relevant periods are set out below:

	<b>1 January 2014 to 31 December 2014</b>	<b>1 January 2015 to 31 December 2015</b>	<b>1 January 2016 to 31 December 2016</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed Annual Caps	60,000,000	100,000,000	140,000,000

The Proposed Annual Caps have been prepared by the Company primarily based on the following major factors and assumptions:

- (i) the historical transaction amounts;
- (ii) the capability in products development of the Group remains competitive;
- (iii) the production capacities of the Group increases continuously following the commencement of production of phase II of the Suzhou factory of the Group;
- (iv) the demand for the Group’s products by GoerTek Group will record satisfactory increases for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016; and
- (v) the prices of the products supplied by the Group to GoerTek Group will remain relatively stable and competitive for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016.

Such projection is assumed solely for determining the Proposed Annual Caps and shall not be regarded as any indication directly or indirectly as to the respective revenue, profitability or trading prospects of the Group and/or GoerTek Group.

### **Implications under the GEM Listing Rules**

GoerTek is a substantial shareholder of the Company through its wholly-owned subsidiary, Goertek HongKong. As at the date of this announcement, Goertek HongKong holds 290,920,000 Shares of the Company, representing approximately 29.90% of the issued share capital of the Company. Accordingly, GoerTek is a substantial shareholder and a connected person of the Company under the GEM Listing Rules. The Subject Transactions constitute Continuing Connected Transactions of the Company under Chapter 20 of the GEM Listing Rules.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) for each of the Proposed Annual Caps for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016 exceed 5% and HK\$10,000,000, the Subject Transactions constitute non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Rules 20.35 to 20.40 of the GEM Listing Rules. The New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are therefore subject to the approval of the Independent Shareholders at the EGM.

### **Reasons for the Continuing Connected Transactions**

The Group has maintained a stable and amicable business relationship with GoerTek in the past. The Directors (including the independent non-executive Directors) consider that the New Purchase Agreement and the Continuing Connected Transactions between GoerTek Group and the Group are entered into in the ordinary course of business of the Company and it is in the best interests of the Group and the Shareholders as a whole to continue the Subject Transactions pursuant to the New Purchase Agreement which will increase the Group's sales revenue and profits. Further, it will facilitate the Group's collaboration with its substantial shareholder, GoerTek, which will be conducive to promoting their complementary strengths in industries and to creating synergistic effects for the businesses of the Group and GoerTek Group.

Given that the New Purchase Agreement is entered into in the usual and ordinary course of business of the Group and the transactions contemplated under the New Purchase Agreement are conducted on an arm's length basis and on normal commercial terms, the Directors (excluding the independent non-executive Directors) consider that the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and the entering into the New Purchase Agreement are in the interests of the Group and the Shareholders as a whole. The views of the independent non-executive Directors, after considering the advice from the Independent Financial Adviser, will be set out in the circular to be despatched to the Shareholders.

### **Independent Board Committee and Independent Financial Adviser**

The EGM will be convened and held to seek approval from the Independent Shareholders in relation to the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. GoerTek and its associates will be required to abstain from voting at the EGM.

An Independent Board Committee comprising the independent non-executive Directors (namely Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Bi Keyun) has been established to advise the Independent Shareholders, and the Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

### **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 chip on film (“COF”) modules and the new product lines of COF films and flexible integrated circuits and module packaging substrates).

### **INFORMATION OF GOERTEK GROUP**

GoerTek Group 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.

## **DESPATCH OF CIRCULAR**

A circular containing, among others, (i) further details of the Continuing Connected Transactions and the Proposed Annual Caps; (ii) a recommendation letter from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM, will be despatched to the Shareholders on or before 1 April 2014.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“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
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened in compliance with the GEM Listing Rules to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“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 the stock code of 002241
“GoerTek Group”	GoerTek and its subsidiaries

“Goertek HongKong”	Goertek (HongKong) Co., Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of GoerTek
“Group”	the Company and its Subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent board committee of the Board (consisting three independent non-executive Directors namely Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Bi Keyun) which has been formed to advise and give recommendations to the Independent Shareholders in respect of the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“Independent Financial Adviser”	Quam Capital Limited, a licensed corporation licensed under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong to conduct type 6 (advising on corporate finance) regulated activity, appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“Independent Shareholders”	Shareholders who/which are not required to abstain from voting at the EGM
“New Purchase Agreement”	the new framework purchase agreement dated 11 March 2014 entered into between GoerTek (for itself and on behalf of its Subsidiaries) and the Company (for itself and on behalf of its Subsidiaries) in relation to the supply of parts, components and other products (including but not limited to FPC products) by the Group to GoerTek Group
“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)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	has the same meaning as in Section 15 of the Companies Ordinance (Cap 622) 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 11 March 2014

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

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

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