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, 2011

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER, 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000*
Turnover	3	**2,416,690**	2,426,658
Cost of sales		**(2,016,014)**	(1,994,388)
Gross profit		**400,676**	432,270
Other income and gains, net		**31,849**	16,166
Distribution costs		**(140,354)**	(130,039)
Administrative expenses		**(222,805)**	(199,935)
Other operating expenses		**–**	(636)
Allowance for impairment of bad and doubtful debts		**(9,609)**	(12,552)
Profit from operations		**59,757**	105,274
Finance costs		**(23,148)**	(13,760)
Investment income, net		**3,575**	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		**9,481**	13,059
Profit before taxation	4	**49,665**	310,727
Taxation	5	**(15,152)**	(13,349)
Profit for the year		**34,513**	297,378

	NOTE	2011 HK$'000	2010 HK$'000
Attributable to:			
Equity shareholders of the Company		**26,579**	275,671
Non-controlling interests		**7,934**	21,707
		34,513	297,378
Earnings per share for profit attributable to the equity shareholders of the Company during the year	*6*		
– Basic		**HK3.72 cents**	HK38.82 cents
– Diluted		**HK3.70 cents**	HK38.73 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2011

	2011	2010
	HK$'000	*HK$'000*
Profit for the year	**34,513**	297,378
Other comprehensive income for the year, net of tax:		
Cash flow hedges	**6**	–
Change in fair value of available-for-sale financial assets	**357**	411
Share of other comprehensive income of associates	**21,366**	8,290
Surplus on revaluation of properties held for own use	**5,383**	12,196
Exchange differences:		
net movement in translation reserve	**49,787**	17,886
	76,899	38,783
Total comprehensive income for the year	**111,412**	336,161
Attributable to:		
Equity shareholders of the Company	**98,067**	311,322
Non-controlling interests	**13,345**	24,839
Total comprehensive income for the year	**111,412**	336,161

CONSOLIDATED BALANCE SHEET

AT 31ST DECEMBER, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Non-current Assets			
Property, plant and equipment		**709,341**	531,856
Leasehold land and land use rights		**56,642**	33,974
Interests in associates		**414,581**	384,692
Available-for-sale financial assets		**7,273**	5,085
Deferred tax assets		**4,516**	5,352
		1,192,353	960,959
Current Assets			
Inventories		**641,080**	605,521
Leasehold land and land use rights		**882**	704
Trade and other receivables	8	**700,330**	754,237
Derivative financial instruments		**–**	591
Current tax recoverable		**–**	587
Pledged bank deposits		**67,015**	56,153
Cash and cash equivalents		**227,254**	320,836
		1,636,561	1,738,629
Current Liabilities			
Trade and other payables	9	**844,908**	894,401
Amounts due to associates		**1,317**	1,317
Derivative financial instruments		**–**	597
Bank and other borrowings – due within one year		**341,207**	284,519
Obligations under finance leases – due within one year		**14,545**	7,246
Current tax payable		**5,248**	7,079
		1,207,225	1,195,159
Net Current Assets		**429,336**	543,470
Total Assets less Current Liabilities		**1,621,689**	1,504,429

	NOTE	2011 HK$'000	2010 HK$'000
Non-current Liabilities			
Bank and other borrowings			
– due after one year		**160**	151
Obligations under finance leases			
– due after one year		**24,609**	3,301
Deferred tax liabilities		**6,460**	7,217
Total Non-current Liabilities		**31,229**	10,669
Net Assets		**1,590,460**	1,493,760
Equity			
Capital and reserves attributable to the Company's equity shareholders:			
Share capital		**286,772**	284,412
Reserves		**1,111,098**	1,015,214
Proposed final dividend	*7*	**3,585**	10,689
		1,401,455	1,310,315
Non-controlling interests		**189,005**	183,445
Total Equity		**1,590,460**	1,493,760

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2011

1. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which also include Hong Kong Accounting Standards ("HKAS") and Interpretations ("Int") 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 consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. 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 consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31st December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

The preparation of consolidated 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 ON NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ('HKFRS')

The HKIPCA has issued a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Company and the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The amendments to HK(IFRIC) 14 have had no material impact on the Group's financial statements as they were consistent with policies already adopted by the Group. HK(IFRIC) 19 has not yet had a material impact on Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction (for example, a debt for equity swap).

The impact of other developments are discussed below:

– HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosure in the current and previous periods. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

– Improvements to HKFRSs (2010) omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments has been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the consolidated financial statements in the current and previous periods.

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, 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	**417,945**	**466,494**	**1,092,911**	**435,723**	**3,617**	**–**	**2,416,690**
Inter-segment sales	**22,874**	**386**	**9,979**	**–**	**7,449**	**(40,688)**	**–**
Total revenue	**440,819**	**466,880**	**1,102,890**	**435,723**	**11,066**	**(40,688)**	**2,416,690**

Inter-segment sales are charged at prevailing market rates.

RESULTS							
Segment results	**30,963**	**1,640**	**48,319**	**7,416**	**266**	**(671)**	**87,933**
Unallocated corporate expenses							**(28,176)**
Profit from operations							**59,757**
Finance costs							**(23,148)**
Investment income, net							**3,575**
Share of results of associates		**(786)**	**2,567**		**7,700**		**9,481**
Profit before taxation							**49,665**
Taxation							**(15,152)**
Profit before non-controlling interests							**34,513**

	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	**254,838**	**374,195**	**1,307,301**	**358,642**	**41,263**	**2,336,239**
Interests in associates						**414,581**
Available-for-sale financial assets						**7,273**
Unallocated corporate assets						**70,821**
Consolidated total assets						**2,828,914**
LIABILITIES						
Segment liabilities	**67,883**	**69,285**	**554,819**	**145,278**	**5,689**	**842,954**
Current tax payable						**5,248**
Borrowings						**380,521**
Unallocated corporate liabilities						**9,731**
Consolidated total liabilities						**1,238,454**
OTHER INFORMATION						
Capital additions	**12,596**	**39,696**	**181,187**	**17,875**	**1,886**	**253,240**
Depreciation and amortisation	**1,707**	**15,778**	**24,409**	**25,168**	**1,421**	**68,483**
Other non-cash expenses (income)	**423**	**1,916**	**14,048**	**(1,000)**	**–**	**15,387**

The segment results for the year ended 31st December, 2010 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	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	Plastic processing products	Machinery	Printed circuit boards	Other operations	Eliminations	Consolidated
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

Geographical information

The Group's operations are located in Hong Kong, other regions in 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	
	2011	2010
	HK$'000	*HK$'000*
Hong Kong	**528,646**	636,194
PRC	**1,554,322**	1,529,162
Other Asia-Pacific countries	**277,695**	199,730
North America	**13,415**	18,342
Europe	**42,612**	43,230
	2,416,690	2,426,658

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**	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**685,266**	650,643	**2,917**	716
PRC	**2,120,275**	2,027,229	**250,323**	197,391
Other Asia-Pacific countries	**19,818**	9,996	**–**	–
North America	**3,206**	5,028	**–**	–
Europe	**349**	6,692	**–**	–
	2,828,914	2,699,588	**253,240**	198,107

4. PROFIT BEFORE TAXATION

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

	2011	2010
	HK$'000	*HK$'000*
Charging:		
Directors' remuneration	**14,936**	7,171
Salaries and other benefits	**320,962**	290,712
Retirement benefits scheme contributions	**12,895**	5,714
Share-based payments	**–**	334
	348,793	303,931
Depreciation and amortisation on:		
– Owned assets	**64,043**	49,758
– Assets held under finance leases	**3,143**	3,497
– Leasehold land held for own use under finance leases	**415**	242
– Leasehold land and land use rights	**882**	704
Impairment losses on goodwill (included in other operating expenses)	**–**	100
Loss on disposal of property, plant and equipment	**239**	5,173
Auditors' remuneration		
– Current year	**2,252**	2,139
– Under/(Over)provision in prior years	**9**	(14)
Operating lease payments	**23,693**	19,345
Share of associates' taxation	**483**	493
and crediting:		
Rental income net of direct outgoings	**2,432**	1,428

5. TAXATION

The provision for Hong Kong Profits Tax for 2011 is calculated at 16.5% (2010: 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.

	2011	2010
	HK$'000	*HK$'000*
Current tax:		
Hong Kong profits tax		
Current year	**1,905**	984
Overprovision in prior years	**(86)**	–
	1,819	984
Overseas tax		
Current year	**13,737**	12,964
Underprovision in prior years	**–**	13
	13,737	12,977
Deferred tax:		
Deferred taxation relating to the origination and reversal of temporary differences	**(269)**	(612)
Overprovision in prior years	**(135)**	–
	(404)	(612)
Taxation charge	**15,152**	13,349

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:

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**49,665**	310,727
Tax at the domestic income tax rate of 16.5% (2010: 16.5%)	**8,195**	51,270
Tax effect of expenses that are not deductible in determining taxable profit	**10,073**	16,784
Tax effect of income that is not taxable in determining taxable profit	**(7,484)**	(51,039)
Overprovision of current tax in current year, net	**625**	–
(Over) Under -provision of current tax in prior years, net	**(86)**	13
Overprovision of deferred tax in prior years, net	**(135)**	–
Tax effect of tax losses not recognised	**5,296**	2,384
Tax effect of temporary differences not recognised	**(979)**	744
Tax effect of utilisation of tax losses not previously recognised	**(3,645)**	(10,908)
Effect of tax exemptions granted to the PRC subsidiaries	**(543)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**3,835**	4,101
Taxation charge	**15,152**	13,349

6. 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 shareholders of the Company divided by the weighted average number of ordinary shares in issue during the year.

	2011	2010
Weighted average number of ordinary shares in issue during the year	**715,174,472**	710,056,446
Profit attributable to the equity shareholders of the Company	**HK$26,578,969**	HK$275,671,070
Earnings per share	**HK3.72 cents**	HK38.82 cents

(b) Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on the Group's profit attributable to equity shareholders 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.

	2011	2010
Weighted average number of ordinary shares in issue during the year	**715,174,472**	710,056,446
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration	**3,155,942**	1,800,061
Weighted average number of ordinary shares for diluted earnings per share	**718,330,414**	711,856,507
Diluted earnings per share	**HK3.70 cents**	HK38.73 cents

7. DIVIDEND

(1) Dividend payable to equity shareholders of the Company attributable to the year

	2011	2010
	HK$'000	*HK$'000*
Dividend proposed after the balance sheet date of HK$0.005 (2010: HK$0.015) per share	**3,585**	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 and has not been recognised as a liability at the balance sheet date.

(2) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2011	2010
	HK$'000	*HK$'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$0.015 (2010: HK$Nil) per share	**10,706**	–

In respect of dividend attributable to the year ended 31st December, 2010, the difference between the final dividend proposed and the amount approved and paid during the year represents the additional dividends to the ordinary shareholders upon the exercise of share options before the closing date of the register of members.

8. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Trade and bills receivables	**632,555**	662,281
Less: allowance for impairment of bad and doubtful debts	**80,134**	81,861
Trade and bills receivables, net	**552,421**	580,420
Other receivables	**145,277**	174,732
Less: allowance for impairment of bad and doubtful debts	**18,870**	17,348
Other receivables, net	**126,407**	157,384
Prepayments	**20,851**	15,811
Amounts due from related parties	**651**	622
	700,330	754,237

At 31st December, 2011, certain of the Group's trade receivables with an aggregate carrying value of approximately HK$13,396,000 (2010: HK$Nil) were pledged to secure certain bank borrowings granted to the Group (note 11).

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	
	2011	2010
	HK$'000	*HK$'000*
0 to 3 months	**367,299**	421,189
4 to 6 months	**73,341**	73,303
7 to 9 months	**42,999**	28,449
Over 9 months	**68,782**	57,479
	552,421	580,420

9. TRADE AND OTHER PAYABLES

	THE GROUP	
	2011	2010
	HK$'000	*HK$'000*
Trade and bills payables	**542,635**	583,290
Accruals and other payables	**301,890**	310,728
Amounts due to related parties	**383**	383
	844,908	894,401

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	
	2011	2010
	HK$'000	*HK$'000*
0 to 3 months	**404,385**	499,233
4 to 6 months	**113,728**	67,200
7 to 9 months	**15,232**	2,183
Over 9 months	**9,290**	14,674
	542,635	583,290

10. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilised by				
– subsidiaries	**–**	–	**1,200,260**	1,028,589
– third party	**2,407**	–	**–**	–

In the opinion of the directors, the fair value of the liabilities in relation to the above guarantees is insignificant as at 31st December, 2011 and 31st December, 2010.

11. PLEDGE OF ASSETS

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

	2011	2010
	HK$'000	*HK$'000*
Leasehold buildings	**27,500**	23,500
Leasehold land and land use rights	**5,243**	3,940
Plant and machinery	**62,138**	37,697
Bank deposits	**67,015**	56,153
Trade receivables	**13,396**	–
	175,292	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").

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK0.5 cents (2010: HK1.5 cents) per share for the year ended 31st December, 2011, subject to the approval of the shareholders at the forthcoming Annual General Meeting to be held on 23rd May, 2012. The final dividend will be payable on or about 28th June, 2012 to shareholders whose names appear on the register of members on 31st May, 2012.

CLOSURE OF REGISTER OF MEMBERS FOR ANNUAL GENERAL MEETING

The register of members of the Company will be closed from Friday, 18th May, 2012 to Wednesday, 23rd May, 2012 (both days inclusive). In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 17th May, 2012.

CLOSURE OF REGISTER OF MEMBERS FOR FINAL DIVIDEND

The register of members of the Company will be closed from Wednesday, 30th May, 2012 to Thursday 31st May, 2012 (both dates inclusive), during which no transfer of shares will be registered. In order to qualify for the final dividend, all transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 29th May, 2012.

RESULTS

The Group's consolidated turnover for the year was approximately HK$2,416,690,000, representing a slight decrease of about 0.4% compared to approximately HK$2,426,658,000 for 2010. Our profit after taxation stood at about HK$34,513,000 for the year, while the profit for the same period of last year was about HK$297,378,000 (included a gain in carrying amount of approximately HK$200,670,000 as recognized for the deemed disposal of interest after the successful listing of the associate, Haoningda Meters Co., Ltd.). For the year ended 31st December, 2011, the profit attributable to shareholders was about HK$26,579,000.

CHAIRMAN'S STATEMENT

In 2011, the Group was confronted with serious challenges amid a complex and changing business environment. Fortunately, the management who have been put through the ordeal of the global financial crisis crucible, and with a hardship awareness in mind, was able to cautiously and proactively address emergencies and impacts in the market, and thus managed to maintain all the indexes at a healthy level even though the Group's profits dropped and failed to generate desirable returns for investors under such adverse condition.

In order to restrain the increasingly drastic inflation, the State implemented a tightened monetary policy of macro-control during the year. Against a backdrop of money supply shortage, enterprises had difficulties in financing and the domestic market began to slow down in the third quarter, such that the market condition worsened as the European debt crisis emerged. In view of the market adversities, the Group opted to adopt prudent and active marketing strategies that it abandoned compromising sales results with risks associated with account receivables, so as to preserve asset health; the Group maintained reasonable credit terms for suppliers to keep the long-term and steady strategic partnership with them.

In the first half of the year under review, as the market continued with the brisk momentum in 2010, the Group's turnover grew in all businesses except the printed circuit board business. However, prices of various raw materials soared, the domestic inflation deteriorated, labour costs continued to rise and the Renminbi exchange rate was on the rise afterwards; and Japanese broke out an unexpected earthquake in March. As a result, the Group's results were severely affected. As impacted by these adverse factors, our colleagues overcame the difficulties and managed to achieve a growth in profit of the machinery business and was able to maintain stable performance in industrial consumables business. As for the machinery business, the Group continued to consolidate the newly tapped markets of second-tier city in China while the export business achieved considerable growth under the proactive promotion plan during the year. For the printed circuit board and plastic products and processing businesses, the Group took initiative in developing new customers to diversify the customer base.

The Group always attaches importance to technological research and development (R&D), in order to improve its product standard and cost-performance ratio and sharpen its market competitive edges. During the period under review, the machinery business obtained admirable 13 technical patents and the newly developed products fuelled the sales vigor in the market downturn. As for the plastic products and processing business, several new products were also developed after investments in R&D, laying a foundation for the future market development. During the year under review, Shenzhen Haoningda Meters Co., Ltd., an associate, was granted the honours of famous brand and also accredited as the municipal level R&D centre. Its innovation in the "smart power grid" and the technology of the "Internet of Things" has reinforced the growth foundation of the business.

New factories of the Group's machinery business and plastic products and processing business respectively located in Wuxi and Hefei were completed as scheduled, and relocation and installation works of newly acquired equipment were in progress smoothly. Newly added production capacities of the machinery business will redound to satisfying domestic and foreign market demand; the completion of the factory in Hefei has established a new development platform for the plastic products and processing business in this China's third largest household electrical appliance centre.

In the past year, the Group held a number of professional human resource trainings, and special attention was paid to the enhancement in management competence of middle to high level managerial team, which was vital to the sustainable growth of the Group. In addition, the Group continuously improved the working environment for workers, acquired automatic equipment to reduce labour intensity, and was dedicated to optimizing employees' living quality and self-training facilities, so as to address the continued rise in labour costs and the fierce talent competition. These moves also responded to the initiative advocated by the State in creating a harmonious society.

OUTLOOK

Looking forward to 2012, European countries and the United States can only increase currency liquidity to invigorate economy by taking multiform quantitative easing measures against impacts of the continued global financial crisis and European sovereign debt issues. Nevertheless, it cannot reverse the trend of the crisis to spread in the real economy, and would eventually result in fluctuation and surge of prices of international commodities. Moreover, the political crisis in energy suppler countries may even plunge the price of energy to prolonged high and fluctuating condition. As such, market consumption will surely decrease and chances for economic recovery of developed countries will be remote.

The macro-control policies will not be changed easily in China to adjust the property market and to prevent the rise in goods prices. However, in order to simultaneously boost changes in economic development models, realize technology autonomous innovation and upgrade, proactive implementation of energy saving and emission reduction as well as environmental protection and other development directions, the State is expected to gradually launch directive easing economic policies with an aim to provide a bailout for enterprises echoing to the State's development direction, and allow them to grow and prosper. Thus, the Group's energy-saving and environment-friendly products and business with high cost-performance ratio will be benefited.

In 2012, the market will continue with the sluggishness and uncertainties in last year. Raw material prices will continue to fluctuate, labour costs will remain soaring beyond doubt, and the Renminbi exchange rate will be on the up in spite of international political pressures. Challenges grimmer than that of 2011 will again test our team's adaptivity for contingency. On all accounts, we will adhere to prudent and active marketing strategies, maintain healthy corporate asset indexes and a steady cash flow to reinforce all businesses' capability to address market fluctuations and capture opportunities. In the coming year, we will be committed as always to achieving commendable results for stakeholders in spite of adversities.

The performance achieved by the Group for the last arduous year is dependent on the diligent efforts of the management and the staff as well as their insistence on a pragmatic and enterprising style. I would like to extend my highest appreciation and heartfelt gratitude to them. Also, I would like to extend my sincere gratitude to directors for their contributions and to shareholders, customers and partners for their wholehearted support.

BUSINESS REVIEW

The year of 2011 has been extremely difficult to the Group. Despite of the completion of the short-term measures taken by the countries to boost economy, the world economy did not see a rapid recovery. Instead, it has actually become weaker. The weak overseas market made a direct impact on the export business, and also affected some of the Group's customers whose attention is on the overseas market. The situation in China was not optimistic either. The high inflation increased the costs for enterprises, causing difficulties in their operation. The subsequent tightening monetary policy to control inflation caused financing difficulties for many SMEs which in turn decreased their purchasing power, especially in terms of fixed assets. In general, the operation environment in 2011 was tough. However, it was fortunate that, through the untiring efforts of all the employees, the turnover is managed to maintain at a similar level with that of last year. Other indicators that reflect corporate health (such as turnover days, repayment capability and debt ratio) remained healthy and stable. Unfortunately, the profit has dropped significantly which affected the investors' return.

Among our businesses, other than the machinery business and trading business that had moderate growth or stable performance, the plastic products and processing business recorded only an operating profit of approximately HK$1,640,000 due to lower gross profit margin in spite of an increased turnover. Similarly, the operating profit of the printed circuit board business was significantly dropped to approximately HK$7,416,000 as affected by the lower gross profit margin.

Manufacturing Business

Machinery

In the second half of 2011, the downward trend in both domestic and international market had a negative impact on the performance of this business to a certain extent, resulting in an overall sales for the full year of approximately HK$1,092,911,000 similar to last year, which accounted for approximately 45% of the consolidated turnover of the Group. The profit in the period was approximately HK$48,319,000.

During the first half of 2011, as the inflation in China remained high, the Central Government has gradually put more efforts on macroeconomic control to tighten money supply. As a result, most SMEs discontinued investing in fixed assets due to financing difficulties since the middle of the year. Additionally, with other factors including the European sovereign debt crisis, the gloomy economic outlook in developed countries, and the increased labour cost in China, together with the appreciation of the RMB exchange rate, customers tended to be conservative and temporarily postponed their equipment purchase plans. In response to the downturn in demand for the second half of the year, the Group has adjusted its products and customers mix for this business in a timely manner, and upgraded the functions of the main product lines to enhance cost-effectiveness, as well as altered marketing strategies for medium to large users. Accordingly, this business maintained a relatively stable sales performance in the second half of the year regardless of the poor market conditions.

On the other hand, factors such as energy saving and emission reduction plans implemented by the State, increased public environment awareness, and increased electricity tariff for industrial use have fueled the sales of servo-driven energy-saving machinery. The sales of GREENLINE Se-series servo-driven energy saving injection moulding machines, the core product of this business, accounted for nearly 70% of the overall sales. The Se servo-driven hydraulic control system has extended its application to the products of hydraulic presses (CMSe series) and rubber injection machines (RVSe series), and has succeeded in product serialization. The clamping force of this product ranges from 200T to 3000T and it has received good market response, which can provide another new growth point for the future performance of this business. Regarding the CNC sheet-metal processing machines, through the close strategic cooperation between our in-house engineering research and development team and suppliers of key OEM components, we overcame the technical difficulties and manufacturing cost problems, and have successfully developed the full servo-electric CNC turret punch press ES series with higher cost-performance. In early November, the ES230B model was successfully showcased on the China International Industry Fair 2011. Its features, such as extremely high cost-performance, high energy saving efficiency, low noise and lower maintenance cost, were highly appraised by both new and existing customers.

The Group attaches great importance to technology research and development and product innovation and has obtained five patents for invention and eight patents for utility models during the year. Among which, the patent for the invention of extrusion-injection process technique for large plastic products has been commercialized, such that we have successfully launched the ultra-large shot volume injection moulding machine U series (capable of moulding products of 300 kilograms or less at a time). The specific target market of this model includes the production of large plastic pipe fittings for municipal use and ultra-large plastic containers special for environment industry.

In respect of deepening and exploration of the market, the Group has enlarged the coverage of pre-sale and after-sale services in second-tier cities in inland areas of China for this business during the year. Although the export business was affected by the international economic fluctuations, the consolidated export volume still reached an increase of nearly 40% as compared with last year. Developing countries remained the main sales market, especially regions in South America, South Asia, North Africa, and the Middle East. During the year, we have completed assembling and producing Se-series servo-driven energy saving machines of less than 1000T in JH-WELLTE, our joint venture in India, with all indicators in line with expectations.

In respect of the production base distribution, immediately following our South China production base in Dongcheng District of Dongguan City was officially put into use in May 2011, the East China production base occupying 113 acres located in Wuxi National Innovative and High Technology Industrial Development Zone has been fully relocated and was put into use in November 2011. This factory consists of a complex of approximately 8,300 square meters and three production workshops of approximately 36,500 square meters in total. During the year, we added a number of imported CNC machining centers for this business. Consequently, we expect that the consolidated production capacity from these two production bases is to be further increased by approximately 25%. The Group will make timely adjustments on the production arrangement in respect of South and East China in order to adapt to the changes in the demand from the geo-markets in China.

Plastic Products and Processing

During the period under review, sales of plastic products and processing business was approximately HK$466,494,000, representing an increase of about 13% as compared with the same period of last year and accounted for approximately 19% of the Group's consolidated turnover. Due to the rising material price and labour cost, this business only recorded an operating profit of approximately HK$1,640,000 for the year.

Benefiting from the State's subsidy policy for home appliance products in rural areas of China and being driven by the increase in Blue-ray A/V product exports, the household electrical appliance and A/V product processing business recorded a growth of approximately 10% as compared with the same period of last year. However, due to the rising material prices and labour cost, the overall operating profit decreased. In addition, under the electricity consumption policy of Guangdong Province, the business's overall electricity cost was increased. In consideration of this, the Group has actively intensify the use of energy-saving injection moulding machines and implemented lean manufacturing process improvement plan in order to reduce electricity cost. The Group's production base in Hefei City of Anhui Province, which covers an area of 48 acres, will be opened in early 2012. The first phase of the new factory is 8,100 square meters, with 42 plastic processing equipments in total. This production base will help improving the overall operational efficiency and productivity; not only can it meet greater customer demand, it will also help in developing new businesses in the area of East China. On the other hand, the production base in Dongguan has successfully transformed from the original material processing factory into a wholly-owned enterprise, and it has the domestic sales right which will help in developing new businesses in China. During the period under review, we have successfully secured multiple orders of plastic processing for portable A/V and multimedia player products, which has laid foundations for the business to tap on the rapidly growing market of portable multimedia products.

The food packaging and cutlery business recorded a growth of 16% as compared with the same period of last year. However, due to the rising material prices and labour cost, it only recorded an operating profit that is similar to the same period of last year. During the period under review, the business focused mainly on improving product quality and controlling the hygienic conditions for production in order to meet the stringent requirements of high-end customers on food packaging and cutlery. Additionally, under the influence of the State's policies, some large and medium-scale food enterprises in China also began to abandon the concept of low-cost purchasing. Instead, they are paying more attention on the hygiene, safety, quality and scale of suppliers. These changes are favorable to the development of this business. Besides plastic food packaging products, the prosperity in confectionery market in China also brought a substantial growth to the candy stick business. Furthermore, as the types of milk products and dairy products gradually multiplied on the market, the high quality blow moulding process of this business can provide safer and more appealing bottle containers that satisfy customer needs.

For the optic and lighting products business, during the period under review, the sales amount has increased by approximately 21%, among which the increase of LED lights amounted to approximately 41% as compared with the same period of last year, revealing that the overall LED lights market has been growing rapidly. After the Group's LED lights production plant in Dongguan obtained quality certification from the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, we have started producing and supplying products to customers in China. At the same time, we have been assisting existing customers in developing numerous new products for domestic and international sales. On the other hand, we have already mastered the core technology of LED lights with the Group's own research and development on the optical lens and control circuit of LED lamps. During the period under review, the sales of optic products increased approximately 22%. The business has been actively promoting domestic sales and designing new products for the European and American markets. However, the overall results of the optic and lighting products business was still unable to turn a profit during the period under review because of the rising price of raw materials and the difficulty to make upward price adjustments of OEM-based LED lights since the prices are subject to customers.

BioChef, the Group's self-designed environmental-friendly brand kitchen ware, received desirable feedback after its launch to the market. We have now mastered the physical characteristics and production process of environmental degradable materials. In the middle of 2011, the Group established a new company – Ecoventure International Limited. This company is responsible for the business planning and marketing of these products and it is actively developing the overseas market. During the period under review, BioChef has launched various new products to meet customer needs for environmental-friendly kitchen ware, and has also hired industrial product designers to produce kitchen ware that fits the European and American markets.

The business has been adopting operational strategies set forth at the beginning of the year; strategy of transforming processing to production and product development based on environmental-friendly concepts, including the use of energy-efficient production technology to reduce carbon emission, active reduction of surface coating processes, and research and development of environmental-friendly kitchen ware series and core technology of energy-saving LED lights.

Printed Circuit Board

For the printed circuit board business, the sales of 2011 was approximately HK$435,723,000, representing a decrease of approximately 18% as compared with the same period of last year, and accounted for approximately 18% of the Group's consolidated turnover, while operating profit for the period was approximately HK$7,416,000.

During the period under review, an earthquake that took place in Japan in March made a significant impact on the electronics supply chain; the printed circuit board was the first product group to be affected, which resulted in a decreased utilization rate of production equipments. Moreover, factors such as soaring raw material prices and rises in labour costs like staff salary and housing provident fund, all resulted in rallying operating costs and declining profits. Additionally, under the influence of European sovereign debt crisis and the continuous credit crunch, both industrial and commercial enterprises worldwide were experiencing difficulties in financing and the export business in Asia was greatly affected. The procurement plan of some of our main customers tended to be more conservative which caused a decrease in the number of orders for the business and the annual results therefore failed to meet the expected target.

Trading Business

Industrial Consumables

The trading business during the year under review accounted for a turnover of approximately HK$417,945,000, representing a decrease of about 4% as compared with the same period of last year and accounted for approximately 17% of the Group's consolidated turnover. The operating profit for the period was approximately HK$30,963,000. The wages and rental costs in 2011 increased significantly which in turn increased operating cost, and the gross profit margin decreased due to the intensified market competition. Fortunately, the appreciation of RMB has offset part of the increased cost; therefore the operating profit was able to remain at the similar level as last year.

The changes of external economies were rapid and large in 2011; following the economic recovery of 2010 and on the momentum of business boom, our performance in the upper half of 2011 was better than expected. However, under the impact of the tsunami that hit Japan in March and as the European debt problems intensified, together with the substantial monetary tightening in China to control properties prices and inflation, not only did the overseas market drop rapidly, the domestic market was obviously slowing down as well. Consequently, our business dropped sharply in the second half of the year. Fortunately, our main market of the trading business was in China and because we were able to concentrate on the environmental-friendly and energy-saving aspect and the needs of factory automation, the sales of servo-driven hydraulic pump increased by approximately 12% and the sales of frequency converter for lifts also increased by approximately 52%. With the growth of special stainless steel wires and that we seized the upward trend in the demand for these products, we were able to reduce the negative impact during the market decline.

Other businesses

Electronic Watt-Hour Meters and Related Businesses

Shenzhen Haoningda Meters Co., Ltd. ("Haoningda"), an associate of the Group in Shenzhen, has been focusing on the fields of electrical instrumentation, microelectronics and components over the years. It is a national high-tech enterprise which incorporates research, development, production, sales and services. It concentrates on the research and development and production of intelligent energy metering instrumentation products, meter reading system and energy metering automated management system. This brand and its innovative spirit have already been widely recognized. Haoningda received the "Guangdong Famous Trademark" and continued to hold the honor of "Shenzhen Top Brand" during the period under review. Moreover, it was recognized as a municipal level research and development center of Shenzhen which was an affirmation for the research and development achievements and market position of Haoningda. During the period, Haoningda recorded a satisfactory growth and in recent years, it is committed in the development of "smart power grid" and "The internet of things", which is an investment project of the Group with great potentials.

BUSINESS PROSPECTS

Looking forward to 2012, on the machinery front, domestic inflation in China will dominate the turn of macro-control policies but the domestic political and economical macro-situation and keynote will remain relatively stable. There will be a tendency to normalization in Europe's debt crisis with the weak economic recovery in developed countries. Therefore, the Group will continue to employ the operational strategy of mainly concentrating on the China domestic market and will consider the export market as a secondary focus. As the State continues the policy direction of "adjusting the structure, stabilizing the growth, controlling the price," we believe that the economy will be able to maintain a growth rate that is relatively stable in the medium and long term. In the short term, however, it will still be influenced by the market downturn atmosphere of the fourth quarter of 2011 and in the first quarter of 2012, customers continue to have a wait-and-see attitude toward the investment in new equipments, which will have a certain impact on the overall market demand. As energy saving, emission reduction, industrial upgrade and labour costs are rising at a steady trend, it is expected that the market demand for energy-saving machinery, automated machinery, and old equipment replacement will be able to maintain a certain level of growth.

The machinery business will continue to employ "steady growth" as the overall strategy, and will use product deepening and market development as the marketing mix strategy. In respect of the research and development and the production and marketing of products, "environmental-friendly, energy-saving, and precision" will continue to be the leading direction. At the same time, we will enhance the automation and network function, as well as sales services in order to increase market share. When labour cost increases inevitably, the business will improve the optimization of various activities in the value added chain in order to maintain its competitive advantages. The Group is prudently optimistic about the future of the machinery manufacturing business.

For the plastic processing business, strategies of green manufacturing and product set forth in 2011 will continue to be carried out in 2012, including the implementation of ISO 14000 certification, continued investment and transformation of production equipments and processes in order to reduce carbon emission, research and development of biodegradable plastic that is applicable in different fields and new products. In the business development respect, strategies include opening up the European and American markets for BioChef environmental-friendly kitchen ware, promoting original design and manufacturing (ODM) of LED lights, and expanding the processing business of dairy product packaging and portable multimedia player products. The overall market condition in 2012 is expected to be in fluctuation and will experience pressure due to the rising costs. The business will actively adopt different measures to optimize cost control and increase production efficiency, as well as to enhance quality control and human resources training. Through the strategy adjustments in 2011, the business will be stronger in areas of independent research and development as well as marketing abilities. We hope that this business can make a difference in the high standard, high value-added and high growth market, and to make desirable contributions to the Group's profit in 2012.

For the trading business, it is expected that many countries in Europe and America will continue to experience debt problems, hindering the global economic recovery and thus the overseas market performance will continue to be weak. In China, the State's macro-control policies to cool down the overheated economy have already begun to work; therefore it is believed that the State will gradually start to ease the monetary tightening to maintain the steady industrial development accordingly. The State's policies to stimulate domestic demand will continue and the annual economy will maintain a steady growth. The domestic market will continue to be the main focus of the trading business, it is estimated that there will be a slight growth in the business for the whole year. The performance of the first quarter in 2012 will have an obviously drop due to the weak condition continuing from last year; nevertheless, since the market has a certain degree of backlog demand and together with the government's economic policies, we believe that the performance of this business will have a more optimistic growth entering the second half of the year.

For the printed circuit board business, it is expected that the operating environment will be tougher in the coming year. Currently, besides the production of the traditional multilayer boards, the business has already started to produce high-density boards that are more efficient and bring about more benefits. In 2012, not only will we be actively obtaining support from existing customers, we will also expand the new customer base of high-density circuit boards. Moreover, the business will continue its efforts in improving the production processes in order to reduce waste and defective products, as well as saving materials to reduce production cost.

In conclusion, looking into the macroeconomic environment of 2012, there are still many uncertainties. Manufacturing and exporting businesses will experience the worst ordeal since the financial crisis back in 2009. It is expected that the market slump will continue for the coming six months, the chance for a turning point will not come until the second half of the year. In addition, the Group will continue to face challenges brought by factors such as the rising price of raw materials, the appreciation of RMB, and the rising labour cost. Nevertheless, we are well prepared to welcome these challenges. In respect of operation, we will put more efforts on the optimization of cost control. We will continue with research and development and quality improvement. We will further reduce operating costs and risks, and will improve the Group's competitive position. On the other hand, the market demand for energy-saving products, biodegradable products and environmental-friendly products is growing steadily, and the Group's development of different businesses in this area have achieved desirable outcomes, therefore we will continue to move toward this direction and create even more business opportunities for the Group.

The Board deeply believes that with the asset base, the prudent financial management, the diverse product portfolio, the production bases and sales points that cover a wide range of areas that the Group has established through these years; and together with the advantage of our innovative production skills and equipments, these will create a long-accumulated strength that helps us in overcoming all challenges and adversities. Furthermore, the persistent efforts in optimizing internal management and training of human resources, the continuous enhancement and improvement of the ERP information management system, together with the deployment of a consistent, prudent and pragmatic financial management will continue to be the key to advancement for the Group. The Broad and the Management will certainly pay close attention to the macroeconomic and market changes to take countermeasures accordingly. We will also embrace future challenges, preserve profitable growth and generate desirable returns to stakeholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 31st December, 2011, the Group's shareholders' funds were approximately HK$1,401,455,000 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 31st December, 2011 was approximately 0.44 (2010: 0.45), and the liquidity ratio was approximately 1.40 (2010: 1.45), both were maintained at a healthy level. As at 31st December, 2011, cash, bank balances and time deposits amounted to approximately HK$227,254,000. 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, 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 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, 2011, the Group has approximately 6,000 employees (2010: approximately 6,000), 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 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, 2011.

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, 2011.

COMPLIANCE WITH MODEL CODE

Throughout the year ended 31st December, 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 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 2011 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 2012.

On behalf of the Board
TANG To
Chairman

Hong Kong, 29th March, 2012

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.