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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
FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS SUMMARY

	Six months ended 30 June		
	2024	2023	
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	**Change**
Revenue	**1,004,620**	1,133,707	-11.4%
Gross profit	**171,963**	188,085	-8.6%
Operating profit	**9,913**	10,928	-9.3%
Profit for the period	**1,572**	2,298	-31.6%

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Cosmos Machinery Enterprises Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2024. These interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 (Unaudited) HK$'000	2023 (Unaudited) HK$'000
Revenue	3	**1,004,620**	1,133,707
Cost of sales		**(832,657)**	(945,622)
Gross profit		**171,963**	188,085
Other income, gain and loss, net		**22,156**	2,798
Selling and distribution costs		**(88,902)**	(82,450)
Administrative expenses		**(95,304)**	(97,505)
Operating profit		**9,913**	10,928
Finance costs		**(8,714)**	(7,795)
Investment income		**5,334**	3,776
Share of results of associates		**1,471**	2,147
Profit before tax	4	**8,004**	9,056
Income tax expense	5	**(6,432)**	(6,758)
Profit for the period		**1,572**	2,298
Profit/(loss) attributable to:			
Equity shareholders of the Company		**(2,493)**	3,569
Non-controlling interests		**4,065**	(1,271)
		1,572	2,298
(Loss)/earnings per share – Basic and diluted	6	**(0.29) HK cent**	0.41 HK cent

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**1,572**	2,298
Other comprehensive expense, net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Share of other comprehensive expense of associates	**(218)**	(1,507)
Exchange differences arising from translation of financial statements of foreign operations	**(9,739)**	(40,022)
	(9,957)	(41,529)
Total comprehensive expense for the period	**(8,385)**	(39,231)
Total comprehensive (expense)/income attributable to:		
Equity shareholders of the Company	**(11,454)**	(34,292)
Non-controlling interests	**3,069**	(4,939)
Total comprehensive expense for the period	**(8,385)**	(39,231)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30 June 2024 (Unaudited) HK$'000	31 December 2023 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment		**506,732**	523,103
Right-of-use assets		**44,317**	41,286
Goodwill		**3,896**	3,896
Interests in associates		**33,988**	36,549
Finance lease receivables		**15,484**	13,625
Deferred tax assets		**21,899**	22,048
		626,316	640,507
Current Assets			
Inventories		**428,938**	418,825
Finance lease receivables		**66,347**	84,802
Trade and other receivables	*8*	**588,747**	651,584
Other financial assets		**82,661**	5,630
Current tax recoverable		**127**	264
Cash and bank balances		**571,715**	660,468
		1,738,535	1,821,573
Current Liabilities			
Trade and other payables	*9*	**646,952**	681,902
Contract liabilities		**60,161**	72,446
Bank borrowings		**232,920**	234,598
Lease liabilities		**4,658**	4,182
Current tax payable		**2,556**	4,836
		947,247	997,964
Net Current Assets		**791,288**	823,609
Total Assets less Current Liabilities		**1,417,604**	1,464,116

	30 June 2024 (Unaudited)	31 December 2023 (Audited)
	HK$'000	*HK$'000*
Non-current Liabilities		
Bank borrowings	**5,150**	–
Lease liabilities	**7,711**	4,741
Deferred tax liabilities	**28,439**	30,511
	41,300	35,252
Net Assets	**1,376,304**	1,428,864
Equity		
Capital and reserves attributable to equity shareholders of the Company:		
Share capital	**609,027**	609,027
Reserves	**651,241**	662,695
	1,260,268	1,271,722
Non-controlling Interests	**116,036**	157,142
Total Equity	**1,376,304**	1,428,864

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and Hong Kong Accounting Standards ("**HKAS**") 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

These interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2023. The amendments to standards adopted by the Group in the current accounting period are set out in Note 2 below.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 31 December 2023 that is included in this interim financial report 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 required to be disclosed in accordance with Section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong, the "**Companies Ordinance**") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2023 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those consolidated 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 Sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, Classification of Liabilities as Current or Non-current
- Amendments to HKAS 1, Non-current Liabilities with Covenants
- Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements
- Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback
- Hong Kong Interpretation 5 (Revised), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the amendments to HKFRSs in the current accounting period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT REPORTING

The Group manages its business by a mixture of both business lines and geographical locations. In a manner consistent with the way in which information is reported internally to the Group's top management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified, on a product basis, the following five reportable segments:

(1) trading of industrial consumables;

(2) processing and manufacturing of plastic products;

(3) manufacturing of machinery;

(4) trading of printed circuit boards; and

(5) machinery leasing.

During the year ended 31 December 2023, a new reportable segment named "machinery leasing" has been separated from "other operations". This new reportable segment is used by management to analyse its business performance, and corresponding figures for the prior year have been restated on the same basis.

Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's top executive management monitors the results attributable to each reportable segment on the following basis:

Segment revenue, expenses and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue and expenses are determined before intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

The segment results for the six months ended 30 June 2024 are as follows:

	Industrial consumables *HK$'000*	Plastic products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Machinery leasing *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE								
External sales	**175,319**	**275,114**	**439,868**	**111,971**	**2,348**	**–**	**–**	**1,004,620**
Inter-segment sales *(Note)*	**10,852**	**14**	**534**	**–**	**5**	**–**	**(11,405)**	**–**
Total revenue	**186,171**	**275,128**	**440,402**	**111,971**	**2,353**	**–**	**(11,405)**	**1,004,620**
Segment results	**7,917**	**17,397**	**(20,013)**	**4,933**	**1,726**	**2,829**	**–**	**14,789**
Unallocated corporate income								**6,872**
Unallocated corporate expenses								**(11,748)**
Operating profit								**9,913**
Finance costs								**(8,714)**
Investment income								**5,334**
Share of results of associates								**1,471**
Profit before tax								**8,004**

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

The segment results for the six months ended 30 June 2023 are as follows:

	Industrial consumables *HK$'000*	Plastic products *HK$'000*	Machinery *HK$'000*	Printed circuit boards *HK$'000*	Machinery leasing *HK$'000* *(Restated)*	Other operations *HK$'000* *(Restated)*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE								
External sales	215,893	264,517	393,703	252,130	7,464	–	–	1,133,707
Inter-segment sales *(Note)*	13,365	26	61	–	4	–	(13,456)	–
Total revenue	229,258	264,543	393,764	252,130	7,468	–	(13,456)	1,133,707
Segment results	12,193	13,686	(6,454)	(1,564)	1,597	2,743	–	22,201
Unallocated corporate expenses								(11,273)
Operating profit								10,928
Finance costs								(7,795)
Investment income								3,776
Share of results of associates								2,147
Profit before tax								9,056

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

An analysis of revenue by geographical markets is as follows:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Hong Kong	**53,022**	124,209
Mainland China	**842,377**	818,041
Other Asia-Pacific countries	**70,908**	146,418
North America	**5,287**	6,576
Europe	**33,026**	38,463
	1,004,620	1,133,707

4. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Depreciation and amortisation on:		
Property, plant and equipment		
– Ownership interest in leasehold land and buildings held for own use	**2,034**	1,931
– Other owned assets	**19,646**	26,445
Intangible assets	**–**	691
Right-of-use assets	**3,173**	7,612
Short-term lease payments	**581**	643

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
Hong Kong profits tax	**818**	200
Overseas income tax	**5,614**	6,558
	6,432	6,758

The provision for Hong Kong profits tax for the six months ended 30 June 2024 is calculated at 16.5% (30 June 2023: 16.5%) of the estimated assessable profits for the period. 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.

6. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per ordinary share is based on the Group's (loss)/profit 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	
	2024	2023
Weighted average number of ordinary shares in issue during the period	**861,930,692**	861,930,692
	HK$'000	*HK$'000*
(Loss)/profit attributable to equity shareholders of the Company	**(2,493)**	3,569
	HK cent	*HK cent*
Basic and diluted (loss)/earnings per share	**(0.29)**	0.41

There were no dilutive potential ordinary shares in existence during the period.

7. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

8. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
0 to 3 months	**321,806**	305,964
4 to 6 months	**81,896**	129,111
7 to 9 months	**37,195**	54,782
Over 9 months	**56,229**	43,851
Total trade and bills receivables	**497,126**	533,708
Other receivables	**54,270**	87,087
Prepayments	**37,303**	30,707
Amounts due from related parties	**48**	82
	588,747	651,584

9. TRADE AND OTHER PAYABLES

An aging analysis of trade and bills payables, based on the date of invoice, is as follows:

	30 June 2024	31 December 2023
	HK$'000	*HK$'000*
0 to 3 months	**422,415**	410,179
4 to 6 months	**116,267**	103,661
7 to 9 months	**6,861**	13,154
Over 9 months	**9,174**	9,556
Total trade and bills payables	**554,717**	536,550
Accruals and other payables	**92,235**	145,352
	646,952	681,902

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

Revenue of the Group for the six months ended 30 June 2024 was approximately HK$1,004,620,000 (30 June 2023: approximately HK$1,133,707,000), a decrease of 11.4% as compared with the same period last year, which was mainly due to the revenue for the same period last year included the operating results of the printed circuit boards ("**PCB**") processing business (the completion of the disposal of this business took place in November 2023), but its impact has been partially offset by the increase in revenue of the machinery manufacturing business and plastic products processing and manufacturing business.

Gross profit and gross profit margin

For the six months ended 30 June 2024 and 2023, the Group's gross profit amounted to approximately HK$171,963,000 and HK$188,085,000 with gross profit margin of 17.1% and 16.6%, respectively. Although the disposal of the PCB processing business had a positive impact on the Group's gross profit margin, such impact was partially offset by the intensifying price competition among industrial peers in machinery manufacturing business.

Other income, gain and loss, net

The net amount of other income, gain and loss of the Group for the six months ended 30 June 2024 amounted to approximately HK$22,156,000 (30 June 2023: approximately HK$2,798,000), a significant increase as compared with the same period last year was mainly due to increase in government grants.

Selling and distribution costs

The selling and distribution costs of the Group for the six months ended 30 June 2024 was approximately HK$88,902,000 (30 June 2023: approximately HK$82,450,000), and the selling and distribution costs to revenue was approximately 8.8% (30 June 2023: approximately 7.3%). The selling and distribution costs increase was mainly due to additional efforts in oversea market expansion.

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2024 were approximately HK$95,304,000 (30 June 2023: approximately HK$97,505,000), which was similar to the same period last year.

Finance costs

The finance costs of the Group for the six months ended 30 June 2024 amounted to approximately HK$8,714,000 (30 June 2023: approximately HK$7,795,000), an increase of 11.8% as compared to the same period last year. The Group beared higher effective interest rate due to the interest rate hike cycle, which led to an increase in finance costs.

BUSINESS REVIEW

Machinery Manufacturing Business

The injection molding machine ("**IMM**") manufacturing business continued to compete in challenging market conditions. However, sales and order intake recorded a rebound from the previous year's low base figure, especially during the first quarter of this year. Despite the absence of favourable market simulating policies and lingering weak equipment investment sentiments, our high-quality products and services enabled this business to increase order intake from customer segments, such as household appliance, new energy automobile, petrol based automotive and packaging. However, by early second quarter of this year, the IMM industry saw a renewed dip in demand and customers' investment sentiments in Mainland China. Continued weakness in the real estate market, excess manufacturing capacities in numerous sectors, further reduction of export sales downstream, and reduction of consumer spending, removed the sparks of machinery demand recovery that the industry had anticipated. In addition, price competition among industry peers further intensified. Profitability for this business continued to suffer despite achieving sales growth compared to the same period last year. Our export sales for the first half of this year maintained similar levels compared to last year, but order intake dropped slightly. High inflation rates, weak local currency exchange rates and elevated shipping costs directly caused by regional conflicts in the Middle East, which contributed to weaker than expected demands overseas.

While sales of our standard small and medium-sized IMM (SeKII/S) remained the bulk of our sales volume, our ultra large-sized two-platen IMM (JSeII) recorded sales growth given that household appliance and automotive customers ramped up purchases. Industry-specific solutions for thin-walled packaging, medical and daily necessity packaging industries remained steady. Our Polyethylene Terephthalate (PET) machine solution maintained growth momentum from strong sales growth last year, and together with our all-electric IMM and hybrid electric IMM (D and HD series), will remain our value driver in the future.

This business is unwavering in research and development investments in a number of areas. For IMM upgrades, we successfully launched our high specification model (Se5 series) last year. A more energy-efficient model (Se5H) will be launched later this year. Upgrade specifications development for large-sized two-platen series, multi material series, higher efficiency PET series, and large-sized (850 tons) all-electric series is among the highlights in our pursuit to capture high-value customer segments. In the meantime, young talent recruitment and development have been ongoing in our production bases. Recruitment and expansion of our sales network are also crucial for our short and long-term development.

Deployment and integration of digital systems driving up connectivity and productivity are ongoing throughout this year. System modules such as Warehouse Management System (WMS), Supplier Relationship Management (SRM), Customer Relationship Management (CRM) and Product Lifecycle Management (PLM) are successfully online. Upgrades and further implementation of Manufacturing Execution System (MES) module will further assist production management and quality tracking. A fully automated warehouse system was launched in our Wuxi factory, and should be deployed in our Dongguan factory later this year. This business will prioritise in overall sales growth, optimization of production costs and financial prudence for the remainder of this year.

The extrusion and rubber injection molding machines and hydraulic presses manufacturing business recorded an encouraging sales growth for the first half of this year compared to the same period last year. Although operating in unfavourable market conditions in Mainland China such as weak overall machinery demands and intense pricing competition, this business achieved growth in all three major product lines, especially rubber injection molding machines. We believe the massive effort conducted in recent years in specializing in niche market applications, dedication to improve product quality, novel marketing campaigns, and corporate rebranding, helped to strengthen our positioning to provide unique solutions to sophisticated customers. Profitability of this business was similar to the same period last year despite high top line growth, as marketing budgets increased in order to ramp up domestic and overseas exhibitions and new-age media exposure.

Notable sales highlights achieved so far include large-sized insulator rubber injection molding machine solution, fully automated automotive braking system hydraulic presses solution, and telecommunication fibre optic conduit extrusion line solution. This business is cautiously optimistic on achieving growth in all three major product lines for the whole year, especially in vibrant export markets, such as South East Asia, the Middle East and South America.

Our resources and efforts will continue to focus on niche market-specific research and development, continuous quality improvement, and talent development. This business also plans to make bold steps to increase our technical personnel presence in key overseas markets in order to better serve overseas customers.

Machinery Leasing Business

The machinery leasing business primarily serves the Group's machinery manufacturing business customers. This business adopted a cautious approach with strict customer selection criteria and reduced its overall leasing exposure, to control financial risk. Financial health and risk exposure are deemed to be satisfactory.

Plastic Products Processing and Manufacturing Business

The plastic processing plant for food packaging in Zhuhai recorded a minor drop in sales and profitability compared to the same period last year. On the backdrop of visible consumer spending slowdown, coupled with low birth rates, overall demand from our major customer, the market leader of dairy products in Mainland China, dropped compared to previous years. Intensifying pricing competition among dairy product producers also played a role in readjusting our pricing in order to secure future orders. So far, orders from this major customer are anticipated to be stable, as our high dedication to product quality and our ability to ensure novel product designs enable us to foster strong partnership with this customer. Export sales also recorded a slight drop compared to last year as weak overseas demand, elevated shipping costs, and unfavourable exchange rates hindered our growth in export markets. This business continues its efforts to develop new customers despite a challenging competitive environment.

In full compliance with the government's carbon emission reduction policies, this business successfully obtained the ISO 14064-3:2019 (Greenhouse gases – Part 3: Specification with guidance for the verification and validation of greenhouse gas statements).

Since the fourth quarter of last year, this business successfully switched to a new and more powerful Enterprise Resource Planning (ERP) system. Full integration with a fully customized "iSee" MES module, developed by our IMM division, would further improve productivity and quality tracing. The launches of such digital systems in Zhuhai factory this year, would ensure a smoother operation management in our new Northern China factory, which is expected to begin operation at around mid-2025. Construction work in the new factory should be completed within this year. Workshop fit-out and fixture work would be commenced soon after. The new factory would serve as a crucial asset to expand our food packaging business in Mainland China.

The plastic component processing plant for household appliances in Hefei managed to maintain similar sales and profitability levels compared to the same period last year. The competitive environment for household appliances in Mainland China continues to be challenging, as domestic demands have reached its peak in recent years, cutthroat pricing competition among industry peers is the new norm. However, with this business's continuous dedication to raising quality, automation, and lean manufacturing improvements, our production levels are high compared to other component processing peers. A lone bright spot for Chinese household appliance producers this year has been a growing export market. This business continues to win new projects with export specifications, that require extremely high quality standards. Should this trend continue, this business should maintain stable sales and profits for the whole year.

A new ERP system that digitally manages all production processes was successfully upgraded. The benefits are highly encouraging as the system accurately manages all materials, efficient labour allocation, and maximises machine usage rates. Defect rates are reduced, together with machine and labour down times. Overall inventory also reduced to optimal levels that improve our financial resources usage. This business will focus on further production efficiency and automation improvements to further reduce unit production costs, while striving to maintain a high inflow of orders to maximise production capacity usage.

The blow molded mannequins production plant in Dongguan continued its high momentum in sales and profitability growth for the first half of this year. Our strong partnerships with global sporting goods brands and retail chains, which recognize our top quality, engineering, and fast "concept to production" lead times, helped support our high growth. This business is playing a key role in helping our key customer that operates sporting goods retail chains, to revamp its in-store display mannequins. Our focus on top quality recyclable mannequins in niche market is shielding us from adverse competition from traditional blow molding competitors.

Our management team is encouraged that we are nearing the final stages of signing cooperation agreements with a handful of world-class leaders in sporting apparel and fashion brands.

On that back of strong growth momentum, this business will devote more resources to developing lower carbon emission materials to stay ahead of global brands' ESG objectives. New and upgraded machineries were invested in this year, to help achieve higher energy efficiency. Talent development will also be a key priority to sustaining long-term growth with our customers who demand constant innovation and strict quality standards.

PCB Trading Business

The PCB trading business recorded comparable sales and profits in the first half of this year compared to the same period last year. The overall PCB market was challenging. Orders from electronics and automotive manufacturers were stagnant and this business faced increasing cost reduction pressures. Notably, the Japanese office automation equipment manufacturer continued to migrate assembly processes outside of Mainland China. Meanwhile, new business development initiatives that took place the last couple of years, helped stabilize overall sales turnover. Unit price reduction pressure by customers was notable, and the management team reacted well by working with suppliers to cooperate to maintain order volume.

The Group determined that the PCB business will no longer be our core business going forward. On 10 July 2024, the Group agreed to sell 52% of the total number of issued shares of an indirect non-wholly-owned subsidiary of the Company (its subsidiaries are principally engaged in PCB trading business) to a connected person of the Company at the subsidiary level (within the meaning of Chapter 14A of the Listing Rules). Details are set out in the heading of "Subsequent Events" in this announcement.

Industrial Consumables Trading Business

The industrial consumables trading business recorded a moderate drop in sales and profits in the first half compared to the same period last year. A wide range of manufacturing enterprises displayed low investment sentiments and demands for industrial components. Low consumer spending, slumping real estate market, and excess manufacturing capacities are some of the reasons causing low demands and intensive pricing competition. Our sales to industries such as machinery, solar energy equipment, lithium battery equipment, semi-conductors, electronics and elevators, displayed the most visible reductions. In addition, export-focused customers continued to see their orders eroded or replaced by producers situated in South East Asian countries. In response to short term negative outlook displayed by customers in the renewable energy equipment sector, which have longer payment cycles, our team prudently managed our supply to such customers in order to reduce financial risks. As a result, products such as motion drive and control systems, and servo motors, were the largest reduction in sales in our portfolio.

However, relatively brighter spots exist in the dynamic Mainland China manufacturing sectors. Our sales to customers in industries such as automotive and household appliances rebounded in the first half of this year, from low levels recorded last year. As such, sales of our steel beams and wires products moderately increased. Imported specialized steel products sold to our medical supplies customers are stable. Motion control and drive systems sold to the robotics industry continued their stable growth momentum.

This business will explore new supplies and products to diversify our product portfolio and customer reach. It will also maintain efforts to co-develop customized solutions with existing motion and drive suppliers to further penetrate the market. Our new sales office and warehouse in Vietnam is now in operation, and has begun serving our key customer's new manufacturing facilities. Our team is also deploying resources to capture new business opportunities in Vietnam in order to drive continuous growth.

Subsequent Events

On 10 July 2024, Major Success Company Limited, an indirect wholly-owned subsidiary of the Company, as the seller, and Mr. Yip Kin Keung, a connected person of the Company at the subsidiary level, as the purchaser, entered into the sale and purchase agreement in relation to the sale and purchase of 52% of the total number of issued shares of Able Popular Limited (together with its subsidiaries, the "**Target Group**") at the consideration of HK$52,993,165.

On 21 August 2024, the conditions under the sale and purchase agreement have been fulfilled and the completion of the disposal took place. Upon completion, the Company ceased to hold any interest, directly or indirectly, in the Target Group. Each member of the Target Group ceased to be a subsidiary of the Company, and their financial results, assets and liabilities will no longer be consolidated in the Group's financial statements.

Details of the above disposal were set out in the circular and the announcement of the Company both dated 21 August 2024.

Save as disclosed above, there is no other material event after the end of the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's total outstanding bank borrowings amounted to approximately HK$238,070,000 (31 December 2023: approximately HK$234,598,000), which comprised mainly bank loans and trade finance facilities. The bank borrowings repayable within one year, in the first to second year and in the second to the fifth year amounted to approximately HK$232,920,000, HK$438,000 and HK$4,712,000, respectively (31 December 2023: approximately HK$229,358,000, HK$1,600,000 and HK$3,640,000, respectively).

After including lease liabilities of approximately HK$12,369,000 (31 December 2023: approximately HK$8,923,000) and deducting cash and bank balances of approximately HK$571,715,000 (31 December 2023: approximately HK$660,468,000), the Group's net cash amounted to approximately HK$321,276,000 (31 December 2023: approximately HK$416,947,000). Total equity attributable to equity shareholders of the Company as at 30 June 2024 was approximately HK$1,260,268,000 (31 December 2023: approximately HK$1,271,722,000).

The gearing ratio of the Group is measured as total of bank indebtedness and lease liabilities less cash and bank balances divided by net assets. The Group had a net cash position as at 30 June 2024 (31 December 2023: same). As a result, no gearing ratio was presented.

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 continues monitoring its foreign exchange exposure in Japanese Yen and Renminbi, and enters into forward contracts when necessary. The Group's long-term bank loans were denominated mainly in Hong Kong dollars and carried interest at floating rates. Credit risk was hedged mainly through credit insurance.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

MATERIAL ACQUISITION AND DISPOSAL

Reference is made to the circular of the Company dated 24 November 2023 and the announcements of the Company dated 29 April 2024 and 27 May 2024. On 27 May 2024, Purchaser II has settled the Final Instalment in full, and all transactions under the Disposals have been completed in accordance with the MOU, the Sale and Purchase Agreement I, the Sale and Purchase Agreement II and the Confirmation. Following Completion, the Company ceased to have any interest in the GB Subsidiaries. Accordingly, the GB Subsidiaries ceased to be indirect non-wholly-owned subsidiaries of the Company and their financial results, assets and liabilities were no longer be consolidated in the Group's financial statements. Unless otherwise specified, capitalised terms used in this paragraph shall have the same meanings as those defined in the above-mentioned circular and announcements.

Save as disclosed above, there were no other material acquisitions and disposals by the Group during the six months ended 30 June 2024.

CAPITAL STRUCTURE

There was no change in the total number of issued shares of the Company for the six months ended 30 June 2024. The total number of issued shares of the Company remained at 861,930,692 shares at 30 June 2024.

EMPLOYEES, REMUNERATION POLICY AND TRAINING SCHEME

As at 30 June 2024, the Group had a total of 1,765 employees (30 June 2023: 2,410 employees) located in Hong Kong and Mainland China, the ratio of women to men in the workforce was 31:69. Notwithstanding the foregoing, gender diversity for industrial business segment in which the Group operates may be less relevant due to the nature of work.

The Group has formulated the remuneration policy of employees. The remuneration of employees is based on their qualifications, competence and performance as well as market trends. Employees' benefits include retirement benefits, medical insurance coverage, and various leave entitlements. The Group reviews the overall remuneration packages, including an element of discretionary bonuses, annually.

The emoluments of the Directors are determined by the Board based on the recommendation of the remuneration committee of the Company with reference to individual performance, qualifications and experience of the Directors, the duties and responsibilities of the Directors in the Company, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

The Group had provided training programmes or courses for employees of the Group, including employees at all levels from different departments in Mainland China and Hong Kong, and also for Directors, respectively, so as to further enhance their technical skills, professional skills and knowledge in production, operation and management.

OUTLOOK AND PROSPECTS

The Group is predominantly cautious in the outlook for the remainder of 2024. We anticipate high uncertainties and challenges domestically and globally, while positioning ourselves to capture opportunities that may arise. In Mainland China, we believe more time is required for the market to digest excess manufacturing capacities in certain industries. Weak consumer spending and cautious enterprise investment sentiments are unlikely to reverse in the short term. Recently, the central government launched directives that may lead to upcoming stimulating policies, such as "trade-in of old consumer goods" and value-added tax (VAT) reform. Enterprises will closely monitor such policies and their effectiveness in boosting consumer confidence.

Meanwhile, growing geopolitical tensions especially those from the US towards China, are likely to escalate as the US presidential election is approaching. High unpredictability and complexities can arise in geopolitical tensions and incidents, such as wars, sanctions and political meddling, which can ignite tensions and affect global trade flows. All Chinese enterprises must keep a high guard and adapt to trade embargoes, excess duties, access to payment systems and others. Moreover, the world will also keep a close eye on changes in US interest rates and volatility of the US dollar exchange rates. The flow of capital and purchasing power can be affected drastically.

The Group believes Mainland China and a number of global markets are dynamic and vibrant. Opportunities exist in industries, such as electronics, medical, packaging and robotics. We also cautiously anticipate some levels of inventory replenishment and the restart of previously postponed projects in industries, such as household appliances, consumer products, automotive and renewal energy.

During this period of weak manufacturing investment sentiments, a clear trend is obvious for the future. Equipment users' needs are becoming more sophisticated, other than affordable pricing alone. Users demand high energy efficiency, reduction of direct labour costs and inputs, expansion of connectivity in digital systems, as well as industry specific designs and specifications. Our machinery manufacturing business will continue to focus on these areas of machinery upgrades and improve our turnkey solutions offerings.

For the remainder of this year, IMM business is likely to face challenges amid fierce competition from peers and a general lack of demands. This business is highly selective on orders with ultra-low prices and long payment periods. Our extrusion, rubber injection molding machine, and hydraulic press manufacturing business is more optimistic to achieve growth targets although facing similar headwinds due to our niche positioning and unique value propositions. Order levels in our plastic products processing businesses are relatively more predictable. These businesses will further focus on production efficiencies, investing in additional production capacities, and talent development. Our industrial consumables trading business will focus on financial health and keep pursuing new opportunities in terms of suppliers, innovative products and solutions and overseas expansion.

Within the whole Group, resources are scheduled to be deployed in phases, for new digital systems and modules. Further integration of digital systems is crucial to creating customer value and staff productivity. The overall financial health of the Group is a priority. Receivables levels and risk are closely monitored, debt levels will be managed to service our needs, and overall cost reduction improvements are ongoing. To compete and hopefully thrive in future cycles, the Group will adequately invest in research and development, and talent development.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (30 June 2023: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to practicing and maintaining a high standard of corporate governance for the enhancement of value of shareholders of the Company (the "**Shareholders**") and safeguarding interests of Shareholders and other stakeholders, and reviews corporate governance practices and procedures of the Group from time to time. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the six months ended 30 June 2024.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

The interim results announcement of the Company is published on the websites of the Company at http://www.cosmel.com and the Stock Exchange at https://www.hkexnews.hk. The 2024 interim report of the Company will be published on the above websites and despatched to the Shareholders in due course.

By order of the Board
Cosmos Machinery Enterprises Limited
TANG To
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises six Directors, of which two are executive Directors, namely Mr. Tang To and Mr. Tang Yu, Freeman, one is non-executive Director, namely Mr. Kan Wai Wah, and three are independent non-executive Directors, namely Ms. Yeung Shuk Fan, Mr. Lam Kwok Ming and Mr. Lee Wai Yip, Alvin.