

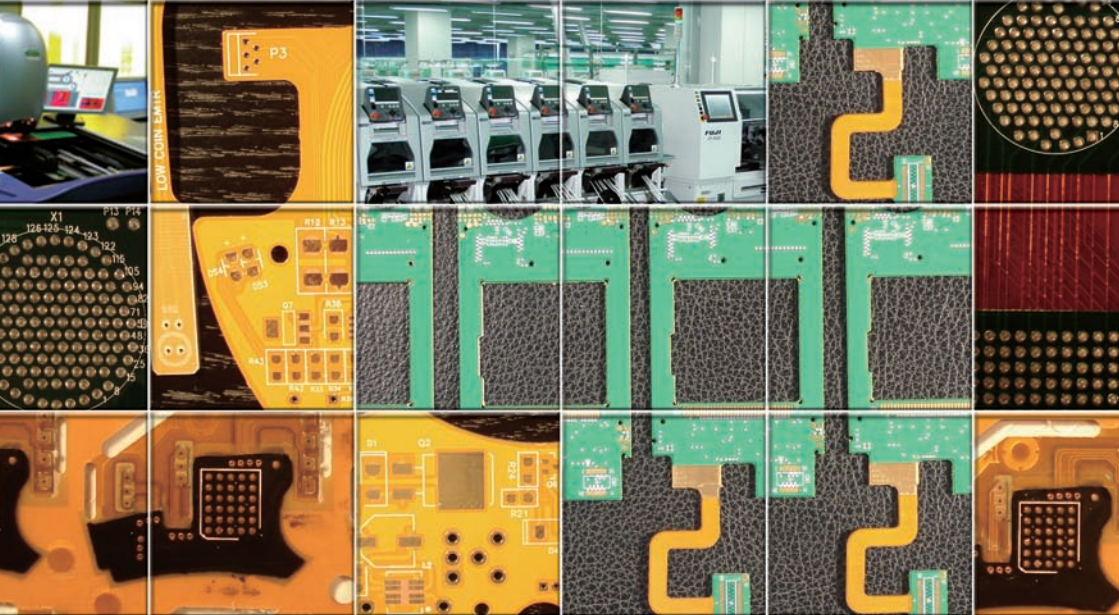


AKM Industrial Company Limited

安捷利實業有限公司

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

Stock Code: 8298



Third
Quarterly Report
2007

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 of the Stock Exchange 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. Companies listed on GEM 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, 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 2007, the unaudited turnover increased to approximately HK\$206.51 million, representing an increase of approximately 70.90% as compared to that of the corresponding period last year. The loss attributable to the equity holders of the parent of the Group amounted to HK\$23.90 million, while there was a profit of HK\$4.34 million for the corresponding period last year.
- Loss per share of the Group was approximately HK\$4.43 cents for the nine months ended 30 September 2007.

The board of Directors (the "Board") is pleased to announce the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and nine months ended 30 September 2007 together with the comparative unaudited figures for the corresponding period last year, as follows:

THE FINANCIAL STATEMENTS

Condensed Consolidated Income Statement

For the nine months and three months ended 30 September 2007 and 30 September 2006

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)
Turnover	2	206,508,995	120,838,823	59,725,486	38,265,888
Cost of sales		(210,593,343)	(92,809,023)	(65,543,600)	(33,105,107)
Gross profit		(4,084,348)	28,029,800	(5,818,114)	5,160,781
Other income		1,366,355	461,170	347,253	187,938
Distribution costs		(5,023,714)	(4,430,084)	(2,179,473)	(1,458,547)
Administrative expenses		(14,468,776)	(11,573,410)	(6,659,311)	(3,681,846)
Research and development expenses		(6,154,877)	(7,403,610)	(1,943,067)	(2,036,957)
Share of result of a jointly controlled entity		6,066,258	47,885	2,854,638	31,652
Finance costs		(873,968)	(116,691)	(338,068)	(67,527)
(Loss) profit before taxation		(23,173,070)	5,015,060	(13,736,142)	(1,864,506)
Taxation	3	166,212	(670,188)	(14,322)	132,537
(Loss) profit for the period		(23,006,858)	4,344,872	(13,750,464)	(1,731,969)
Attributable to:					
Equity holders of the parent		(23,904,250)	4,342,855	(14,464,152)	(1,739,784)
Minority interests		897,392	2,017	713,688	7,815
		(23,006,858)	4,344,872	(13,750,464)	(1,731,969)
(Loss) earnings per share	5				
– Basic		(4.43) cents	0.80 cents	(2.68) cents	(0.32) cents
– Diluted		N/A	N/A	N/A	N/A

Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2007 and 30 September 2006

	Attributable to equity holders of the parent							
	Share capital	Share premium	Translation reserve	Share options reserve	Retained profits	Total	Minority interests	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 January 2007	54,000,000	53,868,328	11,536,392	941,049	65,347,865	185,693,634	13,421	185,707,055
Exchange differences from translation of foreign operations directly recognised in equity	-	-	7,621,604	-	-	7,621,604	-	7,621,604
Loss for the period	-	-	-	-	(23,904,250)	(23,904,250)	897,392	(23,006,858)
Total recognised income and expenses for the period	-	-	7,621,604	-	(23,904,250)	(16,282,646)	897,392	(15,385,254)
Recognition of equity-settled share base payments	-	-	-	2,516,548	-	2,516,548	-	2,516,548
At 30 September 2007	54,000,000	53,868,328	19,157,996	3,457,597	41,443,615	171,927,536	910,813	172,838,349
At 1 January 2006	54,000,000	53,868,328	5,023,114	908,619	77,132,364	190,932,425	12,998	190,945,423
Exchange differences from translation of foreign operations directly recognised in equity	-	-	3,511,566	-	-	3,511,566	-	3,511,566
Profit for the period	-	-	-	-	4,342,855	4,342,855	2,017	4,344,872
Total recognised income and expenses for the period	-	-	3,511,566	-	4,342,855	7,854,421	2,017	7,856,438
Recognition of equity-settled share based payments	-	-	-	98,790	-	98,790	-	98,790
2005 final dividend paid	-	-	-	-	(4,050,000)	(4,050,000)	-	(4,050,000)
At 30 September 2006	54,000,000	53,868,328	8,534,680	1,007,409	77,425,219	194,835,636	15,015	194,850,651

Notes to the Condensed Financial Statements

For the nine months ended 30 September 2007

1. BASIS OF PREPARATION

The unaudited consolidated results of the Group have been prepared under the historical cost convention and in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Accounting Standards ("HKAS") and interpretations issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies adopted are consistent with those set out in the Group's annual financial statements for the year ended 31 December 2006.

The Quarterly Financial Statements are unaudited but have been reviewed by the audit committee of the Company.

2. TURNOVER

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

(a) Geographical segments

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods manufactured or services rendered:

	Turnover		Turnover	
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC other than Hong Kong	130,205,954	90,394,358	38,825,330	30,759,879
Hong Kong	65,231,354	22,872,216	14,223,087	6,346,200
Others	11,071,687	7,572,249	6,677,069	1,159,809
	206,508,995	120,838,823	59,725,486	38,265,888

	Segment results		Segment results	
	Nine months ended		Three months ended	
	30 September		30 September	
	2007	2006	2007	2006
HK\$	HK\$	HK\$	HK\$	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	
PRC other than Hong Kong	(9,092,113)	14,275,841	(6,627,096)	526,228
Hong Kong	383,920	6,681,858	(1,395,005)	2,358,416
Others	(399,869)	2,642,017	24,514	817,590
	(9,108,062)	23,599,716	(7,997,587)	3,702,234
Interest income	956,631	362,578	214,996	89,346
Finance costs	(873,968)	(116,691)	(338,068)	(67,527)
Share of result of a jointly controlled entity	6,066,258	47,885	2,854,638	31,652
Unallocated expenses, net of unallocated other income	(20,213,929)	(18,878,428)	(8,470,121)	(5,620,211)
(Loss) profit before taxation	(23,173,070)	5,015,060	(13,736,142)	(1,864,506)
Taxation	166,212	(670,188)	(14,322)	132,537
(Loss) profit for the period	(23,006,858)	4,344,872	(13,750,464)	(1,731,969)

All the Group's assets and capital expenditure incurred during the period are located in the PRC, which is considered as one geographical location in an economic environment with similar risks and returns. In addition, over 90% of the Group's asset by geographical market are also located in the PRC. Consequently, no geographical segment asset analysis is presented.

(b) Business segments

The Group's principal activities are the manufacture and sale of flexible printed circuit and sourcing of components for surface mount technology ("SMT") service. Business segment information is as follows:

	Sales of flexible printed circuit HK\$ (Unaudited)	Sourcing of components HK\$ (Unaudited)	Elimination HK\$ (Unaudited)	Consolidation HK\$ (Unaudited)
Turnover				
For the nine months ended 30 September 2007				
External sales	110,222,446	96,286,549	-	206,508,995
Inter-segment sales	-	1,176,931	(1,176,931)	-
	110,222,446	97,463,480	(1,176,931)	206,508,995
Segment results	(15,918,428)	655,489		(15,262,939)
For the nine months ended 30 September 2006				
External sales	120,838,823	-	-	120,838,823
Segment results	16,196,106	-		16,196,106

3. TAXATION

	Nine months ended 30 September		Three months ended 30 September	
	2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)	2007 HK\$ (Unaudited)	2006 HK\$ (Unaudited)
Hong Kong Profits Tax	50,000	-	15,000	-
PRC Enterprise Income Tax	(216,212)	670,188	(678)	(132,537)

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period. No provision for Hong Kong Profits Tax was made in the corresponding period last year as the Group's assessable profit in Hong Kong in the prior year was wholly absorbed by tax losses brought forward. The income of its PRC subsidiaries neither arises in, nor is derived from, Hong Kong.

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for each PRC subsidiary's applicable tax rate. And there is no taxable income derived by the PRC subsidiaries for the current period.

Pursuant to the relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rate for AKM Electronics Industrial (Panyu) Ltd. (安捷利(番禺)電子實業有限公司) ("AKM Panyu") is 24%. 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.

4. DIVIDEND

The Directors do not recommend payment of an interim dividend for the nine months ended 30 September 2007 (2006: Nil).

5. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to equity holders of the parent is based on the following data:

	Nine months ended	
	30 September	
	2007	2006
	HK\$	HK\$
	(Unaudited)	(Unaudited)
(Loss) earnings for the purposes of basic and diluted earnings per share:		
– (loss) profit for the period attributable to equity holders of the parent	(23,904,250)	4,342,855
	2007	2006
	Number of	Number of
	shares	shares
Weighted average number of ordinary shares for the purpose of basic earnings per share	540,000,000	540,000,000
Effect of dilutive potential ordinary shares from share options	N/A	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	N/A	N/A

The diluted loss per share for the period ended 30 September 2007 is not presented as the exercise of the share options outstanding would result in a decrease in loss per share.

No diluted earnings per share has been presented for the period ended 30 September 2006 because the exercise price of the Company's options, after taken into account of the effect of share-based payment, was higher than the market price of shares throughout the period.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review


For the nine months ended 30 September 2007 (the “period”), the turnover of the Group amounted to approximately HK\$206.51 million, representing an increase of approximately 70.90% as compared to the corresponding period last year. The gross loss margin for the period of 1.98% was recorded while there was a gross profit margin of 23.20% in corresponding period last year. It was mainly due to the additional stock provision approximately HK\$11.30 million in this quarter in addition to the decrease in the gross profit margin of flexible printed circuit and the nature of low gross profit margin of the business of sourcing of components. Regarding the stock provision HK\$11.30 million, in light of severe market conditions, a detailed review of the stocks had been carried out during the period, it was considered necessary to make such provision for obsolete stocks identified. In order to improve the stock management in future, a review committee has been set up and committee members are the senior staff of different departments, meetings will be held regularly to review and control the production planning and problems of stock.

The net loss of the Group for the period was approximately HK\$23.90 million, while there was a net profit of approximately HK\$4.34 million for the corresponding period last year. The decrease in net profit was mainly due to the decrease in the sales and gross profit margin of flexible printed circuit, and the stock provision as mentioned.

The other income of the Group for the nine months ended 30 September 2007 amounted to approximately HK\$1.37 million, representing an increase of approximately 196.28% as compared to the corresponding period last year. It was mainly due to the increase of interest income and there was rental income of equipment from Shenzhen Smart Electronics Co. Ltd. (深圳思碼特電子有限公司), a jointly controlled entity of the Group.

The distribution costs of the Group for the nine months ended 30 September 2007 amounted to approximately HK\$5.02 million, representing an increase of approximately 13.40% as compared to the corresponding period last year. It is mainly due to the increase of distribution costs in the wholly-owned subsidiary AKM (Suzhou) FPC Company Limited (安捷利(蘇州)柔性電路板有限公司) in line with the increase in its turnover.

The administrative expenses of the Group for the nine months ended 30 September 2007 amounted to approximately HK\$14.47 million, representing an increase of approximately 25.02% as compared to the corresponding period last year. It is mainly due to the recognition of expenses approximately HK\$2.50 million related to the equity-settled share-based payment transaction as a result of grant of options during the period.



The research and development expenses of the Group for the nine months ended 30 September 2007 amounted to approximately HK\$6.15 million, representing a decrease of approximately 16.87% as compared to the corresponding period last year. The decrease in research and development expenses was mainly due to the reclassification of certain expenses.


Business Review and Prospect

Business Review

For the nine months ended 30 September 2007, the turnover of the Group amounted to approximately HK\$206.51 million, representing an increase of approximately 70.90% as compared to the corresponding period last year, in which, the turnover of external sales of printed flexible circuits and sourcing of components for external sales for surface mount technology (“SMT”) service were approximately HK\$110.22 million and HK\$96.29 million respectively. The turnover of external sales of printed flexible circuits during the corresponding period last year was approximately HK\$120.84 million, whereas no turnover was recorded for sourcing of components for external sales for SMT service as this is a new business commencing from the reporting period.

For the nine months ended 30 September, 2007, both the turnover and gross profit margin of flexible printed circuits decreased significantly compared to the corresponding period last year, it was mainly due to both of the drop of product price suffered by the whole industry as a result of change in market environment and the increase of price of raw materials, the profit decreased significantly in the industry as well as the lack of adaptability and responsive measures of the Group, thereby resulting in an unsatisfactory sales of flexible printed circuits. Besides, the clearance of obsolete stock by the Group also led to an additional provision of approximately HK\$11.30 million. Since the beginning of the year, due to the abrupt surging in raw material prices including aluminum and copper in the international market, the cost of raw materials of the Group also increased significantly. Meanwhile, as a result of the new Labour Law of the PRC and inflation of prices, the overall labour costs thus increased substantially.

In June 2005, the relevant local government authority in charge of land development intended to resume the land leased by the Group’s Panyu plant (the “Premises”). The Group is planning the relocation of its place of operation and is assessing the related costs and any other losses which may be incurred as a result of such relocation, as well as the possibility of disruption of operations caused to the Group by such relocation. The Group has been in discussion with the lessor of the land and the relevant PRC government authority regarding compensation issues. The actual date of resumption of the land by the local government has yet to be confirmed. The Group has confirmed its new place of business and is in the process of the construction of a new factory building.



Silver City International (Holdings) Ltd., the substantial shareholder of the Company, has committed to indemnify any members of the Group against any acts, claims, losses, damages, costs, fines, charges, penalties, payments, interests or any expenses which might be made, suffered or incurred for or, directly or indirectly in connection with their moving out of the Premises.

Outlook

In 2007, despite internal organization streamlining and severe market challenges, the Group unwavering acted in accordance with the operation plan being set at the beginning of the year. As a result, client structure has been further optimized, and the number of high net worth customers and overseas orders continuously increase and starts to generate positive results from the beginning of the third quarter. In the third quarter, the sales of flexible printed circuit amounted to approximately HK\$42.66 million, representing a significant increase as compared with the last two quarters. Although the Group still recorded an operating loss of approximately HK\$14.46 million, it was largely due to the provision of HK\$11.30 million for the clearance of the Group's obsolete stock during the quarter, therefore, the operating loss of the Group in the third quarter was in fact significantly reduced.

Although changes in the market environment had turned most of the medium and small enterprises into difficult operating situation, with increasing number of international leading electronic firms entering the Mainland market, the international market is now turning to China's local manufacturers with high productivity and high technology skill for the sourcing of such flexible printed circuit. While the Group faces severe challenges, it is also being presented with historical development opportunity. The Group's core business will be focused on establishing long-term cooperation with international big clients and overseas clients through market consolidation, implementation of big client development strategy, restructuring of the operation flow, improving internal audit system, exploring resource and minimizing costs, improving internal core strength. The Group is striving to improve its operating scale and profitability, improve market image, recover and enhance its leading role in the flexible printed circuit industry in Mainland China in 2008.

The Group will seek to co-operate and establish strategic alliances with international manufacturers and relevant design houses in the industry and introduce strategic partners to further enhance the research and development capability, manufacturing capacity and management ability of the Group and build core competency.

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 September 2007, none of the Directors and the chief executive of the Company and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules:

(i) The Company

(i) Interest in shares of the Company

Name	Class and number of shares of which interested (other than under equity derivatives)	Capacity	Long/Short position	Approximately percentage of total issued share capital in the Company %
Mr. Xiong Zheng Feng	2,190,000 ordinary shares	Beneficial owner	Long	0.41

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

Name of Director	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	2,000,000 ordinary shares	1	Beneficial owner	Long	0.37
	2,000,000 ordinary shares	2	Beneficial owner	Long	0.37
Mr. Chai Zhi Qiang	2,800,000 ordinary shares	1	Beneficial owner	Long	0.52
	2,000,000 ordinary shares	2	Beneficial owner	Long	0.37
Ms. Li Ying Hong	600,000 ordinary shares	1	Beneficial owner	Long	0.11
	2,000,000 ordinary shares	2	Beneficial owner	Long	0.37
Mr. Han Li Gang	1,600,000 ordinary shares	2	Beneficial owner	Long	0.30
Mr. Li Kung Man	800,000 ordinary shares	2	Beneficial owner	Long	0.15
Mr. Liang Zhi Li	800,000 ordinary shares	2	Beneficial owner	Long	0.15
Mr. Wang Heng Yi	800,000 ordinary shares	2	Beneficial owner	Long	0.15

Notes:

1. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong and Mr. Chai Zhi Qiang in the underlying ordinary shares of the Company 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 a Pre-IPO share option scheme adopted on 6 August 2004, which position remains unchanged since the date of grant on 6 August 2004.
2. The interest of each of Mr. Xiong Zheng Feng, Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Li Kung Man, Mr. Liang Zhi Li and Mr. Wang Heng Yi in the underlying ordinary shares of the Company reflects the share options to subscribe for share in the Company at a subscription price of HK\$0.36 per share granted to him/her under a share option scheme adopted on 6 August 2004, which position remains unchanged since the date of grant on 9 July 2007.
3. Mr. Xiong Zheng Feng is in aggregate interested in approximately 1.15% of the total issued share capital in the Company, such interest comprises his interests in 2,190,000 issued shares of the Company and 4,000,000 underlying shares.
4. None of Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Li Kung Man, Mr. Liang Zhi Li or Mr. Wang Heng Yi is interested in any securities of the Company other than under equity derivatives.

(II) The associated corporation

As at 30 September 2007, to the best knowledge of the Company, none of the Directors, chief executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of any associated corporations of the Company (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Substantial shareholders

Save as disclosed below, as at 30 September 2007, no person other than a director or chief executive of the Company had any interests or short positions in the shares or 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 10% 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	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. Dalmary is beneficially owned by 29 shareholders which consist of various Directors, members 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 Dalmary.
4. None of Alpha Luck, Silver City, CNIC and Dalmary is interested in any securities of the Company under equity derivatives.

COMPETING INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or 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, either directly or indirectly, with the business of any member of the Group during the period.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 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 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 SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the nine months ended 30 September 2007.

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

9 November 2007, Hong Kong