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**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2015**

INTERIM RESULTS

The board of directors (the “Board”) of Cosmos Machinery Enterprises Limited (the “Company”) announces that the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the six months ended 30th June, 2015 with comparative figures for the corresponding period in 2014 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30th June,	
		2015	2014
		(Unaudited)	(Unaudited)
Notes		HK\$'000	HK\$'000
	3	1,240,528	1,230,862
Turnover			
Cost of sales		<u>(1,037,791)</u>	<u>(1,018,655)</u>
Gross profit		202,737	212,207
Other income and gains, net		14,271	15,700
Distribution costs		(72,744)	(75,220)
Administrative expenses		(135,693)	(142,620)
Allowance for impairment of bad and doubtful debts, net		<u>(188)</u>	<u>–</u>
Profit from operations		8,383	10,067
Finance costs		(11,042)	(10,376)
Investment income		6,660	3,814
Gain on disposal of an associate		2,587	–
Share of results of associates		<u>306</u>	<u>(639)</u>
Profit before taxation	4	6,894	2,866
Taxation	5	<u>(5,684)</u>	<u>(5,433)</u>
Profit (loss) for the period		<u><u>1,210</u></u>	<u><u>(2,567)</u></u>
Attributable to:			
– Equity holders of the Company		(8,977)	(16,614)
– Non-controlling interests		<u>10,187</u>	<u>14,047</u>
		<u><u>1,210</u></u>	<u><u>(2,567)</u></u>
Loss per share for loss attributable to the equity holders of the Company during the period	6		
– Basic		<u><u>(HK1.25 cents)</u></u>	<u><u>(HK2.32 cents)</u></u>
Proposed interim dividend: Nil (2014: Nil)		<u><u>–</u></u>	<u><u>–</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended

30th June,

	2015 (Unaudited) <i>HK\$'000</i>	2014 (Unaudited) <i>HK\$'000</i>
Profit (loss) for the period	<u>1,210</u>	<u>(2,567)</u>
Other comprehensive income (expense) for the period, net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets	127	79
Share of other comprehensive income (expense) of associates	30	(325)
Exchange differences arising from translation of financial statements of foreign operations	970	(9,603)
Release of translation reserve upon disposal of an associate	<u>1,143</u>	<u>–</u>
	<u>2,270</u>	<u>(9,849)</u>
Total comprehensive income (expense) for the period	<u>3,480</u>	<u>(12,416)</u>
Attributable to:		
– Equity holders of the Company	(6,985)	(25,861)
– Non-controlling interests	<u>10,465</u>	<u>13,445</u>
Total comprehensive income (expense) for the period	<u>3,480</u>	<u>(12,416)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2015 (Unaudited) <i>HK\$'000</i>	31st December, 2014 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment		766,597	788,844
Leasehold land and land use rights		53,707	54,501
Goodwill		53,483	53,483
Intangible assets		11,295	11,987
Interests in associates		40,892	41,174
Available-for-sale financial assets		733	606
Finance lease receivables	7	11,864	14,103
Deferred tax assets		39,309	39,608
		977,880	1,004,306
Current Assets			
Inventories		634,047	656,310
Finance lease receivables	7	41,019	22,396
Trade and other receivables	8	796,359	743,337
Other financial assets		46,254	174,810
Current tax recoverable		1,512	2,120
Cash and bank balances	9	552,843	510,270
		2,072,034	2,109,243
Current Liabilities			
Trade and other payables	10	823,693	843,882
Amounts due to associates		–	481
Bank borrowings – due within one year		447,895	478,112
Obligations under finance leases		7,082	8,752
Deferred consideration payable		6,344	4,811
Current tax payable		3,904	6,738
		1,288,918	1,342,776
Net Current Assets		783,116	766,467
Total Assets less Current Liabilities		1,760,996	1,770,773

		30th June, 2015	31st December, 2014
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current Liabilities			
Bank borrowing – due after one year		50,250	55,275
Obligations under finance leases		5,447	8,180
Deferred tax liabilities		26,024	26,630
Deferred consideration payable		1,533	3,066
		<hr/> 83,254 <hr/>	<hr/> 93,151 <hr/>
Net Assets		<hr/> 1,677,742 <hr/>	<hr/> 1,677,622 <hr/>
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	11	532,903	532,903
Reserves		902,912	909,897
		<hr/> 1,435,815 <hr/>	<hr/> 1,442,800 <hr/>
Non-controlling interests		241,927	234,822
		<hr/> 1,677,742 <hr/>	<hr/> 1,677,622 <hr/>
Total Equity		<hr/> 1,677,742 <hr/>	<hr/> 1,677,622 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“HKASs”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation adopted are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st December, 2014 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards, HKASs and Interpretations (“HKFRS”) which are effective for accounting periods commencing on or after 1st January, 2015. The effect of adopting these new and revised HKFRS are set out in note 2 below.

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

In 2015, the Group adopted the standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

Amendments to HKAS 19, Defined benefit plans: Employee Contribution
Annual improvements to HKFRSs 2010-2012 Cycle
Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of this revised HKFRS has had no significant impact on the results and financial position of the Group.

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 and trading of printed circuit boards.

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:

The segment results for the period ended 30th June, 2015 are as follows:

	Industrial consumables <i>HK\$'000</i>	Plastic processing products <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER							
External sales	187,066	229,980	390,321	423,645	9,516	-	1,240,528
Inter-segment sales	9,033	126	1,023	-	2,745	(12,927)	-
Total revenue	<u>196,099</u>	<u>230,106</u>	<u>391,344</u>	<u>423,645</u>	<u>12,261</u>	<u>(12,927)</u>	<u>1,240,528</u>
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	<u>7,097</u>	<u>(5,576)</u>	<u>(4,551)</u>	<u>22,068</u>	<u>1,287</u>	<u>212</u>	20,537
Unallocated corporate expenses							<u>(12,154)</u>
Profit from operations							8,383
Finance costs							(11,042)
Investment income, net							6,660
Gain on disposal of an associate							2,587
Share of results of associates			306				306
Profit before taxation							<u>6,894</u>

	Industrial consumables <i>HK\$'000</i>	Plastic processing products <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS						
At 30th June, 2015						
Segment assets	273,362	363,843	1,159,672	574,849	161,067	2,532,793
Interests in associates						40,892
Available-for-sale financial assets						733
Unallocated corporate assets						475,496
Consolidated total assets						<u>3,049,914</u>

The segment results for the period ended 30th June, 2014 are as follows:

	Industrial consumables <i>HK\$'000</i>	Plastic processing products <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER							
External sales	211,821	175,528	409,378	429,025	5,110	–	1,230,862
Inter-segment sales	6,686	143	850	–	2,824	(10,503)	–
Total revenue	<u>218,507</u>	<u>175,671</u>	<u>410,228</u>	<u>429,025</u>	<u>7,934</u>	<u>(10,503)</u>	<u>1,230,862</u>
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	<u>13,794</u>	<u>(10,615)</u>	<u>(12,569)</u>	<u>35,634</u>	<u>(632)</u>	<u>195</u>	25,807
Unallocated corporate expenses							<u>(15,740)</u>
Profit from operations							10,067
Finance costs							(10,376)
Investment income, net							3,814
Share of results of associates		(406)	(233)				<u>(639)</u>
Profit before taxation							<u>2,866</u>

	Industrial consumables <i>HK\$'000</i>	Plastic processing products <i>HK\$'000</i>	Machinery <i>HK\$'000</i>	Printed circuit boards <i>HK\$'000</i>	Other operations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS						
At 31st December, 2014						
Segment assets	261,443	389,015	1,164,251	572,531	198,342	2,585,582
Interests in associates						41,174
Available-for-sale financial assets						606
Unallocated corporate assets						486,187
						<u>3,113,549</u>
Consolidated total assets						<u><u>3,113,549</u></u>

	Sales revenue by geographical market	
	Six months ended 30th June,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	353,885	133,842
PRC	676,549	706,986
Other Asia-Pacific countries	167,708	194,945
North America	4,365	8,157
Europe	38,021	186,932
	<u>1,240,528</u>	<u>1,230,862</u>

4. PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging and crediting the following:		
Charging:		
Depreciation and amortisation on:		
– Owned assets	39,406	37,816
– Assets held under finance leases	1,421	2,363
– Leasehold land held for own use under finance leases	1,252	306
– Leasehold land and land use rights	808	807
– Intangible assets	692	692
Operating lease payments – Land and buildings	11,461	14,463
	<u>62,940</u>	<u>53,457</u>
and crediting:		
Gain on disposal of property, plant and equipment	4,620	458
Rental income net of nil direct outgoings	114	323
	<u>4,734</u>	<u>781</u>

5. TAXATION

	Six months ended 30th June,	
	2015	2014
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	100	200
Overseas taxation	5,584	5,233
	<u>5,684</u>	<u>5,433</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) on the estimated assessable profits for the period.

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

6. LOSS PER SHARE

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

	Six months ended 30th June,	
	2015	2014
Weighted average number of shares in issue during the period	716,930,692	716,930,692
Loss attributable to the equity holders of the Company	(HK\$8,977,000)	(HK\$16,614,000)
Basic loss per share	<u>(HK1.25 cents)</u>	<u>(HK2.32 cents)</u>

No diluted loss per share is presented as the Company did not have any potential ordinary share outstanding.

7. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>	30th June, 2015 <i>HK\$'000</i>	31st December, 2014 <i>HK\$'000</i>
Amounts receivable under finance lease:				
Within 1 year	46,231	25,321	41,019	22,396
Between 2 to 5 years	14,867	15,050	11,864	14,103
	61,098	40,371	52,883	36,499
Less: Unearned finance income	8,215	3,872	N/A	N/A
Present value of minimum lease receipts	52,883	36,499	52,883	36,499
Less: Current finance lease receivables under current assets			41,019	22,396
Non-current finance lease receivables			11,864	14,103

The Group has entered into finance lease arrangements with customers in respect of plant and equipment sold to them. The terms of finance leases entered into for terms ranging from one to three years.

All leases are on a fixed repayment basis and there were no unguaranteed residual values in connection with finance lease arrangements or contingent lease arrangements of the Group that needed to be recorded as at 30th June, 2015 (31st December, 2014: Nil)

Finance lease receivable balances are secured over the plant and equipment leased. The Group is not permitted to sell or re-pledge the collateral in the absence of default by the lessee.

The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The effective interest rate is ranging from 11.40% to 18.60% per annum.

The finance lease receivables as at 30th June, 2015 are neither past due nor impaired.

8. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade and bills receivables of approximately HK\$668,616,000 (31st December, 2014: approximately HK\$639,660,000) and their ageing analysis is as follows:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
0 to 3 months	451,352	419,857
4 to 6 months	88,227	95,064
7 to 9 months	40,163	35,325
Over 9 months	88,874	89,414
	<hr/> 668,616 <hr/>	<hr/> 639,660 <hr/>

9. CASH AND BANK BALANCES

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Pledged bank deposits	262,501	157,394
Cash and cash equivalents	290,342	352,876
	<hr/> 552,843 <hr/>	<hr/> 510,270 <hr/>

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately HK\$593,789,000 (31st December, 2014: approximately HK\$559,084,000) and their ageing analysis is as follows:

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
0 to 3 months	443,087	424,651
4 to 6 months	83,658	84,178
7 to 9 months	40,615	31,839
Over 9 months	26,429	18,416
	<hr/> 593,789 <hr/>	<hr/> 559,084 <hr/>

11. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Issued and fully paid:		
At 1st January, 2015 and 30th June, 2015	716,930,692	532,903

The holders of ordinary shares are entitled to receive dividends as declared from time to time and every member shall have one vote per share on a poll at general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

12. CAPITAL COMMITMENTS

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Capital expenditure:		
Authorised but not contracted for	–	–
Contracted but not provided for	9,716	5,933
	<u>9,716</u>	<u>5,933</u>

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by third party	–	–

14. PLEDGE OF ASSETS

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

	Net Book Value	
	30th June, 2015 HK\$'000	31st December, 2014 HK\$'000
Buildings	109,332	110,800
Leasehold land held for own use under financial lease	63,424	64,400
Leasehold land and land use rights	8,685	8,852
Plant and machinery	29,216	30,196
Other finance assets	–	67,463
Bank deposits	262,501	157,394
	<u>473,158</u>	<u>439,105</u>

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

Looking back at the first half of 2015, the consolidated turnover was HK\$1,240,528,000, which is similar to the amount of HK\$1,230,862,000 as recorded in the same period last year. The consolidated profit from operations was approximately HK\$8,383,000, representing a decrease of 17% as compared to approximately HK\$10,067,000 in the same period last year. Profit after tax was approximately HK\$1,210,000, while the same period last year recorded a loss after tax of approximately HK\$2,567,000. The loss attributable to shareholders was approximately HK\$8,977,000, representing a decrease of 46% as compared to approximately HK\$16,614,000 in the same period last year.

Global economic environment during the first half of the year has remained complicated. Global economic recovery was still slow. However, from the perspectives of individual economies, the U.S. was gradually breaking free from a downturn situation, and the Euro Zone was picking up its economic momentum, while the Japanese economy was showing improvement, although its growth was still sluggish. Despite the fact that China's GDP growth in the first half of the year met expectations, its PMI was teetering on the edge of marginal values, indicating that China's manufacturing industry lacked momentum to expand. Although China took measures during this period to lower interest and deposit reserve rates, the financing situation of mainland's SMEs was still difficult, crippling the financing activities for the purchase of industrial equipment and production facilities, and undermining the enterprises' investment intentions. In the first half of the year, the Group's overall performance was still bogged down by the market situation. Despite the unfavourable business environment, the turnover of the first half of the year was comparable to that of the same period last year, while the loss attributable to shareholders was significantly reduced. Therefore, it can be seen that the increasing revenue and cutting expenditure measures implemented by management and the various business teams have produced positive preliminary results.

Manufacturing Business

Machinery

For the first half of the year, the machinery business recorded an overall turnover of approximately HK\$390,321,000 which was an approximately 5% decrease as compared with the same period last year, and contributed to approximately 32% of the Group's consolidated turnover. Operating loss was approximately HK\$4,551,000, representing a decrease of 64% as compared with the same period last year.

During the period under review, despite the fact China's economy recorded growth, medium and small enterprise financing was still difficult, causing mainland manufacturers to remain conservative in the acquisition of machinery and equipment. Overseas economic developments varied, but momentum of overall recovery was still weak, and did not stimulate the need of the overseas manufacturers for machinery and

equipment upgrades and procurements. However, despite the unfavourable business environment, the operating loss during this period was significantly reduced compared to the same period of last year, a result attributable to the efforts of this business team.

Regarding plastic injection moulding machines, the mainland manufacturing market were still sluggish. In addition, competition was especially keen, adversely influencing domestic sales of these machines. The export business was also adversely affected by the devaluation of many foreign currencies; however, export sales were increased through effective promotions. Due to the decline in the Japanese Yen exchange rate which resulted in lower prices of Japanese plastic injection moulding machines, the domestically manufactured fully-electric plastic injection moulding machines were affected with a slight reduction in the gross profit of this business unit. During the first half of the year, this business unit strived to promote the industry-specific machines with better price-performance ratio. Regarding product optimization, performance improvement and optimization of the medium and large scale two-platen machines were successfully achieved, enhancing production efficiency and stability. The business team is optimistic about the competitiveness of this machine type.

Regarding the hydraulic press machines, customers are becoming ever more demanding on their performance and functions, such as energy conservation, environmental protection, high efficiency, precision and automation supporting facilities. To cope with market demands, the long term development of hydraulic press machine will be in the direction of research, development and innovation. Changes in market environment and production mode increased the need for automation; therefore, engineering and production personnel also placed heavier emphasis on product design, and research and development, with view to enhance product competitiveness.

Regarding CNC punching machines, the production and energy conservation efficiencies of the ESD CNC punching machine series were enhanced, while quality remained stable, and this series became a main sales item. To cope with the market needs of reducing labour cost and to enhancing efficiency, this business unit developed the automated facility to satisfy the needs of different customers.

For the rubber injection moulding machines and extrusion machines, the sales of the rubber injection moulding machine in the first half of the year were satisfactory, and demands for the different models were balanced. Sales benefited from big orders for specialized industry-specific machines and from old customers. Sales targets were mainly the high quality electric power and auto parts industries. The sales of extrusion machine were stable during this period, with better sales performance of the double tube extrusion machine models. Major customers for these machines were the pipeline materials and auto parts industries. In summary, the operation of the rubber injection moulding machine and extrusion machine business in the first half of the year was good, and the main reason was the enhancement of our capabilities in research and development, and the successful entry into the high-end and the professional markets. As a result, market recognition was achieved, benefiting future developments.

Plastic Products and Processing

During the period, consolidated turnover of this business was approximately HK\$229,980,000, representing an increase of approximately 31% over the corresponding period last year; it contributed approximately 19% of the Group's consolidated turnover. Operating loss of approximately HK\$5,576,000 was reported, which represented a decrease of approximately 47% compared to the same period last year.

For the business of home appliances, A/V products and plastic parts processing in Dongguan, owing to the A/V product market shrank significantly, the turnover during this period decreased compared to that of last year. However, after implementing a series of cutting cost measures, the loss was significantly and noticeably reduced compared to the same period last year. Sales conditions of this business were reviewed, and a transformation plan was formulated during the first half of the year to strive to increase sales and profit by developing non-A/V product businesses.

For the optical and lighting business, the turnover during this period decreased from the same period last year and recorded a loss. This business was restructured during this period, and the operation mode was gradually transformed into design, development and trade of optical products. Production activities were transferred to the Group's plastic parts processing plant in Dongguan, which assumed the production foundation. The transfer and re-installation of the production department caused late deliveries and adversely affected sales. Regarding the products, projects that this business jointly developed with large scale optical shops in the U.S. during this period included smartphone presbyopic glasses, presbyopic glasses with light duty reading light, rechargeable and foldable magnifying glass and rechargeable handled magnifying glass, which helped to expand our client base and improve sales and profit.

The Hefei production base during this period recorded reasonable business volume and profit performances. A four-objectives optimization plan has been implemented by this business during the period, with the target of enhancing the overall efficiency for the whole year, and persistently introduce upgrading and improvement activities for sake of reduced wastage, assured product qualities and enhanced efficiency. These four objectives included management informatization, technology standardization, production automation, and product quality optimization. Furthermore, more professional talents were introduced into this business unit to enhance quality of human resources, and the system of target completion and results appraisal was established, so that this business unit could sustain stable development in this market of ferocious competition. This business unit strived to create new training modes, and to pragmatically enhance staff technical levels and work efficiency. Moreover, this business unit fortified the construction of corporate culture, fully utilizing public information dissemination platforms such as web and mobile phone apps to transmit information regarding corporate culture, as well as strengthening communications with the staff.

The specialized food packaging and cutlery Business in Zhuhai during this period recorded only a slight decline in turnover compared to the same period last year, while profit suffered significant decrease by the same comparison. This business's first quarter sales was weak, but made a turn for the better in the second quarter. Injection moulding products were still mainly in milk powder and ice cream packaging, with milk powder foldable cap as a highlight item. During this period this business managed to secure major milk powder brand manufacturers' recognition as the packaging materials supplier of best quality and on-time delivery. For the purpose of implementing production automation and minimizing dependence on labour, various types of automated production facilities were added that enhanced productivity and reduced risks of the products being contaminated.

Printed circuit board (PCB)

This business unit recorded a turnover of approximately HK\$423,645,000 for the period, which was similar to the corresponding period last year, and contributed to approximately 34% of the Group's consolidated turnover. Operating profit was approximately HK\$22,068,000, which was 38% down from the same period last year.

During the first half of the year, the global economic environments experienced differing changes, and competition within the industry was becoming ever more ferocious. Pursuant to the yearly business plan, to mitigate the impact on sales brought about by these adverse factors, this business unit's sales team not only focused on maintaining the market share in Japan, but also put major efforts in developing the European automotive product market. Furthermore, development of customers in the mainland market was expedited. After adjustment of the sales strategy, and despite a decrease in sales orders from customers of electronic products, there was a breakthrough in the field of automotive products, which played a decisive role in achieving this business unit's first half-year sales target. With the adjustments of the company's sales order structure, customers' demands for improvements of product qualities, and rising labour costs, there was an increased pressure for rising production costs. To lower labour cost, and to satisfy customers' need for quality in high-end products, substantial investments have been made in the improvement of quality inspection equipment and automation of production lines. Management technical staff's innovative and developmental capabilities were also reinforced through training, as a result production efficiency and product quality were enhanced, and customer confidence improved. In order to maintain a close relationship with the customers, the business unit actively participated in the customer's activities during the initial stage of new product development, provided professional technical service to customers, and coordinated with them in the development of related businesses. As such, the team secured customers' recognition and effectively enhanced the competitiveness of new products.

Regarding the PCB trade business, during the first half year, under the influence of labour cost increase and exchange rate fluctuations in China, customers from Japan moved some of the production activities to South East Asia, or returned their production to Japan. To mitigate the influence on this business unit caused by sales order transference, the sales team conducted a brand new sales and marketing promotion strategy in the beginning of the year, and successfully developed many new customers. Sales volume is expected to improve in the foreseeable future, providing the assurance that this business will sustain a healthy development.

Trading Business

During this period consolidated turnover of the trading business was HK\$187,066,000, representing a decrease of 12% as compared to that of the same period last year and contributed to approximately 15% of the Group's consolidated turnover. Operating profit for the period was approximately HK\$7,097,000, representing an approximately 49% decrease as compared with the same period last year.

During the period under review, the overall business environment of the China continued to be sluggish. Significant decline in foreign exchange rates resulted in less competitiveness of the mainland products, while the business operations of major customers were all in a slump, including elevator, semi-conductor, automotive, home appliance, communications equipment, and coal mining machinery businesses. Despite development of new customers and products, partially compensating for slipping performances, overall business volume and profit both fell short of expectations. The sales to robotic arm customers recorded an increase, but the business was limited by the availability of critical components and by high production costs, therefore the increase fell short of expectations. Promotion of new alloy materials was gradually producing results, and the effort should be intensified so as to develop this business into a growth business component. Faced with adverse economic environment, this business still maintained healthy financial strength to cope with the needs of new business opportunities.

PROSPECTS

Manufacturing Business

Machinery

It is anticipated that this business will face significant challenge because the manufacturing industry is still in a slump, and cannot push the demand for machineries and equipment. Furthermore, competition is ferocious, leading to continued adversity in the business environment. Despite the unfavourable conditions, this business team will continue to uphold the guiding strategy of "solidifying the foundation and expanding capabilities" in its timely adjustment of tactics to cope with changes in the market and the business environments. Furthermore, full scale monitoring of supply chain costs and quality are rigorously implemented to lower production costs and improve production quality. Meanwhile, optimization engineering of various machinery products will also continue to be implemented. To satisfy customers' needs for high-end machinery, we

will direct our efforts to customers' real needs, and focus on innovative technology and quality control. The strategy of "environmental protection, energy saving, high efficiency and precision" will still be maintained as guiding principles with respect to research and development. In addition, optimization and innovative, together with measures of increasing revenue and cutting expenses are gradually producing results, which are anticipated to continue to present themselves in the course of time.

Plastic Products and Processing

For the business of home appliances, A/V products and plastic parts processing in Dongguan, as the mainland manufacturing market continues to be unstable, and major brands of the A/V industry are undergoing merger and restructuring, this business unit is making an effort to transform to be an OEM of small home appliances and assembled products, and is concurrently providing product development services and OEM activities to the Group's optical and lighting business.

For the optical and lighting business, the transfer of production activities to the Group's plastic parts processing plant in Dongguan is anticipated to complete gradually, such that its production and sales will be back to normal. Regarding the products, this business unit plans to develop button-typed presbyopic glasses, and smart phone external camera lenses jointly with large optical shops in the U.S. In addition, product catalogs, promotional flyers and the business web-site will be re-designed and re-organized to provide customers with more detailed and updated product information.

Regarding the Hefei production base, as the home appliance industry is no longer fast growing, but is becoming mature and saturated, competition is ferocious. This leads to a decline in production orders, lowering of prices and decrease in profit. Faced with this change in business environment, this business team will strive to monitor and control production costs, improve product quality, optimize management structure and promote the practice of lean manufacturing. The sales team will strive to keep existing customers and consolidate existing business, as well as developing new ones. To optimize quality of human resources, this business has planned to introduce and incubate appropriate talents in the scopes including technical, assembly, engineering, materials, and automation. In order to improve inventory management, logistics arrangement will be improved for more efficient transfer of materials and stocks. Adjustment and improvement will be placed on production procedures, moving assembly forward to enhance the work force's average production efficiency. The completion of the new building construction alleviates the pressure arising from the need of space, which will help in the effort in lean manufacturing.

For the specialized food packaging and cutlery business in Zhuhai, the food packaging market is expected to sustain growth with diversification. Such circumstances attract new competitors and result in ever keener competition. At the same time, food safety and quality needs are on the rise, which would necessitate better production technology and application of new resources, bringing pressure to bear on production costs. Regarding sales, it is anticipated that the domestic milk powder market will enjoy double digit

growth in the next few years, and therefore, this business unit will continue to focus on major brand milk powder enterprises, to further enhance its penetration to the existing major customers, and to develop new target customers. It is anticipated that the demand for ice cream will grow, and will benefit the business development of in-mould labelling. This business unit will strive to strengthen the development of business in flagship enterprises in the cold drinks market, and will intensify the market development of mainland brand pop candy products. At the same time, this business unit will increase effort in the development of the health supplement and liquid tonics extrusion product markets.

Printed Circuit Board

On the printed circuit board business, in the second half of year, the development of high grade HDI Board and multi-layer HDI Board are in the pipeline. These products will be introduced to the target customers, so as to achieve sales breakthrough by using the existing capacity and resources. There are plans to conduct comprehensive reviews and improvements in the fourth quarter of the year, to resolve the bottleneck issues in production processes and improve overall productivity. The business team will constantly monitor changes in the market and make in time adjustments to marketing strategies, so as to enhance its ability to withstand market risks.

Due to the relocation of production bases of our primary Japanese customers, the PCB trading business will focus on the assessment of the Japanese customers' situations in the second half of the year, and consider the establishment of a new business location in response to the business change.

Trading Business

In the second half of the year, it is anticipated that there will still be a lot of challenges in the economy in Europe and the US, accompanying with weak economic growth rate in China. While the external economic environment is uncertain, there will be tremendous pressure on the weaker players in China's manufacturing industry. However, we are confident that this business segment will continue to leverage on the government's developmental plans to focus on the opportunities in areas such as energy conservation, pollutant emission and upgrades in the manufacturing sector. We will also follow the government's direction of the high-tech development, and actively explore new opportunities in different industries and enhance relevant product lines. We are confident that this business segment will have performance better in the second half of the year, and lay a good foundation for the development in the future.

Conclusion

Looking forward to the second half of 2015, it is expected that the momentum of economic growth is still lacking. Meanwhile, the stock market in China experienced a drastic drop in June and July this year, and there is a dramatic downward pressure on China's economy. The weak demand in the manufacturing market resulted in a diminishing growth rate in China's manufacturing industry. Coupled with the difficult

financing situation among the mainland's SMEs, it is still difficult to have a clear picture of the actual impact to the economy in the second half of the year. The management of the Group considers that the overall business environment in the second half of the year is still tough and full of challenges. Despite of this difficult business environment, the Group will continue to focus its resources on strengthening its core businesses and streamlining the business organization, explore promising new businesses while effectively maintaining financial stability. In an attitude which is positive, pragmatic and prudent, we will face the challenges ahead with perseverance and indomitable spirit.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2015 (2014: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2015, the Group's shareholders' funds were approximately HK\$1,435,815,000, compared with approximately HK\$1,442,800,000 as at 31st December, 2014.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 30th June, 2015 was approximately 0.45 (31st December, 2014: 0.46), and the liquidity ratio was approximately 1.61 (31st December, 2014: 1.57), both were maintained at a healthy level. As at 30th June, 2015, cash, bank balances and time deposits amounted to approximately HK\$290,342,000. All these reflect that the Group is in sound financial position.

Financial Guarantees and Contingent Liabilities

	30th June, 2015	31st December, 2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees given to financial institutions in respect of credit facilities utilized by third party	—	—
	<u> </u>	<u> </u>

Pledge of Assets

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

	Net book value	
	30th June, 2015	31st December, 2014
	HK\$'000	HK\$'000
Buildings	109,332	110,800
Leasehold land held for own use under financial lease	63,424	64,400
Leasehold land and land use rights	8,685	8,852
Plant and machinery	29,216	30,196
Other finance assets	–	67,463
Bank deposits	262,501	157,394
	<u>473,158</u>	<u>439,105</u>

Foreign Currencies and Treasury Policy

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

POST BALANCE SHEET EVENT

On 28th July, 2015, a wholly owned subsidiary of the Company, Happy Crowd Godown Limited, entered into two sale and purchase agreements with two companies, independent third parties, to dispose of two properties located at Flat 1C and Flat 2C of Cheong Fat Factory Building, Nos. 265-271, Un Chau Street, Kowloon, Hong Kong at consideration of HK\$20,500,000 and HK\$21,500,000 respectively. The completion date of the transactions is on or before 30th October, 2015.

AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-Executive Directors. The unaudited financial statements of the Company for the six months ended 30th June, 2015 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 Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules"), and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company comprises three Independent Non-Executive Directors and the Chairman of the Board of the Company. The duties of the remuneration committee include reviewing and evaluating the remuneration packages of Executive Directors and senior management and making recommendations to the Board in respect of the remuneration packages from time to time.

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors, the Chairman and the Chief Executive Officer of the Board. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

COMMITTEE OF EXECUTIVE DIRECTORS

The Committee of Executive Directors is responsible for the management and day-to-day operations of the Group. The Committee meets frequently as when necessary. Currently, the Committee comprises three Executive Directors.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2015, the Group has approximately 4,657 employees (2014: approximately 5,000). The remuneration policy of the Group was formulated in accordance with market trends and performance of employees. Benefits plans have included schemes of insurance, retirement and so on.

The remunerations of the Directors are decided by the Remuneration Committee, having regard to the Company's operating result 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 LISTED SECURITIES OF THE COMPANY

During the six months ended 30th June, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board consider that the Company has applied the principles of and complied with most of the code provisions of the Corporate Governance Code (the “Code”) during the six months ended 30th June, 2015 as set out in Appendix 14 of the Listing Rules, with the exception of code provision A.6.7 of the code which is explained below.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer’s general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the annual general meeting of the Company held on 21st May, 2015 due to their other business engagements. However, the Board believes that the presence of the independent non-executive director at the said general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

Throughout the six months ended 30th June, 2015, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have been fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company’s website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The interim report will be available at the Company’s website and the website of The Stock Exchange of Hong Kong Limited and despatched to shareholders of the Company in September 2015.

On behalf of the Board

TANG To
Chairman

Hong Kong, 27th August, 2015

As at the date hereof, the Board comprises nine directors, of which three are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming, and Mr. Tang Yu, Freeman, and two are non-executive directors, namely Mr. Kan Wai Wah and Mr. Qu Jinping and four are independent non-executive directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei.