
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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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 and the accompanying proxy form to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.



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

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**



A letter from the Independent Board Committee containing their recommendations to the Independent Shareholders is set out on pages 13 to 14 of this circular. A letter from Quam Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 of this circular.

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 16 April 2014 (Wednesday) at 10:00 a.m. is set out on pages 31 to 33 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, Wanchai, 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 maybe) should you so wish.

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

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. 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.

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	4
Letter from the Independent Board Committee	13
Letter from Quam Capital	15
Appendix – General Information	26
Notice of EGM	31

DEFINITIONS

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

“associates”	has the meaning ascribed in 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 and the shares of which are listed on GEM
“Continuing Connected Transactions”	the Subject Transactions contemplated under the Purchase Agreement and the New Purchase Agreement
“connected person(s)”	has the meaning ascribed in the GEM Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	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 16 April 2014 (Wednesday) at 10:00 a.m. to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps
“FPC”	flexible printed circuits
“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

DEFINITIONS

“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 PRC
“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” or “Quam Capital”	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
“Latest Practicable Date”	28 March 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 Subject Transactions

DEFINITIONS

“Proposed Annual Caps”	the annual caps proposed by the Company for the Continuing Connected Transactions (exclusive of value-added tax) for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, Macau and Taiwan
“Purchase Agreement”	a framework purchase agreement entered into between AKM Electronic Technology (Suzhou) Company Limited, a wholly-owned subsidiary of the Company, and GoerTek in relation to the Subject Transactions 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 such term
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Subject Transactions”	the sale of parts, components and other products (including but not limited to FPC products) by the Company to GoerTek or GoerTek Group
“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
“substantial shareholder(s)”	has the meanings ascribed to it under 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 Directors:

Meng Weiwei

Gong Jiantang

Independent non-executive Directors:

Hung Chi Yuen Andrew

Liang Zhi Li

Bi Keyun

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

Registered office:

Rooms 2708-11, 27/F

West Tower, Shun Tak Centre

168-200 Connaught Road Central

Hong Kong

1 April 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to an announcement of the Company dated 11 March 2014.

LETTER FROM THE BOARD

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 which will become effective upon the approval of the Independent Shareholders at the EGM. Prior to the signing of the New Purchase Agreement, the Group had entered into the Subject Transactions with GoerTek pursuant to the Purchase Agreement.

As GoerTek is a substantial shareholder of the Company, 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 purpose of this circular is to provide you with details of, among others, (i) further details of the Continuing Connected Transactions and the Proposed Annual Caps; (ii) recommendations 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.

THE NEW PURCHASE AGREEMENT

The principal terms of the New Purchase Agreement are as follows:

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.

LETTER FROM THE BOARD

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.

The major differences of terms between the Purchase Agreement and the New Purchase Agreement are as follows:

	Purchase Agreement	New Purchase Agreement
Price Determination	<ul style="list-style-type: none">• Price for products to be confirmed by the parties in writing in contract, order or quotation	<ul style="list-style-type: none">• Price for individual products is to be determined by the parties with reference to the prevailing market price of products of similar nature
Term of Agreement	<ul style="list-style-type: none">• For an initial term of one year commenced from 2 April 2012 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 such term	<ul style="list-style-type: none">• For a fixed term commencing from 3 April 2014 and expiring on 31 December 2016
Payment Term	<ul style="list-style-type: none">• For payment term ranging from 30 days to 120 days to be agreed between the parties in separate order(s)	<ul style="list-style-type: none">• Within 60 days to 90 days from the date of receipt of invoice(s) by the purchaser

LETTER FROM THE BOARD

	Purchase Agreement	New Purchase Agreement
Validity	<ul style="list-style-type: none">Valid from the date of signing of the agreement	<ul style="list-style-type: none">Valid from being approved by the independent shareholders of the Company

The above terms of the Subject Transactions were modified for the purpose of, on one hand, complying with the relevant requirement for connected transaction under the GEM Listing Rules and on the other hand, more specifically defining the terms of co-operation between the parties based on the actual terms of sales adopted in the past.

Although all of the products sold by the Group to GoerTek Group are tailored made in accordance with the specifications provided by GoerTek Group and no identical products sold to GoerTek Group were produced for and sold to other independent third parties, the price for individual products sold to GoerTek Group is quoted by the Group at the stage of product sampling with reference to the prevailing market price of products of similar nature that are in similar production technique, production costs and product application. The responsible officer(s) of the sales department will prepare the price quotation based on the production costs and production quantity in relation to the order(s) for joint approval by the production department and finance department. In the event that the gross profit margin for a particular price quotation falls within the pre-approved range of gross profit margin for a particular product of the Group (“**Pre-Approved Range of Profit Margin**”), the price quotation will be approved by the sales manager of the Group. In the event that the gross profit margin for a particular price quotation is lower than the Pre-Approved Range of Profit Margin, the price quotation will be jointly approved by the general manager of the Group and the head of finance department. The price for individual products quoted by the Group will subsequently subject to be agreed by GoerTek Group after considering other offer(s).

Proposed Annual Caps

The Proposed Annual Caps for the Continuing Connected Transactions (exclusive of value-added tax) for the relevant periods are set out below:

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

LETTER FROM THE BOARD

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.

For each of the year ended 31 December 2011, 31 December 2012 and 31 December 2013, the transaction amount for the Subject Transactions amounted to approximately RMB13.0 million, approximately RMB34.8 million and approximately RMB27.0 million respectively. Although the transaction amount for the year ended 31 December 2013 decreased due to the placing of emphasis by the Group in expanding production capability and developing the high-density interconnect FPC and the flexible packaging substrates which affected the sale of FPC products to GoerTek during the year ended 31 December 2013, the Directors believe that the sale of the Group's product to GoerTek Group will increase satisfactorily in the forthcoming years following the improvement of the production capability and production capacity of the Group.

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.

LETTER FROM THE BOARD

Implications under the GEM Listing Rules

Prior to the completion of the subscription of 290,920,000 Shares by Goertek HongKong (“**Subscription of Shares**”) on 27 January 2014, the Subject Transactions conducted pursuant to the Purchase Agreement did not constitute connected transaction of the Company. Following the completion of the Subscription of Shares, GoerTek becomes a substantial shareholder of the Company through its wholly-owned subsidiary, Goertek HongKong. As at the Latest Practicable Date, 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 Continuing Connected 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 non-exempt 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. The Directors (including the independent non-executive Directors) believe that, barring unforeseen circumstances, the gross profit margin for the sale of products to GoerTek Group which is comparable to that of the sales of products in similar nature by the Group to the other independent third parties can be maintained in the forthcoming years following the Group’s improvement in production capability and production capacity which is expected to bring the Group both of the 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.

LETTER FROM THE BOARD

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 (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) 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.

Mr. Gong Jiantang, a non-executive Director of the Company, is also a director of GoerTek as at the Latest Practicable Date. Mr. Gong Jiantang has abstained from voting on the board resolutions of the Company in relation to the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Save as disclosed, there is no other Director who has a material interest in the transactions contemplated under the New Purchase Agreement.

Independent Board Committee and Independent Financial Adviser

An Independent Board Committee comprising the three 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 in relation to the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Your attention is drawn to the recommendation of the Independent Board Committee set out in its letter dated 1 April 2014 on pages 13 to 14 of this circular.

Quam Capital has been appointed as the Independent Financial Adviser 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. Your attention is also drawn to the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders dated 1 April 2014 on pages 15 to 25 of this circular.

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).

LETTER FROM THE BOARD

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.

EGM

A notice convening the EGM to be held at Rooms 2708-11, 27th Floor, West Tower, Shun Tak Centre, Nos. 168-200 Connaught Road Central, Hong Kong on 16 April 2014 (Wednesday) at 10:00 a.m. is set out on pages 31 to 33 of this circular, at which ordinary resolutions will be proposed for the Independent Shareholders to consider, and if thought fit, to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps by way of poll. GoerTek and its associates will be required to abstain from voting at the EGM.

A proxy form for use in connection with the EGM is accompanied with 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, Wanchai, 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 maybe) should you so wish.

RECOMMENDATIONS

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and that the entering into of the New Purchase Agreement and the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends that all Independent Shareholders should vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE BOARD

Taking into account the letter from the Independent Board Committee and all other factors as stated above as a whole, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

The text of the letter from the letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. The text of the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 of this circular. Independent Shareholders are recommended to read carefully these two letters for details of the advices.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular and the notice convening the EGM.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this circular.



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)

1 April 2014

To the Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 1 April 2014 (the “**Circular**”) to the Shareholders, of which this letter forms part. Unless the context requires otherwise, terms defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole. Quam Capital has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in these regards.

We wish to draw your attention to the letter from the Board as set out on pages 4 to 12 of the Circular, and the letter from the Independent Financial Adviser as set out on pages 15 to 25 of the Circular which contains its advice in respect of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

RECOMMENDATION

Having considered the terms of the New Purchase Agreement and having taken into the consideration of the advice of Quam Capital as the Independent Financial Adviser, we consider that the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable and that the entering into of the New Purchase Agreement and the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group and is in the interests of the Group and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Cap.

Yours faithfully

For and on behalf of

Independent Board Committee

Hung Chi Yuen Andrew

Independent non-executive

Director

Liang Zhi Li

Independent non-executive

Director

Bi Keyun

Independent non-executive

Director

LETTER FROM QUAM CAPITAL

The following is the full text of a letter of advice from Quam Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.



Quam Capital Limited

A Member of The Quam Group

1 April 2014

*To the Independent Board Committee and
the Independent Shareholders*

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. Details of the terms of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are set out in the “Letter from the Board” (the “**Letter from the Board**”) contained in the circular issued by the Company to the Shareholders dated 1 April 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM QUAM CAPITAL

Following 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 Latest Practicable Date, Goertek HongKong was interested in 290,920,000 Shares, 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 set out in the announcement dated 27 November 2013 issued by the Company (the “**2013 Announcement**”), the Group has entered into the Subject Transactions with GoerTek pursuant to the Purchase Agreement 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. As set out in the Letter from the Board, 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 Continuing Connected 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. GoerTek and its associates will be required to abstain from voting at the EGM.

The Independent Board Committee, comprising all 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 as to whether the entering into of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps are in the ordinary and usual course of business of the Group based on normal commercial terms and the terms of which are fair and reasonable so far as the Company and Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to whether to vote in favour of the relevant resolutions to be proposed at the EGM to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps. As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

LETTER FROM QUAM CAPITAL

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group and its advisers; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the date of the Circular and all such statements of belief, opinions and intention of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors, the management of the Group, and/or the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Group, GoerTek Group, and the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company and GoerTek or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation in respect of the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into consideration of the following factors and reasons:

1. Background of and reasons for the entering into of the New Purchase Agreement

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).

LETTER FROM QUAM CAPITAL

As stated in the annual report of the Company for the year ended 31 December 2013, it is the Group's mission to become a major international supplier of FPC and electronic modules and develop into an industry leader in the PRC market. 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. The Group has become a qualified supplier of a number of globally renowned electronic manufacturers. In 2014, the Group will focus on identifying major international customers, advancing its technology in all aspects, enhancing quality control ability, as well as further elevating the production capacity of two production bases of the Group which are located in Nansha, the PRC and in Suzhou, the PRC (the "**Suzhou Factory**"), so as to ensure the flexible packaging substrates project in phase II of the Suzhou Factory can commence production smoothly. In addition, with the introduction of GoerTek as the strategic investor of the Group, the Directors are of the opinion that the Group's ability to tap into the global supply chain system has been enhanced substantially.

GoerTek is a company incorporated in the PRC with limited liability, the shares of which are listed on the Shenzhen Stock Exchange since May 2008 with the stock code of 002241. 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. We noted from the annual report of GoerTek for the year ended 31 December 2013 that GoerTek Group has recorded revenue of approximately RMB10.0 billion for the year ended 31 December 2013. As stated in the official website of GoerTek, GoerTek Group provides products and services to global leading electronics products companies, including Samsung, Apple, LG, Panasonic, Sony, Google, Microsoft, etc.

As set out in the Letter from the Board, the Group has maintained a stable and amicable business relationship with GoerTek Group in the past. The Group has entered into the Purchase Agreement with GoerTek on 2 April 2012, pursuant to which the Group has been supplying parts, components and other products (including but not limited to FPC products) to GoerTek Group. The Purchase Agreement will be expired on 1 April 2014. Details of the Purchase Agreement are set out in the 2013 Announcement.

LETTER FROM QUAM CAPITAL

The transaction amount with GoerTek Group was approximately RMB13.0 million, RMB34.8 million and RMB27.0 million for the three years ended 31 December 2011, 2012 and 2013 respectively. As advised by the management of the Group, the Group placed more emphasis in early 2013 on, among others, expanding production capability and developing the high-density interconnect FPC and the flexible packaging substrates and placed less effort in the sale of FPC products to GoerTek Group, therefore, the transaction amount decreased for the year ended 31 December 2013.

As advised by the management of the Group, the construction and outdoor decoration of phase II of the 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 the Suzhou Factory will commence production by the end of 2014. Furthermore, we were advised that the monthly production capacity of the Suzhou Factory is expected to be increased from approximately 10,000 m² to approximately 40,000 m² in terms of the size of the FPC products following the completion of the construction and decoration of phase II of the Suzhou Factory in 2014. The Suzhou Factory will be integrated with series of high-end production facilities and equipment with advanced technology imported from overseas market. For the year ended 31 December 2013, around 11.5% of the production of FPC products were sourced from Suzhou Factory.

The Directors considered 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 sale of products to GoerTek Group 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 GoerTek, which will be conducive to promoting their complementary strengths in industries and to creating synergistic effects for the business of the Group and GoerTek Group.

Considering (i) the long established business relationship with GoerTek; (ii) that the Continuing Connected Transactions are consistent with the stated objective of the Group to serve major international customers in view of the background of GoerTek Group and its customers portfolio as described above, we concur with the view of the Company that the Continuing Connected Transactions will enable the Group to maintain a stable and amicable business relationship with GoerTek which will utilise the increased production capacity in the Suzhou Factory and increase the sales revenue and profits for the Group; and the entering into of the New Purchase Agreement is beneficial to the Company and the Shareholders as a whole.

LETTER FROM QUAM CAPITAL

2. Principal terms of the New Purchase Agreement

The purpose of the New Purchase Agreement is to provide a framework of the agreed general terms and conditions governing the Continuing Connected Transactions, and each of the Continuing Connected Transactions to be undertaken by the Group shall be subject to specific terms and conditions (including the pricing terms) under separate orders during the contract period. The terms and conditions of such separate orders will be determined based on the principles contained in the New Purchase Agreement and are subject to mutual agreement between the relevant parties.

Nature of the transactions

Pursuant to the New Purchase Agreement, the Company (for itself and on behalf of its Subsidiaries) conditionally agreed to supply to GoerTek (for itself and on behalf of its Subsidiaries), and GoerTek (for itself and on behalf of its Subsidiaries) conditionally agreed to purchase, parts, components and other products (including but not limited to FPC products) from the Company (for itself and on behalf of its Subsidiaries) by separate orders during the contract period from 3 April 2014 to 31 December 2016 subject to the Independent Shareholders' Approval of the resolutions relating to the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

Pricing basis

The Continuing Connected Transactions will be conducted at a price which 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.

The management of the Group advised that the Group had not in the past conducted any similar transactions with other parties as the technical specifications and model of products sold to GoerTek Group are unique and tailored made in accordance with the specifications provided by GoerTek Group, and thus the identical products with same specifications were not produced for and sold to any other independent third parties. As such, there are no independent relevant transactions available for direct comparison. Notwithstanding this, in order to assess whether the price of the products supplied to GoerTek Group under the New Purchase Agreement is fair and reasonable, we have discussed with the management of the Group and

LETTER FROM QUAM CAPITAL

understand that, save and except for the technical specifications and the model type of products which are intended to use for different applications by the Group's customers, the nature of the products sold to GoerTek and to the other independent third parties are the same. In addition, we have reviewed and compared the cost structure and the gross profit margin derived from the Subject Transactions with those derived from the other transactions entered into between the Group and the other independent third parties during the year ended 31 December 2013 based on the information provided by the Company. Despite the fact that there are differences in products in terms of the technical specifications and model between the products supplied to the independent third parties and the products supplied to GoerTek Group, we noted that the gross profit margin derived from the Subject Transactions falls within the range of the gross profit margins derived from other transactions entered into between the Group and the other independent third parties.

Credit terms

According to the New Purchase Agreement, the payments shall be made 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). We noted that the payment terms under the New Purchase Agreement fall within the range of the credit terms available to the other trade customers of the Group which normally ranged from 30 to 90 days as set out in the annual report of the Company for the year ended 31 December 2013.

In light of the foregoing, we are of the opinion that the respective terms and conditions of the New Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of both the Company and the Shareholders as a whole.

3. Requirements by the GEM Listing Rules regarding the Continuing Connected Transactions

For each financial year of the Company during the terms of each of the agreements related to the Continuing Connected Transactions, the Subject Transactions will be subject to review by the independent non-executive Directors and the auditors of the Company as required by the provisions of the Rules 20.37 to 20.40 of the GEM Listing Rules respectively. The independent non-executive Directors must confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:

- in the ordinary and usual course of business of the Company;

LETTER FROM QUAM CAPITAL

- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
- in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Furthermore, the GEM Listing Rules require that the Company's auditors must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the annual report of the Company), confirming that the Continuing Connected Transactions:

- have received the approval of the Board;
- are in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
- have been entered into in accordance with the relevant agreement governing the transactions; and
- have not exceeded the cap disclosed in its previous announcement.

Given the above, we are of the opinion that there will be sufficient procedures and arrangements in place to ensure that the Continuing Connected Transactions will be conducted on terms that are fair and reasonable and on normal commercial terms as far as the Independent Shareholders are concerned.

4. Proposed Annual Caps

The Proposed Annual Caps for the Continuing Connected Transactions (exclusive of value-added tax) for the relevant periods are set out below:

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

LETTER FROM QUAM CAPITAL

We have discussed with the management of the Group regarding the underlying assumptions and bases that have been taken into account by the Company in determining the Proposed Annual Caps. We noted that it has taken into account (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 years ending 31 December 2014, 31 December 2015 and 31 December 2016.

In our assessment of the reasonableness and fairness of the Proposed Annual Caps, we have discussed with the management of the Company on the above factors and the underlying principal assumptions and bases considered in the determination of the Proposed Annual Caps. We concur with the view of the Board that it will be fair and reasonable and in the interests of both the Company and the Shareholders to set the Proposed Annual Caps at the proposed levels, after taking into consideration the following:

- the historical transaction amounts of the Subject Transactions amounted to approximately RMB13.0 million, RMB34.8 million and RMB27.0 million for the years ended 31 December 2011, 2012 and 2013 respectively;
- the expected increase in the monthly production capacity of the Suzhou Factory from approximately 10,000 m² to approximately 40,000 m² in terms of the size of the FPC products following the completion of the construction and decoration of phase II of the Suzhou Factory in 2014, which as advised by the management of the Group, will be sufficient to fulfill the demand by GoerTek Group in accordance with the Proposed Annual Caps for the three years ending 31 December 2016;
- as set out in the annual reports for the three years ended 31 December 2011, 2012 and 2013 of GoerTek, the revenue of GoerTek Group for the three years ended 31 December 2011, 2012 and 2013 recorded considerable growth rate of approximately 54.16%, 77.91% and 38.54% respectively as compared to the corresponding period in the prior year. We have discussed with the management of the Group and are advised that GoerTek Group planned to increase the sourcing of FPC products through the Group in future;

LETTER FROM QUAM CAPITAL

- the transaction amounts of the Proposed Annual Caps is expected to increase from RMB60.0 million for the year ending 31 December 2014 to RMB140.0 million for the year ending 31 December 2016, representing a compound annual growth rate of approximately 52.8% during the contract period under the New Purchase Agreement. According to the WECC Global PCB Production Report published annually by the World Electronic Circuits Council, a world organisation formed by international member associations involved in the global electronic circuits industry with associations representing electronic circuits industries in Asia, Europe and North America, the production of flexible circuits in China increased from approximately US\$502 million in 2007 to approximately US\$4,380 million in 2012, representing a compound annual growth rate of approximately 54.22%, which is slightly higher than the compound annual growth rate of the Proposed Annual Caps from 2014 to 2016; and
- as advised by the management of the Group, the aggregate transaction amounts between the Group and GoerTek Group for the two months ended 28 February 2014 was amounted to approximately RMB8.6 million, representing an increase of approximately 287% as compared to the corresponding period last year.

Having considered the above, we are of the view that the Proposed Annual Caps were set by the Board after due and careful consideration and are fair and reasonable so far as the Shareholders are concerned and in the interest of both the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons discussed above and in particular the following (which should be read in conjunction with and interpreted in the full context of this letter):

- the nature of the Continuing Connected Transactions and the core business of the Group and GoerTek Group;
- that the Continuing Connected Transactions, which will be conducted on normal commercial terms, are consistent with the stated objective of the Group and enable the Group to maintain the business relationship with one of its major customers who are expected to continue contributing a significant revenue stream for its business and to secure more sales orders;

LETTER FROM QUAM CAPITAL

- that the pricing basis and the payment terms as provided under the New Purchase Agreement are fair and reasonable;
- the control and review procedures and arrangements in place to safeguard the interests of the Company and the Shareholders in relation to the Continuing Connected Transactions; and
- that the Proposed Annual Caps have been set by the Board after due and careful considerations, at a level which will be in the interests of both the Company and the Shareholders as a whole, in view of the factors as discussed in section (4) above,

we are of the view that the New Purchase Agreement has been entered into within the ordinary and usual course of business of the Group based on normal commercial terms and the terms and conditions thereof together with the Proposed Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the New Purchase Agreement, the Continuing Connected Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Quam Capital Limited
Gary Mui
Managing Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the GEM Listing Rules for the purpose of providing information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular. The Directors, 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.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executives' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company and each of 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 any of 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 pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules:

(1) *The Company*

(i) *Interest in shares of the Company*

Name	Name of the Company in which interest is held	Class and number of shares of which interested (other than under equity derivatives)	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	the Company	16,750,000 ordinary shares	Beneficial owner	Long	1.72
Mr. Chai Zhi Qiang	the Company	13,500,000 ordinary shares	Beneficial owner	Long	1.39
Ms. Li Ying Hong	the Company	4,700,000 ordinary shares	Beneficial owner	Long	0.48
Mr. Liang Zhi Li	the Company	800,000 ordinary shares	Beneficial owner	Long	0.08

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

Name of Director	Class and number of underlying shares held under physically settled equity derivatives	Notes	Capacity	Long/short position	Approximate percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	2,000,000 ordinary shares	1 & 2	Beneficial owner	Long	0.21
Mr. Chai Zhi Qiang	2,800,000 ordinary shares	1 & 3	Beneficial owner	Long	0.29
Ms. Li Ying Hong	600,000 ordinary shares	1 & 4	Beneficial owner	Long	0.06

Notes:

- The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company reflects the share options to subscribe for shares in the Company at a subscription price of HK\$0.40 per share granted to him/her under the Pre-IPO Share Option Scheme adopted on 6 August 2004, which position remained unchanged since the date of grant on 6 August 2004.
- 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.
- 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.
- Ms. Li Ying Hong is interested in 4,700,000 issued shares of the Company and 600,000 underlying shares held under equity derivatives.

(2) The associated corporation

As at the Latest Practicable Date, 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 5.67 of the GEM Listing Rules.

(B) Substantial shareholders' interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations

Save as disclosed below, as at the Latest Practicable Date, no person other than certain Directors or chief executive of the Company had any interests or short positions in the shares and underlying shares of the Company as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives) (Note 3)	Long/short position	Approximate percentage of total issued share capital in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	360,000,000 ordinary shares	Long	37.00
Silver City International (Holdings) Ltd. ("Silver City") (Note 1)	Interest in controlled corporation	360,000,000 ordinary shares	Long	37.00
China North Industries Corporation ("CNIC") (Note 1)	Interest in controlled corporation	360,000,000 ordinary shares	Long	37.00
Goertek HongKong	Beneficial owner	290,920,000 ordinary shares	Long	29.90
Weifang Goertek Trading Co., Limited ("Weifang Goertek") (Note 2)	Interest in controlled corporation	290,920,000 ordinary shares	Long	29.90
GoerTek (Note 2)	Interest in controlled corporation	290,920,000 ordinary shares	Long	29.90

Notes:

- As Alpha Luck is wholly and beneficially owned by Silver City, which in turn is wholly and beneficially owned by 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.

2. As Goertek HongKong is wholly and beneficially owned by Weifang Goertek, which in turn is wholly and beneficially owned by GoerTek, both Weifang Goertek and GoerTek are deemed to be interested in the same number of shares of the Company held by Goertek HongKong under Part XV of the SFO.
3. None of Alpha Luck, Silver City, CNIC, Goertek HongKong, Weifang Goertek nor GoerTek is interested in any securities of the Company under equity derivatives.

3. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group (which would be required to be disclosed under Rule 11.04 of the GEM Listing Rules).

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or was proposing to enter, into any service contract with any member of the Group which is not expiring or may not be terminated by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN ASSETS AND/OR CONTRACTS AND OTHER INTEREST

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Group were made up.

7. EXPERTS AND CONSENTS

The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	Qualification
Quam Capital	A licensed corporation to carry out type 6 of the regulated activity under the SFO

Quam Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Quam Capital did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Quam Capital did not have any direct or indirect interest in any assets which have been, since 31 December 2013 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

8. GENERAL

In the event of any inconsistency, the English language text of this circular and the accompanying proxy form shall prevail over the Chinese language text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the registered office of the Company in Hong Kong at Rooms 2708-11, 27/F, West Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong during normal business hours on any business day from date of this circular up to and including the date of the EGM (and any adjournment thereof):

- (a) the Purchase Agreement;
- (b) the New Purchase Agreement;
- (c) the letter from Quam Capital as set out in pages 15 to 25 of this circular; and
- (d) the written consent from Quam Capital referred to in this Appendix.

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 16 April 2014 (Wednesday) 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 framework purchase agreement dated 11 March 2014 (“**New Purchase Agreement**”) entered into between the Company (for itself and on behalf of its subsidiaries) and GoerTek Inc. (for itself and on behalf of its subsidiaries) (a copy of the New Purchase Agreement having been produced to the meeting and marked “A” and initialled 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) the Proposed Annual Caps for each of the year ending 31 December 2014, 31 December 2015 and 31 December 2016 (as defined and described in the circular of which this resolution forms part) in relation to the transactions contemplated under the New Purchase Agreement be and are hereby approved; and

NOTICE OF EGM

- (iii) any one director of the Company be and is hereby authorized to do all such acts and things and execute all such documents where he/she consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the New Purchase Agreement, the transactions contemplated thereunder and the Proposed Annual Caps.”

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

Hong Kong, 1 April 2014

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.

NOTICE OF EGM

- (iii) To be valid, the proxy form must be delivered to the share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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.

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