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大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2011

INTERIM RESULTS

The board of directors (the "Board") of Cosmos Machinery Enterprises Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2011 with comparative figures for the corresponding period in 2010 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2011	2010
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**1,268,555**	1,173,385
Cost of sales		**(1,047,454)**	(947,860)
Gross profit		**221,101**	225,525
Other income and gains, net		**17,411**	12,180
Distribution costs		**(75,594)**	(63,237)
Administrative expenses		**(118,810)**	(101,393)
Allowance for impairment of bad and doubtful debts		**(309)**	(4,392)
Profit from operations		**43,799**	68,683
Finance costs		**(9,152)**	(7,081)
Investment income, net		**2,288**	1,164
Gain on dilution of interests in an associate		**–**	200,670
Share of results of associates		**2,052**	2,439
Profit before taxation	4	**38,987**	265,875
Taxation	5	**(9,803)**	(7,061)
Profit for the period		**29,184**	258,814
Attributable to:			
– Equity holders of the Company		**23,745**	243,574
– Non-controlling interests		**5,439**	15,240
		29,184	258,814
Earnings per share for profit attributable to the equity holders of the Company during the period	6		
– Basic		**3.33 cents**	34.31 cents
– Diluted		**3.32 cents**	34.29 cents
Proposed interim dividend: Nil (2010: Nil)		**–**	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June, **2011** (Unaudited) *HK$'000*	2010 (Unaudited) *HK$'000*
Profit for the period	**29,184**	258,814
Other comprehensive income (expense) for the period:		
Cash flow hedges	**–**	34
Change in fair value of available-for-sale financial assets	**459**	259
Share of other comprehensive income (expense) of associates	**11,633**	(2,282)
Exchange differences: net movement in translation reserve	**26,504**	7,781
	38,596	5,792
Total comprehensive income for the period, net of tax	**67,780**	264,606
Attributable to:		
– Equity holders of the Company	**59,760**	248,564
– Non-controlling interests	**8,020**	16,042
Total comprehensive income for the period	**67,780**	264,606

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	**30th June, 2011 (Unaudited)** *HK$'000*	31st December, 2010 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment	7	**638,825**	531,856
Leasehold land and land use rights		**34,516**	33,974
Interests in associates		**399,134**	384,692
Available-for-sale financial assets		**5,544**	5,085
Deferred tax assets		**5,492**	5,352
		1,083,511	960,959
Current Assets			
Inventories		**677,206**	605,521
Leasehold land and land use rights		**730**	704
Trade and other receivables	8	**811,520**	754,237
Derivative financial instruments		**–**	591
Current tax recoverable		**617**	587
Pledged bank deposits		**63,399**	56,153
Cash and cash equivalents		**205,423**	320,836
		1,758,895	1,738,629
Current Liabilities			
Trade and other payables	9	**917,327**	894,401
Amounts due to associates		**1,317**	1,317
Derivative financial instruments		**–**	597
Bank and other borrowings			
– due within one year		**338,255**	284,519
Obligations under finance leases			
– due within one year		**6,241**	7,246
Current tax payable		**9,251**	7,079
		1,272,391	1,195,159
Net Current Assets		**486,504**	543,470
Total Assets less Current Liabilities		**1,570,015**	1,504,429

	Notes	**30th June, 2011 (Unaudited)** *HK$'000*	31st December, 2010 (Audited) *HK$'000*
Non-current Liabilities			
Bank and other borrowings			
– due after one year		**156**	151
Obligations under finance leases			
– due after one year		**11,035**	3,301
Deferred tax liabilities		**7,350**	7,217
Total Non-current Liabilities		**18,541**	10,669
Net Assets		**1,551,474**	1,493,760
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	10	**286,532**	284,412
Reserves		**1,076,220**	1,015,214
Proposed final dividend		**–**	10,689
		1,362,752	1,310,315
Non-controlling Interests		**188,722**	183,445
Total Equity		**1,551,474**	1,493,760

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company												
	Share capital	Share premium	Capital redemption reserve	Share options reserve	Property revaluation reserve	Translation reserve	Hedging reserve	Others	Proposed final dividend	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1st January 2010 (restated)	283,972	244,118	37	–	18,694	89,869	(5)	(1,674)	–	365,050	1,000,061	166,840	1,166,901
Profit for the period	–	–	–	–	–	–	–	–	–	243,574	243,574	15,240	258,814
Other comprehensive income (expense) for the period:													
Cash flow hedges	–	–	–	–	–	–	34	–	–	–	34	–	34
Fair value gains:													
– Available-for-sale financial assets	–	–	–	–	–	–	–	259	–	–	259	–	259
Share of reserves of associates	–	–	–	–	–	(41)	–	–	–	–	(41)	–	(41)
Exchange differences:													
Net movement in translation reserve	–	–	–	–	–	6,979	–	–	–	–	6,979	802	7,781
Total other comprehensive income for the period	–	–	–	–	–	6,938	34	259	–	–	7,231	802	8,033
Total comprehensive income for the period	–	–	–	–	–	6,938	34	259	–	243,574	250,805	16,042	266,847
Transactions with owners:													
Realised on dilution of interest in an associate	–	–	–	–	–	(2,241)	–	–	–	–	(2,241)	–	(2,241)
Recognition on grant of share options	–	–	–	536	–	–	–	–	–	–	536	–	536
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(1,545)	(1,545)
Balance at 30th June, 2010 and 1st July, 2010	283,972	244,118	37	536	18,694	94,566	29	(1,415)	–	608,624	1,249,161	181,337	1,430,498
Profit for the period	–	–	–	–	–	–	–	–	–	32,097	32,097	6,466	38,563
Other comprehensive income (expense) for the period:													
Cash flow hedges	–	–	–	–	–	–	(34)	–	–	–	(34)	–	(34)
Fair value gains:													
– Available-for-sale financial assets	–	–	–	–	–	–	–	153	–	–	153	–	153
Share of reserves of associates	–	–	–	–	–	8,331	–	–	–	–	8,331	–	8,331
Surplus on revaluation of properties held for own use	–	–	–	–	12,051	–	–	–	–	–	12,051	1,961	14,012
Deferred taxation adjustment	–	–	–	–	(1,661)	–	–	–	–	–	(1,661)	(155)	(1,816)
Deemed acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	744	–	–	744	(744)	–
Exchange differences:													
Net movement in translation reserve	–	–	–	–	–	8,836	–	–	–	–	8,836	1,269	10,105
Total other comprehensive income (expense) for the period	–	–	–	–	10,390	17,167	(34)	897	–	–	28,420	2,331	30,751

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Capital redemption reserve HK$'000	Share options reserve HK$'000	Property revaluation reserve HK$'000	Translation reserve HK$'000	Hedging reserve HK$'000	Others HK$'000	Proposed final dividend HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Total comprehensive income (expense) for the period	–	–	–	–	10,390	17,167	(34)	897	–	32,097	60,517	8,797	69,314
Transactions with owners:													
Realised on liquidation of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(712)	(712)
Realised on liquidation of an associate	–	–	–	–	–	(89)	–	–	–	–	(89)	–	(89)
Shares issued upon exercise of share options	440	311	–	(25)	–	–	–	–	–	–	726	–	726
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	(5,977)	(5,977)
Proposed final dividend	–	–	–	–	–	–	–	–	10,689	(10,689)	–	–	–
Balance at 31st December, 2010 and 1st January, 2011	284,412	244,429	37	511	29,084	111,644	(5)	(518)	10,689	630,032	1,310,315	183,445	1,493,760
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**23,745**	**23,745**	**5,439**	**29,184**
Other comprehensive income (expense) for the period:													
Cash flow hedges	**–**	**–**	**–**	**–**	**–**	**–**	**5**	**–**	**–**	**(5)**	**–**	**–**	**–**
Fair value gains:													
– Available-for-sale financial assets	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**459**	**–**	**–**	**459**	**–**	**459**
Share of reserves of associates						**11,634**		**(1)**	**–**	**–**	**11,633**	**–**	**11,633**
Realised on disposal of properties	**–**	**–**	**–**	**–**	**(1,444)**	**–**	**–**	**–**	**–**	**1,444**	**–**	**–**	**–**
Exchange differences:													
Net movement in translation reserve	**–**	**–**	**–**	**–**	**–**	**23,923**	**–**	**–**	**–**	**–**	**23,923**	**2,581**	**26,504**
Total other comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**(1,444)**	**35,557**	**5**	**458**	**–**	**1,439**	**36,015**	**2,581**	**38,596**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**(1,444)**	**35,557**	**5**	**458**	**–**	**25,184**	**59,760**	**8,020**	**67,780**
Transactions with owners:													
Shares issued upon exercise of share options	**2,120**	**1,496**	**–**	**(118)**	**–**	**–**	**–**	**–**	**–**	**–**	**3,498**	**–**	**3,498**
Dilution of interest in a subsidiary	**–**	**–**	**–**	**–**	**–**	**(30)**	**–**	**(85)**	**–**	**–**	**(115)**	**375**	**260**
Dividend paid to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,118)**	**(3,118)**
Dividend related to 2010	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,689)**	**(17)**	**(10,706)**	**–**	**(10,706)**
Balance at 30th June 2011	**286,532**	**245,925**	**37**	**393**	**27,640**	**147,171**	–	**(145)**	–	**655,199**	**1,362,752**	**188,722**	**1,551,474**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2011	2010
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES	**(30,049)**	45,427
NET CASH USED IN INVESTING ACTIVITIES	**(116,705)**	(47,524)
NET CASH GENERATED FROM FINANCING ACTIVITIES	**35,727**	28,208
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(111,027)**	26,111
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**310,733**	282,729
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**5,717**	700
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**205,423**	309,540
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**205,423**	315,745
Bank overdrafts	**–**	(6,205)
	205,423	309,540

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards ("HKASs") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The accounting policies and basis of preparation adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st December, 2010 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards, HKASs and Interpretations ("HKFRS") which are effective for accounting periods commencing on or after 1st January, 2011. The effect of adopting these new and revised HKFRS are set out in note 2 below.

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

In 2011, the Group adopted the standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

Improvements to HKFRSs 2010	
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKAS 24 (Revised)	Related party disclosures

The Group has assessed the impact of the adoption of these standard, amendment and interpretations and considered that there was no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

The following new standard, amendment and interpretations have been issued but are not effective for 2011 and have not been early adopted:

HKAS 12 (Revised)	Income taxes
HKFRS 9	Financial instruments

The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether substantial changes to Group's accounting policies and presentation of the financial statements will be resulted.

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.

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:

The segment results for the period ended 30th June, 2011 are as follows:

	Industrial consumables	Plastic processing products	Machinery	Printed circuit boards	Other operations	Eliminations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TURNOVER							
External sales	238,797	258,655	574,854	194,828	1,421	–	1,268,555
Inter-segment sales	14,281	210	3,332	–	3,394	(21,217)	–
Total revenue	253,078	258,865	578,186	194,828	4,815	(21,217)	1,268,555
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	20,775	1,627	32,322	6,925	448	159	62,256
Unallocated corporate expenses							(18,457)
Profit from operations							43,799
Finance costs							(9,152)
Investment income, net							2,288
Share of results of associates		(278)	829		1,501		2,052
Profit before taxation							38,987

	Industrial consumables	Plastic processing products	Machinery	Printed circuit boards	Other operations	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
At 30th June, 2011						
Segment assets	283,968	355,490	1,329,564	361,035	37,971	2,368,028
Interests in associates						399,134
Available-for-sale financial assets						5,544
Unallocated corporate assets						69,700
Consolidated total assets						2,842,406

The segment results for the period ended 30th June, 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	212,692	205,917	485,788	268,302	686	–	1,173,385
Inter-segment sales	10,902	–	1,621	–	2,427	(14,950)	–
Total revenue	223,594	205,917	487,409	268,302	3,113	(14,950)	1,173,385
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	18,329	9,011	24,041	27,686	444	24	79,535
Unallocated corporate expenses							(10,852)
Profit from operations							68,683
Finance costs							(7,081)
Investment income, net							1,164
Gain on dilution of interests in an associate							200,670
Share of results of associates		(87)	1,189		1,337		2,439
Profit before taxation							265,875

	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						
At 31st December, 2010						
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

	Sales revenue by geographical market Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**240,295**	315,209
PRC	**857,620**	758,302
Other Asia-Pacific countries	**145,753**	69,864
North America	**6,599**	8,099
Europe	**18,288**	21,911
	1,268,555	1,173,385

4. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging and crediting the following:		
Charging:		
Depreciation and amortisation on:		
– Owned assets	**29,426**	22,273
– Assets held under finance leases	**3,029**	3,783
– Leasehold land held for own use under finance leases	**132**	121
– Leasehold land and land use rights	**327**	432
and crediting:		
Gain on disposal of property, plant and equipment	**4,270**	163

5. TAXATION

	Six months ended 30th June, **2011** *HK$'000*	2010 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**904**	1,095
Overseas taxation	**8,899**	5,966
	9,803	7,061

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. EARNINGS PER SHARE

The calculation of the 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 period.

	Six months ended 30th June, **2011**	2010
Weighted average number of shares in issue during the period	**713,437,210**	709,930,692
Profit attributable to the equity holders of the Company	**HK$23,745,000**	HK$243,574,000
Basic earnings per share	**3.33 cents**	34.31 cents
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**713,437,210**	709,930,692
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the period	**2,799,021**	473,108
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**716,236,231**	710,403,800
Profit attributable to the equity holders of the Company	**HK$23,745,000**	HK$243,574,000
Diluted earnings per share	**3.32 cents**	34.29 cents

7. **PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group has acquired property, plant and equipment amounting to approximately HK$136,566,000.

8. **TRADE AND OTHER RECEIVABLES**

The Group allows an average credit period of 90 days to 120 days to its customers.

Included in trade and other receivables are trade and bills receivables of approximately HK$667,389,000 (31st December, 2010: approximately HK$580,420,000) and their ageing analysis is as follows:

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
0 to 3 months	**477,502**	421,189
4 to 6 months	**68,647**	73,303
7 to 9 months	**41,106**	28,449
Over 9 months	**80,134**	57,479
	667,389	580,420

9. **TRADE AND OTHER PAYABLES**

Included in trade and other payables are trade and bills payables of approximately HK$634,239,000 (31st December, 2010: approximately HK$583,290,000) and their ageing analysis is as follows:

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
0 to 3 months	**527,833**	499,233
4 to 6 months	**81,934**	67,200
7 to 9 months	**13,273**	2,183
Over 9 months	**11,199**	14,674
	634,239	583,290

10. SHARE CAPITAL

	Number of ordinary shares	Value *HK$'000*
Ordinary shares of HK$0.40 each		
Authorised:		
At 1st January, 2011 and 30th June, 2011	**1,000,000,000**	400,000
Issued and fully paid:		
At 1st January, 2011	**711,030,692**	284,412
Shares issued upon the exercise of share options	**5,300,000**	2,120
At 30th June, 2011	**716,330,692**	286,532

11. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Minimum lease payments made during the period under operating leases in respect of:		
Land and buildings	**10,301**	7,274
Plant and machinery	**–**	–
	10,301	7,274

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
Within 1 year	**20,512**	17,909
Between 2 to 5 years	**43,517**	38,298
Over 5 years	**19,960**	19,316
	83,989	75,523

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories and plant and machinery. Leases are negotiated for an average term of 2-10 years and rentals are fixed for an average of 2-10 years.

The Group as lessor

Property rental income earned during the period net of direct outgoings of approximately HK$8,000 (2010: approximately HK$18,000) was approximately HK$156,000 (2010: approximately HK$143,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
Within 1 year	**327**	752
Between 2 to 5 years	**344**	63
	671	815

12. CAPITAL COMMITMENTS

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
Capital expenditure:		
Authorised but not contracted for	**–**	–
Contracted but not provided for	**53,645**	38,598
	53,645	38,598

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	30th June, 2011	31st December, 2010
	HK$'000	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	**–**	–

14. PLEDGE OF ASSETS

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

	Net Book Value	
	30th June, 2011	31st December, 2010
	HK$'000	HK$'000
Leasehold buildings	**23,762**	23,500
Leasehold land and land use rights	**4,015**	3,939
Plant and machinery	**41,848**	37,698
Bank deposits	**63,399**	56,153
	133,024	121,290

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").

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the period, the Group had significant transactions with the following related parties:

	Six months ended 30th June,	
	2011	2010
	HK$'000	*HK$'000*
Substantial shareholder and its subsidiaries:		
EDP charges received *(note i)*	**92**	92
Management fee paid *(note i)*	**801**	1,394
Companies controlled by certain directors:		
Management fee paid *(note i)*	**498**	498
EDP charges received *(note i)*	**26**	26
Associates:		
EDP charges received *(note i)*	**93**	27

At the balance sheet date, the Group has balances with the following related parties:

	30th June, 2011 *HK$'000*	31st December, 2010 *HK$'000*
Substantial shareholder and its subsidiaries:		
Balances due to the Group *(note ii)*	**36**	7
Non-controlling shareholders:		
Balances due from the Group *(note ii)*	**383**	383
Balances due to the Group *(note ii)*	**634**	614
Associates:		
Balance due from the Group *(note ii)*	**1,317**	1,317
Balances due to the Group *(note ii)*	**16,655**	16,443

Notes:

(i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.

(ii) The balances are unsecured, interest free and have no fixed repayment term.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

The first half year of 2011 has been challenging to the Group. Along with the economic recovery, coupled with the aggressiveness and endeavors made by staff in each core business, results of some businesses made considerable growth for the period under review. However, owing to rising operating costs fueled by inflation, profits of all lines of business were dampened to different extent. During the period under review, the Group's consolidated turnover amounted to approximately HK$1,268,555,000, representing an increase of approximately 8% from the same period last year. Operating profit attributable to shareholders for the period amounted to approximately HK$43,799,000 as compared with that in the same period last year of approximately HK$68,683,000. Net profit for the period amounted to approximately HK$23,745,000 as compared with that in the same period last year of approximately HK$243,574,000, which included a gain in carrying amount from deemed disposal of interest of approximately HK$201,000,000 after the listing of Shenzhen Haoningda Meters Co., Ltd..

Manufacturing Business

Machinery

Rider on the development momentum of the domestic economy, the first half of the year attained steady growth in market demand. The machinery business recorded an overall sales amount of approximately HK$574,854,000 for the period with an increase of about 18% as compared with the same period last year, which accounted for approximately 45% of the consolidated turnover of the Group. Profit for the period was approximately HK$32,322,000, representing an increase of approximately 34% from the same period last year.

Benefited by the continued prosperity in household appliance, plastic packaging, vehicle and infrastructure industries, the domestic demand for machinery maintained a steady growth during the period. As for sales overseas, the growth was relatively significant as the consolidated sales had resumed the level before the financial crisis basically. Our concentration on research, production and sale of servo-driven energy saving GREENLINE Se-series injection moulding machines, our core product, as well as the effect of mass production, has partly offset rises in material and labor costs with only a slight decrease in consolidated gross profit margin of products as compared with those in last year. Influenced by the main trend of global energy saving and environmental protection, the Se-series had been well received continuously by customers at home and abroad with a percentage of the sales of over 70%. For CNC sheet-metal fabricating and other machines, both benefited from the addition of domestic infrastructure projects and the consumption growth as their production and sale both recorded satisfactory growth.

Regarding the development of product technology, through the close strategic cooperation between our in-house engineering research and development team and suppliers of key OEM components, we had succeeded in launching the servo-driven hybrid kinetic-pressurized clamping GREENLINE 98 Electric - Ge-series hybrid electric injection moulding machine, the first of its kind domestically, and in showcasing one 55Ge injection moulding machine at the CHINAPLAS Exhibition held in Guangzhou in May of this year. Meantime, we have also showcased the Mobile iSee Apps® remote ethernet group control software jointly developed with the Group's info-technology arm. Applying the PUSH technology in mobile communication, the iSee server transmits key equipment information to the smart phone of customers voluntarily, enabling their instant integrated control over production. Besides, the self-developed servo-driven hydraulic Se-system has extended its applications to machinery products of higher end system with an operating pressure of 250 BAR, for instance the CMSe-series hydraulic presses and the RVSe-series rubber injection moulding machine, both of which are expected to become a new driver in sales for the machinery business. In an announcement issued by China Plastics Machinery Industry Association in June this year, GREENLINE Se-series was again listed as the only product among super-sized injection moulding machines (Clamping force of 2000T or above) in the whole industry being appraised as conforming to the highest grade energy-saving rating, which embodies the Group's integrated technological strength as well as the leading position in technology of the Se energy-saving servo system in the industry.

In the middle of May this year, our production base in South China situated in Zhouwu District, Dongcheng, Dongguan City was completed and started operation formally. This building is a 6-storey complex with a gross floor area of about 6,000 square meters and comprises a product showroom, a R&D centre and office with all functional departments operating at the same location, which is conducive to enhancement of management efficiency and optimization of operating costs.

Plastic Products and Processing

The consolidated sales of this business for the period was approximately HK$258,655,000 representing an increase of about 26% as compared with the same period last year and accounted for approximately 20% of the Group's consolidated turnover. Operating profit for the period was approximately HK$1,627,000, while the operating profit for the same period last year was approximately HK$9,011,000. The drop in profit was mainly attributable to factors like significant rises in raw material prices, labor costs and appreciation of RMB, and that the pressure of soaring operating costs could not be alleviated by way of increasing product prices.

Fueled by the rapid growth in the household electrical appliance market in China, the household electrical appliance and A/V product processing business reported an increase of approximately 21% as compared with the same period last year, among them the growth in automatic washing machines and Blue-ray A/V products was particularly significant. During the reporting period, in spite of the increase in turnover, the overall operating profit decreased as compared with the same period last year because of the continued rises in raw material costs and salaries. In this connection, the Group will continue to focus on optimizing production efficiency, promoting the plan for lean production improvement, increase the use of environmentally smart injection moulding machines and strengthening automation management for the purpose of active reduction of costs.

For the food packaging and cutlery business, along with the higher requirement for food packaging in domestic market and stricter regulation by the State on the food industry, the customers brought up also their eager demand for quality food packaging, which resulted in remarkable improvement in production management of this business. During the reporting period, its sales increased by about 37% as compared the same period last year; its customer base newly added a number of renowned customers at home and abroad, and its new product development yielded results. During the period, the rises in raw material prices and salaries were successfully offset by augmented automated production, newly installed energy-saving environment-friendly equipment and improved management processes as the operating profit recorded a growth of about 6%.

For the LED lighting and optic product business, the overall sales rose by about 57% as compared with the same period last year, which, owing to its relatively small scale, failed to offset effectively the increases in operating costs and recorded a loss for the reporting period. During the period, the Group continued its input of resources to intensify R&D of new products of LED lighting as its LED lighting production plant in the Mainland had obtained quality certification from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC. Along with the rising demand for energy saving in Japan and rising demand in the market of China, the LED lighting business is of vast room for development. On the other hand, during the period, the optic product business no longer relied solely on support by exports and turned to the domestic market instead with expected results.

BioChef, the Group's self-designed environment-friendly brand kitchen ware, received desirable feedback after its launch to the market as customers showed their ready acceptance for quality environment-friendly products. As such, products under this line had already gone on sale in Hong Kong, Shenzhen and Guangzhou, and will be promoted for sale in rests of Guangdong and other provinces in the Mainland, or even sold by export to countries in Europe and America. New products will be developed successively to meet demand for quality environment-friendly plastic products. In addition, our one-off environment-friendly cutlery had been awarded admission qualification into the environment-friendly material product market in Europe, opening up huge space for development of market for environment-friendly kitchen ware and cutlery permit.

Printed Circuit Board

The printed circuit board business recorded sales of approximately HK$194,828,000 in the first half of the year, representing a decrease of about 27% as compared with the same period last year, and accounted for approximately 15% of the Group's consolidated turnover, while operating profit for the period was approximately HK$6,925,000, and operating profit for the same period last year was HK$27,686,000. During the period, factors such as rises in labor costs like staff salary and housing provident fund, soaring raw material prices and appreciation of RMB, all resulted in rallying operating costs and declining profits. In addition, customers' orders plunged as compared with the same period last year amid the prolonged weakness of the economy in Europe and in the US. Another major reason for the decrease in turnover is that there was no new product to complement the market vacuum in time when the product cycle of a particular customer ended, in addition to the hysteresis of orders for the originally scheduled High Density Interconnect (HDI) circuit boards that encumbered both turnover and profit.

Trading Business

In the first half of 2011, the economy was relatively prosperous and stable in China. The trading business has successfully expanded into industries complementing with domestic demand, such as the plastic injection moulding machine, the coal mining machine, the elevator and LED machine industries, resulting in a desirable growth in results of this business. During the period, consolidated turnover amounted to approximately HK$238,797,000, representing an increase of about 12% as compared with the same period last year. Operating profit was approximately HK$20,775,000, representing a growth of 13% as compared with that of last year. Notwithstanding the desirable results achieved for the first half, there are signs of slowdown in market demand for the end of the second quarter. Therefore, we will continue to grasp firmly and well certain promising industries, strengthen exploration of new products, new customers and new markets, so as to maintain desirable results for the whole year.

Other Businesses

Electronic Watt-Hour Meters and Related Businesses

Shenzhen Haoningda Meters Co., Ltd., an associate of the Group, has gradually gained a leading position in respect of R&D of technology in this industry. Recently, its self-developed monitor technology application project on electricity use and energy saving has been greatly prized by relevant authorities of Shenzhen City.

PROSPECTS

In respect of the machinery business, it is anticipated that the market situation in the second half of the year will be laden with uncertainties. Against a backdrop of high inflation, the Central Government will intensify its macro-control efforts to further tighten up monetary policy and, as such, some customers may encounter difficulty in financing and slow down their investment plan on equipment. Confronted with a number of unfavorable factors such as the lingering concern about the European debt crisis and the slow-down in consumption growth at home and abroad, customers will generally adopt a wait-and-see attitude towards fixed investment. The Group will continue focusing on energy-saving and precision type machinery, enriching functions of high added-values like automation and networking, segmentizing markets to increase market share and maintaining a relatively steady growth in consolidated sales. Besides, the joint-venture plant JH-WELLTEC in Ahmedabad City of India will have its assembly machinery extended to medium-large scale plastic injection machines in the second half of the year, which by then will be able to supply total Se-series plastic injection machinery products (clamping force of 1000T or below), thereby fulfill the domestic demand more effectively in India. In respect of the construction of the domestic supply chain, we will further strengthen the strategic partnership cooperation relationship with key OEM-version component suppliers by joint-development of localized cost optimization solution to reduce pressures of rising material and labor costs. It is believed that this business can sustain a pleasant growth on the basis of a properly adjusted product mix, that the Group is optimistic about its future results performance.

In respect of the plastic product and processing business, we will proceed with the work on product restructure and cost optimization, while in the meantime embark on active R&D for expansion into markets of high added value and high growth, namely energy-saving product, blow-moulding food packaging and etc. Judging from the desirable orders secured by member companies for the second half of the year, it is estimated that the annual sale will grow continuously, except that cost pressure will be severe in the second half of the year. At this point, the Group will adopt different strategies to enhance efficiency and reduce costs, and will continue input of resources in development of new products and new markets. Moreover, the new plant in Hefei will be completed and started operation in the second half of the year, which could enlarge the production scale in Eastern China and optimize the overall production process.

In respect of the printed circuit board business, various projects are in the pipeline in collaboration with new and old customers, which include multi-layer circuit board and HDI circuit board products. It is anticipated that order amount will rebound and results will be improved in the second half of the year.

In respect of the trading business, it is anticipated that the consumption confidence will remain fragile since the debt crisis in Europe and in the US is yet to be resolved and the global economy is yet to recover fully. The macro-control policies adopted by the government of China will cause problems like rise in production cost and tightening of monetary policy. In fact, in the latter time of the second quarter, signs of slowdown in the overall market demand had emerged. Confronted with such rapid-changing market, the trading business will focus on reducing stock level to a healthy level, and will, in the meantime, intensify development of new industries and districts and concentrate continuously on exploration of environment friendly and energy saving products.

Looking forward to the second half of 2011, the Group will confront the same challenges as its industry peers do, namely appreciation of RMB, volatile raw material prices, rising labor costs and uncertainties associated with changes in the economic situation and the like. To cope with these challenges, on the operation front, the Group will continue to optimize production process, improve automaton level to alleviate effects of cost fluctuations. On the product front, we will persist in developing environment friendly, low-carbon and energy saving products; monitor closely the market trend and the ever changing customer demand to implement contingency strategy. Besides, we will continue to maintain a close relationship with customers, distributors and other cooperative partners, and reinforce the sales network. Internally, the Group will continue to strengthen its management structure and, through training of human resource, maintain an outstanding management team of high efficiency, high quality and rapid coping capability. The Board is deeply convinced that, from the financial crisis onwards, the Group is endowed with a clear development strategy, a streamlined business structure, an effective and efficient operational management and a steady and balanced product mix. These, coupled with our strength and solid foundation, we are bound to overcome all challenges and generate desirable returns to stakeholders.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2011 (2010: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2011, the Group's shareholders' funds were approximately HK$1,362,752,000, compared with approximately HK$1,310,315,000 as at 31st December, 2010.

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 30th June, 2011 was approximately 0.45 (31st December, 2010: 0.45), and the liquidity ratio was approximately 1.38 (31st December, 2010: 1.45), both were maintained at a healthy level. As at 30th June, 2011, cash, bank balances and time deposits amounted to approximately HK$205,423,000 and available banking facilities amounted to approximately HK$413,000,000. All these reflect that the Group is in sound financial position.

Contingent Liabilities

	30th June, 2011 HK$'000	31st December, 2010 HK$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	–	–

Pledge of Assets

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

	Net book value	
	30th June, 2011 *HK$'000*	31st December, 2010 *HK$'000*
Leasehold buildings	**23,762**	23,500
Leasehold land and land use rights	**4,015**	3,939
Plant and machinery	**41,848**	37,698
Bank deposits	**63,399**	56,153
	133,024	121,290

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").

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 period, 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.

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 in Appendix 14 of the Listing Rules. The unaudited financial statements of the Company for the six months ended 30th June, 2011 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 of the Company 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 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 in respect of 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 which 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 30th June, 2011, the Group has approximately 6,300 employees (2010: approximately 5,500). The remuneration policy of the Group was formulated in accordance with market trends and performance of employees. Benefits plans have included schemes of insurance, retirement, share option and so on.

The remunerations 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

During the six months ended 30th June, 2011, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

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 six months ended 30th June, 2011.

COMPLIANCE WITH MODEL CODE

Throughout the six months ended 30th June, 2011, 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 been fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The interim report will be available at the Company's website and the website of The Stock Exchange of Hong Kong Limited and despatched to shareholders of the Company in September 2011.

On behalf of the Board
TANG To
Chairman

Hong Kong, 26th August, 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.