



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 2010

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



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

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

Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim 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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

HIGHLIGHTS



- For the six months ended 30 June 2010, the unaudited turnover decreased to approximately HK\$130.80 million, representing a decrease of approximately 2.39% as compared to the corresponding period of last year. The loss attributable to the owners of the Company amounted to approximately HK\$1.36 million, while the profit was approximately HK\$4.41 million for the corresponding period of last year.
- Loss per share of the Group was approximately HK0.25 cent for the six months ended 30 June 2010.

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 2010 together with the comparative unaudited figures for the corresponding period of last year, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the six months and three months ended 30 June 2010 and 30 June 2009

	Notes	Six months ended 30 June 2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	Three months ended 30 June 2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Turnover	3	130,803,700	134,013,091	71,234,039	64,756,463
Cost of sales		(115,719,105)	(129,992,833)	(63,517,022)	(63,749,147)
Gross profit		15,084,595	4,020,258	7,717,017	1,007,316
Other income		612,386	58,309,341	341,937	58,085,066
Distribution costs		(2,655,826)	(2,356,588)	(1,441,725)	(1,959,833)
Administrative expenses		(6,178,805)	(49,627,203)	(2,904,438)	(46,398,500)
Research and development expenses		(4,443,074)	(3,646,463)	(2,374,712)	(1,798,195)
Share of result of a jointly controlled entity		(969,804)	(2,906,909)	523,597	(1,886,048)
Finance costs		(1,664,719)	(111,090)	(1,039,002)	(108,269)
(Loss) profit before taxation	4	(215,247)	3,681,346	822,674	6,941,537
Taxation	5	(858,846)	-	(453,005)	-
(Loss) profit for the period		(1,074,093)	3,681,346	369,669	6,941,537
Other comprehensive income (expenses):					
Exchange differences arising on translation of foreign operations		2,009,743	(105,927)	1,644,057	(22,563)
Total comprehensive income for the period		935,650	3,575,419	2,013,726	6,918,974
(Loss) profit for the period attributable to:					
Owners of the Company		(1,364,631)	4,408,073	(4,158)	7,413,049
Minority interests		290,538	(726,727)	373,827	(471,512)
		(1,074,093)	3,681,346	369,669	6,941,537
Total comprehensive income (expenses) attributable to:					
Owners of the Company		600,826	4,302,146	1,603,464	7,390,486
Minority interests		334,824	(726,727)	410,262	(471,512)
		935,650	3,575,419	2,013,726	6,918,974
(Loss) earnings per share – basic	7	(0.25) cent	0.82 cent	-	1.37 cents

Condensed Consolidated Statement of Financial Position

At 30 June 2010 and 31 December 2009

	Notes	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Non-current assets			
Property, plant and equipment	8	181,786,751	146,609,580
Prepaid lease payments		56,401,401	56,515,544
Interest in a jointly controlled entity		19,961,191	20,753,851
		258,149,343	223,878,975
Current assets			
Inventories		29,902,620	21,497,537
Trade and other receivables	9	121,633,883	104,147,024
Bills receivables	9	2,549,242	2,228,356
Prepaid lease payments		1,216,138	1,205,600
Amount due from a jointly controlled entity		3,299,444	–
Pledged bank deposits		2,353,384	2,353,143
Bank balances and cash		11,195,087	15,360,090
		172,149,798	146,791,750
Current liabilities			
Trade and other payables	10	57,859,245	46,108,516
Bills payables	10	8,491,945	3,895,085
Deferred income		4,378,164	3,305,974
Amount due to a fellow subsidiary		2,074,377	2,056,405
Amount due to a jointly controlled entity		–	2,534,651
Taxation payable		3,904,793	3,380,164
Bank borrowings	11	74,701,633	48,740,227
Loan from an intermediate holding company		6,000,000	–
Loan from a minority shareholder of a subsidiary		2,247,500	2,247,500
Loan from ultimate holding company		3,679,853	4,559,964
Bank overdrafts		7,884,608	1,666,676
		171,222,118	118,495,162
Net current assets		927,680	28,296,588
Total assets less current liabilities		259,077,023	252,175,563

	<i>Notes</i>	30 June 2010 HK\$ (Unaudited)	31 December 2009 HK\$ (Audited)
Capital and reserves			
Share capital	12	54,000,000	54,000,000
Reserves		125,884,844	125,284,018
<hr/>			
Equity attributable to owners of the Company		179,884,844	179,284,018
Minority interests		3,661,825	3,327,001
<hr/>			
Total equity		183,546,669	182,611,019
<hr/>			
Non-current liabilities			
Deferred income		30,761,270	30,494,756
Loans from an intermediate holding company		38,925,000	38,775,000
Bank borrowings	11	5,462,533	–
Deferred taxation		381,551	294,788
<hr/>			
		75,530,354	69,564,544
<hr/>			
		259,077,023	252,175,563
<hr/>			

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2010 and 30 June 2009

	Attributable to owners of the Company							
	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 2010	54,000,000	53,868,328	40,753,684	3,009,109	27,652,897	179,284,018	3,327,001	182,611,019
Exchange differences arising on translation of foreign operations	-	-	1,965,457	-	-	1,965,457	44,286	2,009,743
(Loss) profit for the period	-	-	-	-	(1,364,631)	(1,364,631)	290,538	(1,074,093)
Total comprehensive income (expenses) for the period	-	-	1,965,457	-	(1,364,631)	600,826	334,824	935,650
Lapse of share options	-	-	-	(53,403)	53,403	-	-	-
At 30 June 2010	54,000,000	53,868,328	42,719,141	2,955,706	26,341,669	179,884,844	3,661,825	183,546,669
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 arising on translation of foreign operations	-	-	(105,927)	-	-	(105,927)	-	(105,927)
Profit (loss) for the period	-	-	-	-	4,408,073	4,408,073	(726,727)	3,681,346
Total comprehensive (expenses) income 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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010 and 30 June 2009

	Six months ended 30 June	
	2010	2009
	<i>HK\$</i>	<i>HK\$</i>
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	(10,056,680)	8,910,012
Net cash used in investing activities	(37,056,678)	(24,513,448)
Net cash from (used in) financing activities	36,503,976	(6,031,801)
Decrease in cash and cash equivalents	(10,609,382)	(21,635,237)
Cash and cash equivalents at beginning of the period	13,693,414	35,777,730
Effect of foreign exchange rate changes	226,447	(36,068)
Cash and cash equivalents at end of the period representing	3,310,479	14,106,425
bank balances and cash	11,195,087	14,106,425
bank overdraft	(7,884,608)	–
	3,310,479	14,106,425

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2010

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 of the Stock Exchange.

The Company is an investment holding company and is also 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 and electronic modules.

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 2009.

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 external customers, net of discounts and sales related taxes.

(a) Business segments

For management purposes, the Group is currently organised into three operating divisions namely the manufacture and sale of FPC, sourcing and sale of electronic components and the manufacture and sale of electronic modules for Liquid Crystal Display Module (“LCM”). 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 electronic components – provision of sourcing and sale of electronic components
- LCM business – the manufacture and sale of electronic modules for LCM

Segment revenues and results

The following is an analysis of the Group’s revenue and results by reportable segment.

Segment information about these businesses is presented below.

Six months ended 30 June

	FPC business		Sourcing and sale of electronic components		LCM business		Elimination		Total	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Turnover										
External sales	97,592,813	63,794,005	27,363,502	70,219,086	5,847,385	-	-	-	130,803,700	134,013,091
Inter-segment sales	-	-	14,741,280	-	-	-	(14,741,280)	-	-	-
Total	97,592,813	63,794,005	42,104,782	70,219,086	5,847,385	-	(14,741,280)	-	130,803,700	134,013,091
Result										
Segment results	6,502,103	(2,075,349)	2,727,041	92,556	(1,243,449)	-	-	-	7,985,695	(1,982,793)
Interest income									61,112	48,558
Share of result of a jointly controlled entity									(969,804)	(2,906,909)
Unallocated corporate (expenses) income									(5,627,531)	8,633,580
Finance costs									(1,664,719)	(111,090)
(Loss) profit before taxation									(215,247)	3,681,346

Three months ended 30 June

	FPC business		Sourcing and sale of electronic components		LCM business		Elimination		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover										
External sales	53,480,389	27,548,253	15,429,938	37,208,210	2,323,712	-	-	-	71,234,039	64,756,463
Inter-segment sales	-	-	8,801,555	-	-	-	(8,801,555)	-	-	-
Total	53,480,389	27,548,253	24,231,493	37,208,210	2,323,712	-	(8,801,555)	-	71,234,039	64,756,463
Result										
Segment results	3,287,725	(2,794,623)	1,413,818	43,911	(800,963)	-	-	-	3,900,580	(2,750,712)
Interest income									35,970	24,334
Share of result of a jointly controlled entity									523,597	(1,886,048)
Unallocated corporate (expenses) income									(2,598,471)	11,662,232
Finance costs									(1,039,002)	(108,269)
(Loss) profit before taxation									822,674	6,941,537

Inter-segment sales are charged at prevailing market rates.

(b) Geographical segments

The Group operates in two principal geographical areas, i.e. the People's Republic of China (excluding Hong Kong) (the "PRC") and Hong Kong (country of domicile). The following table provides an analysis of the Group's revenue from external customers by geographical location:

	Turnover Six months ended 30 June		Turnover Three months ended 30 June	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC (other than Hong Kong)	95,556,140	44,248,579	52,244,101	17,752,056
Hong Kong	24,164,614	83,478,855	12,134,420	43,142,033
Others	11,082,946	6,285,657	6,855,518	3,862,374
Total	130,803,700	134,013,091	71,234,039	64,756,463

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
(Loss) profit before taxation has been arrived at after charging:				
Allowance for bad and doubtful debts	25,780	258,308	36,276	1,035,475
Allowance for obsolete inventories	652,171	2,019,236	367,961	1,604,598
Depreciation of property, plant and equipment	7,623,682	5,071,803	3,852,335	2,620,889
Amortisation of prepaid lease payments	605,425	600,789	302,713	300,995
and after crediting:				
Interest income	61,112	48,558	35,970	24,334

5. TAXATION

	Six months ended 30 June		Three months ended 30 June	
	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Current tax:				
Hong Kong Profits Tax	300,000	–	125,000	–
PRC Enterprise Income Tax	472,083	–	195,373	–
	772,083	–	320,373	–
Deferred tax:				
Current period	86,763	–	132,632	–
	858,846	–	453,005	–

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. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. 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 and at its applicable tax rate. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Pursuant to the relevant laws and regulation 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.

Notwithstanding the implementation of EIT Law, AKM Electronics Industrial (Panyu) Ltd. ("AKM Panyu") was awarded the Foreign Invested Advanced-technology Enterprise Certificate on 16 December 2008 and is pursuant to which entitled to a tax reduction from 25% to 15% for three years commenced from 1 January 2008.

6. DIVIDEND

The Directors do not recommend payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).

7. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Unaudited)
(Loss) profit for the purpose of basic (loss) earnings per shares ((loss) profit for the period attributable to owners of the Company)	(1,364,631)	4,408,073
	<hr/>	
	Number of shares	
	2010	2009
Number of ordinary shares for the purpose of basic (loss) earnings per share	540,000,000	540,000,000
	<hr/>	

The diluted loss per share for the period ended 30 June 2010 is not presented as the exercise of the outstanding share options would result in a decrease in loss per share. 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.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately HK\$41,593,005 (2009: HK\$24,556,000) 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	At
	30 June	31 December
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Audited)
Within 30 days	26,644,576	20,247,966
31 – 60 days	14,925,932	14,429,708
61 – 90 days	13,025,039	9,650,595
91 – 120 days	10,451,873	6,710,397
121 days – 1 year	4,296,385	2,351,167
Over 1 year	213,055	–
	69,556,860	53,389,833

An amount of approximately HK\$46,937,910 (as at 31 December 2009: approximately HK\$46,531,243) represents government compensation receivable included in the Trade and other Receivables, the amount was the relocation compensation granted from the relevant PRC government authority, and relevant disclosure relating to this compensation had been made in the announcement of the Company dated 7 May 2009.

10. TRADE AND OTHER PAYABLES AND BILLS PAYABLES

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

	At	At
	30 June	31 December
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Audited)
Within 30 days	22,854,307	11,196,767
31 – 60 days	12,392,150	10,512,421
61 – 90 days	7,485,468	8,498,384
91 – 120 days	1,379,059	707,838
121 days – 1 year	574,503	437,592
Over 1 year	597,438	780,046
	45,282,925	32,133,048

11. BANK BORROWINGS

	At 30 June 2010 HK\$ (Unaudited)	At 31 December 2009 HK\$ (Audited)
Borrowings which are repayable within one year and included in current liabilities:		
Loan from a bank – unsecured	3,234,956	–
Loans from banks – secured	71,466,677	47,049,386
Trust receipts loans – secured	–	1,690,841
	74,701,633	48,740,227
Borrowings which are repayable after 1 year and included in non-current liabilities:		
After 1 year but within 2 years – unsecured	3,400,462	–
After 2 years but within 5 years – unsecured	2,062,071	–
	5,462,533	–

12. SHARE CAPITAL

	Number of shares	Share capital HK\$
Authorised:		
At 1 January 2010 and 30 June 2010	2,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2010 and 30 June 2010	540,000,000	54,000,000

13. CAPITAL COMMITMENTS

	At	At
	30 June	31 December
	2010	2009
	HK\$	HK\$
	(Unaudited)	(Audited)
Capital expenditure in respect of acquisition of property, plant and equipment		
– contracted for but not provided in financial statements	13,987,594	31,145,385

14. RELATED PARTY TRANSACTIONS

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

	Six months		Three months	
	ended 30 June		ended 30 June	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Transactions with an intermediate holding company:				
Interest paid by the Group	108,000	–	108,000	–
Transactions with fellow subsidiaries:				
Rentals for office charged to the Group	60,000	60,000	30,000	30,000
Transactions with a jointly controlled entity:				
Income from leasing equipments	278,223	306,192	124,201	153,113
Sales of good by the Group	52,170	–	35,744	–
Subcontracting fee paid by the Group	649,141	13,976,884	649,141	6,265,908

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 June 2010 (the “period”), the turnover of the Group amounted to approximately HK\$130.80 million, representing a decrease of approximately 2.39% as compared to the corresponding period of last year. The gross profit margin for the period was increased to approximately 11.53% (the corresponding period of 2009: 3.00%), which was mainly due to the increases in both of gross profit margin for the sales of FPC and sourcing of electronic components. The loss attributable to the owners of the Company for the period was approximately HK\$1.36 million, while the profit was approximately HK\$4.41 million for the corresponding period of last year. The profit in the corresponding period of last year 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 of the relocation compensation 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 2010 amounted to approximately HK\$0.61 million, representing a decrease of approximately HK\$57.70 million as compared to the corresponding period of last year. The decrease in other income in this year was due to the relocation compensation granted from the relevant PRC government authority in last year but no such extraordinary income during the period of this year.

The distribution costs of the Group for the six months ended 30 June 2010 amounted to approximately HK\$2.66 million, representing an increase of approximately 12.70% as compared to the corresponding period of last year.

The administrative expenses of the Group for the six months ended 30 June 2010 amounted to approximately HK\$6.18 million, representing a decrease of approximately HK\$43.45 million as compared to the corresponding period of last year. The decrease in administrative expenses was due to the expenses incurred for the relocation of production plant last year but no such expenses incurred during the period of this year.

The research and development expenses of the Group for the six months ended 30 June 2010 amounted to approximately HK\$4.44 million, representing an increase of approximately 21.85% as compared to the corresponding period of last year. The increase in research and development expenses was mainly due to the increase in research and development projects and activities.

The finance costs of the Group for the six months ended 30 June 2010 amounted to approximately HK\$1.66 million, representing an increase of approximately HK\$1.55 million as compared to the corresponding period of last year. The increase in finance costs was mainly due to the increase in bank borrowings.

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 electronic components and the manufacture and sale of electronic modules for Liquid Crystal Display Module ("LCM").

During the first half of 2010, the turnover of the Group amounted to approximately HK\$130.80 million, representing a decrease of approximately 2.39% as compared to the corresponding period of last year. During the period, the turnover for sales of FPC, sourcing of electronic components and sales of electronic modules for LCM were approximately HK\$97.59 million, HK\$27.36 million and HK\$5.85 million respectively. The turnover for sales of FPC and sourcing of electronic components during the corresponding period of last year were approximately HK\$63.79 million and HK\$70.22 million respectively while there was no sales of electronic modules for LCM for the corresponding period of last year as this is a new business of the Group commenced from the last quarter of 2009. During the first half of 2010, the loss attributable to the owners of the Company amounted to approximately HK\$1.36 million, while the profit was approximately HK\$4.41 million for the corresponding period of last year. The profit in the corresponding period of last year was attributed to the relocation compensation granted from the relevant PRC government authority, which amounted to RMB51,021,508. Such relocation compensation had been included in the other income of last year. The loss during the period was mainly attributed to an insufficient operating rate, and the production under economies of scale in Nansha factory.

During the first half of 2010, the turnover of FPC increased by approximately 52.98% as compared to the corresponding period of last year. The gross profit margin of FPC was increased to approximately 12.87% (the corresponding period of 2009: approximately 6.16%). The turnover for sourcing of electronic components decreased by approximately 61.03% as compared to the corresponding period of last year, while the gross profit margin was increased to approximately 12.35% (the corresponding period of 2009: approximately 0.13%), the decrease in turnover and increase in gross profit margin of this business was mainly attributed to the adjustment in business model.

During the first half of 2010, AKM Electronics Industrial (Panyu) Limited (安捷利(番禺)電子實業有限公司), a wholly owned subsidiary of the Company, acquired equipments which had been installed in the Group's FPC production plant within the Nansha Industrial Park, and had been commissioned and tested successfully. The plant will become the production base of the Group's high-end FPC in the Southern China, and is expected to bring satisfactory performance to the Group.

During the first half of 2010, the construction of a new production plant in Suzhou by AKM Electronic Technology (Suzhou) Co., Ltd. (安捷利電子科技(蘇州)有限公司) ("AKM ET"), a wholly-owned subsidiary of the Company, progressed smoothly with the main construction completed in the second quarter. The new production plant in Suzhou is now under internal renovation and its operation is expected to commence within year 2010. Upon the completion of the construction of the new production plant in Suzhou, the Group will relocate the whole existing leased production plant in Suzhou to the new production plant. The new production plant will become the production base of the Group for FPC in the Eastern China.

During the first half of 2010, the Group continues to develop its overseas clientele and had achieved progressive progress. One of the major client had completed supplier verification and trial production in small batch has commenced. It is expected that batch production shall commence in the fourth quarter of this year.

Outlook

As a result of the changes in competition environment in the FPC market of the PRC and adjustment of the Group's strategy, the operating results of the Group improved satisfactorily during the first half of 2010 although there was still a loss. Through adjustment and continuous improvement over the past few years, the core competitiveness of the Group has been steadily enhanced. The Group will strive to reach its targets scheduled at the beginning of the year, including identifying and developing large international customers, introduction of new equipment for the Nansha production plant, construction and relocation of the Suzhou new production plant and the setting up of new electronic modules business, so as to realize stable profits for the Company and create greater value for its shareholders, staff as well as the community.

The Directors believe that upon the completion, operation and gradual improvement of production condition of the FPC production bases in the Southern and Eastern China, and the continued improvement of its internal core strength, the Group will provide better services to major international customers and effectively increase its market share.

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 2010, the net current assets were approximately HK\$0.93 million (as at 31 December 2009: approximately HK\$28.30 million).

As at 30 June 2010, there were bank balances, cash on hand and bank deposits of approximately HK\$13.55 million (as at 31 December 2009: approximately HK\$17.71 million).

As at 30 June 2010, there were bank borrowings of approximately HK\$80.16 million (as at 31 December 2009: approximately HK\$48.74 million) and bank overdraft of approximately HK\$7.88 million (as at 31 December 2009: approximately HK\$1.67 million).

PLEDGE OF ASSETS OF THE GROUP

As at 30 June 2010, bank deposits of approximately HK\$2.35 million (as at 31 December 2009: approximately HK\$2.35 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 2010, land use rights and buildings with carrying amounts of approximately HK\$20.09 million and HK\$63.30 million respectively (as at 31 December 2009: approximately HK\$20.13 million and HK\$62.38 million respectively) were pledged to secure the general banking facilities granted to the Group.

CAPITAL COMMITMENTS

As at 30 June 2010, the Group had outstanding capital commitments of approximately HK\$13.99 million (as at 31 December 2009: approximately HK\$31.15 million).

GEARING RATIO

As at 30 June 2010, the gearing ratio (calculated as total liabilities over total assets as at the respective balance sheet dates) of the Group was approximately 57.34% (as at 31 December 2009: approximately 50.73%).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions or disposals during the six months ended 30 June 2010.

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, the sourcing of electronic components and the manufacture and sales of LCM modules. 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 2010, the Group had a total of 1,117 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

In April 2008, AKM ET, a wholly-owned subsidiary of the Company, entered into an agreement to acquire the land use rights of a piece of land with gross area of approximately 58,786 sq.m. situated at East of Liangang Road, Suzhou City, the PRC (the "Suzhou Land") at a consideration of RMB28,217,660. The Suzhou Land and an adjacent parcel of land ("Adjacent Land") of gross area of approximately 29,611 sq.m. purchased in June 2007 which are both situated at the Suzhou Gaoxin District will be used by the Group for the purpose of the expansion of the business for FPC production. Relevant disclosure in relation to acquisition of land use rights of the Suzhou Land and the Adjacent Land had been made in the announcement of the Company dated 24 April 2008. The construction of new production plant on the Suzhou Land and the Adjacent Land had been completed in the second quarter of 2010, and the operation of AKM ET will be relocated once the internal renovation is completed. The capital commitment in relation the new production plant is funded by the development support fund ("Development Support Fund"). Relevant disclosure in relation to the grant and receipt of Development Support Fund had been made in the announcement of the Company dated 25 September 2008.

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 2010.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2010.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment as at 30 June 2010.

DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 June 2010, 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	Long/short position	Approximate percentage of total issued share capital in the Company	
		(Notes)			
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. 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. 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. Liang Zhi Li nor Mr. Wang Heng Yi is interested in any securities of the Company other than underlying shares held under equity derivatives.

(b) The associated corporation

As at 30 June 2010, 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 2010, 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
Dalmary International Corporation ("Dalmary") (Note 3)	Beneficial owner	39,660,000 ordinary shares	Long	7.34

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.
2. 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.
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 nor Dalmary 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 1.1.2010	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2010
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	6,000,000	-	(300,000)	5,700,000
Total				11,400,000	-	(300,000)	11,100,000

Notes:

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

Details of the movements in the number of options during the 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 1.1.2010	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2010
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. 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
				9,200,000	-	-	9,200,000
Employees	9.7.2007	10.7.2007 to 9.7.2017	0.36	12,200,000	-	(300,000)	11,900,000
Total				21,400,000	-	(300,000)	21,100,000

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 2010, 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 2010.

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 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.

Save for the transitional period between the date of resignation of Mr. Li Kung Man as an independent non-executive Director on 15 October 2009 and the date of appointment of Mr. Wu Tak Lung as an independent non-executive Director on 13 January 2010, the audit committee comprised three members who were independent non-executive Directors during the period under review. As at the date of this report, the audit committee comprises three members, Mr. Wu Tak Lung, Mr. Liang Zhi Li and Mr. Wang Heng Yi. All of them are independent non-executive Directors. The chairman of the audit committee is Mr. Wu Tak Lung.

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 2010.

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

5 August 2010, Hong Kong