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 30TH JUNE, 2005

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, 2005 with comparative figures for the corresponding period in 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 30th June, 2005 (Unaudited) HK$'000	2004 (Unaudited and restated) HK$'000
Turnover	3	**778,744**	796,029
Cost of sales		**(616,174)**	(626,921)
Gross profit		**162,570**	169,108
Other revenue		**9,086**	8,769
Distribution costs		**(46,368)**	(53,857)
Administrative expenses		**(89,558)**	(88,348)
Other operating expenses		**–**	(806)
Allowance for bad and doubtful debts		**(280)**	(3,000)
Profit from operations	4	**35,450**	31,866
Finance costs		**(11,212)**	(9,243)
Investment income		**377**	340
Gain on disposal of subsidiaries		**–**	3,303
Loss on disposal of an associate		**(163)**	–
Share of results of associates		**10,960**	11,248
Profit before taxation		**35,412**	37,514
Taxation	5	**5,432**	6,308
Profit for the period		**29,980**	31,206
Attributable to:			
Equity holders of the parent		**18,630**	21,550
Minority interests		**11,350**	9,656
		29,980	31,206
Earnings per share – basic	6	**2.64 cents**	3.05 cents

CONDENSED CONSOLIDATED BALANCE SHEET

	30th June, 2005 (Unaudited) HK$'000	31st December, 2004 (Audited and restated) HK$'000
ASSETS		
Non-current Assets		
Investment properties	**24,400**	24,400
Property, plant and equipment	**445,052**	450,613
Goodwill	**1,345**	1,345
Interests in associates	**167,474**	164,785
Available-for-sale financial assets	**7,590**	7,590
Deferred tax assets	**15,812**	15,946
Total non-current assets	**661,673**	664,679
Current Assets		
Inventories	**523,805**	479,428
Trade and other receivables	**609,423**	571,590
Bills receivable	**13,621**	10,114
Tax recoverable	**67**	863
Pledged bank deposits	**7,405**	3,961
Bank balances and cash	**98,268**	107,536
Total current assets	**1,252,589**	1,173,492
Total assets	**1,914,262**	1,838,171
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	**282,491**	282,491
Reserves	**411,144**	392,215
Proposed dividend	**–**	7,062
	693,635	681,768
Minority interests	**173,664**	162,221
Total equity	**867,299**	843,989
Non-current Liabilities		
Borrowings – due after one year	**69,961**	47,308
Obligations under finance leases and hire purchase contracts – due after one year	**862**	1,035
Deferred tax liabilities	**11,661**	11,796
Total non-current liabilities	**82,484**	60,139
Current Liabilities		
Trade and other payables	**524,079**	490,302
Bills payable	**106,452**	149,813
Amounts due to associates	**21,605**	13,577
Dividend payable	**7,062**	–
Tax payable	**11,071**	12,982
Borrowings – due within one year	**257,514**	243,463
Obligations under finance leases and hire purchase contracts – due within one year	**3,447**	5,374
Bank overdrafts	**33,249**	18,532
Total current liabilities	**964,479**	934,043
Total liabilities	**1,046,963**	994,182
Total equity and liabilities	**1,914,262**	1,838,171

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. 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, 2004 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, 2005. The changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. Changes in accounting policies

The HKFRSs which are relevant to these financial statements are set out below:

HKAS 1	"Presentation of financial statements"
HKAS 2	"Inventories"
HKAS 7	"Cash flow statements"
HKAS 8	"Accounting policies, changes in accounting estimates and error"
HKAS 10	"Events after the balance sheet date"
HKAS 12	"Incomes taxes"
HKAS 14	"Segment reporting"
HKAS 16	"Property, plant and equipment"
HKAS 17	"Leases"
HKAS 18	"Revenue"
HKAS 19	"Employee benefits"
HKAS 21	"The effects of changes in foreign exchange rates"
HKAS 23	"Borrowing costs"
HKAS 24	"Related party disclosures"
HKAS 27	"Consolidated and separate financial statements"
HKAS 28	"Investments in associates"
HKAS 32	"Financial instruments: disclosure and presentation"
HKAS 33	"Earnings per share"
HKAS 36	"Impairment of assets"
HKAS 37	"Provisions, contingent liabilities and contingent assets"
HKAS 38	"Intangible assets"
HKAS 39	"Financial instruments: recognition and measurement"
HKAS 40	"Investment property"
HKFRS 3	"Business combinations"

a. The adoption of HKAS 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 28, 33, 36 and 37 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures.

– HKAS 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 27, 28, 33, 36 and 37 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related party disclosures.

b. The adoption of HKAS 17 has resulted in a change in accounting policy relating to leasehold land. Leasehold land and buildings held for own use were previously accounted for as finance leases and were stated at valuation less accumulated depreciation. In accordance with HKAS 17, a lease of land and building should be split into a lease of land and a lease of building according to their fair value at inception. A lease of land is an operating lease and a lease of building is a finance lease unless the two elements cannot be allocated reliably, in which case the entire lease is classified as a finance lease. Pursuant to these requirements, the land premium paid for distinguishable leasehold land is accounted for as an operating lease and amortised over its unexpired lease term, whereas undistinguishable leasehold land and building included in property, plant and equipment is stated collectively at valuation less accumulated depreciation.

This change in accounting policy has had no material effect on both the condensed consolidated income statement and retained profits, and condensed consolidated balance sheet.

c. The adoption of HKAS 40 has resulted in a change in the accounting policy for investment property. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the SSAP 13 were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1st January 2005 onwards. The amount of HK$8,607,000 held in investment property revaluation reserve at 1st January 2005 has been transferred to the opening balance of Group's retained profits.

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor interpretation (SSAP-Int 20). In the current period, the Group has applied HK(SIC)-Int 21 "Income Taxes – Recovery of Revalued Non-Depreciable Assets" which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. The above change has had no material effect on the condensed consolidated financial statements.

d. In prior periods, goodwill on acquisition of subsidiaries and associates was carried at cost and amortised over its estimated useful life. Following the adoption of HKAS 36, HKAS 38 and HKFRS 3, goodwill on acquisition of subsidiaries and associates is carried at cost and reviewed for impairment annually. Impairment, if any, is charged to the income statement and is not reversed in a subsequent period. This change in accounting policy has been applied prospectively from 1st January, 2005 where the accumulated amortisation of goodwill on acquisition of subsidiaries and associates as at 1st January, 2005 of approximately HK$23,152,000 has been eliminated with a corresponding decrease in the respective cost of goodwill at that date.

e. In prior periods, to the extent that the negative goodwill was not attributable to losses or expenses anticipated at the date of acquisition, it was recognised as income on a straight line basis over the remaining average useful life of the identifiable acquired depreciable assets. Following the adoption of HKFRS 3, any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired as at the date of acquisition over the cost of the business combination is recognised immediately in the income statement. Goodwill previously eliminated against consolidated capital reserve remains eliminated against consolidated capital reserve and is not recognized in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. This change in accounting policy has been applied prospectively from 1st January, 2005, and following the transitional provisions of HKFRS 3, the carrying amounts of the negative goodwill recognised on the consolidated balance sheet as at 1st January 2005 of approximately HK$1,175,000 were derecognised by way of a corresponding adjustment to the opening retained profits as at 1st January 2005.

f. In prior periods, investment securities held for an identified long-term strategic purpose which were held for non-trading were measured at cost less any accumulated impairment losses. Following the adoption of HKAS 32 and HKAS 39, all investment securities of the Group as at 31st December 2004 were redesignated into available-for-sale financial assets on 1st January 2005 and are stated at cost less any accumulated impairment losses as all the investments do not have a quoted market price in an active market and their fair value cannot be reliably measured. This change in accounting policy has had no material effect on the condensed consolidated financial statements.

Effect on opening balance of total equity as at 1st January, 2005 are summarised below:

Increase (decrease)	As at 31st December, 2004 HK$'000	Effects of changes in accounting policies HKAS 40 HK$'000	HKFRS 3 HK$'000	As at 1st January, 2005 HK$'000
Retained profits	68,360	8,607	1,175	78,142
Asset revaluation reserve	47,026	(8,607)	–	38,419
		–	1,175	

3. **Segmental information**

For management purposes, the Group is currently organised into the following divisions. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's revenue and contribution to operating results by business segment is presented below:

Six months ended 30th June, 2005

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	Audio products HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER								
External sales	119,947	165,468	277,550	45,084	170,695	–	–	778,744
Inter-segment sales	3,939	8,790	5,989	–	–	–	(18,718)	–
Total revenue	123,886	174,258	283,539	45,084	170,695	–	(18,718)	778,744
RESULT								
Segment result	6,872	14,381	16,193	(5,840)	9,573	2,437	714	44,330
Unallocated corporate expenses								(8,880)
Profit from operations								35,450
Finance costs								(11,212)
Investment income								377
Loss on disposal of an associate								(163)
Share of results of associates								10,960
Profit before taxation								35,412

Six months ended 30th June, 2004

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	Audio products HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
TURNOVER								
External sales	132,591	132,850	330,272	40,551	159,765	–	–	796,029
Inter-segment sales	2,975	7,852	7,826	6	–	–	(18,659)	–
Total revenue	135,566	140,702	338,098	40,557	159,765	–	(18,659)	796,029

Inter-segment sales are charged at prevailing market rates

	Industrial consumables HK$'000	Plastic processing products HK$'000	Machinery HK$'000	Audio products HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
RESULT								
Segment result	6,543	11,748	22,049	(8,945)	5,870	608	2,438	40,311
Unallocated corporate expenses								(8,445)
Profit from operations								31,866
Finance costs								(9,243)
Investment income								340
Gain on disposal of subsidiaries								3,303
Share of results of associates								11,248
Profit before taxation								37,514

	Turnover Six months ended 30th June, **2005** ***HK$'000***	2004 *HK$'000*
By geographical market:		
Hong Kong	**278,855**	212,080
Other regions in the People's Republic of China	**397,293**	485,002
Other Asia-Pacific countries	**39,322**	39,050
Europe	**37,479**	14,931
North America	**25,795**	44,966
	778,744	796,029

4. **Profit from operations**

	For the six months ended 30th June, **2005** ***HK$'000***	2004 *HK$'000*
Profit from operations has been arrived at after charging:		
Depreciation and amortisation		
Depreciation and amortisation on:		
Owned assets	**27,901**	26,908
Assets held under finance leases and hire purchase contracts	**2,167**	1,148
Amortisation of goodwill (included in other operating expenses)	**–**	739
Loss on disposal of property, plant and equipment	**–**	1,877
and after crediting:		
Gain on disposal of property, plant and equipment	**882**	–
Release of negative goodwill to income (included in other revenue)	**–**	145

5. **Taxation**

	For the six months ended 30th June, **2005** ***HK$'000***	2004 (Restated) *HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**709**	900
Overseas taxation	**4,723**	5,408
Deferred taxation	**–**	–
	5,432	6,308

Hong Kong Profits Tax is calculated at 17.5% (2004: 17.5%) on the estimated assessable profits for the period.

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

6. **Earnings per share**

The calculation of the basic earnings per share for the period is based on the profit attributable to the equity holder of the Company for the period of approximately HK$18,630,000 (2004: approximately HK$21,550,000) and on the weighted average number of shares in issue during the period of 706,228,857 (2004: restated of 706,228,857).

Diluted earnings per share for period ended 30th June, 2004 and 2005 have not been disclosed as no diluting events existed during these periods.

The adjustment to the comparative basic earnings per share, arising from the bonus issue of shares is as follows:

	HK cents
Reconciliation of 2004 earnings per share:	
Reported figure before adjustments	3.36
Adjustments arising from the bonus issue of shares	(0.31)
At restated	3.05

BUSINESS REVIEW AND PROSPECTS

Business Review

The consolidated turnover of the Group for the first half of the year was approximately HK$778,744,000. There was a slight decrease in turnover of approximately 2.17% over the corresponding period last year. During the period under review, the operating profit and the net profit attributable to shareholders were approximately HK$35,450,000 and HK$18,630,000 respectively.

The first half of the year has put the Company to severe tests. Owing to the macro-economic control policies that were continued to be pursued by the Mainland Government, the high prices in raw materials like steel and plastic, the undesirable factors like shortage in electricity supply, and adverse market conditions on the whole, overall results compared slightly less favourably with that of last year. Nevertheless, thanks to the prompt responses and unyielding efforts made by our staff, achievements were possible in our various operation sectors during the period.

Since inflated cost brought about by rising steel prices could not be completely transferred to the market, the machinery manufacturing business suffered a drop in profits. As the mainland enterprises struggled with financing difficulties under the macro-economic adjustment and control policies, rocketing plastic resin prices and the clients' narrowing profit margins, intention for investment in equipment was exceedingly low. Sales of general purpose plastic injection moulding machines, and in turn performance, were inevitably hit by the imbalance in demand and supply, and intense and unregulated competition in the market. Comparatively less affected by cost fluctuations, fully closed-loop control injection moulding machines with high precision processing capability and higher stability almost doubled in sales during the period. This was attributable to the fact that users of imported high-end machines had increasingly switched to our products instead. Furthermore, our series of multi-layer plastic blow moulding machine with high productivity feature, developed with advanced technology overseas, now enjoy a solid foundation for sustainable development in both local and overseas markets.

As for the plastic processing business, previous efforts in market development and on-going enhancement in moulding design, production and management have paid off. As a result, the business continued to register growth despite the many challenges in the market. More importantly, the mould export business that we have just embarked on also had a good start.

Supported by professional comprehensive pre-sales and after sales services to the clients, trading of industrial consumables remained to be profitable. As for the coming year, a series of products newly launched during the period is expected to become the new driver of growth in this sector.

Cost remained to be a source of pressure for printed circuit board processing although the prices of raw materials dropped slightly after a hefty increase. On hindsight after last year's experiences, the Company has adjusted its product makeup. With delivery of new orders commencing during the period, business has turned around to become profitable again.

The electronic audio products business continued to focus on our unique worksite audios in the niche market. Sticking to the rationalization plan in hand, the Company has been successful in significantly reducing its loss when compared with the corresponding period last year. With a steady amount of orders on hand, we are well on the way to a balanced book.

Prospects

In face of the adverse market environment, the Group is determined to be pragmatic in implementing its well thought out business strategies and to remain true to its people-oriented philosophy in maximizing its human resources. Our team has emerged stronger from the adversity and is now more ready to rise to changes and challenges. On the market side, unfavourable conditions have also induced changes. Foreign invested enterprises are still striving to expand their businesses on the Mainland and are increasingly turning their attention to local suppliers rather than overseas ones for the high performance equipment that they require. Domestic Mainland enterprises, on the other hand, are putting more and more emphasis on quality rather than quantity, and on value adding rather than scaling up. Such technology-based transformation naturally lead to new demands. It is based on these observations that the Group has formulated its strategies for its core businesses and will seize the opportunity to explore new markets for its new products. We are confident that our efforts in consolidating resources, investing in new technologies, training and developing our staff will achieve reasonable return for our shareholders.

Interim Dividend

The Board has resolved not to declare an interim dividend in respect of the six months ended 30th June, 2005 (2004: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2005, the Group's shareholders' funds were approximately HK$693,635,000, compared with approximately HK$681,768,000 (restated) as at 31st December, 2004.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's gearing ratio as at 30th June, 2005 was approximately 10.2% (31st December, 2004: 7.1%), and the liquidity ratio was approximately 1.3 (31st December, 2004: 1.26), both were maintained at a healthy level. As at 30th June, 2005, cash, bank balances and time deposits amounted to approximately HK$98,268,000. All these reflect that the Group is in sound financial position.

Contingent Liabilities

	30th June, 2005 ***HK$'000***	31st December, 2004 *HK$'000*
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	**–**	6,109

Pledge of Assets

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

	Net book value **30th June, 2005** ***HK$'000***	31st December, 2004 *HK$'000*
Investment properties	**13,500**	13,500
Leasehold land and buildings	**73,871**	45,357
Plant and machinery	**57,189**	58,189
Bank deposits *(Note)*	**7,405**	3,961
	151,965	121,007

Note: The bank deposits have been pledged to secure short-term bank borrowings and are therefore classified as current assets.

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 certain fixed interest rate borrowings but had not engaged in any financial instruments for hedging or speculative activities.

DIRECTOR'S AND CHIEF EXECUTIVE'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed above, at no time during the period was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Chief Executive to acquire benefits by means of the acquisition of shares or any underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of SFO); and none of the Directors, their spouses or children under the age of 18, had any right to subscribe for the shares of the Company, or had exercised any such rights.

SHARE OPTION SCHEME

In order to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants for their contributions and/or potential contributions to the Group and for such other purposes as the Board may approve from time to time, the Company has adopted the share option scheme at the annual general meeting of the Company held on 30th May, 2005. No option were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2005.

AUDIT COMMITTEE

The audit committee of the Company comprises the three independent non-executive directors. It has adopted terms of reference which are in line with the code provisions of the Code on Corporate Governance. The unaudited financial statements of the Company for the six months ended 30th June, 2005 have been reviewed by the audit committee who is of the opinion that such statements comply with the applicable accounting standards, legal requirements and the Listing Rules, and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee comprises three independent non-executive directors and the Chairman of the Board of the Company. It has adopted terms of reference which are in line with the code provision of the Code on Corporate Governance. 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 from time to time.

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2005, the Group has approximately 6,000 employees (2004: approximately 6,000), remunerations were formulated in accordance with market trends and performance of employees. Benefits have included schemes of insurance, retirement, share option and so on.

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

During the six months ended 30th June, 2005, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN THE CODE ON CORPORATE GOVERNANCE PRACTICES

The directors consider that the Company has complied with the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2005 except for the following code provision A.2.1 and A.4.2:

Code Provision A.2.1 – Pursuant to code provision A.2.1, roles of the Chairman and chief executive officer should be separate. In order to comply with this code, Mr. Wong Yiu Ming ("Mr. Wong"), the existing Executive Director and General Manager, has been re-designated as Executive Director and Chief Executive Officer of the Company with effect from 12th September, 2005. The date of appointment of Mr. Wong was slightly later than the six months ended 30th June, 2005.

Code Provision A.4.2 – Under the code provision A.4.2 of the Code, (a) All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment; and (b) Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to Article 94 of the Memorandum and New Articles of Association ("M&A") of the Company, "The Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Directors so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election, but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting." Therefore, if there is an extraordinary general meeting held earlier than the first annual general meeting after the appointment, such election by shareholder should be arranged at that extraordinary general meeting, and not the next following annual general meeting. Accordingly, the existing Article 94 of the M&A of the Company constitutes a deviation from code provision A.4.2 of the Code and should be amended.

Besides, according to Article 103(A) of the M&A of the Company, "At each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third, shall retire from office. The Directors to retire in every year shall be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election." Therefore the wordings "nearest one-third" in Article 103(A) do not satisfy the requirements of the aforesaid code provision and should be amended as appropriate. To comply with code provision A.4.2 of the Code, relevant amendments to Articles 94 and 103(A) of the M&A of the Company will be proposed for the shareholders' approval at the next earliest general meeting of the Company.

COMPLIANCE WITH MODEL CODE

Throughout the six months ended 30th June 2005, 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 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.hkex.com.hk. The interim report will be available at the Company's website and the website of The Stock Exchange of Hong Kong Limited and dispatched to shareholders of the Company in late September 2005.

On behalf of the Board
TANG To
Chairman

Hong Kong, 26th September, 2005

As at the date hereof, the Board comprises of eleven directors, of which five are executive directors, namely Mr. Tang To, Mr. Zhao Zhuoying, Mr. Wong Yiu Ming, Mr. Yan Wing Fai Richard and Mr. Li Tin Loi, and three are non-executive directors, namely Mr. Tang Kwan, Mr. He Zhiqi and Mr. Kan Wai Wah and three are independent non-executive directors, namely Mr. Liang Shangli, Mr. Yip Jeffery and Miss Yeung Shuk Fan.

大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
（於香港註冊成立之有限公司）
（股份代號：118）

中期業績公布
截至二零零五年六月三十日止六個月

中期業績

大同機械企業有限公司（「本公司」）董事會（「董事會」）謹此宣佈本公司及其附屬公司（「本集團」）截至二零零五年六月三十日止六個月之未經審核綜合業績連同二零零四年同期之比較數字如下：

簡明綜合收入報表

	附註	截至六月三十日止六個月 二零零五年 （未經審核） 千港元	 二零零四年 （未經審核及重列） 千港元
營業額	3	**778,744**	796,029
銷售成本		**(616,174)**	(626,921)
毛利		**162,570**	169,108
其他收入		**9,086**	8,769
分銷成本		**(46,368)**	(53,857)
行政支出		**(89,558)**	(88,348)
其他營運支出		**–**	(806)
呆壞帳撥備		**(280)**	(3,000)
經營溢利	4	**35,450**	31,866
財務費用支出		**(11,212)**	(9,243)
投資收入		**377**	340
出售附屬公司收益		**–**	3,303
出售聯營公司虧損		**(163)**	–
應佔聯營公司業績		**10,960**	11,248
除稅前溢利		**35,412**	37,514
稅項	5	**5,432**	6,308
本期溢利淨額		**29,980**	31,206
分配：			
股東應佔利潤		**18,630**	21,550
少數股東權益		**11,350**	9,656
		29,980	31,206
每股盈利－基本	6	**2.64仙**	3.05仙

簡明綜合資產負債表

	二零零五年 六月三十日 （未經審核） 千港元	二零零四年 十二月三十一日 （經審核及重列） 千港元
資產		
非流動資產		
投資物業	**24,400**	24,400
物業、廠房及設備	**445,052**	450,613
商譽	**1,345**	1,345
聯營公司之權益	**167,474**	164,785
可供銷售金融資產	**7,590**	7,590
遞延稅項資產	**15,812**	15,946
總非流動資產	**661,673**	664,679
流動資產		
存貨	**523,805**	479,428
貿易及其他應收款項	**609,423**	571,590
應收票據	**13,621**	10,114
應收稅項	**67**	863
抵押存款	**7,405**	3,961
銀行結餘及現金	**98,268**	107,536
總流動資產	**1,252,589**	1,173,492
總資產	**1,914,262**	1,838,171
權益及負債		
本公司股東應佔股本及儲備		
股本	**282,491**	282,491
儲備	**411,144**	392,215
擬派股息	**–**	7,062
	693,635	681,768
少數股東權益	**173,664**	162,221
總權益	**867,299**	843,989
非流動負債		
須於一年後償還之借款	**69,961**	47,308
須於一年後償還之融資租賃借款	**862**	1,035
遞延稅項	**11,661**	11,796
總非流動負債	**82,484**	60,139
流動負債		
貿易及其他應付款項	**524,079**	490,302
應付票據	**106,452**	149,813
結欠聯營公司款項	**21,605**	13,577
應付股息	**7,062**	–
應付稅項	**11,071**	12,982
須於一年內償還之借款	**257,514**	243,463
須於一年內償還之融資租賃借款	**3,447**	5,374
銀行透支	**33,249**	18,532
總流動負債	**964,479**	934,043
總負債	**1,046,963**	994,182
總權益及負債	**1,914,262**	1,838,171

簡明綜合財務報表附註

1. **主要會計政策**

本集團之未經審核簡明綜合中期財務報表乃根據香港聯合交易所有限公司的證券上市規則附錄16所適用之披露規定及香港會計師公會所頒佈的《會計實務準則》第34條「中期財務報告」而編製。本中期報告所採用的會計政策及編製基準與編製本集團截至二零零四年十二月三十一日止年度的年報一致，惟在本集團採納對二零零五年一月一日或以後開始之會計期間生效之新訂及經修訂之香港財務報告準則、會計準則及詮釋（合稱香港財務報告準則）後而令若干會計政策改變除外。本集團會計政策之改變及採納該等新政策之影響載於下文附註2。

2. **會計政策之改變**

財務報告採納下列相關之香港財務報告準則：

香港會計準則第1號	財務報告的列報
香港會計準則第2號	存貨
香港會計準則第7號	現金流量表
香港會計準則第8號	會計政策、會計估計變更及錯誤
香港會計準則第10號	結算日後事項
香港會計準則第12號	所得稅
香港會計準則第14號	分部報告
香港會計準則第16號	物業、廠房及設備
香港會計準則第17號	租賃
香港會計準則第18號	收益
香港會計準則第19號	僱員福利
香港會計準則第21號	外幣匯率變動影響
香港會計準則第23號	借貸成本
香港會計準則第24號	關連人士披露
香港會計準則第27號	綜合及獨立財務報告
香港會計準則第28號	於聯營公司之投資
香港會計準則第32號	財務工具：披露及列報
香港會計準則第33號	每股盈利
香港會計準則第36號	資產減值
香港會計準則第37號	撥備、或然負債及或然資產
香港會計準則第38號	無形資產
香港會計準則第39號	財務工具：確認及計量
香港會計準則第40號	投資物業
香港財務報告準則第3號	企業合併

a. 採納香港會計準則第1、2、7、8、10、12、14、16、18、19、21、23、24、27、28、33、36及37並無對本集團之會計政策構成重大影響。簡言之：
– 香港會計準則第1號影響少數股東權益、應佔聯營公司稅後業績淨額及其他披露的列報形式。
– 香港會計準則第2、7、8、10、12、14、16、18、19、21、23、27、28、33、36及37對本集團之會計政策並無重大影響。
– 香港會計準則第24號對有關連人士之身份及若干有關連人士之披露造成影響。

b. 採納香港會計準則第17號引致有關租賃土地之會計政策改變。[illegible]
該會計政策之改變對簡明綜合收入報表、保留溢利及簡明綜合資產負債表均無重大影響。

c. 採納香港會計準則第40號導致有關投資物業的會計政策有所轉變。[illegible]
在以往會計期間，根據以往的詮釋（會計實務準則詮釋第20號）重估投資物業所產生的遞延稅項乃根據有關物業是持有作出售之物業可收回的帳面值作出評估。[illegible]

d. 於前會計期間，收購附屬公司及聯營公司而產生之商譽乃根據其可使用年期以直線法攤銷。[illegible]

e. 於前會計期間，除於收購日預計的虧損或開支外，負商譽乃按餘下之平均可使用年期按直線法確認為收益。[illegible]

f. 於前會計期間，根據確定的長期策略所持有及非貿易用途的證券乃按成本扣減減值計算。[illegible]

該會計政策之改變對簡明綜合財務報表並無重大之影響。

對於二零零五年一月一日權益的影響總結如下：

增加（減少）	於二零零四年 十二月三十一日 千港元	會計政策改變之影響 香港會計準則第40號 千港元	 香港財務報告準則第3號 千港元	於二零零五年 一月一日 千港元
保留溢利	68,360	8,607	1,175	78,142
資產重估儲備	47,026	(8,607)	–	38,419
		–	1,175	

3. **分類資料**

就管理而言，本集團目前的經營組別組成如下，此等類別為本集團呈報其分類資料之基準。本集團按業務分類及經營溢利貢獻分析如下：

截至二零零五年六月三十日止六個月

	工業消耗品 千港元	注塑製品及加工 千港元	機械 千港元	音響產品 千港元	線路板 千港元	其他營運 千港元	撇銷 千港元	綜合 千港元
營業額								
對外銷售	119,947	165,468	277,550	45,084	170,695	–	–	778,744
內部分類銷售	3,939	8,790	5,989	–	–	–	(18,718)	–
總收入	123,886	174,258	283,539	45,084	170,695	–	(18,718)	778,744
業績								
分類業績	6,872	14,381	16,193	(5,840)	9,573	2,437	714	44,330
未分配公司費用								(8,880)
經營溢利								35,450
財務費用								(11,212)
投資收入								377
出售聯營公司虧損								(163)
應佔聯營公司業績								10,960
除稅前溢利								35,412

截至二零零四年六月三十日止六個月

	工業消耗品 千港元	注塑製品及加工 千港元	機械 千港元	音響產品 千港元	線路板 千港元	其他營運 千港元	撇銷 千港元	綜合 千港元
營業額								
對外銷售	132,591	132,850	330,272	40,551	159,765	–	–	796,029
內部分類銷售	2,975	7,852	7,826	6	–	–	(18,659)	–
總收入	135,566	140,702	338,098	40,557	159,765	–	(18,659)	796,029
業績								
分類業績	6,543	11,748	22,049	(8,945)	5,870	608	2,438	40,311
未分配公司費用								(8,445)
經營溢利								31,866
財務費用								(9,243)
投資收入								340
出售附屬公司收益								3,303
應佔聯營公司業績								11,248
除稅前溢利								37,514

	營業額 截至六月三十日止六個月 二零零五年 千港元	 二零零四年 千港元
按地區市場劃分：		
香港	**278,855**	212,080
中華人民共和國其他地區	**397,293**	485,002
其他亞太國家	**39,322**	39,050
歐洲	**37,479**	14,931
北美洲	**25,795**	44,966
	778,744	796,029

4. **經營溢利**

	截至六月三十日止六個月 二零零五年 千港元	 二零零四年 千港元
所得經營溢利已扣除：		
折舊及攤銷		
折舊及攤銷		
自購資產	**27,901**	26,908
以融資借貸及租賃合約持有資產	**2,167**	1,148
商譽攤銷（已包括在其他營運支出）	**–**	739
出售物業、廠房及設備虧損	**–**	1,877
及已計入：		
出售物業廠房及設備收益	**882**	–
負商譽撥作收入（已包括在其他收入）	**–**	145

5. **稅項**

	截至六月三十日止六個月 二零零五年 千港元	 二零零四年 千港元
支出包括：		
香港利得稅	**709**	900
海外稅項	**4,723**	5,408
遞延稅項	**–**	–
	5,432	6,308

香港利得稅乃按期內估計應課稅溢利17.5%（二零零四年：17.5%）計算。

於其他司法權區所產生稅項乃按有關該司法權區現行之稅率計算。

6. **每股盈利**

本期每股基本盈利乃按本期股東應佔利潤約18,630,000港元（二零零四年：約21,550,000港元）及期內已發行股份加權平均數706,228,857股（二零零四年：706,228,857股，重列）計算。

由於期內本公司並無攤薄事項，故並無披露截至二零零五年及二零零四年六月三十日止期間之每股攤薄盈利。

因發行紅股而調整可比較的每股之盈利如下：

	港仙
調整二零零四年每股盈利：	
調整前報告數值	3.36
因發行紅股而調整	(0.31)
重列	3.05

業務回顧與展望

業務回顧

集團本年度的綜合營業額為778,744,000港元，較去年同期輕微下降2.17%。期內股東應佔的經營溢利及溢利淨額分別約為35,450,000港元及18,630,000港元。

本上半年度面對內地政府的宏觀調控經濟政策持續實施，而鋼鐵及塑料等原材料價格仍在高位徘徊，其他如電力供應緊缺等不利因素未見減除，市場逆境給我司帶來嚴峻的挑戰。我司的綜合業績稍遜於去年。然而在全體同事的積極應變、辛勤努力下，各項業務於期內出現不同的成果。

機械製造業務由於鋼材價格上升因素，成本壓力未能全部轉嫁市場，影響盈利。而面對宏觀調控經濟政策的持續，內地企業融資困難，塑料價格未能回落，客戶的利潤受壓，以致企業對設備投資意慾相當低迷。供求失衡情況下，市場無序的競爭更形激烈，常規通用型注塑機的銷售阻力無可避免，業績未如去年。另一方面，我司針對高精度加工且更高穩定性要求的全閉環控制系列注塑機受成本壓力較微，在期內不少原需求進口高檔機種的客戶，轉為購用該系列產品，其銷量近倍增長。再者，結合外國先進技術開發的多層物料高性能塑料中空成型機等系列產品，期內已在國內外市場建立了可持續發展的基礎。

注塑製品加工業務通過往年對市場拓展加大投入，並於期內不斷提升模具的設計、製作及管理水平，在這極富挑戰的市場環境下，業績仍然保持增長，並為新增的模具出口業務，奠下良好開端。

工業消耗品貿易業務一如既往地向客戶提供專業全方位售前售後服務，得以維持盈利空間，於期內所新增加的產品系列正在初期推廣階段，預計可成為明年業務之新增長點。

線路板加工業務面對原料價格大漲小回，成本壓力仍然沉重。吸取了去年的教訓，在期內調整了產品結構及新接訂單開始陸續付運，業績得以由虧損回復正常盈利。

電子音響業務繼續在利基市場發展特有的工地音響產品，並繼續既定的緊縮調整計劃，虧損比去年同期大幅減少，手頭訂單仍保持穩定，正步向持平的軌道上。

展望

集團面對目前的市場逆境，將以務實的思維執行既定戰略。堅持以人為本經營哲理，將持續開發人力資源。我們的團隊在挑戰中接受鍛鍊，以強化整個團隊之應變能力。而市場也在逆境中變遷，外資企業在內地投資規模仍在持續擴充，所需新增高性能的設備正由進口渠道轉為考慮在本地選購，而內地企業的投資意念正在由求量轉向求質，由重規模轉向重增值的趨勢逐漸萌生，他們的技術轉型將引發新的市場需求，這正是集團核心業務策略配合之目標、新產品市場開拓的良好商機。我們深信過去對資源的整合、對新技術的投資、對人員的培育將會為股東帶來合理回報。

中期股息

董事會議決不派發截至二零零五年六月三十日止六個月之中期股息（二零零四年：無）。

財務回顧

流動資金及財政資源

於二零零五年六月三十日，本集團之股東資本約為693,635,000港元，而於二零零四年十二月三十一日則約為681,768,000港元（重列）。

本集團是以內部產生的現金流量，加上香港及中國往來銀行備用額作為營運資金。本集團於二零零五年六月三十日的資產負債比率約為10.2%（二零零四年十二月三十一日：7.1%），而流動資金比率約為1.3（二零零四年十二月三十一日：1.26），該等比率保持良好水平。於二零零五年六月三十日之現金、銀行結餘及定期存款約為98,268,000港元，財務狀況保持穩健。

或然負債

	二零零五年 六月三十日 千港元	二零零四年 十二月三十一日 千港元
給予財務機構之已使用信貸額		
作出的擔保：		
非集團公司	–	6,109

抵押資產

於結算日，本集團已將下列資產作抵押，以取得一般銀行貸款：

	帳面淨值 二零零五年 六月三十日 千港元	 二零零四年 十二月三十一日 千港元
投資物業	**13,500**	13,500
租賃土地及樓宇	**73,871**	45,357
廠房及機械	**57,189**	58,189
銀行存款（*附註*）	**7,405**	3,961
	151,965	121,007

*附註：*銀行存款已作抵押以取得短期銀行借貸，因此列作流動資產。

外幣及財務政策

本集團大部分業務交易、資產及負債均以港元、人民幣或美元為單位。本集團之財務政策為在對本集團之財務影響重大時管理外滙風險。於期內，本集團維持若干定息借貸，概無因從事對沖或投機活動而持有任何的金融票據。

董事及主要行政人員認購股份或債務證券之權利

除上文披露者外，本公司或其任何控股公司、附屬公司或同系附屬公司在期內概無作出任何安排，致使各董事及主要行政人員可藉收購本公司或任何相聯法團（定義見證券及期貨條例第XV部）之股份、任何相關股份或債權證而獲益。各董事、彼等之配偶或18歲以下子女概無擁有任何認購本公司股份之權利或曾經行使任何該等權利。

購股權計劃

為透過靈活彈性方法向參與者提供鼓勵、獎勵、酬金、補償及／或提供利益，作為彼等對本集團作出及／或將會作出貢獻之回報，及就董事會可能不時批准之其他目的，本公司已於二零零五年五月三十日舉行之本公司股東週年大會採納購股權計劃。截至二零零五年六月三十日止六個月，概無任何購股權已授出、行使、註銷或失效。

審核委員會

本公司之審核委員會由三名獨立非執行董事組成。審核委員會已採納與企業管治常規守則之守則條文一致之書面職權範圍。審核委員會已審閱本公司截至二零零五年六月三十日止六個月之未經審核財務報表，並認為該等報表符合適用會計準則、法例規定及上市規則，且已作出充分披露。

薪酬委員會

薪酬委員會由三名獨立非執行董事及本公司董事會主席組成。薪酬委員會已採納與企業管治常規守則之守則條文一致之書面職權範圍。薪酬委員會之職責包括檢討及評估執行董事與高級管理人員之薪酬待遇，並不時向董事會提出建議。

僱員及薪酬政策

於二零零五年六月三十日，本集團之僱員約共6,000名（二零零四年：約共6,000名），薪酬乃按市場趨勢及僱員表現而釐定。福利包括保險、退休、購股權等計劃。

購買、出售或贖回本公司上市證券

截至二零零五年六月三十日止六個月，本公司或其任何附屬公司概無購買、出售或贖回本公司上市股份。

遵守企業管治常規守則所載守則條文

董事認為，於截至二零零五年六月三十日止六個月，本公司一直遵守上市規則附錄十四所載企業管治常規守則（「守則」），惟以下守則條文第A.2.1及A.4.2條除外：

守則條文第A.2.1條－根據守則條文第A.2.1條，應區分主席及行政總裁之角色。為遵守是項守則，現任執行董事兼總經理黃耀明先生（「黃先生」）已調任為本公司執行董事兼行政總裁，自二零零五年九月十二日起生效。黃先生之委任日期稍遲於截至二零零五年六月三十日止六個月。

守則條文第A.4.2條－根據守則之守則條文第A.4.2條，(a)所有獲委任填補臨時空缺之董事須於彼等獲委任後第一次舉行之股東大會上由股東選舉；及(b)每名董事（包括獲委任指定年期者）須每三年最少輪值退任一次。根據本公司之組織章程大綱及新細則（「大綱及細則」）第94條，「董事會不時及於任何時間有權委任任何人士出任董事以填補空缺或為董事會增添成員。任何為此獲委任董事之任期僅直至本公司下屆股東週年大會為止，其後將符合資格重選連任，惟不計入釐定於該大會上即將輪值退任之董事。」。因此，倘股東特別大會於獲委任後首屆股東週年大會前舉行，股東選舉將安排於該股東特別大會而非下屆股東週年大會進行。據此，本公司大綱及細則現行細則第94條偏離守則之守則條文第A.4.2條，並須作出修訂。

此外，根據本公司大綱及細則第103(A)條，「於每屆股東週年大會，當時三分一（或倘並非三或三之倍數，則最接近三分一之數目）之董事須輪值告退。每年退任之董事將為自最近一次選舉以來任期最長之董事，至於同日成為董事之人士，除非彼等自行協定，否則將以抽籤決定。退任董事符合資格膺選連任。」因此，第103(A)條之「最接近三分一」之字眼並未符合上述守則條文之規定而須作出適當修訂。為遵守守則之守則條文第A.4.2條，本公司大綱及細則第94及103(A)條之有關修訂將於本公司下屆股東大會提呈股東批准。

遵守標準守則

截至二零零五年六月三十日止六個月，本公司一直採納上市規則附錄十所載上市公司董事進行證券交易的標準守則，根據本公司向全體董事作出之查詢，全體董事確認，彼等完全遵守標準守則所載規定標準。

刊登中期業績公布及中期報告

本中期業績公布刊登於本公司網站(www.cosmel.com)及香港聯合交易所有限公司網站(www.hkex.com.hk)。中期報告將載於本公司網站及香港聯合交易所有限公司網站，並於二零零五年九月底寄交本公司股東。

代表董事會
主席
鄧燾

香港，二零零五年九月二十六日

於本公佈發表日期，本公司董事會由十一位董事組成；其中，鄧燾先生、趙卓英先生、黃耀明先生、甄榮輝先生及李天來先生五位為執行董事；鄧焜先生、何志奇先生及簡衛華先生三位為非執行董事；而梁尚立先生、葉慶輝先生及楊淑芬小姐三位則為獨立非執行董事。