



**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 2010

## **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, 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 nine months ended 30 September 2010, the unaudited turnover increased to approximately HK\$227.98 million, representing an increase of approximately 20.17% as compared to the corresponding period of last year. The profit attributable to the owners of the Company amounted to approximately HK\$0.41 million, while the profit was approximately HK\$7.19 million for the corresponding period of last year.
- Profit per share of the Group was approximately HK\$0.08 cents for the nine months ended 30 September 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 nine months ended 30 September 2010 together with the comparative unaudited figures for the corresponding period of last year, as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the nine months and three months ended 30 September 2010 and 30 September 2009

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)	2010 HK\$ (Unaudited)	2009 HK\$ (Unaudited)
Turnover	2	227,983,065	189,711,824	97,179,365	55,698,733
Cost of sales		(202,442,292)	(182,645,624)	(86,723,187)	(52,652,791)
Gross profit		25,540,773	7,066,200	10,456,178	3,045,942
Other income		1,537,272	58,540,179	924,886	230,838
Distribution costs		(4,850,052)	(1,536,217)	(2,194,226)	820,371
Administrative expenses		(10,506,512)	(48,751,441)	(4,327,707)	875,762
Research and development expenses		(6,182,698)	(5,188,444)	(1,739,624)	(1,541,981)
Share of result of a jointly controlled entity		155,342	(3,342,351)	1,125,146	(435,442)
Finance costs		(2,779,645)	(427,809)	(1,114,926)	(316,719)
Profit before taxation		2,914,480	6,360,117	3,129,727	2,678,771
Taxation	3	(1,459,940)	(7,242)	(601,094)	(7,242)
Profit for the period		1,454,540	6,352,875	2,528,633	2,671,529
Other comprehensive income:					
Exchange differences arising on translation of foreign operations		4,830,073	118,068	2,820,330	223,995
Total comprehensive income for the period		6,284,613	6,470,943	5,348,963	2,895,524
Profit (loss) for the period attributable to:					
Owners of the Company		414,377	7,188,463	1,779,008	2,780,390
Minority interests		1,040,163	(835,588)	749,625	(108,861)
		1,454,540	6,352,875	2,528,633	2,671,529
Total comprehensive income (expenses) attributable to:					
Owners of the Company		5,137,895	7,306,531	4,537,069	3,004,385
Minority interests		1,146,718	(835,588)	811,894	(108,861)
		6,284,613	6,470,943	5,348,963	2,895,524
Earnings per share	5				
-Basic		0.08 cents	1.33 cents	0.33 cents	0.51 cents

## Condensed Consolidated Statement of Changes in Equity

For the nine months ended 30 September 2010 and 30 September 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	-	-	4,723,518	-	-	4,723,518	106,555	4,830,073
Profit for the period	-	-	-	-	414,377	414,377	1,040,163	1,454,540
Total comprehensive income for the period	-	-	4,723,518	-	414,377	5,137,895	1,146,718	6,284,613
Lapse of share options	-	-	-	(53,403)	53,403	-	-	-
At 30 September 2010	54,000,000	53,868,328	45,477,202	2,955,706	28,120,677	184,421,913	4,473,719	188,895,632
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	-	-	118,068	-	-	118,068	-	118,068
Profit (loss) for the period	-	-	-	-	7,188,463	7,188,463	(835,588)	6,352,875
Total comprehensive income (expenses) for the period	-	-	118,068	-	7,188,463	7,306,531	(835,588)	6,470,943
Lapse of share options	-	-	-	(338,365)	338,365	-	-	-
At 30 September 2009	54,000,000	53,868,328	39,809,800	3,479,405	16,031,628	167,189,161	3,092,617	170,281,778

## Notes to the Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 30 September 2010

### 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 2009.

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

### 2. 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 flexible printed circuits (“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.

### Nine months ended 30 September

	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	151,736,490	97,596,832	58,554,227	92,114,992	17,692,348	-	-	-	227,983,065	189,711,824
Inter-segment sales	-	-	21,435,058	-	-	-	(21,435,058)	-	-	-
<b>Total</b>	<b>151,736,490</b>	<b>97,596,832</b>	<b>79,989,285</b>	<b>92,114,992</b>	<b>17,692,348</b>	<b>-</b>	<b>(21,435,058)</b>	<b>-</b>	<b>227,983,065</b>	<b>189,711,824</b>
Result										
Segment results	11,227,532	176,810	5,138,220	164,729	(1,857,729)	-	-	-	14,508,023	341,539
Interest income									109,888	67,369
Share of result of a jointly controlled entity									155,342	(3,342,351)
Unallocated corporate (expenses) income									(9,079,128)	9,721,369
Finance costs									(2,779,645)	(427,809)
Profit before taxation									2,914,480	6,360,117

### Three months ended 30 September

	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	54,143,677	33,802,827	31,190,725	21,895,906	11,844,963	-	-	-	97,179,365	55,698,733
Inter-segment sales	-	-	6,693,778	-	-	-	(6,693,778)	-	-	-
<b>Total</b>	<b>54,143,677</b>	<b>33,802,827</b>	<b>37,884,503</b>	<b>21,895,906</b>	<b>11,844,963</b>	<b>-</b>	<b>(6,693,778)</b>	<b>-</b>	<b>97,179,365</b>	<b>55,698,733</b>
Result										
Segment results	4,725,429	2,252,159	2,411,179	72,173	(614,280)	-	-	-	6,522,328	2,324,332
Interest income									48,776	18,811
Share of result of a jointly controlled entity									1,125,146	(435,442)
Unallocated corporate (expenses) income									(3,451,597)	1,087,789
Finance costs									(1,114,926)	(316,719)
Profit before taxation									3,129,727	2,678,771

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		Turnover	
	Nine months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC (other than Hong Kong)	<b>167,840,154</b>	61,617,091	<b>72,284,014</b>	17,368,512
Hong Kong	<b>44,039,287</b>	114,410,448	<b>19,874,673</b>	30,931,593
Others	<b>16,103,624</b>	13,684,285	<b>5,020,678</b>	7,398,628
	<b>227,983,065</b>	189,711,824	<b>97,179,365</b>	55,698,733

**3. TAXATION**

	Nine months ended		Three months ended	
	30 September		30 September	
	2010	2009	2010	2009
	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current Tax				
Hong Kong Profits Tax	<b>630,000</b>	–	<b>330,000</b>	–
PRC Enterprise Income Tax	<b>572,384</b>	–	<b>100,301</b>	–
	<b>1,202,384</b>	–	<b>430,301</b>	–
Underprovision in prior year:				
Hong Kong Profits Tax	<b>104</b>	7,242	<b>104</b>	7,242
Deferred tax:				
Current period	<b>257,452</b>	–	<b>170,689</b>	–
	<b>1,459,940</b>	7,242	<b>601,094</b>	7,242



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 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.

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.

#### 4. DIVIDEND

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

#### 5. EARNINGS PER SHARE

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

	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$</b>	<b>HK\$</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Profit for the purpose of basic earnings per shares (profit for the period attributable to owners of the Company)	<b>414,377</b>	7,188,463
	<hr/>	
	<b>Number of shares</b>	
	<b>2010</b>	<b>2009</b>
Number of ordinary shares for the purpose of basic earnings per share	<b>540,000,000</b>	540,000,000
	<hr/>	

The diluted earnings per share for the periods ended 30 September 2010 and 30 September 2009 are not presented as no assumption on the exercise of share options had been made because the respective exercise prices of the share options were higher than the average market price of the shares of the Company during the periods.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the nine months ended 30 September 2010 (the “period”), the turnover of the Group amounted to approximately HK\$227.98 million, representing an increase of approximately 20.17% as compared to the corresponding period of last year. The increase in turnover was mainly due to the increase in the sales of FPC. The gross profit margin for the period was increased to approximately 11.20% (the corresponding period of 2009: 3.72%), which was mainly due to the increases in both of gross profit margin for the sales of FPC and the sourcing of electronic components. The profit attributable to the owners of the Company for the period was approximately HK\$0.41 million, while the profit was approximately HK\$7.19 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 nine months ended 30 September 2010 amounted to approximately HK\$1.54 million, representing a decrease of approximately HK\$57.00 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 nine months ended 30 September 2010 amounted to approximately HK\$4.85 million, representing an increase of approximately 215.71% as compared to the corresponding period of last year. The increase in distribution costs was mainly due to the fact that during the corresponding period of last year, there was recovery of certain debts which were written off in the previous years, however, there was no such debts recovery during the period under review. Further, there was increase in commission expenses and salaries in line with the increase in turnover during the period.

The administrative expenses of the Group for the nine months ended 30 September 2010 amounted to approximately HK\$10.51 million, representing a decrease of approximately HK\$38.24 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 during the corresponding period of last year, but no such expenses has been incurred during the period of this year.

The research and development expenses of the Group for the nine months ended 30 September 2010 amounted to approximately HK\$6.18 million, representing an increase of approximately 19.16% 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 nine months ended 30 September 2010 amounted to approximately HK\$2.78 million, representing an increase of approximately HK\$2.35 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*

For the nine months ended 30 September 2010, the turnover of the Group amounted to approximately HK\$227.98 million, representing an increase of approximately 20.17% 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\$151.74 million, HK\$58.55 million and HK\$17.69 million respectively. The turnover for sales of FPC and sourcing of electronic components during the corresponding period of last year were approximately HK\$97.60 million and HK\$92.11 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. For the nine months ended 30 September 2010, the profit attributable to the owners of the Company amounted to approximately HK\$0.41 million, while the profit was approximately HK\$7.19 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 Group first attained its quarterly and accrued operating profit in recent years, which was mainly attributed to increased orders and improved operating rate.

For the nine months ended 30 September 2010, the turnover of FPC increased by approximately 55.47% as compared to the corresponding period of last year. The gross profit margin of FPC was increased to approximately 13.26% (the corresponding period of 2009: approximately 7.07%). The turnover for sourcing of electronic components decreased by approximately 36.43% as compared to the corresponding period of last year, while the gross profit margin was increased to approximately 11.45% (the corresponding period of 2009: approximately 0.18%), the decrease in turnover and increase in gross profit margin of the sourcing of electronic components business was mainly attributed to the adjustment in business model.

## 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 three quarters of 2010 and the Group attained its first operating profit in recent years. Through adjustment and continuous improvement over the past few years, the core competitiveness of the Group has been steadily enhanced, which was reflected by increased sales orders for FPC and improved sales to major customers. 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.

## DISCLOSURE OF INTERESTS

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

Save as disclosed below, as at 30 September 2010, 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 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"):

#### (I) 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 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. 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 under underlying shares held under equity derivatives.

## **(II) The associated corporation**

As at 30 September 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 September 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 3)	Long/Short position	Approximate percentage of total issued share capital in the Company
Alpha Luck Industrial Ltd. ("Alpha Luck")	Beneficial owner	360,000,000 ordinary shares	Long	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
Dalmaty International Corporation ("Dalmaty") (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. Dalmaty 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 Dalmaty.
4. None of Alpha Luck, Silver City, CNIC nor Dalmaty is interested in any securities of the Company under equity derivatives.

## 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 nine months ended 30 September 2010.

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

10 November 2010, Hong Kong