



COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 118)

ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2003

RESULTS

The board of directors (the “Board”) of Cosmos Machinery Enterprises Limited (the “Company”) announces that the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31st December, 2003 with comparative figures for last year are as follows:

		2003	As restated
	<i>Notes</i>	<i>HK\$'000</i>	2002
			<i>HK\$'000</i>
Turnover	2	1,393,628	1,313,484
Cost of sales		(1,101,255)	(1,006,499)
Gross profit		292,373	306,985
Other operating income	3	27,845	37,067
Distribution costs		(93,503)	(83,546)
Administrative expenses		(188,964)	(197,060)
Other operating expenses		(3,726)	(3,657)
Allowance for bad and doubtful debts		(5,000)	(3,860)
Profit from operations	4	29,025	55,929
Finance costs		(17,826)	(19,139)
Investment income		836	1,524
Loss on disposal of subsidiaries		(2,218)	(2,824)
Share of results of associates		28,351	18,654
Release of negative goodwill of an associate		13,999	2,206
Profit before taxation		52,167	56,350
Taxation	5	13,379	16,377
Profit before minority interests		38,788	39,973
Minority interests		18,260	17,512
Net profit for the year		20,528	22,461
Earnings per share – basic	6	3.20 cents	3.50 cents

Notes:

1. IMPACT OF REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE (“SSAP”)

The revised SSAP 12 “Income taxes” is effective for the first time for the current year’s financial statements, which became effective on 1st January, 2003. The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts for 2002 have been restated accordingly. Opening retained profits at 1st January, 2002 and 1st January, 2003 have been increased by approximately HK\$7,398,000 and HK\$6,554,000, which are the cumulative effect of the change in policy on the results for periods prior to 2002 and 2003 respectively. The balances on the Group’s asset revaluation reserve at 1st January, 2002 and 1st January, 2003 has been reduced by approximately HK\$3,127,000 and HK\$2,921,000 respectively, representing the deferred tax liabilities recognised in respect of the revaluation surplus on the Group’s properties as at those dates. The change has also resulted in a decrease in profit before minority interests of HK\$651,796 (2002: HK\$544,100), and a decrease in asset revaluation reserve of HK\$67,430 (2002: increase of HK\$206,473) for the year ended 31st December, 2003.

2. SEGMENTAL INFORMATION

Business segments

For management purposes, the Group is currently organised into five operating divisions – trading of industrial consumables, manufacture of plastic processing products, manufacture of machinery, manufacture of audio products and manufacture of printed circuit boards. These divisions are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

2003

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Audio products HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	244,266	222,230	601,291	72,769	253,072	-	-	1,393,628
Inter-segment sales	5,308	9,966	13,453	-	-	-	(28,727)	-
Total revenue	<u>249,574</u>	<u>232,196</u>	<u>614,744</u>	<u>72,769</u>	<u>253,072</u>	<u>-</u>	<u>(28,727)</u>	<u>1,393,628</u>
Inter-segment sales are charged at prevailing market rates.								
RESULT								
Segment result	<u>16,249</u>	<u>10,180</u>	<u>24,272</u>	<u>(15,943)</u>	<u>11,763</u>	<u>461</u>	<u>3,991</u>	50,973
Unallocated corporate expenses								(21,948)
Profit from operations								29,025
Finance costs								(17,826)
Investment income								836
Loss on disposal of subsidiaries			(244)			(1,974)		(2,218)
Share of results of associates		(797)				29,148		28,351
Release of negative goodwill of an associate						13,999		13,999
Profit before taxation								52,167
Taxation								13,379
Profit before minority interests								<u>38,788</u>

2002 (As restated)

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Audio products HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER								
External sales	204,484	191,491	513,702	173,984	200,869	28,954	–	1,313,484
Inter-segment sales	4,146	26,450	4,719	–	–	–	(35,315)	–
Total revenue	<u>208,630</u>	<u>217,941</u>	<u>518,421</u>	<u>173,984</u>	<u>200,869</u>	<u>28,954</u>	<u>(35,315)</u>	<u>1,313,484</u>

Inter-segment sales are charged at prevailing market rates.

RESULT								
Segment result	<u>15,473</u>	<u>17,128</u>	<u>50,333</u>	<u>(12,104)</u>	<u>11,104</u>	<u>(2,702)</u>	<u>1,702</u>	80,934
Unallocated corporate expenses								<u>(25,005)</u>
Profit from operations								55,929
Finance costs								(19,139)
Investment income								1,524
Loss on disposal of subsidiaries	(945)		(582)	(894)		(403)		(2,824)
Share of results of associates						18,654		18,654
Release of negative goodwill of an associate						2,206		<u>2,206</u>
Profit before taxation								56,350
Taxation								<u>16,377</u>
Profit before minority interests								<u>39,973</u>

Geographical segments

The Group's operations are located in Hong Kong, other regions in the People's Republic of China (the "PRC"), other Asia-Pacific countries, Europe and North America. The Group's trading of industrial consumables division is located in Hong Kong and the PRC. The manufacturing of plastic processing products, machinery, audio products 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	
	2003 HK\$'000	2002 HK\$'000
Hong Kong	492,211	350,955
PRC	727,083	681,037
Other Asia-Pacific countries	94,734	112,214
Europe	35,934	82,359
North America	43,666	86,919
	<u>1,393,628</u>	<u>1,313,484</u>

3. OTHER OPERATING INCOME

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Other operating income included the following items:		
Commission income	8,363	8,953
Exchange gain	–	1,154
Handling and services income	2,244	1,500
Gross property rental income, before deduction of outgoings HK\$278,000 (2002:HK\$308,000)	3,879	3,331
Release of negative goodwill to income	289	701
	<u>289</u>	<u>701</u>

4. PROFIT FROM OPERATIONS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Staff costs		
Directors' remuneration	7,104	5,312
Salaries and other benefits	181,847	181,388
Retirement benefits schemes contributions	6,191	5,216
	<u>195,142</u>	<u>191,916</u>
Depreciation and amortisation		
Depreciation and amortisation on:		
– Owned assets	54,787	54,899
– Assets held under finance leases	5,654	5,102
Amortisation of goodwill (included in other operating expenses)	3,098	3,092
	<u>63,539</u>	<u>63,093</u>
Auditors' remuneration	2,348	2,348
Deficit arising on revaluation of leasehold land and buildings	628	565
Exchange loss	1,072	–
Loss on disposal of property, plant and equipment	931	2,278
	<u>931</u>	<u>2,278</u>

5. TAXATION

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) on the estimated assessable profit for the year. In 2003, the government enacted a change in the profits tax rate from 16% to 17.5% for the fiscal year 2003/2004.

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

	2003 <i>HK\$'000</i>	(As restated) 2002 <i>HK\$'000</i>
Hong Kong Profits Tax		
Current year	1,079	3,395
Underprovision in prior years	93	55
	<hr/> 1,172 <hr/>	<hr/> 3,450 <hr/>
Taxation outside Hong Kong	8,723	10,303
	<hr/> 8,723 <hr/>	<hr/> 10,303 <hr/>
Deferred taxation relating to the origination and reversal of temporary differences		
Current year	633	300
Effect of increase in tax rate	19	–
	<hr/> 652 <hr/>	<hr/> 300 <hr/>
Taxation attributable to the Company and its subsidiaries	10,547	14,053
Share of tax on results of associates	2,832	2,324
	<hr/> 13,379 <hr/>	<hr/> 16,377 <hr/>
Taxation charge	13,379	16,377

6. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the net profit for the year of approximately HK\$20,528,000 (2002: approximately HK\$22,461,000) and on the weighted average number of shares in issue during the year of 641,387,933 (2002: 640,838,234).

The computation of diluted earnings per share for 2002 does not assume the exercise of options and warrants because the exercise prices of the Company's options and warrants were higher than the average market price of shares for the year.

7. CONTINGENT LIABILITIES

	THE GROUP	
	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Guarantees given to financial institutions in respect of credit facilities utilised by:		
Outsiders	6,092	12,133
	<hr/> 6,092 <hr/>	<hr/> 12,133 <hr/>

8. PLEDGE OF ASSETS

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

	Net book value	
	2003 HK\$'000	2002 HK\$'000
Investment properties	13,500	13,500
Leasehold land and buildings	25,309	21,619
Plant and machinery	37,192	18,602
Bank deposits	13,969	18,176
	<u>89,970</u>	<u>71,897</u>

DIVIDEND

The Board proposes that the profit for the period be retained and do not recommend the payment of any dividend for the year ended 31st December, 2003 (2002: Nil).

BUSINESS REVIEW AND PROSPECTS

Results

The Group's consolidated turnover for the year of 2003 was approximately HK\$1,393,628,000, representing an increase of approximately 6% as compared to that of approximately HK\$1,313,484,000 in 2002. During the year, the profit before taxation amounting to approximately HK\$52,167,000, whereas the profit before taxation for the year of 2002 amounted to approximately HK\$56,350,000. For the year ended 31st December, 2003, profit attributable to the shareholders was approximately HK\$20,528,000.

Chairman Statement

The unexpected outbreak of serious atypical respiratory syndrome ("SARS") in 2003 was a major challenge for the Group. In addition to hygiene and safety issues, the flow of business and goods within provinces and cities in China and customers overseas all suffered to various degrees of severity. In response to this challenge, the Group's management implemented measures aimed at minimizing loss under the premise of hygiene and safety. At the same time, we also put in place initiatives designed to promote our business and improve our management. Ultimately, our team learned from and was strengthened as a result of this experience. Market conditions quickly returned to a vibrant level after the epidemic ended. Despite the twin pressures of unfavourable foreign exchange rates and raw material prices, the Group's consolidated results continued to remain in profit thanks to the unstinting efforts of its colleagues.

The machinery manufacturing business was hard hit by the SARS epidemic and did not recover until the second half of the year. Nevertheless, the turnover for this business showed an increase of approximately 17% over last year. This was largely due to the hard work of colleagues. That said, as a result of the rising cost of raw materials in the fourth quarter last year, profit for this business dropped in comparison with the corresponding period last year. Our industrial competency in mechanical design, electronic control and hydraulics combined with experience in plastic processing, an alliance with technologically advanced foreign companies and recent addition and expansion of new facilities and plant ensure our current injection moulding machines will become increasingly competitive. A new generation of products, including other plastic processing machinery such as blow-moulding, extrusion and rubber injection machines will all be introduced over the course of the next two years. There is a growing demand for plastic processing machinery in the maturing China market. Coupled with the solid marketing, the prospects for growth in this area look favorable.

During the SARS crisis, many domestic customers became affected by stringent control of the flow of their goods. As a result, the supply of parts was disrupted and production came close to a standstill. This damaged the Group's plastic processing business. In the face of such difficulties, our fellow colleagues implemented a major initiative aimed at securing new customers. As a result, by the conclusion of the SARS crisis, we had a more wide-ranging and growing customer network and turnover had increased by 16% over the previous year. Unfortunately, fluctuations in plastic material prices meant this business recorded undesirable results and profit dropped. That said, the Group remains optimistic about the prospect of this business returning to profit in 2004.

The SARS epidemic led to a tightening of hygiene standards by food manufacturers in China. This was reflected in the increase of our customer base for plastic hygienic food containers. The production plant which suffered a delay in construction during 2003 is scheduled to commence operation this year. Consequently, the outlook for this business during 2004 remains good.

Our printed circuit board business was largely unaffected by SARS. Previously initiated market developments also began to deliver results during the year under review. As a result, sales revenue increased by 26%. In particular, orders for multi-layer printed circuit boards exceeded our production capacity and the business was forced to outsource in order to satisfy demand. The period under review also saw the smooth development of printed circuit boards made of copper and aluminum. In view of the limited competition the business faces, market prospects in this area look favorable.

2003 saw the implementation of further cost retrenchment measures for audio products. The SARS epidemic caused the flow of customers visiting China from overseas come to a halt, seriously hampering the business' ability to promote new products. The resultant shortage of orders meant that this business' considerable loss persisted. The situation is expected to return to normal this year as retrenchment measures ensure the business achieve break-even.

Despite the effects of the SARS crisis and the disruption caused by fluctuations in the exchange rates for the Euro and Yen, our trading business still managed to record a growth of approximately 19% in turnover during the year under review. The level of profit was maintained. The development of this business will continue on a stable basis and will be supported by our strong sales network and continued emphasis on recruitment and training. The Group remains confident that profits for its trading business will again show growth during 2004.

China is becoming the world's premier manufacturing centre. Foreign investment and the development of private enterprises have both reached new thresholds. Strong exports have triggered an accompanying boom within the domestic market. This growth represents an excellent business opportunity for the Group. Like all emerging markets, China will inevitably undergo certain stages of adjustments which our colleagues must watch very closely. Maintaining stability, focusing on investment in China and the active development of the China and overseas markets will remain the Group's core strategies.

The 2004 market looks set to be a vibrant one. All member companies had more orders on hand during the first quarter of 2004 than they did during the same period last year. Major management and marketing challenges facing the Group during the year ahead will include price wars, increases in material prices, power shortages in China and the decrease in exports tax refunds. Each challenge will be a new test of the Group's ability to turn adversities into opportunities. Ultimately, the Group firmly believes in a people-oriented principle in which the training and recruitment of manpower will all be the strategic development. At the end of the day, I firmly believe that our new board of directors will deliver better results in the development of the Group's business.

Review of Operations

During the first six months of 2003, both market confidence and the regional economy were hard hit by the outbreak of SARS. However, the second half of the year saw the market atmosphere gradually return to normal as SARS was brought under control. The recovery of the China market was especially rapid. As a whole, the Group's business remained stable during 2003, with the machinery, printed circuit board and electronic meter sections showing the most satisfactory results.

Manufacturing Business

Machinery

Last year, to reduce the dual challenges of increased market competition and rising material prices, the Group expanded its production scale and sales power. During the year under review, growth was once again recorded in sales figures for our machinery business, with a turnover of approximately HK\$601,291,000, representing an increase of HK\$87,589,000 or approximately 17% over 2002. When increases in material costs, the expansion of our sales network and various promotion expenses are factored in, the Group's profit decreases to approximately HK\$24,272,000.

The Group is continually striving to minimize the adverse effects of increased material costs by reducing production expenses, implementing stringent cost control measures and optimizing product design, increasing production and tightening our control of logistics and storage. In 2003, the Group has also purchased a number of advanced machines which will enable it to produce its own mechanical parts, work of which was previously outsourced. This move will not only enable us to reduce part manufacturing costs but also improve the precision of parts and ensure faster delivery times.

As China is fast becoming the "world's factory", its industries are creating an enormous market for all kinds of advanced machinery products. In order to satisfy the growing demand, the Group intends to further expand its injection moulding machine business and introduce several new products in due course during 2004. The new additions will include plastic processing machinery such as plastic blow-moulding, large extrusion and rubber injection machines. These moves will enable us to satisfy the demands of China's booming car industry, construction material and packaging industries. To ensure it can achieve this objective, the Group has sought design technology support from a German company. The Group has acquired additional facilities and is expanding the size of its plants in order to add to its production capabilities. By enabling us to sharpen our machinery business's competitive edge in the shortest possible time, this strategy will ensure we can establish and develop our customer base.

Plastic Products and Processing

During the year under review, sales of the Group's plastic business were approximately HK\$222,230,000. This figure represents an increase of approximately HK\$30,739,000 or 16% over 2002. The profit decreased to approximately HK\$10,180,000.

Development of the plastic business in 2003 was unsatisfactory. The SARS epidemic at the beginning of the year hampered the flow of both humans and goods and this affected the plastic processing business to a certain extent. That said, results began to pick up in the second half of the year as the SARS epidemic was brought under control. As a whole, the performance of the plastic business improved during 2003. There was a large increase in orders from the domestic market during the last six months of the year, and consequently, the business was able to meet its annual sales goal. However, the recovery of export sales remained sluggish. This was mainly due to a decrease in orders from existing customers and a delay in the receipt of orders from new customers.

2003 saw raw material prices continue to rise, leading to an increase in production costs and a resultant decline in marginal profits. Due to construction delays, the new plant in Zhuhai was unable to commence operation during the year, a fact which affected our plastic packaging container business. It is expected that 2004 will see growth in the Group's plastic processing businesses in Wuxi, Hefei, Dalian, Dongguan of Guangdong Province, and Shenyang as our customer base is established and grows in those markets. The situation should improve still further when our new Zhuhai plant commences operations and export sales orders increase. Given the rapid development of the plastic processing business in eastern China, the Group plans to expand its processing capabilities at Shuofang Development Zone in Wuxi, Jiangsu Province. The Group will achieve this by acquiring land to build new plants and equipping them with new plastic machinery and painting equipments. Such steps will ensure the Group can provide processing services to manufacturers of large household electrical appliances and vehicle component parts in eastern China.

Printed Circuit Board

2003 saw the sales of printed circuit board products continue to experience double-digit growth. Total sales were approximately HK\$253,072,000, an increase of approximately HK\$52,203,000 or 26% over 2002. The profit for this business was approximately HK\$11,763,000.

The Group's printed circuit board business was almost not affected by the SARS outbreak at the beginning of the year. Otherwise, the results for this business would have been far more promising. During this period, sales were primarily focused on printed circuit boards of one layer or two layers, while the market's development of multi-layer printed circuit boards continued. Ultimately, the printed circuit board business produced better results in 2003 because of the Group's expansion of its overseas sales network and the high level products quality. The successful commencement of operations at the Group's new plant last year also contributed to the development of the business by helping to increase production and improve both delivery times and product quality. It is expected that 2004 will see the Group deploy additional resources and purchase further advanced facilities which will enable it to increase productivity and reduce product costs. In the area of new products, the Group will focus on the development of high value-added printed circuit boards which will help to sharpen its competitive edge and increase its profit margin.

Audio Products

Sales of audio products during 2003 were approximately HK\$72,769,000. This figure represents a decrease of approximately HK\$101,215,000 or approximately 58% over 2002. The resultant loss was approximately HK\$15,943,000.

The Group's audio business was in the consolidation stage. In the year ahead, the Group will continue to implement cost retrenchment measures aimed at helping this business to break-even.

Trading Business

Industrial Consumables

During the year under review, turnover for this business soared to HK\$244,266,000, representing an HK\$39,782,000 or approximately 19% increase over 2002. The profit stood at approximately HK\$16,249,000.

While sales of industrial consumables increased during 2003, the business' overall performance was not up to expectation. A key reason for this was suppliers' tendency to set up their own sales networks within the more open and transparent China market. Such moves had an adverse impact on businesses which play an intermediary role. Consequently, while this business' export and re-export results improved, its sales in Hong Kong declined. The fluctuation of foreign exchange rates also contributed to an increase in cost and decline in profits.

In the year ahead, the Group will continue to improve the expertise of its technical support team, and encourage closer co-operation with sales staff in order to further enhance customer service levels. 2004 will also see the Group focus on consolidating its customer base by paying close attention to new trends in the market; further enhancing communications between sales outlets; actively contacting its customers; and focusing on key brands.

Prospects

The Group envisages that drastic rises in raw material costs, power shortages in China and a reduction in exports tax rebate will all impact on its product costs and affect the Group's profitability during 2004. Faced with such challenges, the Group will strive to develop high quality value-added products that will enable it to avoid disorderly, purely price-based competition. Training will be provided to management personnel at all levels in the Group's member companies, which will help to further enhance the Group's professional management capabilities, make better use of resources and control costs.

In general, the market looks set to remain strong during 2004. It is indisputable that China has become the world's premier factory. As an organization that engages in the manufacturing and trading of industrial machinery and accessories, the Group will remain focused primarily on the China market.

To further sharpen its competitive edge, the Group is now planning to properly enlarge its production capabilities. Specific projects to be undertaken to achieve this goal include the construction of new plants at various cities in both Guangdong and Jiangsu provinces. The Group also plans to acquire new facilities for the introduction of new products, increase in production and further enhancement of product quality. At the same time, we will place increased emphasis on the nurturing of talent in the coming years. The Group strongly believes that the building of a professional management team will play a vital role in its sustainable development and continual success.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31st December, 2003, the Group's shareholders' funds were approximately HK\$631,803,000, compared with approximately HK\$601,177,000 as at 31st December, 2002.

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 gearing ratio as at 31st December, 2003 was approximately 3.8% (2002: 2.7%), and the liquidity ratio was approximately 1.29 (2002: 1.28), both were maintained at a healthy level. As at 31st December, 2003, cash, bank balances and time deposits amounted to approximately HK\$103,508,000. All these reflect that the Group is in sound financial position.

EMPLOYEES AND REMUNERATION POLICY

As at 31st December, 2003, the Group has approximately 6,000 employees (2002: 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.

AUDIT COMMITTEE

The audit committee of the Company comprises the two independent non-executive directors. The audit committee members possess management and financial experience to advise on the Company's matters. During the last 12 months, the audit committee met twice to review with senior management the accounting practices adopted by the Group, and to discuss internal control and financial reporting matters, including the interim and annual financial statements before recommending the same to the Board for approval.

PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company shall, subject to the approval of shareholders of the Company (the "Shareholders") at the forthcoming annual general meeting (the "AGM"), amend its articles of association to cope with certain amendments made to the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Details of the proposed amendments will be set out in the notice of the AGM to be published on 30th April, 2004 when the 2003 annual report of the Company and a circular to be despatched to the Shareholders on the same day.

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

During the year ended 31st December, 2003, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT

The Company's detailed results announcement containing all the information required by paragraph 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of each of The Stock Exchange of Hong Kong Limited at <http://www.hkex.com.hk> and of the Company at <http://www.cosmel.com> in due course.

On behalf of the Board
TANG To
Chairman

Hong Kong, 26th April, 2004

As at the date hereof, the board of directors of the Company is comprised of ten Directors, of which five are Executive Directors, namely Mr. Tang To, Mr. Zhao Zhuoying, Mr. Wong Yiu Ming, Mr. Yan Wing Fai Richard and Mr. Li Tin Loi, and three are Non-Executive Directors, namely Mr. Tang Kwan, Mr. He Zhiqi and Mr. Kan Wai Wah and two are Independent Non-Executive Directors, namely Mr. Liang Shangli and Mr. Yip Jeffery.

"Please also refer to the published version of this announcement in The Standard"



COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(於香港註冊成立之有限公司)

(股份代號：118)

業績公佈

截至二零零三年十二月三十一日止年度

業績

大同機械企業有限公司(「本公司」)董事會(「董事會」)謹此宣佈本公司及其附屬公司(「本集團」)截至二零零三年十二月三十一日止年度之經審核綜合業績連同二零零二年同期之比較數字如下：

	附註	二零零三年 千港元	重列 二零零二年 千港元
營業額	2	1,393,628	1,313,484
銷售成本		(1,101,255)	(1,006,499)
毛利		292,373	306,985
其他收入	3	27,845	37,067
分銷費用		(93,503)	(83,546)
行政費用		(188,964)	(197,060)
其他經營開支		(3,726)	(3,657)
呆壞賬撥備		(5,000)	(3,860)
經營溢利	4	29,025	55,929
財務費用		(17,826)	(19,139)
投資收益		836	1,524
出售附屬公司虧損		(2,218)	(2,824)
應佔聯營公司業績		28,351	18,654
聯營公司負商譽撥作收入		13,999	2,206
除稅前溢利		52,167	56,350
稅項	5	13,379	16,377
扣除少數股東權益前溢利		38,788	39,973
少數股東權益		18,260	17,512
年內溢利淨額		20,528	22,461
每股盈利－基本	6	3.20仙	3.50仙

附註：

1. 經修訂會計實務準則之影響

於本年度，本集團首次採用於二零零三年一月一日生效經修訂之會計實務準則第12條「所得稅」，會計實務準則第12條（修訂）之實施主要影響遞延稅項。於過往年度，本集團按收入報表負債法就遞延稅項作出部份撥備，確認因時間差異而產生之負債，惟倘該等時間差異預期將不會於可見將來回撥者除外。會計實務準則第12條（修訂）規定須採用資產負債表負債法，除有限的例外情況外，遞延稅項乃按財務報表內資產及負債的賬面值與計算應課稅溢利使用之相應稅基而產生之短暫差異而予以確認。遞延稅項負債乃就附屬公司及聯營公司產生之應課稅短暫差異而確認，惟集團倘可予以控制短暫差異之撥回，並有可能在可見將來不會撥回則除外。鑑於會計實務準則第12條（修訂）並無任何指定過渡性條文，因此新會計政策已追溯應用。二零零二及二零零三年前期業績因改變政策的累計變化分別為二零零二年一月一日及二零零三年一月一日的期初保留溢利增加約為7,398,000港元及6,554,000港元。而集團二零零二年一月一日及二零零三年一月一日的資產重估儲備餘額則分別減少約為3,127,000港元及2,921,000港元，這代表本集團於此年十二月三十一日本年度扣除少數股東權益前溢利減少約為651,796港元（二零零二年：約為544,100港元）及資產重估儲備減少67,430港元（二零零二年：增加約為206,473港元）。

2. 業務及地區市場分類

業務類別

就管理而言，本集團目前按五個經營組別組成一工業消耗品貿易、注塑製品及加工製造、機械製造、音響產品製造及線路板製造，此等類別為本集團呈報其分類資料之基準。

業務分類資料如下：

二零零三年

	工業消耗品 千港元	注塑製品 及加工 千港元	機械 千港元	音響產品 千港元	線路板 千港元	其他營運 千港元	撇銷 千港元	綜合 千港元
營業額								
對外銷售	244,266	222,230	601,291	72,769	253,072	-	-	1,393,628
內部分類銷售	5,308	9,966	13,453	-	-	-	(28,727)	-
總收入	<u>249,574</u>	<u>232,196</u>	<u>614,744</u>	<u>72,769</u>	<u>253,072</u>	<u>-</u>	<u>(28,727)</u>	<u>1,393,628</u>

內部分類銷售按市場優惠價格計算

業績								
分類業績	<u>16,249</u>	<u>10,180</u>	<u>24,272</u>	<u>(15,943)</u>	<u>11,763</u>	<u>461</u>	<u>3,991</u>	50,973
未分配公司費用								(21,948)
經營溢利								29,025
財務費用								(17,826)
投資收益								836
出售附屬公司虧損			(244)			(1,974)		(2,218)
應佔聯營公司業績		(797)				29,148		28,351
聯營公司商譽撥作收入						13,999		13,999
除稅前溢利								52,167
稅項								13,379
扣除少數股東權益前溢利								<u>38,788</u>

二 零 零 二 年 (重 列)

	工 業 消 耗 品 千 港 元	注 塑 製 品 及 加 工 千 港 元	機 械 千 港 元	音 響 產 品 千 港 元	線 路 板 千 港 元	其 他 營 運 千 港 元	撤 消 千 港 元	綜 合 千 港 元
營 業 額								
對 外 銷 售	204,484	191,491	513,702	173,984	200,869	28,954	—	1,313,484
內 部 分 類 銷 售	4,146	26,450	4,719	—	—	—	(35,315)	—
總 收 入	<u>208,630</u>	<u>217,941</u>	<u>518,421</u>	<u>173,984</u>	<u>200,869</u>	<u>28,954</u>	<u>(35,315)</u>	<u>1,313,484</u>

內 部 分 類 銷 售 按 市 場 優 惠 價 格 計 算。

業 績								
分 類 業 績	<u>15,473</u>	<u>17,128</u>	<u>50,333</u>	<u>(12,104)</u>	<u>11,104</u>	<u>(2,702)</u>	<u>1,702</u>	80,934
未 分 配 公 司 費 用								<u>(25,005)</u>
經 營 溢 利								55,929
財 務 費 用								(19,139)
投 資 收 益								1,524
出 售 附 屬 公 司 虧 損	(945)		(582)	(894)		(403)		(2,824)
應 佔 聯 營 公 司 業 績						18,654		18,654
聯 營 公 司 負 商 譽 撥 作 收 入						2,206		<u>2,206</u>
除 稅 前 溢 利								56,350
稅 項								<u>16,377</u>
扣 除 少 數 股 東 權 益 前 溢 利								<u>39,973</u>

地 區 分 類

本 集 團 的 業 務 位 於 香 港、中 華 人 民 共 和 國 其 他 地 區、其 他 亞 太 國 家、歐 洲 及 北 美 洲。本 集 團 之 工 業 消 耗 品 貿 易 類 別 位 於 香 港 及 中 華 人 民 共 和 國 其 他 地 區。注 塑 製 品 及 加 工、機 械、音 響 產 品 及 線 路 板 等 製 造 業 類 別 均 位 於 中 華 人 民 共 和 國。

下 列 載 列 本 集 團 銷 售 額 按 地 區 市 場 之 分 析，不 論 貨 物 / 服 務 之 來 源：

	按 地 區 市 場 劃 分 之 銷 售 收 入	
	二 零 零 三 年 千 港 元	二 零 零 二 年 千 港 元
香 港	492,211	350,955
中 華 人 民 共 和 國 其 他 地 區	727,083	681,037
其 他 亞 太 國 家	94,734	112,214
歐 洲	35,934	82,359
北 美 洲	43,666	86,919
	<u>1,393,628</u>	<u>1,313,484</u>

3. 其他經營收入

其他經營收入包括下列項目：

	二零零三年 千港元	二零零二年 千港元
佣金收入	8,363	8,953
匯兌收益	—	1,154
處理及服務收入	2,244	1,500
扣除開支278,000港元(二零零二年： 308,000港元)前之物業租金收益	3,879	3,331
負商譽撥作收入	289	701
	<u> </u>	<u> </u>

4. 經營溢利

	二零零三年 千港元	二零零二年 千港元
經營溢利已扣除下列項目：		
員工支出		
董事酬金	7,104	5,312
薪金及其他收益	181,847	181,388
退休福利計劃供款	6,191	5,216
	<u> </u>	<u> </u>
	195,142	191,916
	<u> </u>	<u> </u>
折舊及攤銷		
折舊及攤銷：		
— 自置資產	54,787	54,899
— 財務租賃之資產	5,654	5,102
商譽攤銷(已包括在其他經營開支)	3,098	3,092
	<u> </u>	<u> </u>
	63,539	63,093
	<u> </u>	<u> </u>
核數師酬金	2,348	2,348
土地及樓宇重估之虧損	628	565
匯兌虧損	1,072	—
出售物業、廠房及設備之虧損	931	2,278
	<u> </u>	<u> </u>

5. 稅項

香港利得稅乃按期內估計應課稅溢利17.5%(二零零二年：16%)計算。於二零零三年，香港特別行政區政府將二零零三／二零零四年財政年度之利得稅稅率，由16%提高至17.5%。

於其他司法權區所產生稅項乃按有關該司法權區現行之稅率計算。

	二零零三年 千港元	重列 二零零二年 千港元
香港利得稅		
本年度	1,079	3,395
上年度少提	93	55
	<u>1,172</u>	<u>3,450</u>
海外稅項	8,723	10,303
因暫時差異之產生及逆轉之遞延稅項		
本年度	633	300
稅率改變之影響	19	—
	<u>652</u>	<u>300</u>
本公司及其附屬公司應佔稅項	10,547	14,053
應佔聯營公司稅項	2,832	2,324
	<u>13,379</u>	<u>16,377</u>

6. 每股盈利

本年每股基本盈利乃按本年溢利約為20,528,000港元(二零零二年：約為22,461,000港元)及年度內已發行股份加權平均數641,387,933股(二零零二年：640,838,234股)計算。

由於本公司優先認股權及認股權證之行使價均高於截至二零零二年十二月三十一日止年內股份之市場平均價，故計算每股攤薄盈利時並未假設該等優先認股權及認股權證會獲行使。

7. 或然負債

	二零零三年 千港元	二零零二年 千港元
給予財務機構之已使用 信貸額作出的擔保：		
非集團公司	6,092	12,133
	<u>6,092</u>	<u>12,133</u>

8. 資產抵押

於結算日，本集團已將下列資產作抵押，以取得給予本集團之一般銀行信貸款：

	賬面淨值	
	二零零三年 千港元	二零零二年 千港元
投資物業	13,500	13,500
土地及樓宇	25,309	21,619
機器設備	37,192	18,602
銀行存款	13,969	18,176
	<u>89,970</u>	<u>71,897</u>

股息

董事會建議將期內溢利留存，並建議不派發截至二零零三年十二月三十一日止年度之股息（二零零二年：無）。

業務回顧及展望

業績

本集團本年度之綜合營業總額約為1,393,628,000港元，較二零零二年的約為1,313,484,000港元上升約6%。本年度除稅前溢利約為52,167,000港元，而二零零二年除稅前溢利約為56,350,000港元。截至二零零三年十二月三十一日止年度股東應佔溢利約為20,528,000港元。

主席報告

二零零三年始料不及的非典型肺炎（「非典」）確實是對我集團的挑戰，除卻衛生及安全問題，營運上與海外客戶及中國內地的省市間的業務交往、甚至物流都受到不同程度的嚴重打擊。面對考驗，管理層同事分別都制訂出不同的應變措施，在衛生與安全的前提下盡量減少損失，更積極於業務推動、提升管理。在挑戰中鍛煉我們的隊伍。疫情過後，市場轉活，雖然又面對外匯與材料價格的上升壓力，憑藉同事們的活力拼搏，集團的綜合業績保持盈利。

機械製造業務受疫情的負面影響頗重，至下半年才轉暢旺，在同事們的努力下，營業額仍較去年增長約17%，但於去年第四季度的原材料價格上漲，因此與往年同期比較盈利有所下降。基於集團自有的企業技能：機械、電控、液壓及塑膠加工經驗的綜合，再聯同外國先進技術的加盟，加上集團近期投入的新設備與廠房擴充，現時的注塑機品種的競爭力將繼續提升，而其他塑膠加工機械如中空機、擠壓機、橡塑機等新一代產品將於未來一兩年陸續推出。在目前中國內地日趨成熟的市場，對塑膠加工機械的需求愈見全面，配合現存的銷售隊伍推廣，相得益彰，前景可觀。

疫症期間，由於不少內地客戶面對嚴控物流措施致零部件供應失控而處於半停產狀態，以致集團的塑膠注塑業務受累。在困境的壓力下，我同事們積極開發新客戶，疫情過後，客戶網群更見健全且步入旺景，營業金額對比往年上升16%。唯塑膠價格的波動，使本年度的業績不理想，盈利有所下降，但對二零零四年的盈利恢復，集團保持樂觀。

疫症的出現，引致內地食品製品廠戶對衛生要求更為重視，近期食品衛生塑膠器皿業務的客戶群明顯增長，預期該經已延期落成的廠房於今年竣工投產，業務開展應會順利。

線路板加工業務基本上未受疫情影響，過去對市場開發的投入於回顧年度初現成效，銷售金額增長26%，特別是多層線路板的訂單遠超於自產能力而要假求外協加工。回顧期間，更投入開發以銅及鋁合金材料的線路板產品相當順利。該業務競爭少，市場前景樂觀。

音響產品於過去一年，雖已進一步壓縮了費用開支，但十分可惜，於疫症期間，海外客商來訪陷於停頓，致新款產品的推介嚴重受阻，訂單短缺而虧損仍大。展望應步入正常的本年度將繼續緊縮調整而爭取持平。

貿易業務同樣受疫情影響，加上歐元、日元匯率波動的困擾，於回顧年度，其營業額仍增長約19%，盈利得以維持。該業務將維持穩健的方針以健全的分銷網絡，不斷培訓、招攬人才，作為拓展基礎。很有信心，預期該業務於本年度的盈利恢復增長。

鑑於中國成為世界製造中心的基礎愈見穩確，外來投資與民營企業發展都步進新的台階，由出口強勢已牽動起內需市場蓬勃，所引發的效應都是本集團的商機，當然，新生的市場無可避免會出現若干階段性的調整，我等同事務必密切關注。因此，維持穩健的作風而著重於中國內地的投資，積極向內地及世界各國市場拓展，將是本集團持續的發展方略。

預期二零零四年的市場將是較為活躍，今年第一季度各成員公司手頭訂單都較去年同期有所增長，但基於市場上無序的價格競爭，目前又面對材料價格上漲，中國內地電力供應短缺、出口退稅降減，這又是對我集團的管與市場策略的新挑戰，是化危為機的新考驗。無論如何，集團堅信以人為本的宗旨，對人才培訓、調整與招攬，都視為長期持續發展的工作綱領。我本人深信，新一屆董事會成員組合，將會為集團的業務拓展有更理想的成績。

業務回顧

二零零三年上半年，市場信心受到非典肆虐影響，地區經濟受到打擊。然而，在下半年，非典疫情受控，市場氣氛逐漸回復正常，其中尤以中國市場，恢復較快。綜觀二零零三年，本集團整體業務尚算平穩，其中以機械、線路板及電度表的業績較為理想。

製造業務

工業機械

在過去一年，本集團通過擴大生產規模及銷售力量以消弭市場競爭及材料價格上揚的壓力。於回顧年度內，機械業務銷售再度錄得增長，營業額約為601,291,000港元，較去年增加87,589,000港元，上升約17%。然而，由於材料成本的增加、營銷網絡的擴大及推廣費用的投入，使盈利有所減少至約24,272,000港元。

我們貫徹降低生產費用及嚴格控制成本，同時通過優化產品設計、提高產量並控制物流及存貨，以降低材料價格上升帶來的負面影響。除此之外，集團於二零二零三年度增購了若干先進加工設備，自行的生產原需外發加工的關鍵零件，此舉除降低了加工成本外，亦改善了零件的精度及交貨時間。

由於中國已成為世界工廠，對各類先進的機械產品的需求，與時俱增，為配合形勢發展的需要，集團在進一步擴展注塑機的業務的同時，亦將於二零二四年內適時推出其他的塑膠加工機械，其中包括塑料中空成型機、大型擠出機械及橡膠機械等新產品以滿足國內正蓬勃發展的汽車配件、建築管材及包裝容器等市場的需要。為達到這個目標，集團在技術開發上與德國的設計技術公司聯手，在生產規模上增購相應的設備，同時亦適當地擴大廠房的面積，務求以較短的時間去增強本集團在機械業務的競爭優勢，拓展及建立新的客戶群。

注塑製品及加工

於回顧年度，注塑業務的銷售約為222,230,000港元，較去年增加約30,739,000港元，增幅約為16%，盈利約為10,180,000港元，比較去年有所下降。

二零二零三年發展雖然未如理想，年初非典疫情阻礙了市場的人流及物流，一定程度上影響注塑加工業務的開展，業務情況在下半年隨著疫情得到遏止而有所改善，總括來說，注塑業務的整體表現相對較往年為佳，內銷訂單在下半年有較大幅度的增長，總體銷售達到預期目標。惟外銷業務復蘇步伐則仍較慢，主要是原外銷客戶的訂單有所降減及新客戶的訂單延誤所致。

在回顧年度內，原材料價格繼續上升，增加了生產成本，造成了邊際利潤下降。珠海新建廠房由於建築延誤，未能於年度內投產亦影響了部份塑料包裝容器的業務，展望二零二零四年，本集團在無錫、合肥、大連、廣東莞及瀋陽等地的注塑加工業務，將隨著當地客戶群的建立而有所增長，此外，珠海廠房的投產及外銷訂單的增加，亦將使注塑製品業務得以較大的改善。另由於華東注塑加工業務發展迅速，集團計劃擴大江蘇省無錫及放開發區的加工規模，除購地增建廠房外，另將添置相應注塑機械及設備，為華東的大型家電及汽車零部件等工業，提供加工服務。

線路板

於二零零三年度，線路板產品銷售繼續錄得雙位數字的增幅，銷售額約為253,072,000港元，與去年比較，上升約52,203,000港元，增幅約26%，盈利約為11,763,000港元。

線路板業務於年初略受到非典影響，否則，成績將更理想。期間銷售仍以單、雙層板為主，並繼續發展多層板市場。線路板的業務在二零零三年能取得較佳的成績，主要是海外營銷網絡得到擴展，產品的質量有所保證，從而建立了客戶的信心，年前新廠房順利投產，提升了產能，改善了交貨期及產品的質量，業務因此得到發展。展望二零零四年，公司將進一步投入資源，增添相應先進設備，以提升公司的生產力及降低生產成本。新產品將集中於高增值線路板的開發，以提高公司的競爭優勢及利率空間。

音響產品

於回顧年度，音響產品銷售約為72,769,000港元，較去年下降約101,215,000港元，跌幅約58%，虧損約為15,943,000港元。

由於音響業務仍處於調整階段，加上於二零零三年初，消費市場受到嚴重打擊，影響銷售。在來年，我們將進一步緊縮開支，務求令業務持平。

貿易業務

工業消耗品

於回顧年度內，營業額大幅上升至244,266,000港元，比去年增加約39,782,000港元，上升約19%，盈利約為16,249,000港元。

於去年，銷售雖然有所增加，工業消耗品業務表現較預期略為遜色。原因為國內市場開放，透明度增加，供應商傾向直接於國內設置銷售網，對扮演中介角色的業務造成打擊，故此，在出口業績增加之餘，內銷業務成績有所遞減。加上外幣匯價波動，引致成本大增，減低利潤。

在來年，我們將繼續加強技術支援隊伍的技術能力，以配合實踐銷售人員為客戶提供服務。另外，我們將密切留意市場的發展趨向，加強各地銷售點的溝通，主動接觸客戶，集中發展重點品牌，致力建立穩定的客戶基礎。

展望

展望二零零四年，原材料的價格猛漲，國內電力供應短缺以至出口產品退稅的降低等問題都對產品的成本構成壓力，影響集團的盈利。面對挑戰，集團將致力開發高增值的新產品以避開徒以價格為手段的無序競爭。通過對各成員公司中、高層管理人員的培訓以提升企業的專業管理水平，使公司的資源能得以善用，成本得以降低。

總的來說，二零零四年的市場仍將保持強勢，中國成為世界工廠已是不爭的事實，對從事工業機械及配套件生產及貿易的企業，國內市場仍為本集團焦點所在。

為加強競爭優勢，集團計劃適度的擴建生產規模，包括於廣東及江蘇省的若干城市增建廠房，增購必需的先進設備，以為新產品的投入、產量的增加及產品質量的進一步提升，提供條件。此外，人才的培養亦為來年及今後焦點工作之一，本集團深信培養具專業水平的管理團隊，是為企業持續發展的主要支柱。

流動資金及財務資源

於二零零三年十二月三十一日，本集團之股東資本約為631,803,000港元，而於二零零二年十二月三十一日則約為601,177,000港元。

本集團是以內部產生的現金流量，加上香港及中國往來銀行備用額作為營運資金。本集團於二零零三年十二月三十一日的資產負債比率約為3.8%（二零零二年：2.7%），而流動資金比率約為1.29（二零零二年：1.28），該等比率保持良好水平。於二零零三年十二月三十一日之現金、銀行結餘及定期存款約為103,508,000港元，財務狀況保持穩健。

僱員及薪酬政策

截至二零零三年十二月三十一日，本集團之僱員約共6,000名（二零零二年：約共6,000名），薪酬按市場趨勢及僱員表現而釐定；福利包括保險、退休及優先認股權等計劃。

審核委員會

本公司之審核委員會由兩位獨立非執行董事組成。各審核委員會成員均具備管理及財務經驗，為公司業務提供意見。審核委員會在過去十二個月曾舉行兩次會議，與高級管理層檢討本集團所採用之會計實務，並討論內部監控制度及財政匯報事宜（包括建議董事會批准中期及年度財務報表）。

建議修訂組織章程細則

本公司將於應屆股東週年大會（「股東週年大會」）上取得本公司股東（「股東」）批准後，因應公司條例及香港聯合交易所有限公司證券上市規則（「上市規則」）之若干變更修訂章程細則。建議修訂事項之詳情將載於二零零四年四月三十日刊登之股東週年大會通告及於同日連同本公司二零零三年年報寄發予股東之通函內。

購買、售出或贖回本公司上市證券

本公司或其任何附屬公司概無於截至二零零三年十二月三十一日止年度內購買、售出或贖回本公司上市證券。

刊登詳盡之業績公佈

載有上市規則附錄十六第45(1)至45(3)段規定全部資料之本公司二零零三年年度業績公佈將於適當時於香港聯合交易所有限公司之網站 (<http://www.hkex.com.hk>) 及本公司網站 (<http://www.cosmel.com>) 刊登。

代表董事會
主席
鄧燾

香港，二零零四年四月二十六日

於本公佈發表日期，本公司董事會由十位董事組成；其中，鄧燾先生、趙卓英先生、黃耀明先生、甄榮輝先生及李天來先生五位為執行董事；鄧焜先生、何志奇先生、簡衛華先生三位為非執行董事；而梁尚立先生及葉慶輝先生兩位則為獨立非執行董事。

「請同時參閱本公布於經濟日報刊登的內容。」