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, 2010

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2010

	Notes	2010 HK$'000	2009 HK$'000
Turnover	3	**2,426,658**	1,692,794
Cost of sales		**(1,994,388)**	(1,409,480)
Gross profit		**432,270**	283,314
Other income and gains, net		**16,166**	17,582
Distribution costs		**(130,039)**	(88,017)
Administrative expenses		**(199,935)**	(187,300)
Other operating expenses		**(636)**	–
Allowance for impairment of bad and doubtful debts		**(12,552)**	(1,599)
Profit from operations		**105,274**	23,980
Finance costs		**(13,760)**	(15,492)
Investment income, net		**4,944**	2,949
Gain on deregistration of a subsidiary		**453**	1,400
Gain on dilution of interest in an associate	4	**200,670**	–
Gain on disposal of an associate		**87**	–
Share of results of associates		**13,059**	22,487
Profit before taxation	5	**310,727**	35,324
Taxation	6	**(13,349)**	(8,564)
Profit for the year		**297,378**	26,760

	Note	2010 HK$'000	2009 HK$'000
Attributable to:			
Equity holders of the Company		**275,671**	7,301
Non-controlling interests		**21,707**	19,459
		297,378	26,760
Earnings per share for profit attributable to the equity holders of the Company during the year	*7*		
– Basic		**HK 38.82 cents**	HK 1.03 cents
– Diluted		**HK 38.73 cents**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	2010	(Restated) 2009
	HK$'000	*HK$'000*
Profit for the year	**297,378**	26,760
Other comprehensive income for the year:		
Cash flow hedges	**–**	(6)
Change in fair value of available-for-sale financial assets	**411**	(55)
Share of other comprehensive income (expense) of associates	**8,290**	(1,346)
Surplus on revaluation of properties held for own use	**12,196**	7,581
Exchange differences: net movement in translation reserve	**17,886**	(208)
	38,783	5,966
Total comprehensive income for the year, net of tax	**336,161**	32,726
Attributable to:		
Equity holders of the Company	**311,322**	12,017
Non-controlling interests	**24,839**	20,709
Total comprehensive income for the year	**336,161**	32,726

CONSOLIDATED BALANCE SHEET
AT 31ST DECEMBER, 2010

	Notes	2010 HK$'000	(Restated) 2009 HK$'000	(Restated) 2008 HK$'000
Non-current Assets				
Property, plant and equipment		**531,856**	381,179	356,954
Leasehold land and land use rights		**33,974**	33,071	33,504
Interests in associates		**384,692**	240,349	234,903
Available-for-sale financial assets		**5,085**	4,674	4,729
Deferred tax assets		**5,352**	3,854	4,386
		960,959	663,127	634,476
Current Assets				
Inventories		**605,521**	519,611	597,412
Leasehold land and land use rights		**704**	581	686
Trade and other receivables	9	**754,237**	672,660	735,154
Derivative financial instruments		**591**	1,422	–
Current tax recoverable		**587**	2,143	2,543
Pledged bank deposits		**56,153**	39,750	120,698
Cash and cash equivalents		**320,836**	309,027	189,369
		1,738,629	1,545,194	1,645,862
Current Liabilities				
Trade and other payables	10	**894,401**	673,318	666,428
Amounts due to associates		**1,317**	53,263	61,742
Derivative financial instruments		**597**	1,427	167
Bank and other borrowings – due within one year		**284,519**	280,782	389,393
Obligations under finance leases – due within one year		**7,246**	10,262	6,920
Current tax payable		**7,079**	6,251	4,453
		1,195,159	1,025,303	1,129,103
Net Current Assets		**543,470**	519,891	516,759
Total Assets less Current Liabilities		**1,504,429**	1,183,018	1,151,235

	Note	2010 HK$'000	(Restated) 2009 HK$'000	(Restated) 2008 HK$'000
Non-current Liabilities				
Bank and other borrowings				
– due after one year		**151**	148	148
Obligations under finance leases				
– due after one year		**3,301**	11,454	8,754
Deferred tax liabilities		**7,217**	4,515	1,269
Total Non-current Liabilities		**10,669**	16,117	10,171
Net Assets		**1,493,760**	1,166,901	1,141,064
Equity				
Capital and reserves attributable to the Company's equity holders:				
Share capital		**284,412**	283,972	283,972
Reserves		**1,015,214**	716,089	704,072
Proposed final dividend	*8*	**10,689**	–	–
		1,310,315	1,000,061	988,044
Non-controlling interests		**183,445**	166,840	153,020
Total Equity		**1,493,760**	1,166,901	1,141,064

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER, 2010

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 Hong Kong Finanical Reporting Standards, which also include Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of 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 properties held for own use, 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 HKFRS that are first effective for the current accounting period of the Group and the Company.

HKFRS 3 (revised 2008)	Business combinations
Amendments to HKAS 27	Consolidated and separate financial statements
Amendments to HKFRS 5	Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary
Amendments to HKAS 39	Financial instruments: Recognition and measurement – Eligible hedged items
Improvements to HKFRSs (2009)	
HK(IFRIC) Int-17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause

The adoption of these new and revised HKFRS has no material impact on the results and financial position of the Group and the Company. Except as described below, the above amendments and interpretations are consistent with the accounting policies already adopted by the Group on preparation of the financial statements in prior years.

(a) Amendments to HKAS 17, Leases

As part of *Improvements to HKFRSs* issued in 2009, the amendment to HKAS 17, Leases, made under "Improvements to HKFRSs 2009" removes the specific guidance which stated that land held under a lease should be classified as an operating lease unless title to land is expected to pass at the end of the lease term. It provides new guidance which indicates that entities should use judgement to decide whether the lease transfers the significant risks and rewards of ownership of the land in accordance with the criteria set out in HKAS 17. An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments on the basis of information existing at the inception of the lease. It shall recognise a lease newly classified as a finance lease retrospectively in accordance with HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" if the criteria of a finance lease is met.

On the adoption of this amendment, the Group has made a reassessment of the existing land lease arrangement and concluded that such arrangement has substantially transferred all risks and rewards incidental to ownership of the leased land to the Group not-withstanding that at the end of the lease term, title will not be passed to the Group. As a result, certain leasehold land and land use rights of the Group, especially those located in Hong Kong, have been reclassified to property, plant and equipment and amortisation of these leasehold land and land use rights has been reclassified to depreciation on property, plant and equipment retrospectively. The effect of such reclassification on the results and financial position of the Group for the current and prior years is shown in (i) to (v) below.

As a result of the adoption of this amendment by the Group which has resulted in the retrospective application of an accounting policy and reclassification of certain items in the consolidated financial statements, in accordance with HKAS 1 (Revised) "Presentation of Financial Statements", the Group has presented an additional consolidated balance sheet and related notes as at 31st December, 2008 that reflect the financial position of the Group at the beginning of the earliest comparative period being presented.

The following tables disclose the adjustments that have been made in accordance with the amendment to each of the line items in the consolidated balance sheets as previously reported as at 31st December, 2008 and 31st December, 2009 and in the consolidated statement of comprehensive income as previously reported for the year ended 31st December, 2009.

(i) Effect on consolidated balance sheet as at 31st December, 2008

	The Group		
	At 31st December, 2008 (as previously reported) *HK$'000*	**Effect of new policy (increase/ (decrease))** *HK$'000*	**At 31st December, 2008 (as restated)** *HK$'000*
Non-current Assets			
Property, plant and equipment	340,736	16,218	356,954
Leasehold land and land use rights	43,325	(9,821)	33,504
Other non-current assets	244,018	–	244,018
	628,079	6,397	634,476
Current Assets			
Leasehold land and land use rights	784	(98)	686
Other current assets	1,645,176	–	1,645,176
	1,645,960	(98)	1,645,862
Current Liabilities	(1,067,992)	–	(1,067,992)
Net Current Assets	577,968	(98)	577,870
Non-current Liabilities			
Deferred tax liabilities	(229)	(1,040)	(1,269)
Other non-current liabilities	(70,013)	–	(70,013)
	(70,242)	(1,040)	(71,282)
Net Assets	1,135,805	5,259	1,141,064
Total Equity			
Share capital	283,972	–	283,972
Property revaluation reserve	7,015	5,223	12,238
Retained profits	357,749	–	357,749
Other reserves	334,085	–	334,085
	982,821	5,223	988,044
Non-controlling interests	152,984	36	153,020
	1,135,805	5,259	1,141,064

(ii) Effect on consolidated balance sheet as at 31st December, 2009

	The Group		
	At 31st December, 2009 (as previously reported)	**Effect of new policy (increase/ (decrease))**	**At 31st December, 2009 (as restated)**
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	361,601	19,578	381,179
Leasehold land and land use rights	42,508	(9,437)	33,071
Other non-current assets	248,877	–	248,877
	652,986	10,141	663,127
Current Assets			
Leasehold land and land use rights	822	(241)	581
Other current assets	1,544,613	–	1,544,613
	1,545,435	(241)	1,545,194
Current Liabilities	(1,008,470)	–	(1,008,470)
Net Current Assets	536,965	(241)	536,724
Non-current Liabilities			
Deferred tax liabilities	(2,882)	(1,633)	(4,515)
Other non-current liabilities	(28,435)	–	(28,435)
	(31,317)	(1,633)	(32,950)
Net Assets	1,158,634	8,267	1,166,901
Total Equity			
Share capital	283,972	–	283,972
Property revaluation reserve	10,524	8,170	18,694
Retained profits	365,050	–	365,050
Other reserves	332,345	–	332,345
	991,891	8,170	1,000,061
Non-controlling interests	166,743	97	166,840
	1,158,634	8,267	1,166,901

(iii) Effect on consolidated statement of comprehensive income for the year ended 31st December, 2009

	The Group		
	At 31st December, 2009 (as previously reported) *HK$'000*	**Effect of new policy (increase/ (decrease)) profit for the year** *HK$'000*	**At 31st December, in 2009 (as restated)** *HK$'000*
Turnover	1,692,794	–	1,692,794
Cost of sales	(1,409,480)	–	(1,409,480)
Gross profit	283,314	–	283,314
Other income and gains, net	17,582	–	17,582
	300,896	–	300,896
Expenses			
Depreciation and amortisation:			
– Owned assets	(46,035)	–	(46,035)
– Assets held under finance leases	(4,274)	–	(4,274)
– Leasehold land held for own use under finance leases	(822)	241	(581)
– Leasehold land and land use rights	–	(241)	(241)
Others	(236,928)	–	(236,928)
	(288,059)	–	(288,059)
Share of results of associates	22,487	–	22,487
Profit before taxation	35,324	–	35,324
Taxation	(8,564)	–	(8,564)
Profit for the year	26,760	–	26,760
Other comprehensive income			
– Surplus on revaluation of properties held for own use	4,573	3,008	7,581
– Others	(1,615)	–	(1,615)
	2,958	3,008	5,966
Total comprehensive income	29,718	3,008	32,726
Attributable to:			
– Equity holders of the Company	9,070	2,947	12,017
– Non-controlling interests	20,648	61	20,709
	29,718	3,008	32,726

The following tables provide the extent to which each of the line items in the consolidated balance sheet as at 31st December, 2010 and consolidated statement of comprehensive income for the year ended 31st December, 2010 is higher or lower than it would have been had the previous policy still been applied in the year.

(iv) Effect on consolidated balance sheet as at 31st December, 2010

	The Group
	Effect of new policy (increase/ (decrease))
	HK$'000
Non-current Assets	
Property, plant and equipment	25,938
Leasehold land and land use rights	(9,472)
Deferred tax assets	379
	16,845
Current Assets	
Leasehold land and land use rights	36
Net Current Assets	36
Non-current Liabilities	
Deferred tax liabilities	2,722
Net Assets	14,159
Total Equity	
Property revaluation reserve	13,217
Retained profits	197
Non-controlling interests	745
	14,159

(v) Effect on consolidated statement of comprehensive income for the year ended 31st December, 2010

	The Group
	Effect of new policy (increase/ (decrease)) in profit for the year *HK$'000*
Income (Expenses)	
– Depreciation on owned assets and leased assets	(242)
– Amortisation of leasehold land and land use rights	242
	–
Deferred tax	379
Profit for the year	379
Other comprehensive income	
– Surplus on revaluation of properties held for own use	5,513
	5,513
Total comprehensive income	5,892
Attributable to:	
– Equity holders of the Company	5,243
– Non-controlling interests	649
	5,892

(b) HK(Int) 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK(Int) 5, *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*, clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group and the Company have applied HK (Int) 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK (Int) 5, the Group and the Company have changed their accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK (Int) 5, term loans with a repayment on demand clause are classified as current liabilities.

The aggregate carrying amount of the Group's loans as at 31st December, 2010 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause), that have been reclassified as current liabilities is HK$30,451,848 (2009: HK$16,833,336; 2008: HK$61,111,112).

The aggregate carrying amount of the Company's loans as at 31st December, 2010 (that are repayable more than one year after the balance sheet date but contain a repayment on demand clause), that have been reclassified as current liabilities is HK$12,300,000 (2009: HK$ Nil; 2008: HK$28,000,000).

(c) As a result of the adoption of HKFRS 3 (revised 2008), any business combination acquired on or after 1st January, 2010 will be recognised in accordance with the new requirements and detailed guidance contained in HKFRS 3 (revised 2008). These include the following changes in accounting policies:

- Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

- Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

- If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

- In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Company's and the Group's may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in HKFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

(d) As a result of the adoption of HKAS 27 (amended 2008), the following changes in policies will be applied as from 1st January, 2010.

– If the Group acquires an additional interest in a non-wholly owned subsidiary, the transaction will be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no goodwill will be recognised as a result of such transactions. Similarly, if the Group disposes of part of its interest in a subsidiary but still retains control, this transaction will also be accounted for as a transaction with equity shareholders (the non-controlling interests) in their capacity as owners and therefore no profit or loss will be recognised as a result of such transactions. Previously the Group treated such transactions as step-up transactions and partial disposal, respectively.

– If the Group loses control of a subsidiary, the transactions will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. In addition, as a result of the adoption of the amendment to HKFRS 5, if at the balance sheet date the Group has the intention to dispose of a controlling interest in a subsidiary, the entire interest in that subsidiary will be classified as held for sale (assuming that the held for sale criteria in HKFRS 5 are met) irrespective of the extent to which the Group will retain an interest. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

In order to be consistent with the above amendments to HKFRS 3 and HKAS 27, and as a result of amendments to HKAS 28, Investments in associates, and HKAS 31, Interests in joint ventures, the following policies will be applied as from 1st January, 2010.

– If the Group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and reacquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

– If the Group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in HKFRS 3 and HKAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have been restated.

(e) Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

– As a result of the amendments to HKAS 27, as from 1st January, 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in HKAS 27, this new accounting policy is being applied prospectively and therefore 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 top 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.

The segment results for the year ended 31st December, 2010 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	**435,864**	**414,523**	**1,043,162**	**531,117**	**1,992**	**–**	**2,426,658**
Inter-segment sales	**22,324**	**184**	**9,089**	**–**	**5,466**	**(37,063)**	**–**
Total revenue	**458,188**	**414,707**	**1,052,251**	**531,117**	**7,458**	**(37,063)**	**2,426,658**

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	**32,789**	**8,649**	**42,447**	**42,474**	**(2,244)**	**(465)**	**123,650**
Unallocated corporate expenses							**(18,376)**
Profit from operations							**105,274**
Finance costs							**(13,760)**
Investment income, net							**4,944**
Gain on deregistration of a subsidiary							**453**
Gain on dilution of interest in an associate							**200,670**
Gain on disposal of an associate							**87**
Share of results of associates		**203**	**2,950**		**9,906**		**13,059**
Profit before taxation							**310,727**
Taxation							**(13,349)**
Profit before non-controlling interests							**297,378**

	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	**257,259**	**391,186**	**1,179,801**	**363,837**	**55,885**	**2,247,968**
Interests in associates						**384,692**
Available-for-sale financial assets						**5,085**
Unallocated corporate assets						**61,843**
Consolidated total assets						**2,699,588**
LIABILITIES						
Segment liabilities	**108,678**	**49,533**	**582,049**	**145,477**	**5,767**	**891,504**
Current tax payable						**7,079**
Borrowings						**295,217**
Unallocated corporate liabilities						**12,028**
Consolidated total liabilities						**1,205,828**
OTHER INFORMATION						
Capital additions	**1,257**	**11,943**	**110,664**	**74,099**	**144**	**198,107**
Depreciation and amortisation	**1,195**	**15,240**	**16,557**	**20,282**	**927**	**54,201**
Other non-cash expenses	**1,816**	**337**	**19,035**	**600**	**2,795**	**24,583**

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 non-controlling interests							26,760

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	(Restated) Printed circuit boards HK$'000	(Restated) Other operations HK$'000	(Restated) Consolidated HK$'000
ASSETS						
Segment assets	179,951	333,273	1,045,119	322,075	38,411	1,918,829
Interests in associates						240,349
Available-for-sale financial assets						4,674
Unallocated corporate assets						44,469
Consolidated total assets						2,208,321
LIABILITIES						
Segment liabilities	50,075	54,055	431,321	131,392	5,664	672,507
Current tax payable						6,251
Borrowings						302,646
Unallocated corporate liabilities						60,016
Consolidated total liabilities						1,041,420
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 (income)	1,259	650	(791)	2,800	6,431	10,349

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	
	2010	2009
	HK$'000	*HK$'000*
Hong Kong	**636,194**	607,251
PRC	**1,529,162**	921,949
Other Asia-Pacific countries	**199,730**	125,407
North America	**18,342**	13,476
Europe	**43,230**	24,711
	2,426,658	1,692,794

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**	
		(Restated)		
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**650,643**	717,726	**716**	146
PRC	**2,027,229**	1,471,907	**197,391**	70,735
Other Asia-Pacific countries	**9,996**	8,834	**–**	–
North America	**5,028**	4,432	**–**	–
Europe	**6,692**	5,422	**–**	–
	2,699,588	2,208,321	**198,107**	70,881

4. GAIN ON DILUTION OF INTEREST IN AN ASSOCIATE

On 9th February, 2010, an associate of the Group, Shenzhen Haoningda Meters Company Limited (a company incorporated as a joint stock limited company in the People's Republic of China) completed its initial public offering of its A shares and commenced the trading on the Shenzhen Stock Exchange. As a result, the Group's shareholding in this associate is reduced from 41.99% to 31.50% approximately. Due to dilution of shareholding, the gain on deemed disposal of HK$200,670,330 has been recognised in the consolidated income statement.

5. PROFIT BEFORE TAXATION

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

	2010	(Restated) 2009
	HK$'000	*HK$'000*
Charging:		
Directors' remuneration	**7,171**	9,480
Salaries and other benefits	**290,712**	230,453
Retirement benefits scheme contributions	**5,714**	4,854
Share-based payments	**334**	–
	303,931	244,787
Depreciation and amortisation on:		
– Owned assets	**49,758**	46,035
– Assets held under finance leases	**3,497**	4,274
– Leasehold land held for own use under finance leases	**242**	241
– Leasehold land and land use rights	**704**	581
Impairment losses on goodwill (included in other operating expenses)	**100**	–
Loss on disposal of property, plant and equipment	**5,173**	4,921
Auditors' remuneration		
– Current year	**2,139**	2,190
– (Over) Under-provided in prior years	**(14)**	322
Operating lease payments	**19,345**	18,916
Share of associates' taxation	**493**	4,075
and crediting:		
Rental income net of direct outgoings	**1,428**	540

6. TAXATION

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 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.

	2010	2009
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax		
Current year	**984**	1,380
Under-provision in prior years	**–**	248
	984	1,628
Overseas tax		
Current year	**12,964**	5,063
Under (Over)-provision in prior years	**13**	(389)
	12,977	4,674
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(612)**	2,262
Taxation charge	**13,349**	8,564

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:

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**310,727**	35,324
Tax at the domestic income tax rate of 16.5% (2009: 16.5%)	**51,270**	5,828
Tax effect of expenses that are not deductible in determining taxable profit	**16,784**	14,962
Tax effect of income that is not taxable in determining taxable profit	**(51,039)**	(19,489)
Under (Over)-provision of current tax in prior years, net	**13**	(142)
Tax effect of tax losses not recognised	**2,384**	10,956
Tax effect of temporary differences not recognised	**744**	461
Tax effect of utilisation of tax losses not previously recognised	**(10,908)**	(1,603)
Tax effect of write-down of deferred tax assets	**–**	1,969
Effect of different tax rates of subsidiaries operating in other jurisdictions	**4,101**	(4,378)
Taxation charge	**13,349**	8,564

7. EARNINGS PER SHARE

(a) Basic 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.

	2010	2009
Weighted average number of ordinary shares in issue during the year	**710,056,446**	709,930,692
Profit attributable to the equity holders of the Company	**HK$275,671,071**	HK$7,301,451
Earnings per share	**HK 38.82 cents**	HK 1.03 cents

(b) Diluted earnings per share

The calculation of diluted 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 after adjusting the effect of the deemed issue of shares under the Company's share option scheme for nil consideration.

	2010
Weighted average number of ordinary shares in issue during the year	**710,056,446**
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**1,800,061**
	711,856,507
Diluted earnings per share	**HK 38.73 cents**

8. DIVIDEND

	2010	2009
	HK$'000	*HK$'000*
Dividend proposed after the balance sheet date of HK$0.015 (2009: HK$Nil) per share	**10,689**	–
	10,689	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. TRADE AND OTHER RECEIVABLES

		THE GROUP	
	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills receivables	**662,281**	565,695	571,779
Less: allowance for impairment of bad and doubtful debts	**81,861**	71,527	68,737
Trade and bills receivables, net	**580,420**	494,168	503,042
Other receivables	**174,732**	183,448	247,764
Less: allowance for impairment of bad and doubtful debts	**17,348**	21,216	23,095
Other receivables, net	**157,384**	162,232	224,669
Prepayments	**15,811**	15,417	6,605
Amounts due from related parties	**622**	843	838
	754,237	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	
	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	**421,189**	368,252	331,820
4 to 6 months	**73,303**	49,977	68,847
7 to 9 months	**28,449**	16,344	36,523
Over 9 months	**57,479**	59,595	65,852
	580,420	494,168	503,042

10. TRADE AND OTHER PAYABLES

		THE GROUP	
	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Trade and bills payables	**583,290**	427,772	448,014
Accruals and other payables	**310,728**	245,163	217,630
Amounts due to related parties	**383**	383	784
	894,401	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	
	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
0 to 3 months	**499,233**	320,107	281,025
4 to 6 months	**67,200**	89,863	139,722
7 to 9 months	**2,183**	2,029	14,671
Over 9 months	**14,674**	15,773	12,596
	583,290	427,772	448,014

11. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilised by subsidiaries	**–**	–	**1,028,589**	887,736

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2010 and 31st December, 2009.

12. PLEDGE OF ASSETS

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

		(Restated)	
	2010	2009	2008
	HK$'000	*HK$'000*	*HK$'000*
Leasehold buildings	**23,500**	23,200	–
Leasehold land and land use rights	**3,940**	3,940	–
Plant and machinery	**37,697**	47,149	34,715
Bank deposits	**56,153**	39,750	120,698
	121,290	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 Renminbi ("RMB").

13. COMPARATIVE FIGURES

As a result of the application of Amendments to HKAS 17, Leases, and HK (Int) 5, Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause, 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 2010. Further details of these developments are disclosed in note 2.

FINAL DIVIDEND

After taking into consideration of various factors of the Group during the year, such as the net profits excluding the gain in carrying amount from the listing of Haoningda, cash flow and capital requirements, the Board recommends the payment of a final dividend of HK1.5 cents per share (2009: Nil) for the year ended 31st December, 2010. Upon sharesholders' approval at the forthcoming annual general meeting, the proposed final dividend will be paid on or about 30th June, 2011 to shareholders whose names appear on the register of members of the Company as at the date of the 2011 Annual General Meeting.

CLOSE OF REGISTER

The register of members of the Company will be closed from 16th May, 2011 to 20th May, 2011 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfers and the relevant share certificates must be lodged with the Company's Registrars, Tricor Secretaries Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than 4:00 p.m. on 13th May, 2011.

RESULTS

The Group's consolidated turnover for the year was approximately HK$2,426,658,000, representing an increase of about 43% from the approximate HK$1,692,794,000 for 2009. Our profit after taxation stood at about HK$297,378,000 while the profit for the same period of last year was about HK$26,760,000. For the year ended 31st December, 2010, the profit attributable to shareholders was about HK$275,671,000. The above net profit included a gain in carrying amount of approximately HK$200,670,000 as recognized for the deemed disposal of interest in associate by the Company after the successful listing of A shares of Shenzhen Haoningda Meters Co., Ltd. ("Haoningda") on Shenzhen Stock Exchange during the year under review.

CHAIRMAN'S STATEMENT

Amid the global financial crisis, the basis of management systems of the Group's various businesses has been consolidated through active rectifications and reforms. During the year under review, the operation of various businesses has, building on the existing foundation, inherited and been optimized to inspire new driving forces. Management colleagues managed to maintain the awareness of hardship and the enterprising spirit to lead their teams to smooth out various difficulties and grasp opportunities in the external environment to achieve good results for businesses. As for the Group's total profits after tax net of gains from the listing of Haoningda during the period under review, earnings from business operation amounted to about HK$75,000,000, realizing desirable returns for shareholders.

During the year under review, the market recovered gradually. Various businesses of the Group faced with consequent pressures of increases in costs in different degrees. However, the State launched hosts of plans to invigorate the economy during the period, all of which provided good opportunities for businesses of the Group.

The Group insisted on paying much attention to research and development of products and optimizing product structure constantly. Under the policy of energy saving and emission reduction driven by the State, the direction of product development of machinery manufacturing business has been focused on environment-friendly and energy-saving products in recent years. As for our self-developed servo-driven energy saving Se-series injection moulding machines, its energy saving effect has been in a leading position in the industry. This series of products will be the focus of continuous growth of the business. For trading business and plastic processing business, we introduced environment-friendly and energy-saving product mixes and developed products and markets of degradable environment-friendly materials respectively, which became new driving forces for their results growth. Under the major trend of advocating environment protection, the environment-friendly product market will become a new field for the development of the Group's businesses. For the printed circuit board business, we established production lines of High Density Interconnect (HDI) circuit boards last year to create favorable conditions for securing more high value-added orders. In the future, we will still launch corresponding quality products for the business when appropriate in response to constant changes in market demands and continue to create good results.

Under the State's policies to fuel domestic demand consumption, Hefei City of Anhui Province has developed vigorously and became the third largest household appliance centre in China in recent years. After prudent study, the Group has made deployment to intesify investment in the plastic processing factory in Hefei for enlarging plants and production capacity scale, strengthening its cooperation with domestic renowned household appliance enterprises and building a new base for business development in this location. In addition, during the period, both machinery manufacturing business and trading business actively expanded sales network in second-tire cities in inland areas of China to make preparations in coordination with the adjustment in the development layout of manufacturing industry by the State.

While striving for growth in results, the Group also optimized and adjusted staff accommodation conditions of the factories in the PRC and organized recreational activities in spare time. We provided wireless broadband internet service to knowledge-based staff dormitory to improve the living conditions of staff.

Haoningda was successfully listed on Shenzhen Stock Exchange at the beginning of last year. Currently, its financial base is solid. Last year, it has acquired additional plants and expanded production capacity to cope with growing orders. Now it is actively preparing more aggressive investment plans to make deployment for new developments in the future.

In 2010, we achieved desirable performance. Our team steadily stepped upon a new step of results and they are bound to confront challenges in a new year with a prudent attitude. Looking forward to 2011, international prices of commodities and energy will be volatile and continue to rise, the inflation is expected to be aggravated. The State will commit to reforming income allocation and labor shortage is bound to be persistent, driving labor cost inevitably increase year by year. Meanwhile, the State will implement more prudent economic policies to curb inflation that makes corporate financing difficult. Together with other variables such as continuous appreciation of RMB, all of such factors are the issues which our team must prudently cope with in the next year. In spite of that, during the year as the beginning of the national 12th Five-Year Plan, the State will transform and improve manufacturing industry and has definitely proposed guiding principles including active promotion of technical innovation and improvement, proactive implementation of energy saving and emission reduction and environment protection and active promotion of prosperity of domestic demand market. All of such guiding policies will bring about opportunities of continuous growth for various businesses of the Group.

Confronted with new challenges as well as opportunities in the future, we will continue to invest in human resources trainings, define and deepen visions, core missions and value concepts of the Group. Our aim is to become an efficient group of diversified businesses equipped with rapid coping capacity. We have confidence in conquering difficulties, embracing various challenges, grasping opportunities to develop sustainably and yielding good results constantly.

The desirable performance achieved by the Group during the past year is dependent on the creativity and diligent efforts of the management team and the staff. Thus, I would like to extend my highest appreciation and heartfelt gratitude to them. I would also like to show my appreciation to directors for their contributions and to shareholders, customers and business partners for their wholehearted support.

BUSINESS REVIEW

Manufacturing Business

Machinery

Benefiting from continuous economic revival measures by the PRC government, this business recorded an overall sales of approximately HK$1.04 billion for the year with an increase of approximately 79% as compared with approximately HK$580 million for last year, which accounted for approximately 43% of the consolidated turnover of the Group. The profit in the period was approximately HK$42,447,000, representing a substantial improvement as compared with the same period of last year.

During the year, the central government introduced various revival programs including adjusting equipment manufacturing, energy saving and emission reduction, extension of home appliances and motor vehicles subsidy policy for rural areas, which have positive stimulation on domestic industrial production and consumption demand. These programs are especially beneficial to the sales of servo-driven energy saving machinery. Over the years, this business has gradually invested resources to concentrate on the research, production and sale of servo-driven energy saving GREENLINE Se-series injection moulding machines with high gross profit margin, therefore we can rapidly grasp and coordinate with the opportunity of policy launching. The percentage of the sales of Se servo-driven injection moulding machines increased from approximately 30% at the beginning of the year to approximately 70% for the last quarter. Overall consolidated gross profit margin also has been enhanced as some general purpose models with relatively low gross profit margin have been eliminated in addition to the effect of mass supply, production and sales of Se-series. For CNC sheet-metal processing and rubber machinery products, both benefited from the addition of domestic infrastructure projects and the consumption growth, the sales volume and the gross profit margin resumed its level in the past.

Regarding the development of product technology, servo-driven energy saving application technology of this business has established a leading position through the close strategic cooperation between our own engineering research and development team and suppliers of key OEM components. GREENLINE Se-series injection moulding machine is the only product among super-sized injection moulding machines (Clamping force of 1600T or above) for the whole industry being appraised as conforming to the highest grade energy-saving rating by the National Quality Supervision and Inspection Centre of Plastic Machinery.

During recent years, power transmission and transformation industry develops rapidly in respect of extra high voltage, bringing demands in the market for super-sized rubber processing machinery used for the production of insulating sleeves, lighting arresters and insulators. Thus the Group researched and produced the largest horizontal rubber injection machine, DKM-RL2800 (injection volume: 100,000cc; clamping force: 2800T), which filled in the lack of domestic supply of such products. This model has obtained two national patents and has been delivered to customers in middle 2010. This benchmark project not only establishes our leading technical position of rubber injection machines in power industry, but also is conducive to further expansion of markets.

During the year, under the close coordination between Cosmos i-Tech Solutions Limited, a subsidiary of the Group and the technical team of communication control engineering, we researched and developed a set of innovative iSee remote ethernet group control software in respect of this business, which could provide instant overall information to the management for operating decision-making. This iSee system exhibited the iPAD version in K-Fair held in Dusseldorf of Germany in October 2010 and was recognized by customers, overseas agents and peers.

In respect of deepening and exploration of the market, this business has gradually increased coverage of pre-sale and after-sale services in second-tire cities in inland areas of China to match up with the trends of upgrading and transformation of coastal cities, the relocation of customers' production to inland cities and expansion of investment in equipments. In respect of export business, we established a joint venture engaging in this business in India in August 2010 to assemble and produce small and medium-sized Se-series servo-driven energy saving machines of less than 1000T in order to further improve the operating layout of moulding machine business in the world.

During the year under review, our grassroots staff at the production line was properly enlarged in production bases in South China and East China. During the period, the expansion project of Dongguan Dongcheng factory and the relocation of Nancheng factory have been completed and the newly equipped plants of a total of 20,000 square meters have been put into use in middle 2010. In addition, the construction project of the new factory at Wuxi National High-tech Industrial Development Zone is expected to be completed and put into use in the second quarter of 2011.

Plastic Products and Processing

During the period under review, sales of plastic products and processing business was approximately HK$414,523,000, representing an increase of about 16% as compared with the same period of last year and accounted for approximately 17% of the Group's consolidated turnover, while operating profit of the year was approximately HK$8,649,000.

The plastic processing business in Dongguan recorded an increase of approximately 16% in the overall sales during the period under review. The production technology on high-gloss plastic products and LED lights has become mature and stable, and the volume of waste products has decreased substantially. Moreover, we have formally launched the environment-friendly kitchen ware, Bio Chef (its brand is designed by ourselves) into the market for sales. A majority of plastic components of this product is made of a kind of recyclable raw material which is refined from corns and beneficial to environment protection. It is estimated that the demand for such high-quality environment-friendly products from the market will be strong over the next years. However, this business encountered unprecedented pressure in costs and pricing with its customers during the year under review. Especially in the second half of the year, costs of plastic materials, purchased parts and wages increased constantly, directly weakening the profitability of this business. In addition, shortage in manpower also brought some puzzles to this business. Facing the increase in costs, we could only seek to raise prices of some products. Therefore, the performance of this business for the year was not satisfying.

The sales of the plastic injection product of plastic cutlery and food packaging business in Zhuhai increased by approximately 13% as compared with the same period of last year. Extensive recognition and usage of low-carbon, degradable and environment-friendly materials by the customers in the markets of Japan and America enabled such products to develop quickly. During the year under review, we appropriately add different production equipments and expanded and adjusted the sales strategy of product lines based on existing customer base. On the other hand, through participating in the Food Packaging Exhibition held in Chicago of America in October 2010, we expanded a more extensive customer base in respect of this business and laid a foundation for the sales growth in next year.

As for production, with gradual implementation of automatic facilities and measures for energy saving and emission reduction, which enabled production efficiency to be enhanced, and quality of products was also improved substantially, bringing a positive effect on reduction of production cost. However, labor costs and prices of raw materials rose substantially in the year, so the earning of this business during the period was slightly lower than that for the same period of last year.

The Group's plastic processing factory in Hefei is engaged in the provision of streamlined supporting production and processing services from plastic processing to printing, welding and assembly for various domestic renowned household appliance brands. In recent years, with the strong promotion of various domestic demand stimulating policies by the PRC government, the household appliance market in China has been developing quickly. In succession to Qingdao and Shunde, Hefei became the third largest household appliance manufacturing centre in China. In the year under review, this business benefited from continuous development of national economy and recorded desirable growth in sales business and results.

The Group has decided to expand the scale of investment in the plants in Hefei. Currently, we are conducting various tasks such as acquisition of lands and construction of plants, expansion of production lines and improvement of supporting services successfully. After new plants in Hefei are completed, it's expected that it will become the largest processing and manufacturing base of plastic products of the Group in East China.

For the optic products business, the turnover recorded in the year was only slightly higher than last year. Since the purchasing power of export markets including Europe and America was still very week and customer demands for gift products such as magnifiers were relatively low, together with continuous rising of production costs including wages and costs of raw materials, this business failed to take a favorable turn from loss to profit.

Printed Circuit Board

The printed circuit board business recorded a sales of approximately HK$531,117,000 in 2010, representing an increase of about 11% as compared with the same period of 2009, and accounted for approximately 22% of the Group's consolidated turnover, while operating profit for the period was approximately HK$42,474,000.

At the beginning of 2010, with the recovery of electronic industry and the decrease in inventory of electronic products, customers enhanced production volumes in succession to meet market demands and made orders of this business greatly increase correspondingly. In the first half of the year, the sales could maintain stable growth. However, from the third quarter, due to some reasons such as the reduction of orders for old products and the inadequacy of development of new products, the sales in the second half of the year failed to achieve desirable results. During the year under review, the increase in prices of raw materials, the continuous appreciation of RMB and the adjustment in wages brought great pressure on this business in respect of operating costs. In order to cope with the increase in various production costs, we adopted response measures in respect of increasing income and decreasing expenditure for this business. We purchased materials in advance based on specific conditions of sales, and at the same time, we negotiated prices with customers to share some cost to reduce the impact arising from increase in prices of raw materials. In respect of human resource, we promoted the reform of production automation to reach the objective of reducing the staff and enhance production capacity and quality. In addition, according to operating plans established at the beginning of the year, investments in various equipments for this business were in place gradually. Meanwhile, we established the production lines for high-end products – High Density Interconnect (HDI) circuit boards to step into the transformation of high value-added products and further enhance competitiveness and profitability.

Trading Business

Industrial Consumables

During the year under review, trading business accounted for a turnover of approximately HK$435,864,000, representing an increase of about 61% as compared with last year and accounted for approximately 18% of the Group's consolidated turnover, while operating profit for the period was approximately HK$32,789,000.

During the year under review, global economy recovered obviously, combined with domestic demand stimulating policies in China, arising strong overall market demand. Trading business successfully grasped the over-demand momentum of the market and also successfully expanded a new environment-friendly and energy-saving product – servo-driven hydraulic pump at the same time. Therefore, results rebounded remarkably, and both turnover and earning created record highs. Apart from actively expanding business, we also continuously implemented a prudent retrenchment policy, which has effectively reduced inventory and turnover of account receivable, with an aim to maintain good cash flow to meet requirements of future development.

Other businesses

Electronic Watt-Hour Meters and Related Businesses

Since Shenzhen Haoningda Meters Co., Ltd., an associate company of the Group in Shenzhen was listed on Shenzhen Stock Exchange in February 2010, it successfully obtained large-scale construction contracts of the government by virtue of its stable financial base and aggressive development strategies. During the period, it recorded a steady return.

BUSINESS PROSPECTS

Looking forward to 2011, on the machinery front, domestic political and economic macro-situation and keynote have become stable, and we believe economic growth could be maintained at a relatively stable speed. However, increase in pressure of monetary inflation and macro-control measures implemented by the central government will further tighten up monetary policy and have certain impact on overall market demand. Under the major trend of implementation of energy saving and emission reduction, it is expected that the market demand for energy-saving machinery equipments may maintain a favorable momentum. We will adopt a steady growth strategy for core injection moulding machine business, enhance production and sales and increase market shares through further optimizing servo-driven energy saving Se-series and launching an upgraded version in middle 2011. In addition, we will also invest resources in research and development of specialized machinery aiming at designated industries to seek some share in segmental markets. Other product lines such as the rubber injection machine, extrusion line and sheet-metal processing machine product line will be dominated by a growth strategy and price/performance ratios of products will be enhanced through research and development of full servo-driven energy saving application technology.

Urbanization of inland villages and towns and prosperity of equipment industry markets result in persistent labor shortage. Labor shortage occurs in manufacturing industry in various regions and the tight supply of first-line employees at the production level has not been improved. It is expected that labor cost will increase inevitably in the next year. We will further optimize product design and processes of production for this business. At the same time, we will provide more value-added services to maintain our competitive advantages. The Group is optimistic about the continuous growth of machinery manufacturing business.

For plastic processing business, in order to further strengthen production efficiency, management and financial control, the factory in Dongguan will implement proper internal reorganization and recruit additional members who have abundant management experiences. In 2011, we will be committed to measures such as optimizing cost control and improving processes and efficiency of production. The plastic cutlery and food packaging plastic injection products business in Zhuhai will continue technical development of degradable materials and products in the next year. In addition, in order to optimize costs and increase confidence of new and old customers, we will further strengthen production management and improve quality management system. In respect of market expansion, we will explore overseas markets for this business to continue with the success in the development of new customers last year. Increases in the prices of raw materials are expected to be relatively stable in 2011. With the combined effect of various conditions, we expect that this business is able to make desirable contributions to the Group's profit in 2011.

On the optic product front, a major project in 2011 will be the development of domestic market in China. With the increase in the consuming capacity of the market in China and the gradual enhancement of its requirements for product quality in recent years, we believe that this market will be a growth point for increasing profits of this business. In respect of products, 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, looking forward to 2011, some hidden troubles still exist in the overall political and economic environment since debt issues of many countries in Europe and the US have not been resolved effectively and excessive hot money has resulted in a crisis of rapid expansion of asset bubbles. Although domestic market continues to grow, the speed of economic growth is expected to be slower when facing a series of domestic and foreign economic problems. Moreover, substantial rebound during the year under review has digested great demands of the market, it is expected that the growth of trading business will be slight in 2011. Facing with a year full of variables, trading business will still attach importance to domestic market in China, focus on new products and new industries related to environment protection and energy saving and accelerate developing new regional offices.

For printed circuit board business, it will continue to face with pressures arising from increases in wages and prices of raw materials and appreciation of RMB in 2011. We will continue to explore new markets for this business and strengthen development and production of high-end products to adjust product structure, improve competitiveness and lay a foundation for sustainable development of this business.

In conclusion, with the gradual stabilization of global economy, a majority of the Group's businesses could achieve encouraging results during the period under review. Looking forward to 2011, it is expected that the PRC government will continue to implement local economic development measures to drive overall economic development and lead comprehensive recovery of global economy. In addition, environmental issues are concerned increasingly in the world, therefore, demands for energy-saving products, products made of degradable materials and products with environmental concepts are increasing day after day. It is expected that products combined with environmental concepts will form an emerging market with tremendous potential. We have explored in this aspect for various businesses of the Group to different extents and we believe that such explorations is bound to bring infinite business opportunities for the Group's businesses in the future.

On the other hand, the monetary inflation arising from economic recovery caused the Group to have to face with increasing operating costs such as prices of raw materials and increase in wages. In addition, in order to cope with monetary inflation, economic and financial policies in China could be tightened up gradually, which also could bring negative effect on customers of the Group. The slow recovery of European and American markets also limits the development of the Group's overseas markets and export business. What is more, disasters in the wake of the recent earthquakes, tsunamis and nuclear radiation in Japan will certainly spoil her economy and market, which is expected to beset the Group to some extent. In spite of above-mentioned hidden troubles, the Group has made many strategic deployments in various aspects during these years, including successful entry into domestic market by many businesses, the exploration of products and markets with environmental concepts, constant development of scientific research and making various products to obtain leading advantages in the industry, all of which have further consolidated strengths of the Group for the purpose of cope with any challenges. In respect of operating work, we will continue to be committed to improving production processes of each business. With the successful application of ERP in each operating unit, the gradual improvement in analysis and control of businesses' production cost contributes to reducing operating costs and enhancing production efficiency and competitiveness. On the other hand, the Group will continue to establish and consolidate an efficient operation and management team through trainings of human resource. Just as in the past, we will deploy future development strategies with an active and prudent attitude. We firmly believe that the Group's strength and the excellent team are enough for us to cope with future challenges and we can grasp business opportunities to develop persistently and bring desirable returns to stockholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2010, the Group's shareholders' funds were approximately HK$1,310,315,000 compared with approximately HK$1,000,061,000 (Restated) as at 31st December, 2009.

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, 2010 was approximately 0.45 (2009: 0.47), and the liquidity ratio was approximately 1.45 (2009: 1.51 (Restated)), both were maintained at a healthy level. As at 31st December, 2010, cash, bank balances and time deposits amounted to approximately HK$320,836,000. 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, 2010 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 Four 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, 2010, the Group has approximately 6,000 employees (2009: 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, 2010.

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, 2010.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 2010, 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 2010 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 mid April 2011.

On behalf of the Board
TANG To
Chairman

Hong Kong, 29th, March, 2011

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