



AKM Industrial Company Limited

安捷利實業有限公司

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

(Stock Code: 8298)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013**

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

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

HIGHLIGHTS

- For the year ended 31 December 2013, audited turnover of the Group amounted to approximately HK\$641.16 million, representing an increase of approximate 6.74% as compared to the turnover of last year, and the profit for the year attributable to the owners of the Company amounted to approximately HK\$30.30 million, while the profit attributable to the owners of the Company of last year was approximately HK\$32.45 million.
- Earnings per share of the Company and its subsidiaries (collectively, the “Group”) was approximately HK5.55 cent for the year ended 31 December 2013.
- The board of Directors do not recommend the payment of a final dividend for the year ended 31 December 2013 (2012: HK1 cent per share).

THE FINANCIAL STATEMENTS

Results

The board (the “Board”) of Directors hereby announces the audited consolidated results of the Group for the year ended 31 December 2013 (the “year”), together with the comparative audited figures for the year 2012, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	2013 HK\$'000	2012 HK\$'000
Revenue	4	641,159	600,686
Cost of sales		<u>(552,804)</u>	<u>(507,521)</u>
Gross profit		88,355	93,165
Other income	5	10,326	3,838
Distribution costs		(12,048)	(12,270)
Administrative expenses		(25,130)	(27,643)
Research and development expenses		(22,589)	(12,648)
Share of result of a joint venture		–	(3,301)
Finance costs	6	<u>(5,406)</u>	<u>(6,458)</u>
Profit before taxation	7	33,508	34,683
Taxation	8	<u>(2,041)</u>	<u>(2,146)</u>
Profit for the year		<u>31,467</u>	<u>32,537</u>
Other comprehensive income:			
Item that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		<u>9,584</u>	<u>1,768</u>
Total comprehensive income for the year		<u><u>41,051</u></u>	<u><u>34,305</u></u>
Profit for the year attributable to:			
Owners of the Company		30,301	32,449
Non-controlling interests		<u>1,166</u>	<u>88</u>
		<u>31,467</u>	<u>32,537</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		39,853	34,384
Non-controlling interests		<u>1,198</u>	<u>(79)</u>
		<u><u>41,051</u></u>	<u><u>34,305</u></u>
Earnings per share	10		
– basic		<u><u>HK5.55 cents</u></u>	<u><u>HK6.01 cents</u></u>
– diluted		<u><u>HK5.53 cents</u></u>	<u><u>HK6.01 cents</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		306,265	218,118
Prepaid lease payments		57,994	57,708
Deposits for acquisition of property, plant and equipment		2,461	2,687
		366,720	278,513
Current assets			
Inventories		74,828	69,239
Trade and other receivables	<i>11</i>	167,594	164,400
Prepaid lease payments		1,353	1,316
Amount due from an intermediate holding company		–	300
Pledged bank deposits		2,355	2,354
Bank balances and cash		42,177	47,821
		288,307	285,430
Current liabilities			
Trade and other payables	<i>12</i>	167,903	158,639
Deferred income		855	4,413
Amount due to ultimate holding company		–	995
Amount due to a fellow subsidiary		–	121
Taxation payable		5,377	4,461
Bank borrowings		111,518	72,863
Loan from ultimate holding company		1,023	995
		286,676	242,487
Net current assets		1,631	42,943
Total assets less current liabilities		368,351	321,456

	<i>Notes</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Capital and reserves			
Share capital		54,990	54,000
Reserves		224,430	187,502
		<hr/>	<hr/>
Equity attributable to owners of the Company		279,420	241,502
Non-controlling interests		3,423	2,225
		<hr/>	<hr/>
Total equity		282,843	243,727
		<hr/>	<hr/>
Non-current liabilities			
Deferred income		31,218	31,188
Loans from an intermediate holding company		38,775	44,760
Loan from ultimate holding company		–	995
Bank borrowings		14,801	–
Deferred taxation		714	786
		<hr/>	<hr/>
		85,508	77,729
		<hr/>	<hr/>
		368,351	321,456
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Share options reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
At 1 January 2012	54,000	53,868	61,848	2,475	34,927	207,118	3,326	210,444
Profit for the year	-	-	-	-	32,449	32,449	88	32,537
Disposal of a subsidiary	-	-	(3,848)	-	3,848	-	(1,022)	(1,022)
Other comprehensive income (expense)	-	-	1,935	-	-	1,935	(167)	1,768
Total comprehensive (expense) income for the year	-	-	(1,913)	-	36,297	34,384	(1,101)	33,283
Lapse of share options	-	-	-	(157)	157	-	-	-
At 31 December 2012	54,000	53,868	59,935	2,318	71,381	241,502	2,225	243,727
Profit for the year	-	-	-	-	30,301	30,301	1,166	31,467
Other comprehensive income	-	-	9,552	-	-	9,552	32	9,584
Total comprehensive income for the year	-	-	9,552	-	30,301	39,853	1,198	41,051
Exercise and lapse of share options	990	3,544	-	(1,048)	78	3,564	-	3,564
Dividend paid (note 9)	-	-	-	-	(5,499)	(5,499)	-	(5,499)
At 31 December 2013	54,990	57,412	69,487	1,270	96,261	279,420	3,423	282,843

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. GENERAL

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

The shares of the Company were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from 18 August 2004 (“Listing Date”). The registered office of the Company is situated at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, and the principal place of business of the Company is situated at 63 Huan Shi Road South, Information Technology Park, Nansha District, Guangzhou City, the PRC.

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

The Company is an investment holding company and is engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit (“FPC”). Its subsidiaries are principally engaged in manufacture and sale of FPC, sourcing and sale of electronic components and manufacture and sale of flexible packaging substrates (including the encapsulation of Chip On Film modules (“COF”)).

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) Int – 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company have made an assessment as at the date of initial application of HKFRS 10 (i.e. 1 January 2013) in respect of the Group's control in its subsidiaries under the new definition in the new and revised HKFRSs and concluded that the application of the new standards have no impact on the subsidiaries currently reported in the consolidated financial statements.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The directors of the Company concluded that the application of HKFRS 12 has had no material impact with respect to the Group's interests in subsidiaries.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 “Presentation of items of other comprehensive income”. Upon the adoption of the amendments to HKAS 1, the Group’s ‘statement of comprehensive income’ is renamed as the ‘statement of profit or loss and other comprehensive income’. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities ¹
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ²
HKFRS 9	Financial instruments ³
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

⁴ Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

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

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

Based on the consolidated statement of financial position of the Group as at 31 December 2013, the directors of the Company anticipate that the adoption of HKFRS 9 in the future is not expected to have a significant impact on the amounts reported in respect of the Group’s financial assets and financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for the sales of FPC, electronic components for surface mount technology, manufacture and sale of flexible packaging substrates to external customers, net of discounts and sales related taxes.

Segment information

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

For management purposes, the Group is currently organised into three operating divisions, namely the manufacture and sale of FPC, sourcing and sale of electronic components and manufacture and sale of flexible packaging substrates. These divisions are the basis on which the Group reports its segment information to the CODM.

Principal activities are as follows:

FPC business	–	the manufacture and sale of FPC
Sourcing and sale of electronic components business	–	the sourcing and sale of electronic components
Flexible packaging substrates business (<i>Note</i>)	–	the manufacture and sale of flexible packaging substrates (including the 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. Since the first quarter of 2013, 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 segment.

	Segment revenue		Inter-segment sales		Eliminations		Segment profit (loss)	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
FPC business	539,249	514,722	260,638	273,130	(260,638)	(273,130)	49,248	60,691
Sourcing and sale of electronic components business	89,206	82,917	69,349	69,933	(69,349)	(69,933)	6,082	5,573
Flexible packaging substrates business	12,704	3,047	-	53	-	(53)	5,133	(603)
Total	<u>641,159</u>	<u>600,686</u>	<u>329,987</u>	<u>343,116</u>	<u>(329,987)</u>	<u>(343,116)</u>	<u>60,463</u>	<u>65,661</u>
Interest income							122	310
Share of result of a joint venture							-	(3,301)
Gain on disposal of a subsidiary							-	203
Central administration costs							(21,671)	(21,732)
Finance costs							(5,406)	(6,458)
Profit before taxation							<u>33,508</u>	<u>34,683</u>

Revenue reported above represents revenue generated from external customers.

Geographical information

The Group operates in two principal geographical areas – the PRC (excluding Hong Kong) and Hong Kong (country of domicile). The following table provides an analysis of the Group's revenue from external customers by the geographical location of the customer:

	Revenue from external customers	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
PRC other than Hong Kong	370,581	319,911
Hong Kong	205,427	237,198
Others	65,151	43,577
	<u>641,159</u>	<u>600,686</u>

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

5. OTHER INCOME

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Bad debts recovered	–	311
Reversal of allowance for doubtful debts	951	–
Release of government grant for construction of factory on existing land	843	828
Government grant for research and development projects	5,524	632
Government subsidies	1,357	–
Interest income	122	310
Gain on disposal of property, plant and equipment	14	–
Gain on disposal of a subsidiary (<i>note 13</i>)	–	203
Rental income	151	349
Write-back of long outstanding payables	–	125
Scrap income	456	527
Sourcing income	60	257
Patent income	631	–
Others	217	296
	<u>10,326</u>	<u>3,838</u>

6. FINANCE COSTS

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Interests on:		
Bank borrowings wholly repayable within five years	3,882	5,194
Other borrowings wholly repayable within five years	1,524	1,264
	<u>5,406</u>	<u>6,458</u>

7. PROFIT BEFORE TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Research and development expenses		
Staff costs	7,067	1,609
Other research and development expenses	<u>15,522</u>	<u>11,039</u>
	<u>22,589</u>	<u>12,648</u>
Directors' and chief executive's remuneration	2,277	902
Other staff costs	85,469	74,118
Other staff's retirement benefits costs	<u>6,413</u>	<u>3,819</u>
Total staff costs	94,159	78,839
Less: Other staff costs included in research and development expenses shown above	<u>(7,067)</u>	<u>(1,609)</u>
	<u>87,092</u>	<u>77,230</u>
(Reversal of) allowance for doubtful debts	(951)	1,138
Amortisation of prepaid lease payments	1,334	1,310
Auditor's remuneration	740	710
Cost of inventories recognised as an expense (<i>Note</i>)	552,804	507,521
Depreciation of property, plant and equipment	29,970	24,727
(Gain) loss on disposal of property, plant and equipment	(14)	111
Minimum lease payments under operating leases in respect of land and buildings	479	614
Net foreign exchange losses	497	740
Shipping and handling expenses (included in distribution costs)	<u>1,259</u>	<u>1,315</u>

Note: The amount includes allowance for obsolete inventories of HK\$3,223,000 (2012: HK\$2,935,000).

8. TAXATION

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	819	915
PRC Enterprise Income Tax	<u>1,390</u>	<u>1,034</u>
	2,209	1,949
(Over) underprovision in prior years:		
Hong Kong Profits Tax	(83)	12
PRC Enterprise Income Tax	<u>8</u>	<u>(83)</u>
	<u>(75)</u>	<u>(71)</u>
	2,134	1,878
Deferred tax:		
Current year	<u>(93)</u>	<u>268</u>
	<u><u>2,041</u></u>	<u><u>2,146</u></u>

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

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

During the current year, AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") and AKM Electronics Technology (Suzhou) Ltd. ("AKM Suzhou") were awarded the Foreign Invested Advanced-Technology Enterprise Certificate. AKM Panyu and AKM Suzhou are entitled to tax rate reduction from 25% to 15% for three years commenced from 1 January 2013.

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

	2013 HK\$'000	2012 <i>HK\$'000</i>
Profit before taxation	<u>33,508</u>	<u>34,683</u>
Tax at the applicable income tax rate (<i>Note</i>)	5,026	8,671
Tax effect of share of result of a joint venture	–	825
Tax effect of income that are not taxable in determining taxable profit	(5)	(140)
Tax effect of expenses that are not deductible in determining taxable profit	196	282
Tax effect of deductible temporary differences not recognised	333	829
Tax effect of tax losses not recognised	426	228
Overprovision in prior years	(75)	(71)
Effect of different tax rates of subsidiaries operating in other jurisdictions	231	(1,122)
Utilisation of tax losses previously not recognised	(3,325)	(7,560)
Deferred taxation arising from withholding tax on undistributed profits	(93)	268
Others	<u>(673)</u>	<u>(64)</u>
Taxation for the year	<u>2,041</u>	<u>2,146</u>

Note: AKM Panyu is the Group's major operating subsidiary. Therefore, the Group's applicable income tax rate is 15% (2012: 25%).

9. DIVIDEND

	2013 HK\$'000	2012 <i>HK\$'000</i>
Dividend recognised as distribution during the year:		
Final dividend in cash paid for the year ended 31 December 2012		
– HK1 cent per share (2012: nil for the year ended 31 December 2011)	<u>5,499</u>	<u>–</u>

No dividend has been proposed since the end of the reporting period (2012: HK1 cent per share).

10. EARNINGS PER SHARE

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic and diluted earnings	<u>30,301</u>	<u>32,449</u>
	Number of shares	
	2013	2012
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	546,075,616	540,000,000
Effect of dilutive potential ordinary share issuable under the Company's share option schemes	<u>1,797,676</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>547,873,292</u>	<u>540,000,000</u>

11. TRADE AND OTHER RECEIVABLES

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

	THE GROUP		THE COMPANY	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade and bills receivables	164,574	160,759	49,018	45,931
<i>Less:</i> Allowance for doubtful debts	<u>(6,179)</u>	<u>(7,050)</u>	<u>(508)</u>	<u>(508)</u>
	158,395	153,709	48,510	45,423
Other tax recoverable	632	1,077	–	–
Other receivables (<i>Note</i>)	<u>8,567</u>	<u>9,614</u>	<u>943</u>	<u>4,511</u>
	<u>167,594</u>	<u>164,400</u>	<u>49,453</u>	<u>49,934</u>

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

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

Before accepting any new customer, the management delegates a team responsible to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Approximately 77% (2012: 77%) and 84% (2012: 71%) of the Group's and the Company's trade receivables, respectively that are neither past due nor impaired have the best credit scoring attributable under the internal credit scoring used by the Group and the Company.

The following is an aged analysis of trade and bills receivables presented based on the invoice dates (other than bills receivables which are presented based on the issuance date of relevant bills) at the end of the reporting period, which approximated the respective revenue recognition dates:

	THE GROUP		THE COMPANY	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	61,050	66,458	12,995	19,423
31 – 60 days	48,513	31,572	23,558	8,536
61 – 90 days	25,522	26,867	11,375	9,018
91 – 120 days	6,633	13,568	449	5,723
121 days – 1 year	16,596	14,732	52	2,723
Over 1 year	81	512	81	–
	<u>158,395</u>	<u>153,709</u>	<u>48,510</u>	<u>45,423</u>

12. TRADE AND OTHER PAYABLES

Trade and other payables include the following balances:

	THE GROUP		THE COMPANY	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade and bills payables	147,068	131,088	59	10
Payables for acquisition of property, plant and equipment	909	1,927	–	–
Accrued staff costs	10,676	11,696	239	265
Construction payables	2,476	4,429	–	–
Other taxation payables	274	263	5	–
Other payables and accruals	6,500	9,236	2,309	2,278
	<u>167,903</u>	<u>158,639</u>	<u>2,612</u>	<u>2,553</u>

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

	THE GROUP		THE COMPANY	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 30 days	58,853	33,421	59	10
31 – 60 days	45,254	25,105	–	–
61 – 90 days	31,336	25,882	–	–
91 – 120 days	9,952	25,133	–	–
121 days – 1 year	1,598	16,630	–	–
Over 1 year	75	4,917	–	–
	<u>147,068</u>	<u>131,088</u>	<u>59</u>	<u>10</u>

13. DISPOSAL OF A SUBSIDIARY

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

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

Note: The remaining consideration amounting to HK\$2,229,000 was fully settled in March 2013.

FINANCIAL REVIEW

For the year ended 31 December 2013, the turnover of the Group amounted to approximately HK\$641.16 million, representing an increase of approximately 6.74% as compared to the turnover of last year. The increase in turnover was mainly attributed to the increase in the sales of FPC, sourcing and sales of electronic components, and the manufacture and sales of flexible packaging substrates. The gross profit margin for the year decreased to approximately 13.78% (2012: 15.51%) due to the decrease in gross profit margin of sale of FPC and sourcing and sale of electronic components.

The profit attributable to the owners of the Company for 2013 was approximately HK\$30.30 million, while the profit attributable to the owners of the Company was approximately HK\$32.45 million for 2012, representing a decrease of approximately 6.62%. The decrease in profit was mainly attributed to the increase in labor cost and substantial increase in research and development expenses.

The other income of the Group for the year ended 31 December 2013 amounted to approximately HK\$10.33 million, representing an increase of approximately HK\$6.49 million or 169.05% as compared to that of last year. The increase in other income was mainly due to the significant increase in government grant for research and development projects as compared to that of the last year.

The distribution costs of the Group for the year ended 31 December 2013 amounted to approximately HK\$12.05 million, representing a slight decrease of approximately 1.81% as compared to the distribution costs of last year. The decrease in distribution costs was mainly due to the decrease in bad debt reserves as compared to last year.

The administrative expenses of the Group for the year ended 31 December 2013 amounted to approximately HK\$25.13 million, representing a decrease of approximately 9.09% as compared to that of last year. The decrease in administrative expenses was mainly due to the decrease in transportation fees and reception fees during the year.

The research and development expenses of the Group for the year ended 31 December 2013 amounted to approximately HK\$22.59 million, representing a substantial increase of approximately 78.59% as compared to that of last year. The increase in research and development expenses was due to the substantial increase in staff, equipments and materials costs for the research and development of new projects.

The finance cost of the Group for the year ended 31 December 2013 amounted to approximately HK\$5.41 million, representing a decrease of approximately 16.29% as compared to that of last year. The decrease in finance costs was due to the decrease in interest rate of the borrowings.

BUSINESS REVIEW AND OUTLOOK

Business Review

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

For the year ended 31 December 2013, the Group’s turnover was approximately HK\$641.16 million, representing an increase of approximately 6.74% as compared to 2012. During the year under review, the Group’s turnover for the sales of FPC, sourcing and sales of electronic components and the sales of flexible packaging substrates (including both of the original business of encapsulation of COF modules and the new product lines of COF films and flexible integrated circuits and module packaging substrates) were approximately HK\$539.25 million, HK\$89.21 million and HK\$12.70 million respectively, while the turnover for the sales of FPC, sourcing and sales of electronic components and the original business of the encapsulation of COF modules for the year ended 31 December 2012 were approximately HK\$514.72 million, HK\$82.92 million and HK\$3.05 million respectively. The profit attributable to the owners of the Group for 2013 was approximately HK\$30.30 million, representing a decrease of approximately 6.62% as compared to 2012, which was mainly due to the increase in labor costs and substantial increase in the research and development expenses.

During the year under review, the turnover for the sales of FPC increased by approximately 4.77% as compared to that of last year, while its gross profit margin decreased slightly to approximately 13.49% (2012: approximately 16.53%). The turnover for sourcing of electronic components increased by approximately 7.58% as compared to that of last year, while its gross profit margin decreased to approximately 9.54% (2012: approximately 10.22%). Since the first quarter of the year under review, the Group has received orders for other flexible packaging substrates, including COF films and flexible integrated circuits and module packaging substrates. 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 renamed

as “flexible packaging substrates” business to include the original business of encapsulation of COF modules and to reflect the expansion of new product lines accordingly. During the year under review, turnover for the flexible packaging substrates business (including both 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 316.9% as compared to approximately HK\$3.05 million (which only represented the income from the original encapsulation of COF modules) of last year, while the gross profit margin (taken into account all of the above-mentioned original business and new product lines) increased to approximately 56.06% (the gross loss margin for the above-mentioned original business in 2012 was approximately 13.21%).

During the year under review, the Group’s core FPC business recorded slight growth and fell short of the expectation at the beginning of the year, which was mainly due to market shrank in the business of one of our major clients resulting in decrease of orders. Our Group’s FPC production was mainly completed in the Nansha Factory and Suzhou Factory. During the year under review, the construction and outdoor decoration of phase II of Suzhou Factory has been completed, and the indoor decoration and sourcing of equipments for the new production line for flexible packaging substrates project commenced at the beginning of 2014. It is expected that production in phase II of Suzhou Factory will commence by the end of 2014.

During the year under review, the Group’s sourcing and sale of electronic components business maintained stable and healthy growth. The Group will focus on the steady development and risk control of this business, and will enhance the competitiveness of our core business through improving the business and optimizing the Group’s supply management of electronic components.

During the year under review, market expansion achieved remarkable effect and has created a favorable environment for the development of the Group’s 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) business. However, during the fourth quarter of 2013, due to the adjustment of technical requirement to the products of one of our major clients, corresponding modifications to the engineering design and production process route of such products had to be made, resulting in a drop of sales in the fourth quarter as compared to the third quarter. As at the date of this announcement, the relevant technical modifications had been completed and all requisite product testing had been passed. Products delivery has resumed since the beginning of March 2014.

During the year under review, the Group continued to increase its investment in the research and development. The research and development expenses increased by 78.59% to HK\$22.59 million as compared to the corresponding period of last year. Our research and development expenses were mainly used for recruiting domestic and foreign talented technicians, and the renewal and upgrade of the experimenting and testing equipments of the R&D center. During the year under review, through recruiting talents, the Group has enlarged its technician team and strengthened its technology development standard. The management believes that the Group's research and development standard in flexible packaging substrates project has been uplifted to a leading level in the country, and has achieved substantial progress in identifying major projects for our current and future development.

During the year under review, the Company entered into a subscription agreement ("Subscription Agreement") with 歌爾聲學股份有限公司 (GoerTek Inc.) ("GoerTek") and a placing agreement ("Placing Agreement") with an independent placing manager, both on 27 November 2013. Pursuant to the Subscription Agreement, GoerTek had subscribed for 290,920,000 shares of the Company ("Shares Subscription") and pursuant to the Placing Agreement, a total of 132,150,000 shares of the Company had been placed to not less than six places ("Placing of Shares") by the Company. The Shares Subscription and the Placing of Shares were both completed on 27 January 2014. Details about the Shares Subscription and the Placing of Shares had been disclosed in the announcements of the Company dated 27 November 2013, 27 December 2013 and 27 January 2014.

During the year under review, the Group focused on the following aspects in accordance with its corporate development strategy: identifying and developing major international customers, securing more sales orders, further expanding the production capacity and enhancing the automation level of Nansha Factory and Suzhou Factory, enhancing the stability of production technology for high-end FPC, researching on the application of FPC and its bulk production, and optimizing the corporate value chain. Internal management quality was also strengthened and has yielded positive results during the year. As all of our business lines progressed as expected, our efforts on consolidation and thorough adjustment will bring us fruitful results.

Outlook

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

In light of the trend of intensified competition and increased concentration in the FPC industry, the Group has focused to serve major international customers by the provision of FPC and its components, as well as high-end flexible packaging substrates products. At present, the Group has become a qualified supplier of a number of globally renowned electronic manufacturers.

In order to fulfil the demand for global supply chain system from major international customers, the Group has established two production bases in Southern China and Eastern China respectively which has expanded the capacity and scale of the Group. As a result, the Group's ability in meeting the "one-stop demand" from major international customers has improved significantly, and the Group's concept of offering "one-stop service" to customers can be effectively implemented.

In 2014, the Group will focus on identifying major international customers, advancing our technology in all aspects, enhancing quality control ability, as well as further elevating the production capacity of Nansha Factory and Suzhou Factory, so as to ensure the flexible packaging substrates project in phase II of Suzhou Factory can commence production smoothly. Besides, by taking full advantage of the synergistic effect brought along by co-operation with our strategic investor, placing more effort in developing major international customers, as well as striving for favorable policy support from the government, our internal management and competitiveness will be continually strengthened and our profitability is expected to be gradually uplifted. The Group is confident that our scale of operation will be further expanded and the benefits of economy of scale will also be achieved.

The Board is of the opinion that, the Group is now capable of serving major international customers and fulfilling their personalized demands in general. With the introduction of GoerTek as the strategic investor of the Group, our ability to tap into the global supply chain system has been enhanced substantially. Despite the drastic changes of the economic environment in China and the world, the intensified competition and increased concentration in the industry and the pressure from the continuous increase in labor costs and other costs, the Group is still confident that it will be able to achieve scale operation and bring favorable returns to its shareholders.

LIQUIDITY AND FINANCIAL RESOURCES

The Group financed its operations primarily with internally generated fund from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital for its present funding requirements. As at 31 December 2013, the Group had outstanding borrowings amounting to approximately HK\$126,319,000, all of which were bank borrowings and no bank overdrafts.

EMPLOYEES

As at 31 December 2013, the Group had a total of 1,693 full-time employees (2012: 1,708 employees) based in Hong Kong and the PRC. The total staff costs of the Group, including the Directors' remunerations, for the year ended 31 December 2013 amounted to approximately HK\$94,159,000 (2012: HK\$78,839,000). The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of the PRC and Hong Kong. The Directors believe that employees are one of the most valuable assets of the Group which significantly contributed to the success of the Group. Apart from the basic remuneration and staff benefits, the Company also provides employees with share option schemes so as to reward their contributions to the Group and to enable the Group to recruit and retain high-calibre employees. The Group recognises the importance of staff training and, hence, regular training is provided to the Group's staff to enhance their technical and product knowledge. Majority of the Group's employees are stationed in the PRC.

CAPITAL STRUCTURE

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

SIGNIFICANT INVESTMENTS

Save as disclosed in this announcement, the Group did not have any significant investments as at 31 December 2013.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, the Group did not have any material acquisitions or disposals during the year ended 31 December 2013.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS

The Group completed the Shares Subscription and the Placing of Shares on 27 January 2014. The gross proceeds from the Shares Subscription and the Placing of Shares was approximately HK\$217,030,000, while the net proceeds was approximately HK\$213,996,000 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 new products; and (iii) general working capital of the Group.

PLEDGE OF ASSETS OF THE GROUP

As at 31 December 2013, bank deposits of approximately HK\$2.355 million (as at 31 December 2012: approximately HK\$2.354 million) of the Group were pledged as collateral to secure the banking facilities granted to the Group.

As at 31 December 2013, land use rights and buildings with carrying amounts of approximately HK\$20.671 million and HK\$63.496 million respectively (as at 31 December 2012: approximately HK\$20.564 million and HK\$63.349 million) were pledged to secure general banking facilities granted to the Group.

As at 31 December 2013, machinery and equipment with carrying amounts of approximately HK\$71.728 million (as at 31 December 2012: approximately HK\$54.786 million) were pledged to secure general banking facilities granted to the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities.

GEARING RATIO

As at 31 December 2013, the Group had a net cash and cash equivalent position of approximately HK\$42.177 million. The Group's gearing ratio as at 31 December 2013 was approximately 56.82% (31 December 2012: 56.78%) which was calculated based on the Group's total liabilities of approximately HK\$372,184,000 (31 December 2012: HK\$320,216,000) and total assets of approximately HK\$655,027,000 (31 December 2012: HK\$563,943,000).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2013 (2012: HK1 cent per share). The total amount of dividend appropriated, based on the number of shares in issue, is HK\$0 (the total amount of dividend paid in 2012 was HK\$5,499,000).

CLOSURE OF SHARE REGISTER FOR ANNUAL GENERAL MEETING

Persons who hold shares of the Company and whose names appear on the Register of Members of the Company as at 30 April 2014 shall be entitled to attend and vote at the AGM, which is to be held on 8 May 2014. To be qualified to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 29 April 2014. The Register of Members of the Company will be closed from 30 April 2014 to 8 May 2014 (both days inclusive) for the purposes of the AGM during which no transfer of shares will be effected.

SHARE OPTION SCHEMES

Pursuant to written resolutions of the then shareholders of the Company on 6 August 2004, the Company adopted a Pre-IPO Share Option Scheme (the “Pre-IPO Scheme”) and another share option scheme (the “Scheme”). During the year ended 31 December 2013, no options were granted under the Scheme.

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

Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK\$	Number of share options		
				Outstanding at 1.1.2013	Lapsed during the year	Outstanding at 31.12.2013
Directors						
Mr. Xiong Zheng Feng	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,000,000	–	2,000,000
Mr. Chai Zhi Qiang	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,800,000	–	2,800,000
Ms. Li Ying Hong	6.8.2004	18.8.2005 to 6.8.2014	0.4	600,000	–	600,000
				<u>5,400,000</u>	<u>–</u>	<u>5,400,000</u>
Employees	6.8.2004	18.8.2005 to 6.8.2014	0.4	3,000,000	–	3,000,000
Total				<u>8,400,000</u>	<u>–</u>	<u>8,400,000</u>

Notes:

- All dates are shown in the sequence of day.month.year.
- These share options are exercisable, starting from the first anniversary of the listing date at stepped annual increments of 25% of the total options granted, for a period of not later than 10 years from the date of grant.

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

Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK\$	Number of share options			
				Outstanding at 1.1.2013	Exercised during the year (Note 3)	Lapsed during the year	Outstanding at 31.12.2013
Directors							
Mr. Xiong Zheng Feng	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	(2,000,000)	–	–
Mr. Chai Zhi Qiang	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	(2,000,000)	–	–
Ms. Li Ying Hong	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	(2,000,000)	–	–
Mr. Liang Zhi Li	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	(800,000)	–	–
Mr. Wang Heng Yi (Note 4)	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	–	(800,000)	–
				<u>7,600,000</u>	<u>(6,800,000)</u>	<u>(800,000)</u>	<u>–</u>
Employees	9.7.2007	10.7.2007 to 9.7.2017	0.36	<u>9,200,000</u>	<u>(3,100,000)</u>	<u>–</u>	<u>6,100,000</u>
Total				<u>16,800,000</u>	<u>(9,900,000)</u>	<u>(800,000)</u>	<u>6,100,000</u>

Notes:

- All dates are shown in the sequence of day.month.year.
- These share options are exercisable, starting from the day after the date upon which the options were granted, for a period of not later than 10 years from the date of grant.
- On 23 May 2013, an aggregate of 9,900,000 shares of the Company were issued by the Company to such Directors and employees pursuant to the exercise of their respective share options.
- Mr. Wang Heng Yi resigned as an independent non-executive Director on 4 February 2013 and on the same day, 800,000 share options of the Company held by him also lapsed.

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

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

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

(a) The Company

(i) Interest in shares of the Company

Name	Name of the Company in which interest is held	Class and number of shares of which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company as at 31 December 2013 (Note 5)
Mr. Xiong Zheng Feng (Note 1)	the Company	16,750,000 ordinary shares	Beneficial owner	Long	3.05
Mr. Chai Zhi Qiang (Note 2)	the Company	13,500,000 ordinary shares	Beneficial owner	Long	2.45
Ms. Li Ying Hong (Note 3)	the Company	4,700,000 ordinary shares	Beneficial owner	Long	0.85
Mr. Liang Zhi Li (Note 4)	the Company	800,000 ordinary shares	Beneficial owner	Long	0.15

Notes:

- On 23 May 2013, an aggregate of 2,000,000 ordinary shares of the Company were issued to Mr. Xiong Zheng Feng pursuant to the exercise of all the share options granted to him by the Company, at an exercise price of HK\$0.36 per share. Moreover, during the period from 15 May 2013 to 13 June 2013, Mr. Xiong Zheng Feng acquired an aggregate of 560,000 ordinary shares of the Company in open market at prices ranging from HK\$0.315 to HK\$0.34 per share. Since 13 June 2013, Mr. Xiong Zheng Feng has been the beneficial owner of an aggregate of 16,750,000 ordinary shares of the Company.

2. On 23 May 2013, an aggregate of 2,000,000 ordinary shares of the Company were issued to Mr. Chai Zhi Qiang pursuant to the exercise of all the share options granted to him by the Company, at an exercise price of HK\$0.36 per share. Since 23 May 2013, Mr. Chai Zhi Qiang has been the beneficial owner of an aggregate of 13,500,000 ordinary shares of the Company.
3. On 23 May 2013, an aggregate of 2,000,000 ordinary shares of the Company were issued to Ms. Li Ying Hong pursuant to the exercise of all the share options granted to her by the Company, at an exercise price of HK\$0.36 per share. Since 23 May 2013, Ms. Li Ying Hong has been the beneficial owner of an aggregate of 4,700,000 ordinary shares of the Company.
4. On 23 May 2013, an aggregate of 800,000 ordinary shares of the Company were issued to Mr. Liang Zhi Li pursuant to the exercise of all the share options granted to him by the Company, at an exercise price of HK\$0.36 per share. Since 23 May 2013, Mr. Liang Zhi Li has been the beneficial owner of an aggregate of 800,000 ordinary shares of the Company.
5. On 27 January 2014, the Company completed the Shares Subscription and the Placing of Shares, and had allotted and issued a total of 290,920,000 shares of the Company to Goertek (HongKong) Co., Limited (“HK Goertek”), a wholly-owned subsidiary of GoerTek, pursuant to the nomination of GoerTek, and had placed a total of 132,150,000 shares of the Company to not less than six places on the same date. The total number of issued shares of the Company was therefore increased from 549,900,000 shares to 972,970,000 shares. Since 27 January 2014, the 16,750,000 shares of the Company held by Mr. Xiong Zheng Feng represents approximately 1.72% of the shares in issue of the Company; the 13,500,000 shares of the Company held by Mr. Chai Zhi Qiang represents approximately 1.39% of shares in issue of the Company; the 4,700,000 shares of the Company held by Ms. Li Ying Hong represents approximately 0.48% of shares in issue of the Company; the 800,000 shares of the Company held by Mr. Liang Zhi Li represents approximately 0.08% of shares in issue of the Company.

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

Name of Director	Name of the Company in which interest is held	Class and number of underlying shares held under physically settled equity derivatives		Notes	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company as at 31 December 2013 (Note 5)
Mr. Xiong Zheng Feng	the Company	2,000,000	ordinary shares	1 & 2	Beneficial owner	Long	0.36
Mr. Chai Zhi Qiang	the Company	2,800,000	ordinary shares	1 & 3	Beneficial owner	Long	0.51
Ms. Li Ying Hong	the Company	600,000	ordinary shares	1 & 4	Beneficial owner	Long	0.11

Notes:

1. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company represents the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to him/her under the Pre-IPO Scheme of the Company, and the number of shares held by them remains unchanged since the date of grant on 6 August 2004.
2. Mr. Xiong Zheng Feng is interested in 16,750,000 issued shares of the Company and 2,000,000 underlying shares held under equity derivatives.
3. Mr. Chai Zhi Qiang is interested in 13,500,000 issued shares of the Company and 2,800,000 underlying shares held under equity derivatives.
4. Ms. Li Ying Hong is interested in 4,700,000 issued shares of the Company and 600,000 underlying shares held under equity derivatives.
5. On 27 January 2014, the Company completed the Shares Subscription and the Placing of Shares, and had allotted and issued a total of 290,920,000 shares of the Company to HK Goertek, a wholly-owned subsidiary of GoerTek, pursuant to the nomination of GoerTek, and had placed a total of 132,150,000 shares of the Company to not less than six places on the same date. The total number of issued shares of the Company was therefore increased from 549,900,000 shares to 972,970,000 shares. Since 27 January 2014, the 2,000,000 underlying shares of the Company interested by Mr. Xiong Zheng Feng represents approximately 0.21% of the shares in issue of the Company; the 2,800,000 underlying shares of the Company interested by Mr. Chai Zhi Qiang represents approximately 0.29% of the shares in issue of the Company; the 600,000 underlying shares of the Company interested by Ms. Li Ying Hong represents approximately 0.06% of the shares in issue of the Company.

(b) The associated corporation

As at 31 December 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share options disclosed above, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company, its holding companies, fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, as at 31 December 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) <i>(Note 2)</i>	Long/short position	Approximate percentage of total issued share capital in the Company as at 31 December 2013 <i>(Notes 3 and 4)</i>
Alpha Luck Industrial Ltd. ("Alpha Luck") <i>(Notes 1 & 3)</i>	Beneficial owner	360,000,000 ordinary shares	Long	65.47
Silver City International (Holdings) Ltd. ("Silver City") <i>(Notes 1 & 3)</i>	Interest in controlled corporation	360,000,000 ordinary shares	Long	65.47
China North Industries Corporation ("CNIC") <i>(Notes 1 & 3)</i>	Interest in controlled corporation	360,000,000 ordinary shares	Long	65.47

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. As Silver City is wholly and beneficially owned by CNIC, CNIC is deemed to be interested in the same number of shares of the Company which Silver City is deemed to be interested under Part XV of the SFO.

2. None of Alpha Luck, Silver City nor CNIC is interested in any securities of the Company under equity derivatives.
3. On 27 January 2014, the Company completed the Shares Subscription and the Placing of Shares, and had allotted and issued a total of 290,920,000 shares of the Company to HK Goertek, a wholly-owned subsidiary of GoerTek, pursuant to the nomination of GoerTek, and had placed a total of 132,150,000 shares of the Company to not less than six placees on the same date. The total number of issued shares of the Company was therefore increased from 549,900,000 shares to 972,970,000 shares. Since 27 January 2014, the 360,000,000 shares of the Company held by Alpha Luck (for which Silver City and CNIC are interested) represents approximately 37.00% of the shares in issue of the Company.
4. Since 27 January 2014, HK Goertek holds 290,920,000 shares of the Company, representing approximately 29.90% of the shares in issue of the Company. Since HK Goertek is wholly-owned by Weifang Goertek Trading Co., Limited (“Weifang Goertek”), which is, in turn, wholly-owned by GoerTek, each of Weifang Goertek and GoerTek is also deemed to be interested in the 290,920,000 shares of the Company held by HK Goertek under Part XV of the SFO since 27 January 2014.

CORPORATE GOVERNANCE

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

According to code provision A.1.8, the Company is required to make appropriate insurance coverage for certain legal liabilities which may arise in the course of performing their duties. The Company had purchased directors’ liabilities insurance for the directors of the Company in August 2013.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed shares during the year ended 31 December 2013.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group and provide advice and comments on the Company's draft annual reports and accounts, half year reports and quarterly reports to Directors. During the year under review, the audit committee comprised of three members, Mr. Hung Chi Yuen Andrew, Mr. Liang Zhi Li and Mr. Bi Keyun. All of them were independent non-executive Directors. The chairman of the audit committee is Mr. Hung Chi Yuen Andrew.

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

12 March 2014, Hong Kong

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

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