



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

Interim Report **2009**

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

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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 six months ended 30 June 2009, the unaudited turnover decreased to approximately HK\$134.01 million, representing a decrease of approximately 23.42% as compared to the corresponding period of last year. The profit attributable to the equity holders of the Company amounted to approximately HK\$4.41 million, while the loss was approximately HK\$12.27 million for the corresponding period of last year.
- Earnings per share of the Group was approximately HK0.82 cent for the six months ended 30 June 2009.

THE FINANCIAL STATEMENTS

Quarterly Results

The board of Directors (the "Board") hereby announces the unaudited condensed consolidated operating results of the Company and its subsidiaries (collectively, the "Group") for the three months and six months ended 30 June 2009 together with the comparative unaudited figures for the corresponding period of last year, as follows:

Condensed Consolidated Income Statement

For the six months and three months ended 30 June 2009 and 30 June 2008

	Notes	Six months ended 30 June		Three months ended 30 June	
		2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited) (Restated)	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited) (Restated)
Turnover	3	134,013,091	174,992,264	64,756,463	105,439,984
Cost of sales		(129,992,833)	(175,876,343)	(63,749,147)	(106,383,371)
Gross profit (loss)		4,020,258	(884,079)	1,007,316	(943,387)
Other income		58,309,341	477,338	58,085,066	240,990
Distribution costs		(2,356,588)	(2,647,246)	(1,959,833)	(1,509,142)
Administrative expenses		(49,627,203)	(10,069,876)	(46,398,500)	(5,017,138)
Research and development expenses		(3,646,463)	(4,017,972)	(1,798,195)	(2,122,786)
Share of result of a jointly controlled entity		(2,906,909)	7,121,089	(1,886,048)	3,290,852
Finance costs		(111,090)	(364,457)	(108,269)	(248,203)
Profit (loss) before taxation	4	3,681,346	(10,385,203)	6,941,537	(6,308,814)
Taxation	5	–	(49,500)	–	(33,000)
Profit (loss) for the period		3,681,346	(10,434,703)	6,941,537	(6,341,814)
Attributable to:					
Equity holders of the parent		4,408,073	(12,273,913)	7,413,049	(7,223,465)
Minority interests		(726,727)	1,839,210	(471,512)	881,651
		3,681,346	(10,434,703)	6,941,537	(6,341,814)
Earnings (loss) per share	7				
– basic		0.82 cent	(2.27) cents	1.37 cents	(1.34) cents

Condensed Consolidated Balance Sheet

At 30 June 2009 and 31 December 2008

	Notes	30 June 2009 HK\$ (Unaudited)	31 December 2008 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	8	130,230,363	134,018,842
Prepaid lease payments		56,807,496	57,439,578
Interest in a jointly controlled entity		26,190,471	29,097,380
		213,228,330	220,555,800
Current assets			
Inventories		20,150,361	27,333,000
Trade and other receivables	9	38,320,385	41,533,614
Bills receivables	9	3,095,535	5,323,566
Government compensation receivable		57,847,515	–
Prepaid lease payments		1,199,040	1,199,720
Amount due from a jointly controlled entity		–	3,013,321
Tax recoverable		220,545	220,545
Pledged bank deposits		2,356,053	2,349,707
Bank balances and cash		14,106,425	36,558,588
		137,295,859	117,532,061
Current liabilities			
Trade and other payables	10	56,586,607	45,039,546
Bills payables	10	5,245,342	5,851,491
Deferred income		793,651	340,329
Amount due to a fellow subsidiary		2,937,506	2,939,172
Taxation payable		3,342,945	3,344,842
Borrowings	11	28,931,151	34,962,952
Amount due to a jointly controlled entity		4,298,753	–
Loan from a jointly controlled entity		4,085,814	4,086,894
Loan from a minority shareholder of a subsidiary		2,247,500	2,247,500
Loan from ultimate holding company		4,535,147	4,537,720
Bank overdrafts		–	780,858
		113,004,416	104,131,304
Net current assets		24,291,443	13,400,757
Total assets less current liabilities		237,519,773	233,956,557

	Notes	30 June 2009 HK\$ (Unaudited)	31 December 2008 HK\$ (Audited)
Capital and reserves			
Share capital	12	54,000,000	54,000,000
Reserves		110,184,776	105,882,630
Equity attributable to equity holders			
of the parent		164,184,776	159,882,630
Minority interests		3,201,478	3,928,205
Total equity		167,386,254	163,810,835
Non-current liabilities			
Deferred income		30,328,798	30,346,001
Loans from an intermediate holding company		38,755,000	38,750,000
Deferred taxation		1,049,721	1,049,721
		70,133,519	70,145,722
		237,519,773	233,956,557

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 and 30 June 2008

	Attributable to equity holders of the parent							
	Share capital	Share premium	Translation reserve	Share options reserve	Accumulated profits	Total	Minority interests	Total
	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)	HK\$ (Unaudited)
At 1 January 2009	54,000,000	53,868,328	39,691,732	3,817,770	8,504,800	159,882,630	3,928,205	163,810,835
Exchange differences from translation directly recognised in equity	-	-	(105,927)	-	-	(105,927)	-	(105,927)
Profit for the period	-	-	-	-	4,408,073	4,408,073	(726,727)	3,681,346
Total recognised income and expenses for the period	-	-	(105,927)	-	4,408,073	4,302,146	(726,727)	3,575,419
At 30 June 2009	54,000,000	53,868,328	39,585,805	3,817,770	12,912,873	164,184,776	3,201,478	167,386,254
At 1 January 2008	54,000,000	53,868,328	27,054,429	4,098,318	33,086,177	172,107,252	1,026,492	173,133,744
Exchange differences from translation directly recognised in equity	-	-	11,647,575	-	-	11,647,575	-	11,647,575
Loss for the period	-	-	-	-	(12,273,913)	(12,273,913)	1,839,210	(10,434,703)
Total recognised income and expenses for the period	-	-	11,647,575	-	(12,273,913)	(626,338)	1,839,210	1,212,872
Recognition of equity-settled share based payments	-	-	-	32,013	-	32,013	-	32,013
Lapse of share options	-	-	-	(264,542)	264,542	-	-	-
At 30 June 2008	54,000,000	53,868,328	38,702,004	3,865,789	21,076,806	171,512,927	2,865,702	174,378,629

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009 and 30 June 2008

	Six months ended 30 June	
	2009	2008
	HK\$	HK\$
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	8,910,012	18,175,655
Net cash used in investing activities	(24,513,448)	(55,005,527)
Net cash (used in) from financing activities	(6,031,801)	30,341,293
Decrease in cash and cash equivalents	(21,635,237)	(6,488,579)
Cash and cash equivalents at beginning of the period	35,777,730	19,228,262
Effect of foreign exchange rate changes	(36,068)	2,033,138
Cash and cash equivalents at end of the period representing	14,106,425	14,772,821
bank balances and cash	14,106,425	17,984,405
bank overdraft	–	(3,211,584)
	14,106,425	14,772,821

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2009

1. GENERAL

The Company is a public limited company incorporated in Hong Kong with limited liability on 9 December 1993. Its parent is Alpha Luck Industrial Limited (incorporated in Hong Kong with limited liability) 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 shares of the Company were listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 18 August 2004 ("Listing Date").

The consolidated financial statements are presented in Hong Kong dollars while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollars as its presentation currency is because the Company is a public company in Hong Kong with its shares listed on GEM.

The Company is an investment holding company and is engaged in sourcing of raw materials and equipment for its subsidiaries and trading of flexible printed circuit ("FPC"). Its subsidiaries are principally engaged in manufacture and sale of FPC and sourcing of components.

2. 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 2008.

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

3. TURNOVER AND SEGMENTS INFORMATION

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

(a) Business segments

For management purposes, the Group is currently organised into two operating divisions namely manufacture and sale of FPC and sourcing and sale of components. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- FPC business – the manufacture and sale of FPC
- Sourcing and sale of components – provision of sourcing and sale of electrical components for surface mount technology (“SMT”) service

Segment information about these businesses is presented below.

Six months ended 30 June

	FPC business		Sourcing and sale of components		Total	
	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited) (Restated)	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited) (Restated)
Turnover						
External sales	63,794,005	61,912,647	70,219,086	113,079,617	134,013,091	174,992,264
Result						
Segment results	(2,075,349)	(7,872,397)	92,556	323,100	(1,982,793)	(7,549,297)
Interest income					48,558	172,802
Share of result of a jointly controlled entity					(2,906,909)	7,121,089
Finance costs					(111,090)	(364,457)
Unallocated corporate income (expenses)					8,633,580	(9,765,340)
Profit (loss) before taxation					3,681,346	(10,385,203)
Taxation					-	(49,500)
Profit (loss) for the period					3,681,346	(10,434,703)

Three months ended 30 June

	FPC business		Sourcing and sale of components		Total	
	2009	2008	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Turnover						
External sales	27,548,253	31,366,864	37,208,210	74,073,120	64,756,463	105,439,984
Result						
Segment results	(2,794,623)	(4,764,452)	43,911	189,137	(2,750,712)	(4,575,315)
Interest income					24,334	90,250
Share of result of a jointly controlled entity					(1,886,048)	3,290,852
Finance costs					(108,269)	(248,203)
Unallocated corporate income (expenses)					11,662,232	(4,866,398)
Profit (loss) before taxation					6,941,537	(6,308,814)
Taxation					-	(33,000)
Profit (loss) for the period					6,941,537	(6,341,814)

(b) Geographical segments

The Group's two divisions operate in two principal geographical areas – the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong. The following table provides an analysis of the Group's sales by geographical market, based on the geographical location of customers, irrespective of the origin of the goods manufactured:

	Turnover		Turnover	
	Six months ended 30 June	Three months ended 30 June	2009	2008
	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)		(Restated)
PRC other than Hong Kong	44,248,579	33,868,407	17,752,056	16,778,674
Hong Kong	83,478,855	133,241,227	43,142,033	84,959,939
Others	6,285,657	7,882,630	3,862,374	3,701,371
	134,013,091	174,992,264	64,756,463	105,439,984

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30 June		Three months ended 30 June	
	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit (loss) before taxation has been arrived at after charging:				
Allowance for bad and doubtful debts	258,308	175,702	1,035,475	195,561
Allowance for obsolete inventories	2,019,236	1,732,671	1,604,598	824,775
Depreciation of property, plant and equipment	5,071,803	4,966,001	2,620,889	2,489,928
Amortisation of prepaid lease payments	600,789	375,446	300,995	226,901
and after crediting:				
Interest income	48,558	172,802	24,334	90,250

5. TAXATION

	Six months ended 30 June		Three months ended 30 June	
	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current Tax				
Hong Kong Profits Tax	-	49,500	-	33,000
PRC Enterprise Income Tax	-	-	-	-

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 and reduced corporate profit tax rate from 17.5% to 16.5% which is effective from the year of assessment 2008/2009.

No provision for Hong Kong Profits Tax was made in the period as there was no assessable profit derived. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the corresponding period last year. The income of its PRC subsidiaries neither arises in, nor is derived from, Hong Kong.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate to 25% from 1 January 2008.

Pursuant to the relevant laws and regulations in the PRC, AKM (Suzhou) FPC Company Limited ("AKM (Suzhou)") is exempted from PRC income tax for two years commenced from 1 January 2008 followed by a 50% reduction for the next three years.

Pursuant to the relevant laws and regulations in the PRC, the applicable PRC Enterprise Income Tax rate for AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") was 24% prior to application of the New Law and Implementation Regulations as mentioned above. 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 for an extension of 50% tax reduction in PRC Enterprise Income Tax up to 31 December 2007. On 16 December 2008, AKM Panyu was awarded the Foreign Invested Advanced – technology Enterprise Certificate. AKM Panyu is entitled to a tax reduction from 25% to 15% for three years commenced from 1 January 2008.

No provision for PRC income tax was made in the period as the PRC income taxable during the period had been offset by the loss incurred in previous years being carried forward. Hence, there was no income taxable for the period accordingly.

6. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

7. EARNINGS (LOSS) PER SHARE

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

	Six months ended 30 June	
	2009 HK\$ (Unaudited)	2008 HK\$ (Unaudited)
Profit (loss) for the period attributable to equity holders of the parent	4,408,073	(12,273,913)
	Number of shares	
	2009	2008
Number of ordinary shares for the purpose of basic earnings (loss) per share	540,000,000	540,000,000

The diluted earnings per share for the period ended 30 June 2009 is not presented because the exercise price of the Company's options was higher than the average market price for shares during the period. The diluted loss per share for the period ended 30 June 2008 is not presented as the exercise of the outstanding share options would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$24,556,000 (2008: HK\$21,040,000) on the acquisition of property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES AND BILLS RECEIVABLES

The Group allows a credit period normally ranging from 30 to 90 days to its trade customers. At the discretion of the Directors, several major customers were allowed to settle their balances beyond the credit terms up to 120 days.

The following is an aged analysis of trade and bills receivables:

	At 30 June 2009 HK\$ (Unaudited)	At 31 December 2008 HK\$ (Audited)
Within 30 days	15,436,455	13,166,791
31 – 60 days	5,824,317	8,810,076
61 – 90 days	6,035,661	12,896,912
91 – 120 days	2,876,791	4,422,562
121 days – 1 year	3,135,451	3,439,065
Over 1 year	26,551	548,233
	33,335,226	43,283,639

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

The following is an aged analysis of trade and bills payables:

	At 30 June 2009 HK\$ (Unaudited)	At 31 December 2008 HK\$ (Audited)
Within 30 days	13,608,314	18,359,644
31 – 60 days	7,132,633	14,451,708
61 – 90 days	5,837,694	8,153,084
91 – 120 days	1,928,155	3,116,262
121 days – 1 year	1,137,961	588,605
Over 1 year	605,551	619,325
	30,250,308	45,288,628

11. BORROWINGS

	At 30 June 2009 HK\$ (Unaudited)	At 31 December 2008 HK\$ (Audited)
Borrowings which are repayable within one year comprise the following:		
Loans from a financial institution – secured	28,344,672	33,806,013
Trust receipts loans – secured	586,479	1,156,939
	28,931,151	34,962,952

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
At 1 January 2009 and 30 June 2009	2,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2009 and 30 June 2009	540,000,000	54,000,000

13. CAPITAL COMMITMENTS

	At 30 June 2009 HK\$ (Unaudited)	At 31 December 2008 HK\$ (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment – contracted for but not provided in financial statements	12,423,613	20,217,493

14. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the period:

	Six months ended 30 June		Three months ended 30 June	
	2009	2008	2009	2008
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited) (Restated)	(Unaudited)	(Unaudited) (Restated)
Transactions with an intermediate holding company:				
Interest paid by the Group	–	487,908	–	376,876
Transactions with fellow subsidiaries:				
Rentals for office and factory premises and staff quarters charged to the Group	60,000	1,443,729	30,000	721,865
Transactions with a jointly controlled entity:				
Income from leasing equipments	306,192	297,915	153,113	148,957
Subcontracting fee paid by the Group	13,976,884	22,814,671	6,265,908	17,052,762

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2009 (the "period"), the turnover of the Group amounted to approximately HK\$134.01 million, representing a decrease of approximately 23.42% as compared to the corresponding period of last year. During the end of the year 2008, the Directors reviewed the nature of sale and purchase transactions with Shenzhen Smart Electronics Co. Ltd. (深圳思碼特電子有限公司), a jointly controlled entity of the Group, and considered that the presentation as contracting fees is more relevant to the substance of the transactions. The decrease in turnover was mainly due to the decrease in the business of sourcing of components. A gross profit margin of 3.00% for the period was recorded while there was a gross loss margin of 0.51% for the corresponding period last year. Such increase in gross profit margin was due to the increase in the gross profit margin of flexible printed circuits ("FPC"). The profit attributable to the equity holders of the Company for the period was approximately HK\$4.41 million, while the loss was approximately HK\$12.27 million for the corresponding period of last year. The increase in profit was attributed to the relocation compensation granted from the relevant PRC government authority, which amounted to RMB51,021,508 (equivalent to approximately HK\$57,858,390 at the date of the relevant announcement), and relevant disclosure had been made in the announcement of the Company dated 7 May 2009.

The other income of the Group for the six months ended 30 June 2009 amounted to approximately HK\$58.31 million, representing an increase of approximately HK\$57.83 million as compared to the corresponding period of last year. The increase in other income was attributed to the relocation compensation granted from the relevant PRC government authority.

The distribution costs of the Group for the six months ended 30 June 2009 amounted to approximately HK\$2.36 million, representing a decrease of approximately 10.98% as compared to the corresponding period of last year.

The administrative expenses of the Group for the six months ended 30 June 2009 amounted to approximately HK\$49.63 million, representing an increase of approximately 392.83% as compared to the corresponding period of last year. The increase in administrative expenses was due to the expenses incurred for the relocation of production plant during the period.

The research and development expenses of the Group for the six months ended 30 June 2009 amounted to approximately HK\$3.65 million, representing a decrease of approximately 9.25% as compared to the corresponding period of last year.

Business Review and Prospect

Business Review

The Group is principally engaged in the manufacture and sale of FPC, which are used in communication, LCD, consumer electrical and electronic appliances such as mobile phones, LCD, car electronics and cameras. The Group is also engaged in sourcing of components for surface mount technology ("SMT") service.

During the first half of 2009, the turnover of the Group amounted to approximately HK\$134.01 million, representing a decrease of approximately 23.42% as compared to the corresponding period of last year. During the period, the turnover for sales of FPC and sourcing of components for SMT service were approximately HK\$63.79 million and HK\$70.22 million respectively. The turnover of FPC and sourcing of components for SMT service during the corresponding period of last year were approximately HK\$61.91 million and HK\$113.08 million respectively. During the first half of 2009, the profit attributable to the equity holders of the Company amounted to approximately HK\$4.41 million, while the loss was approximately HK\$12.27 million for the corresponding period of last year. The profit is attributed to the relocation compensation granted from the relevant PRC Government authority, which amounted to RMB51,021,508. Such relocation compensation has been included in the other income. As the Group was affected by the relocation of operation and production below economic scale as a result of insufficient purchase orders, the Group continued with a trend of loss in its main operating business.

During the first half of 2009, the turnover of FPC increased approximately 3.04% as compared to the corresponding period of last year. The gross profit margin of FPC was approximately 6.16%, while there was a gross loss margin of approximately 1.95% in the corresponding period of last year.

During the second quarter of 2009, the operation of production plant in Panyu had been terminated and all the production facilities had been relocated to the production plant in Nansha.

Outlook

As severely influenced by the global financial tsunami and the changes in the competitive environment of the FPC market, the Group continued with a trend of loss in its main operating business for the first half year of 2009. After the relocation and the investment in and improvement of the production facilities, the Group's new factory in Nansha has become a leading factory in terms of scale of operation and technical strength in Mainland China, which is expected to attract higher attention from international customers with long-term large volume orders and uplift the corporate profile of the Group within the industry. The Directors believe that, with the efforts of the management, the core competence of the new factory in Nansha will be improved further, the order volume is expected to increase, and the economy of scale will be achieved eventually. Therefore, the Group's goal to make profit will be more promising.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally financed its operations primarily with internally generated funds from operating activities and banking facilities currently available. It is anticipated that the Group has sufficient working capital for its present funding requirements.

As at 30 June 2009, the net current assets were approximately HK\$24.29 million (as at 31 December 2008: approximately HK\$13.40 million).

As at 30 June 2009, there were bank balances, cash on hand and bank deposits of approximately HK\$16.46 million (as at 31 December 2008: approximately HK\$38.91 million).

As at 30 June 2009, there were borrowings from financial institutions of approximately HK\$28.93 million (as at 31 December 2008: approximately HK\$34.96 million) and no bank overdraft (as at 31 December 2008: approximately 0.78 million).

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2009, bank deposits of approximately HK\$2.36 million (as at 31 December 2008: approximately HK\$2.35 million) and no bills receivables (as at 31 December 2008: approximately 0.81 million) were pledged as collateral to secure the issue of bills payable by banks to certain of the Group's suppliers and banking facilities granted to the Group.

As at 30 June 2009, land use rights of approximately HK\$20.23 million (as at 31 December 2008: approximately HK\$20.45 million) were pledged to secure the Group's banking facilities.

CAPITAL COMMITMENTS

As at 30 June 2009, the Group had outstanding capital commitments of approximately HK\$12.42 million (as at 31 December 2008: approximately HK\$20.22 million).

GEARING RATIO

As at 30 June 2009, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 52% (as at 31 December 2008: approximately 52%).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals during the six months ended 30 June 2009.

FOREIGN EXCHANGE EXPOSURE

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

SEGMENTAL INFORMATION

The Group's principal activities are the manufacture and sale of FPC and sourcing of components for SMT service. An analysis of the Group's turnover by geographical market of its customers and business segments for the period are set out in note 3 to the condensed financial statements.

EMPLOYEE INFORMATION

As at 30 June 2009, the Group had a total of 832 full-time employees based in Hong Kong and China. The Group fixes and reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remuneration of its directors and staff at a competitive level. The Group participates in various defined contribution retirement plans and insurance schemes in compliance with its statutory obligations under the laws and regulations of China and Hong Kong. Apart from the basic remuneration and staff benefits, the Company also provides employees with share option schemes so as to reward their contributions to the Group and to enable the Group to recruit and retain high-calibre employees. The majority of the Group's employees are stationed in China.

FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSETS

As reported in previous results announcement and reports, AKM Electronics Industrial (Panyu) Ltd. (安捷利(番禺)電子實業有限公司), a wholly-owned subsidiary of the Company, entered into an agreement for the transfer of land use rights on 1 June 2006 to acquire the land use rights of a piece of land situating at the South of Technology Road, Information Technology Park of the Economic and Development Area of Nansha, Guangzhou, the PRC (the "Land") at a total consideration of RMB18,106,140. The Land has a total gross area of 92,852 sq.m., which is used for production relocation and expansion purposes. The construction of a new production facility had been completed on the Land and the relocation had been completed during the period. The capital commitment in relation to the new production facility is funded by internal resources and/or bank borrowings.

Save as disclosed above, the Group has no other future plans for material investments or capital assets during the period or as at 30 June 2009.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2009.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment as at 30 June 2009.

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 June 2009, none of the Directors and the chief executive and their respective associates had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Rules 5.46 to 5.68 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("GEM Listing Rules"):

(a) The Company

(i) Interest in shares of the Company

Name of Director	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	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 underlying shares held under physically settled equity derivatives	Capacity (Notes)	Long/short position	Approximate 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 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 shares 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 held under equity derivatives.
4. None of Ms. Li Ying Hong, Mr. Chai Zhi Qiang, Mr. Han Li Gang, Mr. Li Kung Man, Mr. Liang Zhi Li nor Mr. Wang Heng Yi is interested in any securities of the Company other than under underlying shares held under equity derivatives.

(b) The associated corporation

As at 30 June 2009, to the best knowledge of the Directors, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares or the underlying shares or debentures of any associated corporations of the Company (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO and Rules 5.46 to 5.68 of the GEM Listing Rules.

(b) Substantial shareholders

Save as disclosed below, as at 30 June 2009, 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 4)	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	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
Dalmaly International Corporation ("Dalmaly") (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. Since Alpha Luck is wholly and beneficially owned by Silver City, Silver City is deemed to be interested in the same number of shares of the Company held by Alpha Luck under Part XV of the SFO.

- As Silver City is wholly and beneficially owned by CNIC, CNIC is deemed to be interested in the same number of shares of the Company which Silver City is deemed to be interested under Part XV of the SFO.
- Dalmaly 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 Dalmaly.
- None of Alpha Luck, Silver City, CNIC nor Dalmaly is interested in any securities of the Company under equity derivatives.

SHARE OPTION SCHEMES

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

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

Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK\$	Number of share options			
				Outstanding at 1.1.2009	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2009
Directors							
Mr. Xiong Zheng Feng	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,000,000	-	-	2,000,000
Mr. Chai Zhi Qiang	6.8.2004	18.8.2005 to 6.8.2014	0.4	2,800,000	-	-	2,800,000
Ms. Li Ying Hong	6.8.2004	18.8.2005 to 6.8.2014	0.4	600,000	-	-	600,000
				5,400,000	-	-	5,400,000
Employees							
	6.8.2004	18.8.2005 to 6.8.2014	0.4	6,800,000	-	-	6,800,000
Total				12,200,000	-	-	12,200,000

Notes:

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

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

Name or category of participant	Date of grant (Note 1)	Exercisable period (Notes 1 & 2)	Exercise price per share HK\$	Number of share options			Outstanding at 30.6.2009
				Outstanding at 1.1.2009	Exercised during the period	Lapsed during the period	
Directors							
Mr. Xiong Zheng Feng	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	-	-	2,000,000
Mr. Chai Zhi Qiang	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	-	-	2,000,000
Ms. Li Ying Hong	9.7.2007	10.7.2007 to 9.7.2017	0.36	2,000,000	-	-	2,000,000
Mr. Han Li Gang	9.7.2007	10.7.2007 to 9.7.2017	0.36	1,600,000	-	-	1,600,000
Mr. Li Kung Man	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	-	-	800,000
Mr. Liang Zhi Li	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	-	-	800,000
Mr. Wang Heng Yi	9.7.2007	10.7.2007 to 9.7.2017	0.36	800,000	-	-	800,000
				10,000,000	-	-	10,000,000
Employees	9.7.2007	10.7.2007 to 9.7.2017	0.36	19,000,000	-	-	19,000,000
Total				29,000,000	-	-	29,000,000

Notes:

1. All dates are shown in the sequence of day. month. year.
2. These share options are exercisable, starting from the day after the date upon which the options were granted, for a period of not later than 10 years from the date of grant.

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

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2009, the Company complied with the code provisions set out in the Code of Corporate Governance Practices contained in Appendix 15 of the GEM Listing Rules.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less than the standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the standard of dealings regarding securities transactions throughout the six months ended 30 June 2009.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in the section headed "Share Option Schemes", at no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

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 six months ended 30 June 2009.

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

11 August 2009, Hong Kong