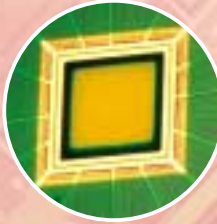
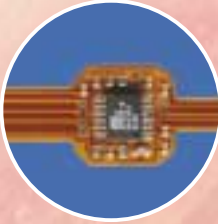




AKM Industrial Company Limited

安捷利實業有限公司

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



Third Quarterly Report

2005

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “Directors”) of AKM Industrial Company Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- For the nine months ended 30 September 2005, the unaudited turnover decreased to approximately HK\$140.59 million, representing a decrease of approximately 26.41% as compared to that of the same period last year. The net profit decreased by approximately 33.41% to approximately HK\$20.03 million as compared to that of the same period last year.
- Earnings per share of the Company and its subsidiaries (hereafter collectively referred to as the "Group") was approximately HK3.71 cents for the nine months ended 30 September 2005.

THE FINANCIAL STATEMENTS

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated operating results of the Group for the three months and nine months ended 30 September 2005 (the "period") together with comparative unaudited figures for the corresponding period in the previous year as follows:

Condensed Consolidated Income Statement

For the nine months and three months ended 30 September 2005 and 30 September 2004

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2005 HK\$ (Unaudited)	2004 HK\$ (Unaudited)	2005 HK\$ (Unaudited)	2004 HK\$ (Unaudited)
Turnover	3	140,585,913	191,047,085	46,313,137	61,620,541
Cost of sales		(101,084,045)	(133,197,934)	(34,125,917)	(41,195,674)
Gross profit		39,501,868	57,849,151	12,187,220	20,424,867
Other operating income		227,464	109,181	40,236	84,543
Distribution costs		(4,463,229)	(8,436,536)	(1,602,074)	(3,523,876)
Administrative expenses		(9,097,977)	(9,514,166)	(3,265,592)	(3,397,654)
Research and development expenses		(2,983,391)	(4,268,777)	(93,379)	(1,665,303)
Profit from operations		23,184,735	35,738,853	7,266,411	11,922,577
Finance costs		–	(727,846)	–	(377,104)
Share of loss of a jointly controlled entity		(302,268)	–	(302,268)	–
Profit before taxation		22,882,467	35,011,007	6,964,143	11,545,473
Taxation	4	(2,914,569)	(4,928,574)	(874,337)	(1,682,268)
Profit for the period		19,967,898	30,082,433	6,089,806	9,863,205
Attributable to:					
Equity holders of the parent		20,031,282	30,082,433	6,157,284	9,863,205
Minority interests		(63,384)	–	(67,478)	–
		19,967,898	30,082,433	6,089,806	9,863,205
Dividend	5	–	–	–	–
Earnings per share	6				
– Basic		3.71 cents	7.12 cents	1.14 cents	2.11 cents
– Diluted		3.69 cents	N/A	1.14 cents	N/A

Condensed Consolidated Statement of Changes in Equity*For the nine months ended 30 September 2005 and 30 September 2004*

	Attributable to equity holders of the parent					Minority interests	Total
	Share capital	Share premium	Translation reserve	Accumulated profits	Total		
	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)		
At 1 January 2004	100,000	-	1,632,895	15,531,090	17,263,985	-	17,263,985
Exchange differences from translation of operations outside Hong Kong not recognised in the condensed consolidated income statement	-	-	193,202	-	193,202	-	193,202
Issue of shares by capitalisation of loan from immediate holding company and loan from a shareholder	39,900,000	20,657,771	-	-	60,557,771	-	60,557,771
Issue of new shares	14,000,000	42,000,000	-	-	56,000,000	-	56,000,000
Expenses incurred in connection with the issue of new shares	-	(8,789,443)	-	-	(8,789,443)	-	(8,789,443)
Profit for the period	-	-	-	30,082,433	30,082,433	-	30,082,433
At 30 September 2004	54,000,000	53,868,328	1,826,097	45,613,523	155,307,948	-	155,307,948
At 1 January 2005	54,000,000	53,868,328	2,269,413	56,929,421	167,067,162	-	167,067,162
Exchange differences from translation of operations outside Hong Kong not recognised in the condensed consolidated income statement	-	-	2,736,982	-	2,736,982	15,552	2,752,534
Capital contribution from minority shareholder	-	-	-	-	-	195	195
2004 final dividend paid	-	-	-	(2,700,000)	(2,700,000)	-	(2,700,000)
Profit for the period	-	-	-	20,031,282	20,031,282	(63,384)	19,967,898
At 30 September 2005	54,000,000	53,868,328	5,006,395	74,260,703	187,135,426	(47,637)	187,087,789

Notes to the Condensed Financial Statements

For the nine months ended 30 September 2005

1. GENERAL

The Company is incorporated in Hong Kong with limited liability on 9 December 1993 and its ultimate holding company is China North Industries Corporation, a state-owned enterprise established in the People's Republic of China (the "PRC").

The Company is an investment holding company and is engaged in sourcing of raw materials for its subsidiary. Its subsidiary is engaged in manufacture and sale of flexible printed circuits.

The Company's shares have been listed on GEM of the Stock Exchange since 18 August 2004.

2. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants.

In 2005, the Group has adopted all new and revised Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards (herein collectively referred to as "new HKFRSs") relevant to its operations, which are effective for periods beginning on or after 1 January 2005. The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies in the following area:

Share-based payments

Prior to the adoption of HKFRS 2, the Group did not recognise the financial effect of share-based payments until such time as the share-based payments are settled. Following the adoption of HKFRS 2, the fair value of share options at grant date was amortised over the subsequent relevant vesting period.

The unaudited consolidated results for the nine months ended 30 September 2005 are unaudited but have been reviewed by the audit committee of the Company.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold by the Group to outside customers, less returns and allowances.

The Group's principal activities are the manufacture and sale of flexible printed circuits as a single business segment.

An analysis of the Group's turnover by geographical market of its customers is as follows:

	Nine months ended		Three months ended	
	30 September		30 September	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographical market:				
PRC other than Hong Kong	115,621,542	176,617,683	35,462,693	55,526,018
Hong Kong	20,415,071	14,429,402	8,997,743	6,094,523
Others	4,549,300	–	1,852,701	–
	140,585,913	191,047,085	46,313,137	61,620,541

All of the production facilities of the Group are located in the PRC.

4. TAXATION

	Nine months ended		Three months ended	
	30 September		30 September	
	2005	2004	2005	2004
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax	2,914,569	4,928,574	874,337	1,682,268

No provision for Hong Kong Profits Tax has been made in the financial statements as the assessable profit derived by the Company for the current period will be absorbed by the tax loss incurred in prior year and income of its PRC subsidiary, AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu"), neither arises in, nor is derived from, Hong Kong.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to the period.

Pursuant to the relevant laws and regulations in the PRC, AKM Panyu is exempted from PRC Enterprise Income Tax for two years starting from 1 January 2000 and is eligible for and entitled to a 50% tax reduction for the next three years starting from 1 January 2002 at a reduced rate of 12%.

On 31 December 2003, AKM Panyu was awarded the Foreign Invested Advanced-technology Enterprise Certificate by Bureau of Foreign Trade and Economic Co-operation of Guangzhou City. AKM Panyu is entitled to an extension of 50% tax reduction in PRC Enterprise Income Tax up to 31 December 2007.

5. DIVIDEND

On 27 April 2005, a dividend of HK0.5 cents per share on 540,000,000 shares, in aggregate, approximately HK\$2,700,000 was paid to shareholders as the final dividend for year 2004.

The Directors do not recommend payment of an interim dividend for the nine months ended 30 September 2005 (2004: Nil).

6. EARNINGS PER SHARE

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

	Nine months ended 30 September	
	2005	2004
	HK\$	HK\$
Earnings for the purposes of basic and diluted earnings per share:		
– profit for the period attributable to equity holders of the parent	20,031,282	30,082,433
	2005	2004
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	540,000,000	422,481,752
Effect of dilutive potential ordinary shares from share options	2,139,535	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	542,139,535	N/A

The calculation of basic earnings per share for the nine months ended 30 September 2004 is on the assumption that the additional 900,000 shares arising from subdivision of each of the Company's share of HK\$1.00 each into 10 shares of HK\$0.10 each and the 399,000,000 shares issued upon capitalisation of loan from immediate holding company and loan from a shareholder had been in issue since 1 January 2003.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the nine months ended 30 September 2005, the turnover of the Group amounted to approximately HK\$140.59 million, representing a decrease of approximately 26.41% as compared to the corresponding period of last year. The gross profit margin for the period was approximately 28.10% (the corresponding period of 2004: 30.28%). The net profit of the Group for the period was approximately HK\$20.03 million, representing a decrease of approximately 33.41% as compared to the corresponding period of last year. The decrease in net profit was mainly due to the decrease in turnover.

The distribution costs of the Group for the nine months ended 30 September 2005 amounted to approximately HK\$4.46 million, representing a decrease of approximately 47.10% as compared to the corresponding period of last year. The decrease in distribution costs was in line with the decrease in turnover.

The administrative expenses of the Group for the nine months ended 30 September 2005 amounted to approximately HK\$9.10 million, representing a decrease of approximately 4.37% as compared to the corresponding period of last year.

The research and development expenses of the Group for the nine months ended 30 September 2005 amounted to approximately HK\$2.98 million, representing a decrease of approximately 30.11% as compared to the corresponding period of last year. The decrease in research and development expenses was mainly due to the fact that an amount of approximately HK\$1.36 million of government grants was obtained to set off against related expenses of the Company.

Business Review and Prospect

For the nine months ended 30 September 2005, the sales of the three products, namely single-sided, double-sided and multi-layer flexible printed circuits accounted for approximately 13%, 37% and 50% of the Group's total turnover respectively, while the sales of these products for the corresponding period of last year accounted for approximately 13%, 40% and 47% of the Group's total turnover respectively.

During the period under review, performance of the Group deteriorated when compared with the corresponding period of last year. Both of the gross profit margin and the net profit margin declined substantially. Since the beginning of 2005, the reduction in sales orders and unit selling price from mobile phone manufacturers had highly affected the performance of the Group. However, the Group has managed to reduce the reliance on the ratio of domestic mobile phone manufacturers during the period. Apart from the turnover generated from the sales of flexible printed circuits applied in mobile phones, turnover attributable to the application in TFT LCD module was reflected during the period. In addition, new customer like Alcatel has been introduced to the Company during the period which will bring further improvement to the result of the Group.

On 4 July 2005, the Company, through its non-wholly owned subsidiary, Ever Proven Investments Limited, has formed a joint venture company in the PRC, namely 深圳思碼特電子有限公司 (Shenzhen Smart Electronics Co., Ltd.) ("Shenzhen Smart"), with independent third parties to provide the surface mount technology services for the flexible printed circuits. The registered capital of Shenzhen Smart is approximately HK\$10 million with 58% interest owned by Ever Proven Investments Limited. As at 30 September 2005, the Group has invested approximately HK\$4.35 million in Shenzhen Smart as its working capital.

Although the Group's performance was largely affected by the downtrend of mobile phone industry during the first half of 2005, the management of the Company has managed to diversify the sales of flexible printed circuit applied in other electronic appliances such as TFT LCD module during the period. In view of the change in the Group's customers' base, the Group is confident in achieving better results during the last quarter of 2005.

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 September 2005, none of the directors and the chief executive (if any) of the Company had any interest or short position 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 pursuant to Rules 5.46 to 5.67 of the Rules Governing the listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

Name of Director	Name of company in which interest is held	Class and number of securities in which interested under physically equity derivatives (Notes)	Capacity	Long/Short position	Percentage of total issued share capital in the Company
Mr. Xiong Zheng Feng	the Company	2,000,000 ordinary shares	Beneficial owner	Long	0.37
Mr. Chai Zhi Qiang	the Company	2,800,000 ordinary shares	Beneficial owner	Long	0.52
Ms. Li Ying Hong	the Company	600,000 ordinary shares	Beneficial owner	Long	0.11

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 granted to him/her under a share option scheme adopted prior to the listing of the Company, which position remains unchanged since the date of grant on 6 August 2004.
- None of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang is interested in any securities of the Company other than under equity derivatives.

(b) Substantial shareholders

Save as disclosed below, as at 30 September 2005, no person other than a director or chief executive (if any) of the Company had any interest 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:

Name of substantial shareholder	Capacity	Class and number of securities in which interested (other than under equity derivatives) (Note 3)	Long/Short position	Percentage of total issued share capital in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	360,000,000 ordinary shares	Long	66.67
Silver City International (Holdings) Ltd. ("Silver City") (Note 1)	Interest in controlled corporation	360,000,000 ordinary shares	Long	66.67
China North Industries Corporation 中國北方工業公司 ("CNIC") (Note 2)	Interest in controlled corporation	360,000,000 ordinary shares	Long	66.67
Dalmay International Corporation ("Dalmay") (Note 3)	Beneficial owner	40,000,000 ordinary shares	Long	7.41

Notes:

1. This represents the same block of shares of the Company shown against the name of Alpha Luck above. Since Alpha Luck is wholly beneficially owned by Silver City, Silver City is deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.

2. As Silver City is wholly 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.
3. Dalmay is beneficially owned by 29 shareholders which consist of various Directors, member of the senior management and employees of the Group. Mr. Xiong Zheng Feng, Mr. Chai Zhi Qiang and Ms. Li Ying Hong are interested in 30%, 28.75% and 6.75% respectively in the issued share capital of Dalmay.
4. None of Alpha Luck, Silver City, CNIC and Dalmay is interested in any securities of the Company under equity derivatives.

COMPETING INTERESTS

None of the Directors, the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) had any conflict of interest with any member of the Group or any interest in a business which competes or may compete with the business of any member of the Group during the period.

SPONSOR'S INTERESTS

Pursuant to a sponsor agreement dated 10 August 2004 made between the Company and Barits Securities (Hong Kong) Limited ("Barits"), Barits has been appointed as the sponsor to the Company as required under the GEM Listing Rules at a fee for the period from 18 August 2004 to 31 December 2006.

None of Barits, its directors, employees and their respective associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had accrued any material benefits or had a directorship in or had any interests in any class of securities of any member of the Group (including options or rights to subscribe for such securities but excluding interests in such securities subscribed by any director or employee of Barits pursuant to an offer by way of public subscription made by the Company) as a result of the listing or any transaction of the Company for the nine months ended 30 September 2005.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon "A Guide for the Formation of our Audit Committee" published by the Hong Kong Institute of Certified Public Accountants in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The primary duties of the audit committee of the Company are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments on the Company's draft annual reports and accounts, half-yearly reports and quarterly reports to the Directors.

The audit committee of the Company comprises three members which are all independent non-executive Directors, namely, Mr. Li Kung Man (the chairman of the audit committee), Mr. Liang Zhi Li and Mr. Wang Heng Yi.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the nine months ended 30 September 2005.

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

9 November 2005, Hong Kong