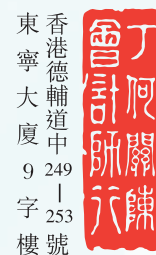


INDEPENDENT AUDITOR'S REPORT

獨立核數師報告

TING HO KWAN & CHAN CERTIFIED PUBLIC ACCOUNTANTS (PRACTISING)

9th Floor, Tung Ning Building
249-253 Des Voeux Road Central
Hong Kong



TO THE MEMBERS OF COSMOS MACHINERY ENTERPRISES LIMITED
(incorporated in Hong Kong with limited liability)

致大同機械企業有限公司股東
(於香港註冊成立之有限公司)

OPINION

We have audited the consolidated financial statements of Cosmos Machinery Enterprises Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 71 to 227, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

意見

本核數師(以下簡稱「我們」)已審計列載於第71至227頁大同機械企業有限公司(以下簡稱「貴公司」)及其附屬公司(以下統稱「貴集團」)的綜合財務報表，此財務報表包括於二零一七年十二月三十一日的綜合財務狀況表與截至該日止年度的綜合收益表、綜合全面收益表、綜合權益變動表及綜合現金流量表，以及綜合財務報表附註(包括主要會計政策概要)。

我們認為，該等綜合財務報表已根據香港會計師公會(「香港會計師公會」)頒佈的《香港財務報告準則》(「《香港財務報告準則》」)真實而公平地反映貴集團於二零一七年十二月三十一日的綜合財務狀況及截至該日止年度貴集團的綜合財務表現及其綜合現金流量，並已遵照香港《公司條例》妥為編製。

意見基礎

我們已根據香港會計師公會頒佈的《香港審計準則》(「《香港審計準則》」)進行審核。我們在該等準則下承擔的責任已在本報告「核數師就審核綜合財務報表的責任」部分中作進一步闡述。根據香港會計師公會的《專業會計師道德守則》(「守則」)，我們獨立於貴集團，並已遵循守則履行其他道德責任。我們相信，我們所獲得的審核憑證足夠及能適當地為我們的意見提供基礎。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告 (續)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

關鍵審計事項

關鍵審計事項是根據我們的專業判斷，認為對本期綜合財務報表的審計最為重要的事項。該等事項是在我們審計整體綜合財務報表及出具意見時進行處理的。我們不會對該等事項提供單獨的意見。

Key Audit Matter 關鍵審計事項

Impairment of goodwill

Refer to note 19 to the Group consolidated financial statements.

請參閱貴集團綜合財務報表附註19。

The Group has goodwill of HK\$53,483,000 relating to the acquisition of KFE Hong Kong Co., Limited in 2013 which is engaged in trading of printed circuit board.

貴集團就於二零一三年收購協榮二葉科技香港有限公司(其從事線路板貿易)，有商譽53,483,000港元。

Management has concluded that there is no impairment in respect of the goodwill. This conclusion was based on an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and to determine a suitable discount rate in order to calculate its present value. Key assumptions for the value in use calculation are future cash flow forecast, growth rate and discount rate, where small changes of them can result in a significant change in the value in use.

管理層認為並無有關商譽的減值。該結論乃根據對獲分配商譽的現金產生單位(「現金產生單位」)使用價值的估計而作出。計算使用價值時，貴集團須估計預期自現金產生單位產生的未來現金流及釐定合適的貼現率以計算現值。計算使用價值的主要假設為未來現金流預測、增長率及貼現率，若該等項目出現小變動，可對使用價值構成重大變動。

The impairment assessment involves significant judgments made by management and therefore is identified as a key audit matter.

減值評估涉及管理層作出的重大判斷，因此被識別為關鍵審計事項。

How our audit addressed the key audit matters 我們的審核如何處理關鍵審核事項

商譽減值

Our procedures in relation to management's impairment assessment included:

我們就管理層之減值評估之程序包括：

- Obtaining the cash flow forecast prepared by management, reviewed and discussed with management on the major assumptions adopted in the cash flow forecast for each CGU and checked arithmetic accuracy of the forecast calculation.

取得管理層編製的現金流預測，與管理層審閱及討論有關現金流預測就各個現金產生單位採用的主要假設，並檢查計算預測的運算是否準確。

- Comparing the growth rate, budgeted sales and gross margin to historical results to determine the reasonableness of the assumptions.

將增長率、預算銷售及毛利率與過往業績作比較，以確定假設是否合理。

- Assessing the discount rate used by management in the cash flow forecast by benchmarking against the required rate of return adjusted for industrial specific factors.

以行業特定因素調整的所需回報率為基準，對管理層於現金流預測中所用的貼現率作出評估。

- Reviewing the sensitivity analysis prepared by management on the significant assumptions including the growth rate and the discount rate to evaluate the extent of impact of these assumptions on the cash flow forecast.

審閱管理層就重大假設(包括增長率及貼現率)編製的敏感度分析，以評估該等假設對現金流預測的影響程度。

Key Audit Matter
關鍵審計事項

Accounting for restructuring provisions

Refer to note 30 to the Group consolidated financial statements.

請參閱貴集團綜合財務報表附註30。

The recognition and valuation of the provision in respect of restructuring is highly judgmental and assumptions based.

確認及評估重組撥備高度依賴判斷及基於假設。

The determination of whether or not a present obligation exists is a judgmental process. The actual future expenses to complete the restructuring require significant estimates. As disclosed in the note 30 to the consolidated financial statements, the reversal of restructuring provision of HK\$31,101,000 is recognised in consolidated income statement.

釐定當前責任是否存在需要運用判斷。完成重組所需的未來實際開支需要大量估計。誠如綜合財務報表附註30所披露港幣31,101,000元之重組撥備回撥已於綜合收益表中確認。

The restructuring provision assessment involves significant judgments made by management and therefore is identified as a key audit matter.

重組撥備評估涉及管理層所作出的重大判斷，因此被識別為關鍵審計事項。

How our audit addressed the key audit matters
我們的審核如何處理關鍵審核事項

重組撥備的會計處理

Our procedures in relation to management's assessment on restructuring provision included:

我們就管理層之重組撥備評估之程序包括：

- We have inspected the minutes of board of directors meetings where the progress of the restructuring were deliberated on during the meetings and we have tested and concurred with management's judgment in respect of the existence of a constructive obligation concerning the planned restructure exercise. We tested the decision making process, the existence of sufficiently detailed plans of the Group and the communications in this respect.

我們已查閱董事會會議紀錄內有關審議重組進展情況及我們已測試，並贊同管理層對經計劃的重組工作存在推定責任的判斷。我們已就此對決策過程、有否具備充分詳細的貴集團計劃及對這些方面的溝通進行測試。

- The provision for severance payments included using the assumptions on estimating the number of employees that will ultimately be affected under the production capacity optimisation process. We have assessed and challenged these assumptions made by management based on the relevant rules and regulations in place and the past experience of the Group in handling similar exercise and also assessed the assumptions made on the relocation expenses. We found no material exceptions in our testing.

遣散費撥備包括估計對最終將受產能優化過程影響的員工數目的假設。我們已根據相關法規及規例以及貴集團處理類似事件的過往經驗，評估及質詢該等由管理層作出的假設，並對就搬遷費作出的假設進行評估。我們於測試中並無發現任何重大例外情況。

- We also considered whether separate disclosure of the restructuring charge is appropriate and discussed this with management and the audit committee. We concurred with their conclusion that separate disclosure and presentation are helpful in understanding financial performance. 我們亦已考慮獨立披露重組費用是否適當，並就此與管理層及審核委員會進行討論。我們同意彼等的結論，獨立披露及呈列有助於理解財務表現。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告 (續)

Key Audit Matter

關鍵審計事項

Valuation of inventories

Refer to note 25 to the Group consolidated financial statements.

請參閱貴集團綜合財務報表附註25。

The Group has inventories with carrying amount of HK\$524,571,000 which is subject to a risk that changes in customer demand could result in some products becoming slow-moving or obsolete, such that they could not be sold or could only be sold with selling prices that are less than the current carrying value. This means there is inherent subjectivity and estimation is needed in determining the level of inventory provision required.

貴集團賬面值港幣524,571,000元之存貨存在因客戶需求變化導致部分產品滯銷或過時，使其無法出售或僅可以低於現時賬面值的售價出售的風險。換言之，在確定所需存貨撥備水平時存在主觀性和估計的需要。

The Group has made an inventory provision of HK\$2,400,000 in 2017. Significant judgments on the percentage of general provision and the amount of specific provision made are required by management in determining the adequacy of the inventory provision.

貴集團於二零一七年作出港幣2,400,000元之存貨撥備。確定存貨撥備是否充分時，需要管理層就一般撥備的百分比及特定撥備的金額作出重大判斷。

We identified the valuation of inventories as a key audit matter due to the significance of the balance to the Group consolidated financial statements as a whole, together with the judgment associated with determining the adequacy of the inventory provision.

基於存貨結餘對綜合財務報表整體上的重要性，加上確定存貨撥備是否充分時涉及判斷，因此存貨估值被識別為關鍵審計事項。

How our audit addressed the key audit matters

我們的審核如何處理關鍵審核事項

存貨估值

Our procedures in relation to management's assessment on inventory provision included:

我們就管理層之存貨撥備評估之程序包括：

- Inquiring and understanding from management the inventory provision policy of the Group.
向管理層查詢及了解貴集團的存貨撥備政策。
- Assessing the reasonableness of the inventory provision made by the Group by obtaining the aging analysis and slow-moving inventory lists from management and discussing with management on the basis of inventory provision made.
向管理層取得庫存賬齡分析及慢流存貨清單，並與管理層討論存貨撥備的基準，從而評估貴集團所作出的存貨撥備是否合理。
- Performing testing on the inventory ageing to assess the accuracy of the basic data used to determine the provision and re-performing the provision calculation to check arithmetic accuracy.
就存貨的庫存期進行測試，以評估用作判斷撥備的基本數據是否準確，並重新計算撥備以核實運算的準確性。
- Understanding from management the rationale for the specific adjustments and assessing the assumptions made where there are specific adjustments on the inventory provision.
向管理層了解特定調整的理據，評估就存貨撥備作出特定調整時所作出的假設。
- Reviewing subsequent sales on the inventory samples selected to assess whether the inventories were able to be sold at prices above their carrying values.
審閱經選取的存貨樣本之後續銷售狀況，評估存貨是否可按高於其賬面值的價格售出。

OTHER INFORMATION IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Audit Committee is responsible for overseeing the Group's financial reporting process.

載於年報的其他資料

貴公司董事負責其他資料。其他資料包括年報所載資料，但不包括綜合財務報表及相關核數師報告。

我們對綜合財務報表的意見並不涵蓋其他資料，我們亦不對其他資料發表任何形式的鑒證結論。

審核綜合財務報表時，我們的責任為閱讀其他資料，於此過程中，考慮其他資料是否與綜合財務報表或我們於審計過程中所瞭解的情況有重大抵觸，或者似乎有重大錯誤陳述。基於我們已執行的工作，倘我們認為其他資料有重大錯誤陳述，我們須報告該事實。於此方面，我們沒有任何報告。

董事及審核委員會就綜合財務報表須承擔的責任

貴公司董事須負責根據香港會計師公會頒佈的香港財務報告準則及《公司條例》編製綜合財務報表，以令綜合財務報表作出真實而公平的反映，及落實其認為編製綜合財務報表所必要的內部控制，以使綜合財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述。

編製綜合財務報表時，董事負責評估貴集團持續經營的能力，並在適用情況下披露與持續經營有關的事項，以及使用持續經營為會計基礎，除非董事有意將貴集團清盤或停止經營，或別無其他實際的替代方案。

審核委員會負責監督貴集團財務報告過程。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告（續）

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

核數師就審計綜合財務報表的責任

我們的目標為合理確定整體綜合財務報表是否不存在由於欺詐或錯誤而導致的任何重大錯誤陳述，並發出載有我們意見的核數師報告。我們僅向閣下（作為整體）按照《公司條例》第405節編製報告，除此之外本報告別無其他目的。我們不會就本報告內容向任何其他人士負上或承擔任何責任。合理確定屬高層次核證，但不能擔保根據香港審計準則進行的審核工作總能發現所有存在的重大錯誤陳述。錯誤陳述可源於欺詐或錯誤，倘個別或整體於合理預期情況下可影響使用者根據綜合財務報表作出的經濟決定時，則被視為重大錯誤陳述。

根據香港審計準則進行審核時，我們運用專業判斷，於整個審核過程中保持專業懷疑態度。我們亦：

- 識別及評估綜合財務報表由於欺詐或錯誤而導致的重大錯誤陳述風險，因應此等風險設計及執行審核程序，獲得充足及適當審核憑證為我們的意見提供基礎。由於欺詐涉及合謀串通、偽造、故意遺漏、誤導性陳述或凌駕內部控制，因此未能發現由此造成的重大錯誤陳述風險較未能發現由於錯誤而導致的重大錯誤陳述風險更高；
- 瞭解與審核有關的內部控制，以設計恰當的審核程序，但並非旨在對貴集團內部控制的有效程度發表意見；
- 評估所用會計政策是否恰當，以及董事所作會計估算及相關披露是否合理；

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- 總結董事採用以持續經營為基礎的會計法是否恰當，並根據已獲取的審核憑證，總結是否有對貴集團持續經營的能力構成重大疑問的事件或情況等重大不確定因素。倘我們總結認為存在重大不確定因素，我們需於核數師報告中提請注意綜合財務報表內的相關資料披露，或如果相關披露不足，則修訂我們的意見。我們的結論以截至核數師報告日期所獲得的審核憑證為基礎，惟未來事件或情況可能導致貴集團不再具有持續經營的能力；
- 評估綜合財務報表(包括資料披露)的整體列報、架構及內容，以及綜合財務報表是否已公允反映及列報相關交易及事項；及
- 就貴集團屬下實體或經營活動的財務資料取得足夠而恰當的審計憑證，以於綜合財務報表內發表意見。我們對集團審計的指引、監察及落實負責。我們為審計意見承擔全部責任。

We communicate with Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

我們與審核委員會就(其中包括)審核工作的計劃範圍及時間安排及重大審核發現，包括我們於審核期間識別出內部監控的任何重大缺陷進行溝通。

我們亦向審核委員會提交聲明，說明我們已遵守有關獨立性的道德要求，並就所有被合理認為可能影響我們的獨立性的關係及其他事宜及相關防範措施(如適用)與審核委員會溝通。

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

獨立核數師報告（續）

From the matters communicated with Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mr. Chan Shu Kin.

TING HO KWAN & CHAN

Certified Public Accountants (practising)

Hong Kong, 8 March 2018

我們從與審核委員會溝通的事項中，決定那些事項對本期綜合財務報表的審核工作最為重要，因而構成關鍵審計事項。除非法律或法規不容許公開披露此等事項，或於極罕有的情況下，我們認為披露此等事項可合理預期的不良後果將超越公眾知悉此等事項的利益而不應於報告中披露，否則我們會於核數師報告中描述此等事項。

出具本獨立核數師報告的審計項目合夥人是陳樹堅先生。

丁何關陳會計師行

執業會計師

香港，二零一八年三月八日