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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULT SUMMARY

- Revenue increased by 6.4% to HK$1,151,834,000 (2016: HK$1,082,871,000)
- Gross profit margin improved to 17.2% (2016: 16.5%)
- Earnings before interest, taxes, depreciation and amortization ("EBITDA") increased to HK$55,195,000, representing an EBITDA margin of 4.8% (2016: 1.3%)
- Profit for the Period was HK$6,818,000, as compared to the loss of HK$40,872,000 for the Corresponding Period
- Net debt to equity ratio was 4.4% (31 December 2016: 2.3%)
- Net assets per share increased to HK$1.66, as compared to HK$1.61 per share as at 31 December 2016

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 2017 (the "Period") with comparative figures for the corresponding period in 2016 (the "Corresponding Period") are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	2	**1,151,834**	1,082,871
Cost of sales		**(953,743)**	(903,519)
Gross profit		**198,091**	179,352
Other income and gains		**11,112**	6,995
Selling and distribution costs		**(66,692)**	(67,617)
Administrative expenses		**(123,403)**	(146,904)
Operating profit/(loss)		**19,108**	(28,174)
Finance costs		**(9,449)**	(9,608)
Investment income		**1,593**	2,868
Gain on partial disposal of a subsidiary		**–**	122
Share of results of associates		**1,732**	340
Profit/(loss) before tax	3	**12,984**	(34,452)
Taxation	4	**(6,166)**	(6,420)
Profit/(loss) for the Period		**6,818**	(40,872)
Profit/(loss) attributable to:			
– Equity shareholders of the Company		**1,135**	(45,376)
– Non-controlling interests		**5,683**	4,504
		6,818	(40,872)
Earnings/(loss) per share	5		
– Basic		**0.16 HK cents**	(6.33 HK cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2017 (Unaudited) *HK$'000*	2016 (Unaudited) *HK$'000*
Profit/(loss) for the Period	**6,818**	(40,872)
Other comprehensive income/(loss), 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
– Share of other comprehensive expense of associates	**(719)**	(129)
– Exchange differences arising from translation of financial statements of foreign operations	**27,649**	(27,100)
– Release of translation reserve upon partial disposal of a subsidiary	**–**	(122)
– Release of other reserve upon disposal of available-for-sale financial asset	**(907)**	–
	26,023	(27,199)
Total comprehensive income/(loss) for the Period	**32,841**	(68,071)
Profit/(loss) attributable to:		
– Equity shareholders of the Company	**24,973**	(69,027)
– Non-controlling interests	**7,868**	956
Total comprehensive income/(loss) for the Period	**32,841**	(68,071)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2017 (Unaudited)** *HK$'000*	31 December 2016 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment		**615,522**	618,372
Leasehold land and land use rights		**43,971**	43,796
Goodwill		**53,483**	53,483
Intangible assets		**8,529**	9,221
Interests in associates		**29,582**	29,179
Available-for-sale financial assets		**–**	1,389
Finance lease receivables		**49,708**	54,220
Deferred tax assets		**26,625**	25,670
		827,420	835,330
Current Assets			
Inventories		**550,716**	401,738
Finance lease receivables		**115,438**	57,935
Trade and other receivables	6	**863,208**	788,101
Other financial assets		**54**	2,875
Current tax recoverable		**989**	1,101
Cash and bank balances		**330,859**	332,723
		1,861,264	1,584,473
Current Liabilities			
Trade and other payables	7	**960,654**	740,372
Provision for restructuring		**91,727**	91,727
Amount due to an associate		**1,188**	565
Bank borrowings		**344,498**	320,149
Obligations under finance leases		**3,172**	5,441
Deferred consideration payable		**8,148**	8,148
Current tax payable		**13,621**	15,255
		1,423,008	1,181,657
Net Current Assets		**438,256**	402,816
Total Assets less Current Liabilities		**1,265,676**	1,238,146

	30 June 2017 (Unaudited) *HK$'000*	31 December 2016 (Audited) *HK$'000*
Non-current Liabilities		
Bank borrowings	**30,150**	35,175
Obligations under finance leases	**1,236**	2,694
Deferred tax liabilities	**44,537**	43,365
	75,923	81,234
Net Assets	**1,189,753**	1,156,912
Equity		
Capital and reserves attributable to equity shareholders of the Company:		
Share capital	**532,903**	532,903
Reserves	**458,664**	433,691
	991,567	966,594
Non-controlling Interests	**198,186**	190,318
Total Equity	**1,189,753**	1,156,912

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The consolidated results set out in this announcement have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard ("HKAS") 34, *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2016, as described in the annual financial statements.

The information in this announcement is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 31 December 2016 that is included in this preliminary announcement of the interim results as comparative information does not constitute the company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The company's auditor has reported on those financial statements. The auditor's report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report, and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Groups. Of these, the following developments are relevant to the Group's unaudited consolidated interim financial statements:

– Amendments to HKAS 7, Statement of cash flows: Disclosure initiative

– Amendments to HKAS 12, Income taxes: Recognition of deferred assets for unrealised losses

The adoption of these amendments to HKFRSs has no material impact on the Groups' results and financial positions for the current or prior periods. The Groups have not applied any new standard or amendment that is not effective for the current accounting period.

The following new or amended standards have been issued but are not yet effective for the financial year beginning 1 January 2017 and have not been early adopted:

- HKFRS 9 – Financial Instruments[1]

- HKFRS 10 and HKAS 28 Amendments – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

- HKFRS 15 – Revenue from Contracts with Customers[1]

- HKFRS 16 – Leases[2]

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

The Group has already commenced an assessment of the related impact of adopting the above new standards 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.

2. 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) processing and trading of printed circuit boards.

The segment results for the period ended 30 June 2017 are as follows:

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER							
External sales	**167,508**	**193,718**	**392,383**	**386,525**	**11,700**	**–**	**1,151,834**
Inter-segment sales *(Note)*	**13,179**	**–**	**1,398**	**–**	**–**	**(14,577)**	**–**
Total revenue	**180,687**	**193,718**	**393,781**	**386,525**	**11,700**	**(14,577)**	**1,151,834**
Segment result	**5,168**	**2,134**	**6,592**	**11,397**	**5,071**	**–**	**30,362**
Unallocated corporate expenses							**(11,254)**
Operating profit							**19,108**
Finance costs							**(9,449)**
Investment income							**1,593**
Share of results of associates							**1,732**
Profit before tax							**12,984**

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

The segment results for the period ended 30 June 2016 are as follows:

	Industrial consumables *HK$'000*	Plastic processing products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
TURNOVER							
External sales	168,759	190,385	343,624	368,482	11,621	–	1,082,871
Inter-segment sales *(Note)*	8,114	38	1,327	–	–	(9,479)	–
Total revenue	176,873	190,423	344,951	368,482	11,621	(9,479)	1,082,871
Segment result	4,278	(28,976)	(15,013)	13,974	6,494	198	(19,045)
Unallocated corporate expenses							(9,129)
Operating loss							(28,174)
Finance costs							(9,608)
Investment income							2,868
Gain on partial disposal of a subsidiary							122
Share of results of associates							340
Loss before tax							(34,452)

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

	Sales revenue by geographical market Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**341,545**	362,363
Mainland	**698,610**	607,382
Other Asia-Pacific countries	**68,113**	80,637
North America	**11,516**	6,120
Europe	**32,050**	26,369
	1,151,834	1,082,871

3. PROFIT/(LOSS) BEFORE TAX

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit/(loss) before tax is arrived at after charging/(crediting) the following:		
Depreciation and amortisation on:		
– Owned assets	**29,259**	33,933
– Assets held under finance leases	**1,034**	2,288
– Leasehold land held for own use under finance leases	**1,097**	1,062
– Leasehold land and land use rights	**679**	705
– Intangible assets	**692**	692
Operating lease payments – Land and buildings	**9,597**	10,163
Compensation paid to employees of a subsidiary upon cessation of business	**–**	20,218
Net gain on disposal of property, plant and equipment	**(173)**	(1,156)

4. TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong profits tax	**645**	–
Overseas taxation	**5,521**	6,420
	6,166	6,420

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

5. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per ordinary share is based on the Group's profit/(loss) attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2017	2016
Weighted average number of shares in issue during the Period	**716,930,692**	716,930,692
Profit/(loss) attributable to the equity shareholders of the Company	**HK$1,135,000**	(HK$45,376,000)
Basic earnings/(loss) per share	**HK0.16 cents**	(HK6.33 cents)

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

6. TRADE AND OTHER RECEIVABLES

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

The ageing analysis of trade receivables, based on the invoice date and net of allowance for impairment of bad and doubtful debts, is as follows:

	30 June 2017 *HK$'000*	31 December 2016 *HK$'000*
0 to 3 months	**557,275**	525,350
4 to 6 months	**91,903**	96,091
7 to 9 months	**40,354**	24,266
Over 9 months	**48,298**	41,132
Total trade receivables	**737,830**	686,839
Other receivables	**84,347**	70,407
Prepayment	**41,006**	30,818
Amounts due from related parties	**25**	37
	863,208	788,101

7. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
0 to 3 months	**535,969**	365,339
4 to 6 months	**78,284**	56,846
7 to 9 months	**25,204**	26,607
Over 9 months	**23,718**	23,538
Total trade payables	**663,175**	472,330
Accruals and other payables	**291,249**	263,242
Amount due to related parties	**6,230**	4,800
	960,654	740,372

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

The sales revenue of the Group increased to HK$1,151,834,000 (2016: HK$1,082,871,000), representing an increase of 6.4% as compared with that of last year. It was mainly attributable to the improved business performance of the machinery manufacturing and the plastic products and processing segments during the Period.

The gross profit increased to HK$198,091,000, with gross profit margin of 17.2% which represented an increase of 0.7 percentage points as compared to that of 2016. The improvement in gross profit margin was resulted from the increasing utilization of production capacities in certain manufacturing plants and strengthening control over production costs during the Period. The Group continues the adjustment of sales strategy by focusing on higher-margin products and associated customers of various business segments.

As stated in the announcements of the Company in 2016, the Group planned to restructure its plastic products and processing segment and machinery manufacturing segment, including the cessation of operation of certain manufacturing businesses and optimization of the production capacities in its Dongguan and Wuxi machinery manufacturing plants. The restructuring projects including assets relocation and optimization, organizational restructuring and production efficiency enhancement are on track under the closely-monitoring of a designated task force. The Group will continue to update the progress of the restructuring in due course.

The Group reported a turnaround with profit of HK$6,818,000 in 2017 (2016: Loss of HK$40,872,000). This was mainly resulted from the increase in sales revenue, gross profits and also tight control over the operating expenses during the Period.

The net debt to equity ratio was 4.4% with overall cash flow position and debt maturity profile of the Group maintained at a healthy level.

The Board did not recommend the payment of an interim dividend for the Period (2016: nil).

BUSINESS REVIEW

The global economy showed mild growth during the Period, especially the various manufacturing sectors of different industries in the Mainland. The competitive advantages of our high-quality products and innovation technology enabled the Group to maintain its market share from the strategy of global supply chain diversification and product-quality focus of our major customers. The Group observed a recovery of the sales momentum in the manufacturing businesses during the Period. In addition to the continuing tight control over the production costs and operating overheads, the overall performance of the Group is expected to improve gradually.

Machinery Manufacturing Business

During the Period, the machinery manufacturing segment observed increasing sales momentum in the Mainland market, especially from the industries of automotive components, infrastructure construction and daily necessities. The responses from the optimization of industry tailor-made moulding machines associated with professional total solutions were crystallized in terms of sales orders received from this specialized niche market. The performance of this segment was successfully turned around in the first quarter of 2017.

The segment continued to streamline its organization structure, strengthen the cost control over the supply chain, improve the production efficiency and optimize the production capacities of its Dongguan and Wuxi manufacturing plants during the Period. Moreover, it will continue to enhance the R&D capabilities and invest additional resources in developing innovative value-added products with higher profit margin. The new solutions for 'Smart' Industry 4.0 were successfully incorporated into the newer moulding machines series. The strategy of developing digitalized solutions will be continued in the coming years.

In addition, as the Mainland government continues the initiative of "Substituting Coal with Electricity" in certain remote areas to reduce air pollution, the segment expects increasing demand for large-scale rubber injection moulding machines. As for the extrusion machines and the hydraulic press machines business, various automated production solutions had been developed in order to strengthen the functionality and capabilities of standard models with lower energy consumption and good stability. They will enhance the overall profitability of this business segment.

Plastic Processing Products Manufacturing Business

This manufacturing segment continues to take proactive actions to reduce production costs through consolidation of production processes, automation of manual works, streamlining of working positions, etc. For example, our Hefei production plant had implemented digitalized inventory management system in order to enhance the logistics efficiency of the supply chain with some major home appliance customers. The segment was able to keep the production costs at a competitive level and maintain its market share in different manufacturing sectors.

Besides, the performance of our Zhuhai production plant was satisfactory, especially the sales revenue generated from the in-mould labelling products for specialized food packaging and cutlery customers. In order to address the rising hygiene standard of food packaging industry, it had already installed some plasticizer testing equipment together with the newly-established micro-biology laboratory and clean room injection workshop, which aimed to meet the strict international hygienic standards. It also focused on the development of innovative products design such as folding cap seals for milk powder and aligned the total-solution initiative with major multi-national customers.

The overall performance of this segment improved significantly during the Period after execution of the critical business restructuring in the second half of 2016. It will continue to set itself the target of enhancing the profitability in the coming years.

Printed Circuit Board ("PCB") Processing and Trading Business

The PCB processing business recorded a slight drop in sales revenue and profit as a result of the challenging manufacturing environment and intense competition within the industry. The fluctuation in the price of raw materials during the Period also posed additional difficulties in sales order fulfillment and the related production costs. However, the segment has successfully shifted the product mix to higher-margin multi-layers and HDI product series and has maintained its market competitiveness. Moreover, the segment will continue to automate and optimize production capacities in order to enhance its production efficiency and uplift the product quality.

Regarding the PCB trading business, its performance was benefited from the adjustment of sales strategy to high-end products and sales orders optimization during the Period. It will continue to strengthen the professional technical support and after-sales customer services through the collaborations between sales teams across different geographical locations.

Industrial Consumables Trading Business

The domestic and global business environment of this business segment remained challenging, in particular, the market demand for certain industry sectors such as elevators manufacturers, robotic arms, medical equipment and telecommunication facilities providers was still in a stage of recovery during the Period. Meanwhile, order placing of some factory-automation businesses as one of the segment's key market development initiatives was delayed to the second half of 2017, which in turn affected the results of the segment for the Period.

Looking forward, the newly-developed system-integration business will be a key driver to the profitability of the segment in the coming years by capturing the opportunities arising from the Mainland government's "Made in China 2025" strategic plan. Moreover, it will continue to optimize its inventory management system, enhance the product portfolio diversification and develop high-margin industrial customers engaging in fast-growing industries such as auto-parts and robotic arms.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group's total outstanding bank borrowings amounted to HK$374,648,000 (31 December 2016: HK$355,324,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings repayable within one year and in the second to the fifth year amounted to HK$344,498,000 and HK$30,150,000 respectively (31 December 2016: HK$320,149,000 and HK$35,175,000 respectively).

After deducting cash and bank balances of HK$330,859,000 (31 December 2016: HK$332,723,000), the Group's net borrowings amounted to HK$43,789,000 (31 December 2016: HK$22,601,000). Shareholders' equity as at 30 June 2017 was HK$991,567,000 (31 December 2016: HK$966,594,000). Accordingly, the Group's net gearing ratio was 4.4%.

During the Period, the Group's net cash outflow from operating activities amounted to HK$10,145,000. This represented profit before tax of HK$12,984,000 after adjustments for non-cash items, including adding back depreciation and amortisation of HK$32,761,000, deducting the share of results of associates of HK$1,732,000, deducting the net changes in working capital of HK$50,192,000 and deducting other adjustments of HK$3,966,000. The Group's net cash outflow from investing activities for the Period amounted to HK$2,505,000, which included purchases for property, plant and equipment of HK$18,769,000, disposal of other financial assets of HK$4,326,000, decrease in pledged bank deposits of HK$7,740,000 and other cash inflow of HK$4,198,000.

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 will continue to monitor its foreign exchange exposure in Japanese Yen and Renminbi and enter into forward contracts when necessary. The Group's long-term bank loan facilities were denominated mainly in Hong Kong dollars and carried interest at floating rates. Credit risk was hedged mainly through credit insurance.

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2017, the Group has approximately 3,500 employees (31 December 2016: approximately 3,460), inclusive of all its staff in Hong Kong, Mainland and overseas offices. 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.

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 economy is still challenging in the coming years. The Group expects several key challenges ahead including the continuous increasing of manufacturing costs and raw material costs, volatile capital market and the currency fluctuations. The Group is well-positioned to boost the sales momentum in different business segments after the restructuring exercise of the machinery manufacturing segment and the plastic product and processing segment executed across 2016 and 2017. Moreover, the Group will continue to streamline the organization structure, optimize the operating cost structure, improve the production efficiency and utilization of various manufacturing plants in Mainland.

Amid uncertainties in the overall macro-economic environment, the Group observes great business opportunities arising from the fast-growing industries, mainly automotive including new-energy vehicles, innovative consumer electronics, communications, food and medical packaging, medical equipment, new industrial materials and components. With the consistent commitment of the Mainland government to develop new energy, energy saving, environmental protection and new materials industries, the Group will continue to align its strategic direction of providing innovative, high-technology and good quality products to our customers. Our bolstering R&D capabilities and the collaboration across different business segments enable the Group to penetrate extensively into specific focusing industrial sectors in the near future.

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 2017 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 2017 (30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2017, 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 2017 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 18 May 2017 due to their other business engagements. However, the Board believes that the presence of the Independent Non-Executive Directors 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 by the end of August 2017.

On behalf of the Board
TANG To
Chairman

Hong Kong, 10 August 2017

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.