大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2009

	Notes	2009 HK$'000	2008 HK$'000
Turnover	3	**1,692,794**	1,939,383
Cost of sales		**(1,409,480)**	(1,639,643)
Gross profit		**283,314**	299,740
Other income and gains, net		**17,582**	41,291
Distribution costs		**(88,017)**	(107,603)
Administrative expenses		**(187,300)**	(221,377)
Other operating expenses		**–**	(1,016)
Allowance for impairment of bad and doubtful debts		**(1,599)**	(4,533)
Gain on disposal of property, plant and equipment and leasehold land and land use rights		**–**	66,940
Profit from operations		**23,980**	73,442
Finance costs		**(15,492)**	(26,515)
Investment income, net		**2,949**	3,887
Gain on deregistration of a subsidiary		**1,400**	–
Share of results of associates		**22,487**	13,118
Profit before taxation	4	**35,324**	63,932
Taxation	5	**8,564**	7,627
Profit for the year		**26,760**	56,305

	Note	2009 HK$'000	2008 HK$'000
Attributable to:			
Equity holders of the Company		**7,301**	45,240
Minority interests		**19,459**	11,065
		26,760	56,305
Basic earnings per share for profit attributable to the equity holders of the Company during the year	*6*	**1.03 cents**	6.37 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	2009	2008
	HK$'000	*HK$'000*
Profit for the year	**26,760**	56,305
Other comprehensive income for the year:		
Cash flow hedges	**(6)**	–
Change in fair value of available-for-sale financial assets	**(55)**	97
Share of other comprehensive (loss) income of associates	**(1,346)**	6,001
Surplus (Deficit) on revaluation of buildings	**4,573**	(7,074)
Exchange differences: net movement in translation reserve	**(208)**	24,879
	2,958	23,903
Total comprehensive income for the year, net of tax	**29,718**	80,208
Attributable to:		
Equity holders of the Company	**9,070**	66,666
Minority interests	**20,648**	13,542
Total comprehensive income for the year	**29,718**	80,208

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2009

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Non-current Assets			
Property, plant and equipment		**361,601**	340,736
Leasehold land and land use rights		**42,508**	43,325
Interests in associates		**240,349**	234,903
Available-for-sale financial assets		**4,674**	4,729
Deferred tax assets		**3,854**	4,386
		652,986	628,079
Current Assets			
Inventories		**519,611**	597,412
Leasehold land and land use rights		**822**	784
Trade and other receivables	*7*	**672,660**	735,154
Derivative financial instruments		**1,422**	–
Tax recoverable		**2,143**	2,543
Pledged bank deposits		**39,750**	120,698
Cash and cash equivalents		**309,027**	189,369
		1,545,435	1,645,960
Current Liabilities			
Trade and other payables	*8*	**673,318**	666,428
Amounts due to associates		**53,263**	61,742
Derivative financial instruments		**1,427**	167
Bank and other borrowings			
– due within one year		**263,949**	328,282
Obligations under finance leases			
– due within one year		**10,262**	6,920
Tax payable		**6,251**	4,453
		1,008,470	1,067,992
Net Current Assets		**536,965**	577,968
Total Assets less Current Liabilities		**1,189,951**	1,206,047

	2009	2008
	HK$'000	*HK$'000*
Non-current Liabilities		
Bank and other borrowings		
– due after one year	**16,981**	61,259
Obligations under finance leases		
– due after one year	**11,454**	8,754
Deferred tax liabilities	**2,882**	229
Total Non-current Liabilities	**31,317**	70,242
Net Assets	**1,158,634**	1,135,805
Equity		
Capital and reserves attributable to the Company's equity holders:		
Share capital	**283,972**	283,972
Reserves	**707,919**	698,849
	991,891	982,821
Minority Interests	**166,743**	152,984
Total Equity	**1,158,634**	1,135,805

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with HKFRS, which also include Hong Kong Accounting Standards and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, investment properties, certain financial assets and financial liabilities (including derivative instruments), which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2. IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS")

The HKICPA has issued the following new and revised HKFRSs that are first effective for the current accounting period of the Group and the Company.

Improvements to HKFRSs (2008)	
HKAS 1 (revised 2007)	Presentation of financial statements
HKAS 23 (amendment)	Borrowing costs
HKAS 32 & 1 (amendment)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (amendment)	Vesting conditions and cancellations
HKFRS 7 (amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) 13	Customer loyalty programmes
HK(IFRIC) 15	Agreements for the construction of real estate
HK(IFRIC) 16	Hedges of a net investment in a foreign operation

The adoption of these new and revised HKFRSs has no material impact on the results and financial position of the Group and the Company. Except as described below, these financial statements have been prepared on a basis consistent with the accounting policies adopted in the prior year.

(a) As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

(b) As a result of the adoption of the amendments to HKFRS 7, "Financial instruments: Disclosures – improving disclosures about financial instruments", the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(c) HKFRS 8 requires segment disclosures to be based on the way that the Group's top management regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's top management for the purposes of assessing segment performance and making decisions about operating matters. In contrast, the predecessor Standard (HKAS 14, "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14, nor has the adoption of HKFRS 8 changed the basis of measurement of segment profit or loss.

(d) The "Improvements to HKFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of HKFRSs which the HKICPA has issued as an omnibus batch of amendments. Of these, the following two amendments have resulted in changes to the Group's accounting policies:

- As a result of amendments to HKAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

– As a result of amendments to HKAS 40, Investment property, investment property which is under construction will be carried at fair value at the earlier of when the fair value first becomes reliably measurable and the date of completion of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until the construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss. As the Group does not currently have any investment property under construction, this change in policy has no impact on net assets or profit or loss for any of the periods presented.

(e) The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1st January, 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical location. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following four reportable segments.

(1) trading of industrial consumables;
(2) manufacturing of plastic processing products;
(3) manufacturing of machinery; and
(4) manufacturing of printed circuit boards.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses. A discontinued segment is separately presented from continuing segments.

The segment results for the year ended 31st December, 2009 are as follows:

	Industrial consumables *HK$'000*	**Plastic processing products** *HK$'000*	**Machinery** *HK$'000*	**Printed circuit boards** *HK$'000*	**Other operations** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
TURNOVER							
External sales	**271,106**	**356,554**	**585,529**	**477,441**	**2,164**	**–**	**1,692,794**
Inter-segment sales	**8,228**	**191**	**3,926**	**–**	**5,387**	**(17,732)**	**–**
Total revenue	**279,334**	**356,745**	**589,455**	**477,441**	**7,551**	**(17,732)**	**1,692,794**

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables *HK$'000*	**Plastic processing products** *HK$'000*	**Machinery** *HK$'000*	**Printed circuit boards** *HK$'000*	**Other operations** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
RESULTS							
Segment results	**12,031**	**6,748**	**(23,722)**	**51,467**	**(4,895)**	**789**	**42,418**
Unallocated corporate expenses							**(18,438)**
Profit from operations							**23,980**
Finance costs							**(15,492)**
Investment income, net							**2,949**
Gain on deregistration of a subsidiary							**1,400**
Share of results of associates		**(827)**	**(2,454)**		**25,768**		**22,487**
Profit before taxation							**35,324**
Taxation							**8,564**
Profit before minority interests							**26,760**

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	**179,951**	**333,273**	**1,045,119**	**321,834**	**28,751**	**1,908,928**
Interests in associates						**240,349**
Available-for-sale financial assets						**4,674**
Unallocated corporate assets						**44,470**
Consolidated total assets						**2,198,421**
LIABILITIES						
Segment liabilities	**50,075**	**54,055**	**431,321**	**131,392**	**5,664**	**672,507**
Tax payable						**6,251**
Borrowings						**302,646**
Unallocated corporate liabilities						**58,383**
Consolidated total liabilities						**1,039,787**
OTHER INFORMATION						
Capital additions	**302**	**12,750**	**34,475**	**23,044**	**310**	**70,881**
Depreciation and amortisation	**1,010**	**16,708**	**17,331**	**15,198**	**884**	**51,131**
Other non-cash expenses	**1,259**	**650**	**(791)**	**2,800**	**6,431**	**10,349**

The segment results for the year ended 31st December, 2008 are as follows:

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	345,379	390,316	672,670	531,018	–	–	1,939,383
Inter-segment sales	6,635	5	5,973	–	–	(12,613)	–
Total revenue	352,014	390,321	678,643	531,018	–	(12,613)	1,939,383

Inter-segment sales are charged at prevailing market rates.

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
RESULTS							
Segment results	25,332	9,162	44,334	27,329	(3,901)	797	103,053
Unallocated corporate expenses							(29,611)
Profit from operations							73,442
Finance costs							(26,515)
Investment income, net							3,887
Share of results of associates		(249)	(3,031)		16,398		13,118
Profit before taxation							63,932
Taxation							7,627
Profit before minority interests							56,305

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Consolidated *HK$'000*
ASSETS						
Segment assets	200,394	351,161	1,008,917	327,960	42,412	1,930,844
Interests in associates						234,903
Available-for-sale financial assets						4,729
Unallocated corporate assets						103,563
Consolidated total assets						2,274,039
LIABILITIES						
Segment liabilities	55,098	53,366	396,281	153,477	4,923	663,145
Tax payable						4,453
Borrowings						405,215
Unallocated corporate liabilities						65,421
Consolidated total liabilities						1,138,234
OTHER INFORMATION						
Addition of goodwill	–	–	484	–	–	484
Capital additions	654	11,963	11,855	27,047	1,799	53,318
Depreciation and amortisation	1,253	17,590	19,517	16,564	1,050	55,974
Other non-cash expenses	431	1,587	10,392	600	3,087	16,097

Geographical information

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, North America and Europe. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery and printed circuit boards divisions are located in the PRC.

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

	Sales revenue by geographical market	
	2009	2008
	HK$'000	*HK$'000*
Hong Kong	**607,251**	657,337
PRC	**921,949**	1,040,404
Other Asia-Pacific countries	**125,407**	169,303
North America	**13,476**	24,360
Europe	**24,711**	47,979
	1,692,794	1,939,383

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and goodwill, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		**Additions to property, plant and equipment and goodwill**	
	2009	2008*	**2009**	2008*
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**707,827**	655,085	**146**	1,594
PRC	**1,471,907**	1,599,158	**70,735**	52,208
Other Asia-Pacific countries	**8,834**	9,541	**–**	–
North America	**4,431**	4,514	**–**	–
Europe	**5,422**	5,741	**–**	–
	2,198,421	2,274,039	**70,881**	53,802

* The comparative figures have been reclassified in order to conform to the current year's basis of allocation of segment assets.

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging and crediting the following:

	2009	2008
	HK$'000	*HK$'000*
Charging:		
Directors' remuneration	**9,480**	16,331
Salaries and other benefits	**230,453**	274,567
Retirement benefits scheme contributions	**4,854**	4,006
	244,787	294,904
Depreciation and amortisation on:		
– Owned assets	**46,035**	51,543
– Assets held under finance leases	**4,274**	3,502
– Leasehold land and land use rights	**822**	929
Impairment losses on goodwill (included in other operating expenses)	**–**	484
Loss on disposal of property, plant and equipment	**4,921**	–
Auditors' remuneration		
– Current year	**2,190**	2,228
– Underprovided in prior years	**322**	61
Operating lease payments	**18,916**	17,158
Revaluation deficit on leasehold buildings	**–**	533
Share of associates' taxation	**4,075**	4,375
and crediting:		
Rental income net of direct outgoings	**540**	805

5. TAXATION

The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

	2009	2008
	HK$'000	*HK$'000*
Hong Kong profits tax		
Current year	**1,380**	1,145
Tax reduction in prior year	**–**	(125)
Under (Over)-provision in prior years	**248**	(101)
	1,628	919
Overseas tax		
Current year	**5,063**	5,161
(Over) Under-provision in prior years	**(389)**	579
	4,674	5,740
Deferred taxation relating to the origination and reversal of temporary differences		
Current year	**2,262**	851
Effect of change in tax rate	**–**	117
	2,262	968
Taxation charge	**8,564**	7,627

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the domestic taxation rates applicable to profits of the consolidated companies as follows:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**35,324**	63,932
Tax at the domestic income tax rate of 16.5% (2008: 16.5%)	**5,828**	10,549
Tax effect of expenses that are not deductible in determining taxable profit	**14,962**	30,898
Tax effect of income that is not taxable in determining taxable profit	**(19,489)**	(42,048)
(Over) Under-provision of profits tax in prior years, net	**(142)**	478
Tax reduction in prior year	**–**	(125)
Decrease in opening net deferred tax assets resulting from changes in applicable tax rates	**–**	117
Tax effect of tax losses not recognised	**10,956**	12,383
Tax effect of temporary differences not recognised	**461**	675
Tax effect of utilisation of tax losses not previously recognised	**(1,603)**	(1,861)
Tax effect of write down deferred tax assets	**1,969**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(4,378)**	(3,439)
Taxation charge	**8,564**	7,627

6. EARNINGS PER SHARE

The calculation of basic earnings per ordinary share is based on the Group's profit attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Weighted average number of shares in issue during the year	**709,930,692**	710,000,697
Profit attributable to the equity holders of the Company	**HK$7,301,451**	HK$45,239,508
Earnings per share	**1.03 cents**	6.37 cents

7. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills receivables	**565,695**	571,779
Less: allowance for impairment of bad and doubtful debts	**71,527**	68,737
Trade and bills receivables, net	**494,168**	503,042
Other receivables	**183,448**	247,764
Less: allowance for impairment of bad and doubtful debts	**21,216**	23,095
Other receivables, net	**162,232**	224,669
Prepayments	**15,417**	6,605
Amounts due from related parties	**843**	838
	672,660	735,154

The directors consider that the carrying amounts of trade and other receivables approximate to their fair values. In the opinion of the directors, all trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group allows an average credit period of 90 days to 120 days for customers. The ageing analysis of the Group's trade and bills receivables, based on the invoice date and net of allowances, at the balance sheet date is as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
0 to 3 months	**368,252**	331,820
4 to 6 months	**49,977**	68,847
7 to 9 months	**16,344**	36,523
Over 9 months	**59,595**	65,852
	494,168	503,042

8. TRADE AND OTHER PAYABLES

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
Trade and bills payables	**427,772**	448,014
Accruals and other payables	**245,163**	217,630
Amounts due to related parties	**383**	784
	673,318	666,428

The directors consider that the carrying amount of trade and other payables approximates to their fair value. In the opinion of the directors, all trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

The ageing analysis of the Group's trade and bills payables at the balance sheet date is as follows:

	THE GROUP	
	2009	2008
	HK$'000	*HK$'000*
0 to 3 months	**320,107**	281,025
4 to 6 months	**89,863**	139,722
7 to 9 months	**2,029**	14,671
Over 9 months	**15,773**	12,596
	427,772	448,014

9. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilised by:				
Subsidiaries	**–**	–	**887,736**	936,560
Outsiders	**–**	9,097	**–**	–
	–	9,097	**887,736**	936,560

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2009 and 31st December, 2008.

10. PLEDGE OF ASSETS

At the balance sheet date, assets with the following carrying amounts were pledged by the Group to secure general banking facilities:

	2009	2008
	HK$'000	*HK$'000*
Leasehold buildings	**23,200**	–
Leasehold land and land use rights	**3,940**	–
Plant and machinery	**47,149**	34,715
Bank deposits	**39,750**	120,698
	114,039	155,413

Note: The bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The pledged deposits are denominated in RMB.

11. EVENTS AFTER THE BALANCE SHEET DATE

On 9th February, 2010, an associate of the Group, Shenzhen Haoningda Meters Co., Ltd., completed the initial public offering ("IPO") of its A Shares and commenced the trading of the A Shares on the Shenzhen Stock Exchange. Upon the completion of the IPO, the Group's shareholding in the associate will be reduced from approximately 41.99% to approximately 31.50%. Further details of the IPO are set out in the Company's announcement on 8th February, 2010.

12. COMPARATIVE FIGURES

As a result of the application of HKAS 1 (revised 2007), "Presentation of financial statements", certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 2.

FINAL DIVIDEND

The Board does not recommend to pay final dividend for the year ended 31st December, 2009 (2008: Nil).

CLOSE OF REGISTER

The register of members of the Company will be closed from 26th May, 2010 to 2nd June, 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance at the forthcoming Annual General Meeting, all transfers and the relevant share certificates must be lodged with the Company's Registrars, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, no later than 4:00 p.m. on 25th May, 2010.

RESULTS

The Group's consolidated turnover for the year 2009 was approximately HK$1,692,794,000, representing a decrease of about 13% from the approximate HK$1,939,383,000 for 2008. Our profit after taxation stood at about HK$26,760,000, representing a decrease of about 52% as compared with about HK$56,305,000 for the same period of last year (profit after taxation for 2008 included a gain totaled HK$66,933,000 arising from the compensation and disposal of land, factory premises and production workshop pursuant to the compensation contract and disposal contract signed between Wuxi Grand Tech Machinery Group Ltd., a wholly-owned subsidiary of the Group, and Wuxi Industry Development Group Co., Ltd.). For the year ended 31st December, 2009, the profit attributable to shareholders was about HK$7,301,000, decreased by about 84% as compared with last year.

CHAIRMAN'S STATEMENT

During the period under review, along with the further spread of the international financial crisis that had resulted in sluggish global economy and unprecedented downturn of domestic and foreign markets, especially in the first half of 2009, the Group's sales of businesses decreased drastically and its overall results were hit hard, such that our interim results for the first half of the year even recorded a net loss of approximately HK$18,147,000. Facing unheard-of crucibles and challenges, the Group changed pressures into motivations and reviewed businesses earnestly and practically other than stringent inventory control to address longer and worse rigorous adversities, which included implementing streamlined administration and optimized production process; providing training on crisis management and execution skill for management members; adhering to prudent credit term policy in stagnant and unordered market conditions; and establishing closer cooperation with suppliers. Under innovative and tenacious struggles of colleagues, the Group reduced losses in the hostile economic environment. Also, most businesses regained satisfactory growth in the second half of 2009. Certain business could even transcend the level before financial crisis and recover losses in the first half of 2009, thus retaining profit-making results for the year.

The Group's machinery business was closely linked to investment intentions of industry circles that it was heavily impacted in the global economic plight. However, abnormal predicament represents more often the motivation for reform. At the beginning of 2009, the machinery business conducted reformative integration and streamlining measures on all functional departments to enhance their efficiency and strain capacity. Amid market doldrums, we still persisted in R&D input and concentrating resources to accelerate perfecting our self-developed Se-series injection moulding machines that are of high precision and electricity saving functions with outperforming cost-performance ratio. Since its launch in the middle of 2009, customers' satisfactory reaction and better-than-expected orders are inspiring. Not only do the Se-series products provide higher profit margin but they also follow market trends of energy saving and consumption reduction, which represents premium tool of cost effectiveness for customers and new competitive edges of this business in the market.

Orders for plastic products and processing business were sharply cut due to impacts of the global economic recession. Thus, besides belt-tightening to minimize losses, our member companies did their utmost to actively optimize cost management to improve productivity, add automatic equipment and adjust product mixes as well as market strategies. During the period under review, the injection molding factory located in Shenyang that had been loss-making for long was closed down. Thanks to desirable adjustment in sales strategies and price markdown of plastics, our plastic injection product business of plastic tableware and food packaging in Zhuhai attained laudable achievements. Despite the approximate decrease of 26% from last year in terms of annual results of plastic products and processing business, the series of optimization and rectification implemented have laid a solid foundation for continued expansion of this business after going through test of the crisis.

In face of depression in the export-focused industry, the trading business of industrial consumables shrank dramatically. Fortunately, the Central Government launched policies to simulate domestic demand, cultivate emerging industries and facilitate huge investment in infrastructure. Capitalizing on this situation, this business managed to timely re-deploy resources to develop the domestic demand market and exploit customers in emerging industries, thus offsetting the declining results and opening up new opportunities for long-term business development.

The printed circuit board business had been undergoing orderly adjustment in product mixes for the past few years, in which low added-value products were eliminated. Besides, it has for years insisted on a diversified market deployment, such that it recorded no dramatic drop in orders when the global electronic product industry was slack. Boosted by the management's consciousness of hardship, measurements including process reform and redundancy for efficiency improvement were proactively implemented, which, coupled with favorable factor like drop in raw material prices, resulted in gratifying profits for this business.

Shenzhen Haoningda Meters Co., Ltd., an associate company of the Group in Shenzhen, has weathered the global financial crisis, and has, under the national grid reconstruction investment plan, obtained numerous orders and achieved satisfactory growth in results by virtue of its remarkable self-independent R&D achievements. It was listed on the A-share market in Shenzhen Stock Exchange in early February, 2010 and raised proceeds of more than RMB600 million in total as the capital of future sustainable development.

Forward-looking Statement

In the aftermaths of the global financial crisis, the world economy is recovering in 2010 with the operating environment in a better position for improvement, and national policies have brought with us favorable opportunities. Nevertheless, complex uncertainties hide amid new opportunities: prices in raw materials including metal and plastics may fluctuate and exchange rates of different currencies may vary; migrant worker shortage emerged in the beginning of the year is bound to cause hike in labour costs; together with other unfavorable factor including rise of trade protectionism, all are new challenges that we must address with the consciousness of hardship.

Other than promoting policies relating to industrial upgrade and self-independent innovation, the State has issued adjustment and revival planning for the equipment manufacture industry and made energy saving and emission reduction as a long-term national policy. The Group will maintain substantial investment in R&D of the machinery business, and enhance technology reserve to maintain market competitive edges of products. Carrying on results of Se-series injection moulding machines, the Group has managed to extend the application of servo-driven core technology, capable of both energy saving and consumption reduction as well as high precision, to product lines of rubber injection machine and hydraulic punching machine. As a result, the overall product mix of machinery business is expected to make breakthrough. Upon completion and opening of the new factory in Dongguan in the middle of 2010, its production capacity will be expanded to abate bottlenecks of the current order backlog.

Orders of plastic products and processing business will stabilize in 2010. Strict requirements for new orders are bound to be met by way of optimized and rectified management measures. Besides, hike in labour costs is to be offset by increased automatic investment. The business is expected to recover for growth. Meanwhile, under the State's policies to stimulate national consumption and the "Home Appliances Subsidy Policy for Rural Areas", there will be larger room for development in domestic sales market of the plastic processing business, and the Group will gradually input resources to capture opportunities in light of the expanded market.

With recovery of the global economy, China's export trade will gradually rebound and results of our trading business are expected for pick-up. Besides, the State takes initiatives in implementing new policies including domestic demand expansion, technical renovation and cultivation of strategic emerging industries, creating golden opportunities and also room for sustained development for the trading business in the next few years.

The printed circuit board business will carry on the admirable performance of last year to brace for opportunities in the revitalized market and maintain prominent results despite facing challenges in production cost increase in 2010. It is expected that the government will tighten regulations on environmental protection and pollution discharge, but the business has advanced sewage treatment reuse facilities added and installed at the factory that business expansion requirement in the next few years will be satisfied by only increasing certain investment.

Successful listing of Shenzhen Haoningda Meters Co., Ltd. on the A-share market of Shenzhen is conducive to the Group's asset optimization and growth of its results will contribute to the Group's profit.

Overall, in 2010, the domestic market will undergo greater changes, which in return generate more business opportunities that are favorable to the Group's businesses. After endurance, rectification and optimization against adversity last year, we are confident that our management team is well positioned to strive for satisfactory results and overcome new challenges ahead with stronger strength and determination in a new year, so as to maximize return for shareholders.

On behalf of the Board, I would like to extend my heartfelt gratitude to the whole personnel working in collaboration to conquer obstacles with the Group. I would also like to show my appreciation to shareholders, customers, partners and other groups concerned for your support and trust.

BUSINESS REVIEW

Manufacturing Business

Machinery

As market demands gradually recovered and product mixes were strategically adjusted in the second half of 2009, our results were improved obviously with lessened losses, and managed to record profit in the fourth quarter of the year. During the period under review, we recorded a turnover of HK$585,529,000, a decline of about 13% from approximately HK$672,670,000 of the same period of last year and accounted for approximately 35% of the Group's consolidated turnover, while the loss in the period was approximately HK$23,722,000, and the performance was declined by about 154% as compared with the same period of last year.

Against a backdrop of global economic recession and uncertain prospects, production and sale of domestic export business were in downturn in the first half of 2009. An array of massive economic revival programs launched by the Central Government stimulated both liquidity of money-supply and consumption demand, and gradual recovery of domestic economic in the second quarter drove machinery demands. However, as impacted by financial crisis extensions, revitalization in major regions was still feeble, and the export markets only began to have a slight revival in the second half of 2009. Export sales during the period recorded a decrease of 46% as compared with last year, the proportion of export decreased to 15% by 24% from last year. On the whole, general purpose injection moulding machines were still oversupplied in the unordered competition, and their consolidated gross profit margin decreased by about 7% as compared with the same period of last year. In streamlining the structure and executing belt-tightening measures, we also structurally reformed product mixes of injection moulding machine business to speed up the elimination of traditional general purpose injection moulding machines of lower gross profit margin and mobilize resources to servo-driven energy saving products. Meanwhile, an all-round adjustment on the supply deployment at home and abroad was conducted to improve the capacity for contingency of the entire supply chain.

On the product development front, to cater for the trend of environmental and energy saving machinery, key components of Greenline servo-driven energy-saving model that was first launched in 2007 was successfully localized after almost three-year self-independent R&D and optimization, with the enhanced Se-series being promoted in the market. Currently, unique OEM-version components are being jointly developed under strategic partnership agreement with suppliers, so as to coordinate the medium and long-term upgrade planning of products. Ever since the launch at ChinaPlas exhibition in May 2009, the high cost-performance ratio of Se-series injection moulding machine has been widely recognized and well received by customers both at home and abroad. In the second half of 2009, total order value for the series was encouraging that it maintained its momentum of monthly increase to date. By capitalizing on this product series, the consolidated gross profit margin of injection machine is expected to resume to a reasonable level.

Other products including CNC sheet-metal processing machine, rubber injection machine and extrusion line business achieved relatively satisfactory results. The consolidated sales and gross profit margin could hold the line with last year. These are attributable to the continuous optimized design and market segmenting strategy and the policy of massive infrastructure investment adopted in the PRC. During the period, the Group successfully developed the CNC hydraulic turrent punch press that can process large-sized sheet at a time and the advanced full-automatic control technology, and thus succeeded in obtaining orders of CNC sheet metal punching & precision shearing composite processing production line from the world's largest solar water heater producer located in Shandong. The production line consisting LX230BDK CNC Punch Press can dually process 1500mmX2500mm large-sized sheet at a time, and the equipment has been delivered to customers in early 2010. We firmly believe that the benchmarking order conduces to further expanding this new market.

With the rebound in orders in the second half of 2009, our grassroots staff was properly aggrandized in production bases in South China and East China. Moreover, to get in line with the government's urban planning of "relocation to industrial zone", the Dongguan Dongchen factory expansion project was implemented during the period under review. As civil work and factory structure roofing were completed at the end of 2009, the project is intended to be completed for operation at the middle of 2010.The preparation work for construction of the new factory at Wuxi National High-tech Industrial Development Zone is expected to be formally initiated in the first quarter of 2011, and to be completed within the second quarter of 2011 to match up with the revised relocation schedule of the local government. The Group will also make timely adjustment to its production deployment in South China and East China whenever necessary, so as to meet the geographical demand of the domestic market.

Plastic Products and Processing

During the period under review, sales of plastic products and processing business was approximately HK$356,554,000, representing a decrease of about 9% as compared with the same period of last year and accounted for approximately 21% of the Group's consolidated turnover, while operating profit of the year was approximately HK$6,748,000, decreased by about 26% from the same period of last year.

Our plastic processing business in Dongguan experienced a tough year and the situation was extremely severe in the first half of the year, resembling the entire export in South China. During the period, orders from many major customers were repeatedly delayed and even cancelled, and the general economic depression forced customers to slash their development of new products. The market took a favorable turn in the second half of 2009 as customers resumed orders and developed new products, and orders rose as compared with the same period of last year. However, the annual turnover still decreased by about 23%. During the year, our cost control and productivity optimization were quite effective, which improved gross profit margin and led to a slight profit contribution to the Group's business for 2009.

Impacted by the sluggish market during the period under review, the turnover of the plastic injection product business of plastic tableware and food packaging in Zhuhai failed to meet the expected goals as sales to major customers decreased. Nonetheless, benefited by the drop in plastics prices and the effective implementation of optimized cost control, the gross profit margin rose by about 10%, and new products of higher gross profit were launched and new customers secured successively as our market development yielded results. Accordingly, we recorded a satisfactory profit contribution. During the year under review, we had obtained a number of international certifications on product quality, such as ISO9001:2008 and HACCP and the like, which vigorously contributed to our product quality improvement.

The Group's plastic processing plant in Hefei is engaged in the processing of plastic casings and components of household electrical appliances for several domestic renowned household appliance enterprises. During the period under review, both its sales and results recorded reasonable growth as driven by the State's "Home Appliances Subsidy Policy for Rural Areas". In view of the high potential in markets in East China, and that the Group still has enormous room for sales improvement of its plastic processing base in the region, the management have formulated a long-term strategy for its development, which include the plan to purchase land in Hefei for extension of factory premises, and the expansion of production lines to cope with future growth requirement. The injection processing factory processing television shell in Shenyang that had been loss-making for long was closed down during the period under review.

For the optic products business, enterprises fully relying on export bore the brunt of the financial crisis and the situation is even worse in the market of gift items. During the year under review, customers sharply cut orders to reduce inventories, of which losses in microscope product orders were the most severe. Fortunately, the Group managed to secure new customers of processing parts during the year, which partly made up for losses in regular customers. But the turnover for the year still decreased by about 31% as compared with the same period of 2008. During the period under review, as production costs were relatively stable, the appreciation of RMB slowed down, in addition to the processing orders of lens with high gross profits margin was added to product mixes, the gross profit margin of the business increased, but total profitability for the year was still unbalanced.

Printed Circuit Board

The printed circuit board business recorded a sales of approximately HK$477,441,000 in 2009, representing a decrease of about 10% as compared with the same period of 2008, and accounted for approximately 28% of the Group's consolidated turnover, while operating profit for the period was approximately HK$51,467,000, increased by approximately 88% over last year.

During the year under review, global crisis impinged on all sectors across the world but our orders from customers of this business could still be maintained. Furthermore, owing to positive external factors including markdown of raw materials, relative stability of the RMB exchange rate and wages, coupled with effective internal control measures implemented to tap new resources and economize on expense, and to streamline processes, our overall production costs dropped and operations achieved pleasant annual results.

Trading Business

Industrial Consumables

During the period under review, trading business accounted for a turnover of approximately HK$271,106,000, representing a decrease of about 22% as compared with the same period of last year and accounted for approximately 16% of the Group's consolidated turnover, while operating profit for the period was approximately HK$12,031,000, decreasing by approximately 53% from last year.

During the year, the extremely sluggish US and European markets led to shrink of exports trade of China's manufacturing industry, and made South China, the region relying on processing trade and export markets, the worst-hit area, sales of our customers was significantly reduced and thus directly impacted our performance in the region. Fortunately, gaps in certain export declines were partly offset with domestic demand market support in East China and North China under a relatively stable economic environment. The successful exploration of some domestic demand sectors like 3G communication equipment, coal mining machinery, LED encapsulation equipment, MTR screened automatic door and power distribution box has effectively alleviated the degression of results of our trading business. To address such a difficult economic situation, apart from intensifying efforts in market expansion and new product promotion, we also adopted a prudent retrenchment policy, which has effectively reduced inventory and account receivable balance by 28% and 24% respectively, all with an aim to maintain sufficient cash flow and minimize operational risks. After the ordeal of the financial crisis, salient improvement on the business was made from frontline sales to logistic support, and management of the whole supply chain was optimized, laying a foundation for growth in the coming year.

Other Businesses

Electronic Watt-Hour Meters and Related Businesses

Shenzhen Haoningda Meters Co., Ltd. ("Haoningda"), an associate company of the Group in Shenzhen, was listed on Shenzhen Stock Exchange by issuing A shares in February 2010. Haoningda issued 20 million A shares at the price of RMB36.5 per share, raising total proceeds of approximately RMB687,000,000. Proceeds from the listing will be used to increase the share capital in Nanjing Haoningda Electronic Meters Manufacturing Co., Ltd. so as to implement electronic watt-hour meters and electric automation management system terminal projects and improve the production capacity of the factory. Furthermore, the proceeds will be also applied to construction of a technology R&D centre and establishment of marketing networks. After the A share issue, our shareholding ratio in Haoningda will be diluted from 41.99% to 31.50%, and an estimated book gain of approximately HK$201,000,000 was recognized for deemed disposal of interests in an associate company by the Company.

BUSINESS PROSPECTS

Looking into 2010, on the machinery front, we believe that the present economic growth momentum can be maintained in the light of an expected stability of domestic political and economic macro-situation and keynote. Besides, the program on adjusting and reviving the equipment manufacture industry launched by the Central Government, and the extended "Vehicle and Home Appliances Subsidy Policy for Rural Areas", all of which have a positive effect on domestic industry production and consumption. In November 2009, the State Council uttered the significant goal of 40% energy-saving and emission reduction by 2020 together with factors including industrial electricity fee markup nationwide, all of which were conducive to the sales of servo energy saving machinery. On the other hand, its is expected that steel and plastic prices will stabilize in the first half of 2010 and that the economic prospect will improve, thus the market requirement for machinery may maintain a favorable momentum. As for prospects in 2010, we will adopt an aggressive strategy for core injection moulding machine business to enlarge market shares by way of focusing on sale and manufacture of servo energy saving Se-series, with an aim to realize over 60% of total product sales proportion. The rubber injection machine and sheet-metal processing machine product line will be dominated by a moderate growth strategy, under which Greenline servo energy saving product mixes (namely RTSe-series rubber injection machines and CMSe-series hydraulic presses) are to be further enriched through the extended application of self-developed Se-series, enabling this to become a new profit driver of the business. For exports business, the strategy of market development and deepening will be continued with servo energy saving machinery as the core product to strive for growth of sales.

Ever since the improvement on the general situation of the domestic equipment industry in the fourth quarter of 2009, the labour market changes accordingly, and labour shortage occurs in the manufacturing industry in all regions. Under the policy of aiding agriculture and benefiting farmers, shortage of front-line staff is expected to linger. As labour costs are estimated to ineluctably rise in the coming year, we will optimize product design and production process, and improve operation efficiency to maintain cost strengths. It is anticipating that we can regain growth in business and contribute to the Group's profit in 2010.

For plastic processing business, the factory in Dongguan is expected to carry on its desirable orders and new product development progress in the fourth quarter of 2009 to advance steadily in 2010. High-gloss injection molded product components and LED table lamps will become our key products. We will be committed to measures including optimizing human resource and cost control, improving operation efficiency and focusing on controlling foreign exchange risks in the next year. As for business of plastic tableware and food packaging in Zhuhai, we will stress on exploration of new customers and products. We are going to broaden our customer base by attending large product exhibitions. On the production front, we will purchase more automatic equipment, manipulators, for instance, and conduct packaging production line automation renovation and other initiatives to improve productivity and product quality. With the combined effect of these conditions, we are to make ideal contributions to the Group's profit in 2010. On the optic product front, apart from increasing product types to enrich product offerings, we will also diversify business model, develop products on our own and even attempt processing accessory production, thereby augment the overall sales. Currently, we are considering on-line directly sale of certain products with brand effects in order to enhance market penetration.

For trading business, the global economy seems to have a sign of recovery but hidden troubles still exist. It is believed that export trade will remain slow in growth. The trading business will lay particular stress on the domestic demand market, and focus on new products and new sectors related to energy saving and environmental protection. Along with the economic recovery of the external environment, the entire operating environment is expected to make distinct improvement by leveraging measures of China's continuous domestic demand stimulation. We are deeply convinced that results in the next year can rebound to the level before financial crisis by virtue of our optimized teams, superb products and quality services.

For printed circuit board business, production costs including raw materials and wages have rallied again since the end of 2009, and are expected to soar in 2010, making a tougher operating environment. We will not only secure support from our existing customers, but also be dedicated to developing products with higher production effectiveness to attract more customers. Moreover, the Group will continue to upgrade environment friendly equipment to meet increased production needs in the future.

Weathering the global economic crisis in 2009, the Group' operations have advanced and consolidated by ordeals, while its business structure has undergone rational and practical adjustment. In the second half of the year, as the Group's measures yielded results gradually and the staff stuck to their respective posts to overcome challenges, the Group's operations saw recovery step by step. Looking forward, inheriting the indomitable dashing spirit against adversity, and fuelled with the economic recovery momentum, we are confident that we can proactively capture opportunities to strike for continued growth. It is our conviction that the Group is well positioned to achieve brilliant results and maximize profits for shareholders in 2010.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2009, the Group's shareholders' funds were approximately HK$991,891,000 compared with approximately HK$982,821,000 as at 31st December, 2008.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 31st December, 2009 was approximately 0.47 (2008: 0.50), and the liquidity ratio was approximately 1.53 (2008: 1.54), both were maintained at a healthy level. As at 31st December, 2009, cash, bank balances and time deposits amounted to approximately HK$309,027,000. All these reflect that the Group is in sound financial position.

Foreign Currencies and Treasury Policy

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the year, the Group had no fixed interest rate borrowings. Foreign exchange risks arising from fluctuation of exchange rates of foreign currencies are managed by the Group using foreign exchange forward contracts when necessary.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its controlling shareholders, subsidiaries or fellow subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, that subsisted at the end of the year under review or at any time during the year under review.

AUDIT COMMITTEE

The audit committee of the Company comprises the three Independent Non-Executive Directors. It has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The audited financial statements of the Company for the year ended 31st December, 2009 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board as regards the remuneration packages from time to time.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors and meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2009, the Group has approximately 5,500 employees (2008: approximately 5,500), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31st December, 2009.

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN THE CODE ON CORPORATE GOVERNANCE PRACTICES

The directors consider that the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31st December, 2009.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2009, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the Independent Non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company still considers all of the Independent Non-executive Directors are independent.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Company (www.cosmel.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The 2009 annual report containing all the information required by the Listing Rules will be published on the above websites and dispatched to shareholders of the Company in late April 2010.

On behalf of the Board
TANG To
Chairman

Hong Kong, 20th, April, 2010

As at the date hereof, the board of directors of the Company is comprised of ten directors, of which three are executive directors, namely Mr. Tang To, Mr. Jiang Wei and Mr. Wong Yiu Ming, and four are non-executive directors, namely Mr. Tang Kwan, Mr. Wu Ding, Mr. Kan Wai Wah and Mr. Qu Jinping and three are independent non-executive directors, namely Mr. Yip Jeffery, Ms. Yeung Shuk Fan and Mr. Cheng Tak Yin.