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**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

RESULTS SUMMARY

- Revenue decreased slightly to HK\$1,082,871,000 from HK\$1,240,528,000 for the Corresponding Period.
- Gross profit margin was 16.5%, as compared to 16.3% for the Corresponding Period.
- Earnings before interest, taxes, depreciation and amortization (“EBITDA”) of HK\$13,836,000, representing an EBITDA margin of 1.3%, as compared to 4.9% for the Corresponding Period.
- Loss for the Period was HK\$40,872,000, as compared to profit of HK\$1,210,000 for the Corresponding Period.
- Net debt to equity ratio was 2.4%.
- Net assets per share was HK\$1.77, as compared to HK\$1.86 as at 31 December 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 30 June 2016 (the “Period”) with comparative figures for the corresponding period in 2015 (the “Corresponding Period”) are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended	
		30 June	
		2016	2015
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
	3	1,082,871	1,240,528
Turnover			
Cost of sales		(903,519)	(1,037,791)
		179,352	202,737
Gross profit			
Other income and gains, net		6,995	14,271
Selling and distribution costs		(67,617)	(72,744)
Administrative expenses		(146,904)	(135,881)
		(28,174)	8,383
Operating (loss)/profit			
Finance costs		(9,608)	(11,042)
Investment income, net		2,868	6,660
Gain on partial disposal of a subsidiary		122	–
Gain on disposal of an associate		–	2,587
Share of results of associates		340	306
		(34,452)	6,894
(Loss)/profit before tax	4		
Tax	5	(6,420)	(5,684)
		(40,872)	1,210
		(40,872)	1,210
		(45,376)	(8,977)
(Loss)/profit attributable to:			
– Equity holders of the Company			
– Non-controlling interests		4,504	10,187
		(40,872)	1,210
		6.33 HK cents	1.25 HK cents
Loss per share for loss attributable to the equity holders of the Company	6		
– Basic			

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended	
	30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
(Loss)/profit for the period	<u>(40,872)</u>	<u>1,210</u>
Other comprehensive (loss)/income, 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	152	127
– Share of other comprehensive income/(expense) of associates	(129)	30
– Exchange differences arising from translation of financial statements of foreign operations	(27,100)	970
– Release of translation reserve upon partial disposal of a subsidiary	(122)	–
– Release of translation reserve upon disposal of an associate	<u>–</u>	<u>1,143</u>
	<u>(27,199)</u>	<u>2,270</u>
Total comprehensive (loss)/income for the period	<u>(68,071)</u>	<u>3,480</u>
Total comprehensive (loss)/income attributable to:		
– Equity holders of the Company	(69,027)	(6,985)
– Non-controlling interests	<u>956</u>	<u>10,465</u>
	<u>(68,071)</u>	<u>3,480</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2016 (Unaudited) <i>HK\$'000</i>	31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
Non-current Assets			
Property, plant and equipment	7	665,834	691,750
Leasehold land and land use rights		46,158	47,667
Goodwill		53,483	53,483
Intangible assets		9,912	10,604
Interests in associates		39,943	36,693
Available-for-sale financial assets		886	734
Finance lease receivables	8	39,213	46,923
Deferred tax assets		41,292	41,413
		896,721	929,267
Current Assets			
Inventories		536,945	562,523
Finance lease receivables	8	53,972	61,934
Trade and bills receivables	9	690,432	665,467
Other receivables		128,961	109,000
Other financial assets		66,359	9,012
Tax recoverable		1,967	1,451
Cash and bank balances	10	295,870	607,567
		1,774,506	2,016,954
Current Liabilities			
Trade and bills payables	11	552,582	489,310
Other payables		239,768	260,519
Amounts due to associates		944	–
Bank borrowings		285,588	526,575
Obligations under finance leases		7,830	8,286
Deferred consideration payable		8,123	8,123
Tax payable		6,879	6,307
		1,101,714	1,299,120
Net Current Assets		672,792	717,834

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current Liabilities		
Bank borrowings	40,200	45,225
Obligations under finance leases	4,404	8,134
Deferred tax liabilities	28,520	25,922
	<hr/> 73,124 <hr/>	<hr/> 79,281 <hr/>
Net Assets	1,496,389	1,567,820
Equity		
Share capital	532,903	532,903
Reserves	733,382	802,409
	<hr/> 1,266,285 <hr/>	<hr/> 1,335,312 <hr/>
Equity attributable to equity shareholders of the Company	1,266,285	1,335,312
Non-controlling interests	230,104	232,508
	<hr/> 1,496,389 <hr/>	<hr/> 1,567,820 <hr/>
Total Equity	1,496,389	1,567,820

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The principal activities of the Group are the manufacturing and trading of machineries, plastic processing products and printed circuit boards, trading of industrial consumables and leasing.

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated. It was approved for issue by the Board of Directors on 18 August 2016.

The unaudited condensed consolidated interim financial information has been reviewed by Audit Committee of the Company.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial information for the Period has been prepared in accordance with HKAS 34, “Interim Financial Reporting”. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with HKFRS.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in the annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no new or amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following new or amended standards have been issued but are not yet effective for the financial year beginning 1 January 2016 and have not been early adopted:

- HKAS 7 Amendment – Disclosure initiative¹
- HKAS 12 Amendment – Recognition of Deferred Tax Assets for Unrealized Losses¹
- HKFRS 9 – Financial Instruments²
- HKFRS 10 and HKAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴
- HKFRS 15 – Revenue from Contracts with Customers²
- HKFRS 16 – Leases³

- ¹ *Changes effective for annual periods beginning on or after 1 January 2017*
- ² *Changes effective for annual periods beginning on or after 1 January 2018*
- ³ *Changes effective for annual periods beginning on or after 1 January 2019*
- ⁴ *Changes effective date to be determined*

The Group has already commenced an assessment of the related impact of adopting the above new standard and amendments to standards to the Group. The Group is not yet in a position to state whether there would be substantial changes to the Group's accounting policies and presentation of the financial statements.

3. SEGMENT REPORTING

The Group manages its business by a mixture of both business nature and geographical location. In a manner consistent with the way in which information is reported internally to the Group's 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 30 June 2016 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	168,759	190,385	343,624	368,482	11,621	-	1,082,871
Inter-segment sales (<i>Note</i>)	8,114	38	1,327	-	-	(9,479)	-
Total revenue	<u>176,873</u>	<u>190,423</u>	<u>344,951</u>	<u>368,482</u>	<u>11,621</u>	<u>(9,479)</u>	<u>1,082,871</u>
Segment result	<u>4,278</u>	<u>(28,976)</u>	<u>(15,013)</u>	<u>13,974</u>	<u>6,494</u>	<u>198</u>	(19,045)
Unallocated corporate expenses							(9,129)
Operating loss							(28,174)
Finance costs							(9,608)
Investment income, net							2,868
Gain on partial disposal of a subsidiary							122
Share of results of associates							340
Loss before tax							<u>(34,452)</u>
ASSETS							
At 30 June 2016							
Segment assets	263,325	328,952	1,023,297	541,896	371,712	-	2,529,182
Interests in associates							39,943
Available-for-sale financial assets							886
Unallocated corporate assets							<u>101,216</u>
Consolidated total assets							<u>2,671,227</u>

Note: Inter-segment sales are determined at prevailing market rates.

The segment results for the period ended 30 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 (<i>Note</i>)	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>
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							(12,154)
Operating profit							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
Profit before tax							<u>6,894</u>
ASSETS							
At 31 December 2015							
Segment assets	243,266	350,004	1,034,450	563,373	378,966	–	2,570,059
Interests in associates							36,693
Available-for-sale financial assets							734
Unallocated corporate assets							338,735
Consolidated total assets							<u>2,946,221</u>

Note: Inter-segment sales are determined at prevailing market rates.

**Sales revenue by
geographical market
Six months ended
30 June**

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	362,363	353,885
PRC	607,382	676,549
Other Asia-Pacific countries	80,637	167,708
North America	6,120	4,365
Europe	26,369	38,021
	1,082,871	1,240,528
	1,082,871	1,240,528

4. (LOSS)/PROFIT BEFORE TAX

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>

(Loss)/profit before tax is arrived at after charging/(crediting) the following:

Depreciation and amortisation on:

– Owned assets	33,933	39,406
– Assets held under finance leases	2,288	1,421
– Leasehold land held for own use under finance leases	1,062	1,252
– Leasehold land and land use rights	705	808
– Intangible assets	692	692
Operating lease payments – Land and buildings	10,163	11,461
Compensation paid to employees of a subsidiary upon cessation of business	20,218	–
Gain on disposal of property, plant and equipment	(1,156)	(4,620)
	(1,156)	(4,620)
	(1,156)	(4,620)

5. TAX

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>

Hong Kong profits tax	–	100
Overseas taxation	6,420	5,584
	6,420	5,684
	6,420	5,684

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong 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 and the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2016	2015
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\$45,376,000	HK\$8,977,000
Basic loss per share	<u>HK6.33 cents</u>	<u>HK1.25 cents</u>

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

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has acquired property, plant and equipment amounting to approximately HK\$25,674,000.

8. FINANCE LEASE RECEIVABLES

	Minimum lease receipts		Present value of minimum lease receipts	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Amounts receivable under finance lease:				
Within 1 year	52,488	63,381	53,972	61,934
Between 2 to 5 years	43,254	50,304	39,213	46,923
	95,742	113,685	93,185	108,857
Overdue finance lease receivables	11,345	11,575	–	–
Less: Unearned finance income	13,902	16,403	N/A	N/A
Present value of minimum lease receipts	<u>93,185</u>	<u>108,857</u>	93,185	108,857
Less: Finance lease receivables classified under current assets			53,972	61,934
Non-current finance lease receivables			<u>39,213</u>	<u>46,923</u>

9. TRADE AND BILLS RECEIVABLES

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

The ageing analysis of trade and bills receivables is as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
0 to 3 months	499,709	458,964
4 to 6 months	83,204	95,771
7 to 9 months	30,246	26,946
Over 9 months	77,273	83,786
	690,432	665,467

10. CASH AND BANK BALANCES

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Pledged bank deposits	39,337	253,696
Cash and cash equivalents	256,533	353,871
	295,870	607,567

11. TRADE AND BILLS PAYABLES

The ageing analysis of trade and bills payables is as follows:

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
0 to 3 months	410,003	357,612
4 to 6 months	79,990	69,886
7 to 9 months	33,167	41,500
Over 9 months	29,422	20,312
	552,582	489,310

12. CAPITAL COMMITMENTS

	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Capital expenditure:		
Authorised but not contracted for	–	–
Contracted but not provided for	<u>1,577</u>	<u>8,857</u>
	<u>1,577</u>	<u>8,857</u>

13. 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	
	30 June 2016 HK\$'000	31 December 2015 HK\$'000
Leasehold buildings	102,233	106,000
Leasehold land held for own use under finance lease	66,937	68,000
Leasehold land and land use rights	7,675	8,016
Plant and machinery	34,713	37,647
Bank deposits	39,337	253,696
	<u>250,895</u>	<u>473,359</u>

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

During the Period, the revenue of the Group decreased to HK\$1,082,871,000, representing a drop of 12.7% as compared with the Corresponding Period, mainly attributable to the slowdown of the economy in Mainland China, especially a slump in the manufacturing sector, which resulted in a decrease of sales revenue during the Period.

Gross profit for the Period amounted to HK\$179,352,000, with gross profit margin of 16.5% as compared to 16.3% for the Corresponding Period. During the Period, our sales strategy was adjusted in a bid to capture additional market share from our major competitors, which led to a slight increase in gross profit.

The loss for the Period was HK\$40,872,000, as compared to the profit of HK\$1,210,000 for the Corresponding Period.

During the Period, additional expenses were incurred as a result of the streamlining and restructuring of the Plastic Products and Processing business, including the cessation of operation of the Dongguan MS Plastic Products Co. Limited (the “Subsidiary”), a wholly-owned subsidiary of the Group. It is estimated that the major expenses incurred for the cessation of operation is the compensation to be paid to the employees of the Subsidiary, which amounted to approximately RMB17 million. The Subsidiary will be wound up voluntarily pursuant to the laws and regulations of the PRC.

The net debt to equity ratio was 2.4%. The overall cash flow of the Group was maintained at a healthy level.

BUSINESS REVIEW

During the Period, the global economy remained bleak. The business environment of the manufacturing industry in Mainland China continued to be challenging. With the instability of the financial and capital market due to the fluctuation of the exchange rate of Renminbi, the small-to-medium enterprises in Mainland China continued to experience difficulties in raising capital. The Group recorded a loss as a result of the impact of these factors.

Machinery Manufacturing Business

Despite the adverse macro-environment in China’s manufacturing sector, the machinery manufacturing business has successfully obtained orders from the specialised niche market after a relatively long-period of optimization of industry tailor-made machines and related professional solutions. Sales orders increased during the Period under review as certain customers resumed their procurement of machinery equipment postponed previously. Most of the customers were from the industries of auto parts, home electrical appliances and daily necessities. With the same strategy adopted in previous years, this business unit continues to enhance its research and development capabilities, and intends to invest additional resources in developing innovative products with higher margin.

In view of our products, a relatively positive response was observed in the market of medium-to-large scale plastic injection moulding machines as well as certain small-to-medium scale specialised machines. Industry-specific machines and related professional solutions have also gained recognition from our major customers. Moreover, as China is taking initiative of “Substituting Coal with Electricity” in some remote areas to reduce air pollution, there was increase in demand for large scale rubber injection moulding machines. As for the hydraulic press machines business, various automatic production solutions have been developed in addition to strengthening the functionality and capabilities of standard models, which in turn to meet the customers’ requirements of relevant industries.

Plastic Products and Processing Business

The Plastic Products and Processing Business has put proactive measures in place to reduce production costs, including the enhancement of production automation and consolidation of production processes, streamlining of working positions and improvement of employee training and appraisal mechanisms. This helps to build a better and more efficient operation team and keep the labour costs at a reasonable level. For example, we have implemented the digitalised warehouse management system in Hefei production plant to increase its logistic efficiency, shorten its production cycle and enhance its production efficiency.

Meanwhile, the performance of the in-mould labelling products of the Specialised Food Packaging and Cutlery Business was satisfactory, with folding cap seals for powder milk remains as a focus product category. To further address the rising hygiene standard of food packaging sector, the newly-established micro-biology laboratory helps to collect the hygienic data in a timely manner and ensure that the products meet the hygienic standard.

Printed Circuit Board (“PCB”) Processing and Trading Business

As a result of the overall stagnant market and intense competition within the industry in the first half year, the PCB Processing Business recorded a slight drop in sales revenue and profits. In order to collaborate the market demand, it will focus on developing the automotive market, especially the electric automobile sector, as well as exploring the PRC market proactively. It will also take initiative to provide professional technical knowledge for the end customers at the early stage of product development. This aims to develop long-term working relationship with the relevant customers. As most of the customers have upgraded their expectation over the quality of high-end products, this segment has allocated more resources in automation of production process, data digitalization and intelligentization, so as to strengthen the product competitiveness by reducing the wastage and enhancing the product quality.

In view of the weak economic environment, some of the customers of the PCB Trading Business had relocated the production lines out of Mainland China. Accordingly, our operation team has adjusted the necessary action plans through collaborations and co-ordinations between different sales teams across all regions and also strengthen the professional technical support and customer services. This helps to maintain the sales revenue of low-to-mid products at an optimum level and on the other hand, better-than-expected sales performance for the high-end products.

Industrial Consumables Trading Business

The overall domestic and global business environment remained sluggish for the Industry Consumables Trading Business, with stagnation among most of the target industrial sectors to be developed. Due to the economic downturn during the Period, some of our customers chose to reduce capacities or stop their respective business. This has negative impact to our sales revenue as a whole. However, the sales performance of new products such as the cables for elevators and the high-quality domestic-manufactured stainless steel wire was encouraging. It is expected that the contributions from such products will be continued in the coming years. Moreover, the operation will continue to optimize its inventory management and improve the accounts receivables monitoring system.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2016, the Group's total outstanding bank borrowings amounted to HK\$325,788,000 (31 December 2015: HK\$571,800,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings with maturities falling due within one year and in the second to the fifth year amounted to HK\$285,588,000 and HK\$40,200,000 respectively (31 December 2015: HK\$526,575,000 and HK\$45,225,000 respectively).

After deducting cash and cash equivalents of HK\$295,870,000 (31 December 2015: HK\$607,567,000), the Group's net borrowing amounted to HK\$29,918,000 (31 December 2015: net cash of HK\$35,767,000). Shareholders' equity as at 30 June 2016 was HK\$1,266,285,000 (31 December 2015: HK\$1,335,312,000). Accordingly, the Group's net gearing ratio was 2.4%.

During the Period, the Group's net cash inflow from operating activities amounted to HK\$34,013,000. This represented loss before tax of HK\$34,452,000 after adjustments for non-cash items, including adding back depreciation and amortisation of HK\$38,680,000, deducting the share of results of associates of HK\$340,000, adding the net changes in working capital of HK\$29,739,000 and adding other adjustments of HK\$386,000. The Group's net cash inflow from investing activities for the Period amounted to HK\$132,053,000, which included purchases for property, plant and equipment of HK\$25,674,000, purchases for other financial assets of HK\$57,525,000, decrease in pledged bank deposits of HK\$213,952,000 and other cash inflow of HK\$1,300,000.

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. The Group continued to monitor its foreign exchange exposure in Japanese Yen and Renminbi and used forward contracts when necessary. The Group's long-term bank loan facilities were denominated in Hong Kong dollars and carried interest at floating rates.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2016, the Group has approximately 4,286 employees (31 December 2015: approximately 4,611). The remuneration policy of the Group is formulated in accordance with the market trends and the performance of the employees. Employees' benefits include insurance and retirement benefit schemes.

The remunerations of the Directors are determined by the Remuneration Committee, with reference to the Company's operating results and comparable market information. The remuneration policy of the Company for the non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company. For the employees (including the executive directors and senior management), it ensures that the remuneration packages offered are optimal with respect to their duties assigned and in line with the market practice. The remuneration policy is set out to ensure that the salary levels are competitive and effective in attracting, retaining and motivating employees. Directors, or any associates of the directors as well as any executives, do not involve in determining their respective remuneration.

OUTLOOK AND PROSPECTS

The global economic environment remains challenging in the second half of the year, with expectation of further fluctuation of the exchange rate of Renminbi. The overall impact of Brexit to the global economy is still uncertain and the result performance of the Group is likely to be affected to a certain extent.

In order to minimize the impact of such economic downturn, effective cost control is the key to the continuous survival of our enterprises. Our manufacturing business will continue to streamline the organization structure and strengthen the cost control over the supply chain, in particularly, the machinery manufacturing segment will focus on optimizing the cost structure through purchasing low-cost but high-quality materials and improving the efficiency of inventory management. Moreover, the Group will continue to enhance its competitiveness and cost efficiency with automation of production system and consolidation of production processes.

The trading business will continue to capture any market opportunities proactively and prudently, with promotion of products to meet market demand and aligns with the national overall development plans and policies. It will also focus on the products attributable to energy saving, emission reduction and industrial transformation and enhancement. PCB Trading Business will concentrate on developing mid-to-high end products. The new products will be managed to have sustainable and stable growth through selective screening of customers' requirements.

The PRC government continues the strategic move to boost the development of environmental protection, energy saving, new energy and new materials-related industries. The Group will continue to leverage its existing diversified and well-established product and service platform to capture the market opportunities and enhance the overall profitability in the next couple of years.

SUPPLEMENTARY INFORMATION

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 30 June 2016 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.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2016 (30 June 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2016, 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 30 June 2016 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 25 May 2016 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

The Group has adopted the Model Code to govern securities transactions by the Directors. After having made specific enquiry by the Company, all Directors have confirmed that they have fully complied with the Model Code throughout the Period.

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 2016.

On behalf of the Board

TANG To

Chairman

Hong Kong, 18 August 2016

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.