



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

Stock Code 股份代號: 118

2010

Interim Report 中期報告

商界展關懷

caringcompany²⁰⁰⁷⁻¹⁰
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

Corporate Information	2
Condensed Consolidated Income Statement	3
Condensed Consolidated Statement of Comprehensive Income	4
Condensed Consolidated Balance Sheet	5
Condensed Consolidated Statement of Changes in Equity	7
Condensed Consolidated Cash Flow Statement	8
Notes to the Condensed Consolidated Financial Statements	9
Business Review and Prospects	19
Financial Review	24
Other Information	25



CONTENTS

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Tang To (*Chairman*)
Jiang Wei
Wong Yiu Ming

Non-Executive Directors

Tang Kwan (*Honorary Chairman*)
Wu Ding (*Vice Chairman*)
Kan Wai Wah
Qu Jinping

Independent Non-Executive Directors and Audit Committee Members

Yip Jeffery
Yeung Shuk Fan *CPA (US) ACIS*
Cheng Tak Yin

Remuneration Committee

Yip Jeffery
Yeung Shuk Fan
Cheng Tak Yin
Tang To

Committee of Executive Directors

Tang To
Jiang Wei
Wong Yiu Ming

CHIEF EXECUTIVE OFFICER

Wong Yiu Ming

JOINT COMPANY SECRETARIES

Ho Kwong Sang *FCCA CPA FCS FCIS*
Tam Pui Ling *ACS ACIS*

REGISTERED OFFICE

8th Floor, Tai Tung Industrial Building
29-33 Tsing Yi Road
Tsing Yi Island
New Territories
Hong Kong
Tel: 2376-6188
Fax: 2375-9626/2433-0130
Website: www.cosmel.com
E-mail: cmel@cosmel.com

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong & Shanghai
Banking Corporation Limited
Citic Bank International Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Ting Ho Kwan & Chan

SHARE REGISTRAR

Tricor Secretaries Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Stock Code: 118

CONDENSED CONSOLIDATED INCOME STATEMENT

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, 2010 with comparative figures for the corresponding period in 2009 are as follows:

	Notes	Six months ended 30th June,	
		2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Turnover	3	1,173,385	691,407
Cost of sales		(947,860)	(570,410)
Gross profit		225,525	120,997
Other income and gains, net		12,180	10,135
Distribution costs		(63,237)	(41,183)
Administrative expenses		(101,393)	(93,598)
Allowance for impairment of bad and doubtful debts		(4,392)	(328)
Profit (loss) from operations		68,683	(3,977)
Finance costs		(7,081)	(8,468)
Investment income, net		1,164	1,133
Gain on dilution of interests in an associate		200,670	–
Share of results of associates		2,439	3,775
Profit (loss) before taxation	4	265,875	(7,537)
Taxation	5	7,061	2,572
Profit (loss) for the period		258,814	(10,109)
Attributable to:			
Equity holders of the Company		243,574	(18,147)
Minority interests		15,240	8,038
		258,814	(10,109)
Earnings (loss) per share for profit (loss) attributable to the equity holders of the Company during the period	6		
– Basic		34.31 cents	(2.56 cents)
– Diluted		34.29 cents	(2.56 cents)
Proposed interim dividend: Nil (2009: Nil)		–	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
Profit (loss) for the period	258,814	(10,109)
Other comprehensive income for the period:		
Cash flow hedges	34	–
Change in fair value of available-for-sale financial assets	259	–
Share of other comprehensive (loss) income of associates	(2,282)	588
Exchange differences: net movement in translation reserve	7,781	(1,023)
	5,792	(435)
Total comprehensive income for the period, net of tax	264,606	(10,544)
Attributable to:		
Equity holders of the Company	248,564	(18,608)
Minority interests	16,042	8,064
Total comprehensive income for the period	264,606	(10,544)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June, 2010 (Unaudited) HK\$'000	31st December, 2009 (Audited) HK\$'000
Non-current Assets			
Property, plant and equipment	7	394,151	361,601
Leasehold land and land use rights		43,301	42,508
Interests in associates		441,228	240,349
Available-for-sale financial assets		4,990	4,674
Deferred tax assets		3,878	3,854
		887,548	652,986
Current Assets			
Inventories		586,469	519,611
Leasehold land and land use rights		864	822
Trade and other receivables	8	832,148	672,660
Derivative financial instruments		1,289	1,422
Tax recoverable		1,820	2,143
Pledged bank deposits		31,849	39,750
Cash and cash equivalents		315,745	309,027
		1,770,184	1,545,435
Current Liabilities			
Trade and other payables	9	849,075	673,318
Amounts due to associates		53,149	53,263
Derivative financial instruments		1,261	1,427
Bank and other borrowings – due within one year		279,853	263,949
Obligations under finance leases – due within one year		8,498	10,262
Tax payable		8,392	6,251
		1,200,228	1,008,470
Net Current Assets		569,956	536,965
Total Assets less Current Liabilities		1,457,504	1,189,951

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June, 2010 (Unaudited) HK\$'000	31st December, 2009 (Audited) HK\$'000
Non-current Liabilities			
Bank and other borrowings – due after one year		24,562	16,981
Obligations under finance leases – due after one year		7,802	11,454
Deferred tax liabilities		2,908	2,882
Total Non-current Liabilities		35,272	31,317
Net Assets		1,422,232	1,158,634
Equity			
Capital and reserves attributable to the Company's equity holders:			
Share capital	10	283,972	283,972
Reserves		957,019	707,919
		1,240,991	991,891
Minority Interests		181,241	166,743
Total Equity		1,422,232	1,158,634

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options HK\$'000	Buildings revaluation reserve HK\$'000	Translation reserve HK\$'000	Hedging reserve HK\$'000	Others HK\$'000	Retained profits HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
As at 1st January, 2009	283,972	244,118	37	-	7,016	89,448	-	481	357,749	982,821	152,984	1,135,805
Loss for the period	-	-	-	-	-	-	-	-	(18,147)	(18,147)	8,038	(10,109)
Other comprehensive income for the period:												
Share of reserves of associates	-	-	-	-	-	588	-	-	-	588	-	588
Realised on disposal of interest in subsidiaries	-	-	-	-	-	(1,400)	-	-	-	(1,400)	-	(1,400)
Currency translation differences:												
Net movement in translation reserve	-	-	-	-	-	351	-	-	-	351	26	377
Total other comprehensive income for the period	-	-	-	-	-	(461)	-	-	-	(461)	26	(435)
Total comprehensive income for the period	-	-	-	-	-	(461)	-	-	(18,147)	(18,608)	8,064	(10,544)
Transactions with owners:												
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(2,776)	(2,776)
At 30th June, 2009 and 1st July, 2009	283,972	244,118	37	-	7,016	88,987	-	481	339,602	964,213	158,272	1,122,485
Profit for the period	-	-	-	-	-	-	-	-	25,448	25,448	11,421	36,869
Other comprehensive income for the period:												
Cash flow hedges	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Fair value loss:												
- Available-for-sale financial assets	-	-	-	-	-	-	-	(56)	-	(56)	-	(56)
Share of reserves of associates	-	-	-	-	-	753	-	(2,099)	-	(1,346)	-	(1,346)
Revaluation surplus on buildings	-	-	-	-	4,218	-	-	-	-	4,218	1,277	5,495
Deferred tax adjustment	-	-	-	-	(710)	-	-	-	-	(710)	(212)	(922)
Currency translation differences:												
Net movement in translation reserve	-	-	-	-	-	129	-	-	-	129	98	227
Total other comprehensive income for the period	-	-	-	-	3,508	882	(5)	(2,155)	-	2,230	1,163	3,393
Total comprehensive income for the period	-	-	-	-	3,508	882	(5)	(2,155)	25,448	27,678	12,584	40,262
Transactions with owners:												
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(4,113)	(4,113)
At 31st December, 2009 and 1st January, 2010	283,972	244,118	37	-	10,524	89,869	(5)	(1,674)	365,050	991,891	166,743	1,158,634
Profit for the period	-	-	-	-	-	-	-	-	243,574	243,574	15,240	258,814
Other comprehensive income for the period:												
Cash flow hedges	-	-	-	-	-	-	34	-	-	34	-	34
Fair value gains:												
- Available-for-sale financial assets	-	-	-	-	-	-	-	259	-	259	-	259
Share of reserves of associates	-	-	-	-	-	(41)	-	-	-	(41)	-	(41)
Realised on dilution of interests in an associate	-	-	-	-	-	(2,241)	-	-	-	(2,241)	-	(2,241)
Currency translation differences:												
Net movement in translation reserve	-	-	-	-	-	6,979	-	-	-	6,979	802	7,781
Total other comprehensive income for the period	-	-	-	-	-	4,697	34	259	-	4,990	802	5,792
Total comprehensive income for the period	-	-	-	-	-	4,697	34	259	243,574	248,564	16,042	264,606
Transactions with owners:												
Recognition on grant of share options	-	-	-	536	-	-	-	-	-	536	-	536
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(1,544)	(1,544)
At 30th June, 2010	283,972	244,118	37	536	10,524	94,566	29	(1,415)	608,624	1,240,991	181,241	1,422,232

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30th June,	
	2010 (Unaudited) HK\$'000	2009 (Unaudited) HK\$'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	45,427	51,705
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	(47,524)	73,386
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	28,208	(131,030)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,111	(5,939)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	282,729	177,209
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	700	35
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	309,540	171,305
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	315,745	201,935
Bank overdrafts	(6,205)	(30,630)
	309,540	171,305

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards (“HKASs”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The accounting policies and basis of preparation adopted are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31st December, 2009 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, 2010. The effect of adopting these new and revised HKFRS are set out in note 2 below.

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

In 2010, the Group adopted the standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

HKAS 27 (Revised)	Consolidation and separate financial statements
HKAS 39 (Amendment)	Eligible hedged items
HKFRS 3 (Revised)	Business combinations
HK (IFRIC) – Int 17	Distribution of non-cash assets to owners
HK (IFRIC) – Int 18	Transfer of assets from customers
Improvements to HKFRSs 2009	

The Group has assessed the impact of the adoption of these standard, amendment and interpretations and considered that there was no significant impact on the Group’s results and financial position nor any substantial changes in the Group’s accounting policies.

The following new standard, amendment and interpretations have been issued but are not effective for 2010 and have not been early adopted:

HK (IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments
HKAS 24 (Revised)	Related party disclosures
HKFRS 9	Financial instruments

The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether substantial changes to Group’s accounting policies and presentation of the financial statements will be resulted.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING

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

- (1) trading of industrial consumables;
- (2) manufacturing of plastic processing products;
- (3) manufacturing of machinery; and
- (4) manufacturing of printed circuit boards.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment:

The segment results for the period ended 30th June, 2010 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	212,692	205,917	485,788	268,302	686	-	1,173,385
Inter-segment sales	10,902	-	1,621	-	2,427	(14,950)	-
Total revenue	223,594	205,917	487,409	268,302	3,113	(14,950)	1,173,385
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	18,329	9,011	24,041	27,686	444	24	79,535
Unallocated corporate expenses							(10,852)
Profit from operations							68,683
Finance costs							(7,081)
Investment income							1,164
Gain on dilution of interests in an associate							200,670
Share of results of associates							2,439
Profit before taxation							265,875

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (Continued)

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
ASSETS						
At 30th June, 2010						
Segment assets	237,838	350,269	1,182,084	375,870	28,155	2,174,216
Interests in associates						441,228
Available-for-sale financial assets						4,990
Unallocated corporate assets						37,298
Consolidated total assets						<u>2,657,732</u>

The segment results for the period ended 30th June, 2009 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	118,796	149,232	215,646	206,332	1,401	-	691,407
Inter-segment sales	1,303	19	213	-	2,630	(4,165)	-
Total revenue	<u>120,099</u>	<u>149,251</u>	<u>215,859</u>	<u>206,332</u>	<u>4,031</u>	<u>(4,165)</u>	<u>691,407</u>
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	<u>3,710</u>	<u>781</u>	<u>(24,865)</u>	<u>26,346</u>	<u>1,977</u>	<u>409</u>	<u>8,358</u>
Unallocated corporate expenses							<u>(12,335)</u>
Loss from operations							(3,977)
Finance costs							(8,468)
Investment income							1,133
Share of results of associates							<u>3,775</u>
Loss before taxation							<u>(7,537)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SEGMENT REPORTING (Continued)

	Industrial consumables HK\$'000	Plastic processing products HK\$'000	Machinery HK\$'000	Printed circuit boards HK\$'000	Other operations HK\$'000	Consolidated HK\$'000
ASSETS						
At 31st December, 2009						
Segment assets	179,951	333,273	1,045,119	321,834	28,751	1,908,928
Interests in associates						240,349
Available-for-sale financial assets						4,674
Unallocated corporate assets						44,470
Consolidated total assets						<u>2,198,421</u>

	Sales revenue by geographical market	
	2010 HK\$'000	2009 HK\$'000
Six months ended 30th June,		
Hong Kong	315,209	272,702
Other regions in the People's Republic of China	758,302	353,769
Other Asia-Pacific countries	69,864	43,235
North America	8,099	8,581
Europe	21,911	13,120
	<u>1,173,385</u>	<u>691,407</u>

4. PROFIT (LOSS) BEFORE TAXATION

	Six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Profit (loss) before taxation has been arrived at after charging and crediting the following:		
Charging:		
Depreciation and amortisation		
Depreciation and amortisation on:		
Owned assets	22,394	24,655
Assets held under finance leases	3,783	1,793
Leasehold land and land use rights	432	379
Loss on disposal of property, plant and equipment	-	943
and crediting:		
Gain on disposal of property, plant and equipment	163	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. TAXATION

	Six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	1,095	479
Overseas taxation	5,966	2,093
	7,061	2,572

Hong Kong Profits Tax is calculated at 16.5% (2009: 16.5%) on the estimated assessable profits for the period.

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

6. 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 holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June,	
	2010	2009
Weighted average number of shares in issue during the period	709,930,692	709,930,692
Profit (loss) attributable to the equity holders of the Company	HK\$243,574,000	(HK\$18,147,000)
Basic earnings (loss) per share	34.31 cents	(2.56 cents)
Weighted average number of ordinary shares in issue during the period used in the basic earnings (loss) per share calculation	709,930,692	709,930,692
Weighted average number of ordinary shares assumed to have been issued at no consideration on deemed exercise of all share options outstanding during the period	473,108	–
Weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share	710,403,800	709,930,692
Profit (loss) attributable to the equity holders of the Company	HK\$243,574,000	(HK\$18,147,000)
Diluted earnings (loss) per share	34.29 cents	(2.56 cents)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the group has acquired property, plant and equipment amounting to approximately HK\$59,529,000.

8. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade and bills receivables of approximately HK\$622,034,000 (31st December, 2009: approximately HK\$494,168,000) and their ageing analysis is as follows:

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
0 to 3 months	441,076	368,252
4 to 6 months	77,294	49,977
7 to 9 months	43,337	16,344
Over 9 months	60,327	59,595
	622,034	494,168

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately HK\$547,701,000 (31st December, 2009: approximately HK\$427,772,000) and their ageing analysis is as follows:

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
0 to 3 months	452,274	320,107
4 to 6 months	74,781	89,863
7 to 9 months	2,982	2,029
Over 9 months	17,664	15,773
	547,701	427,772

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. SHARE CAPITAL

	Number of ordinary shares	Value HK\$'000
Ordinary shares of HK\$0.40 each		
Authorised:		
At 1st January, 2010 and 30th June, 2010	1,000,000,000	400,000
Issued and fully paid:		
At 1st January, 2010 and 30th June, 2010	709,930,692	283,972

11. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended 30th June,	
	2010	2009
	HK\$'000	HK\$'000
Minimum lease payments made during the period under operating leases in respect of:		
Land and buildings	7,274	7,434
Plant and machinery	-	-
	7,274	7,434

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30th June, 2010	31st December, 2009
	HK\$'000	HK\$'000
Within one year	23,449	12,356
In the second to fifth year inclusive	31,357	26,072
Over five years	15,945	24,445
	70,751	62,873

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories and plant and machinery, leases are negotiated for an average term of 2-10 years and rentals are fixed for an average of 2-10 years.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. OPERATING LEASE COMMITMENTS (Continued)

The Group as lessor

Property rental income earned during the period net of outgoings of approximately HK\$18,000 (2009: approximately HK\$41,000) was approximately HK\$143,000 (2009: approximately HK\$194,000).

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease receipts under non-cancellable operating leases:

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Within one year	273	538
In the second to fifth year inclusive	250	294
	523	832

12. CAPITAL COMMITMENTS

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Capital expenditure:		
Authorised but not contracted for	-	-
Contracted but not provided for	58,708	6,384
	58,708	6,384

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	-	-

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. PLEDGE OF ASSETS

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

	Net Book Value	
	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Leasehold buildings	23,333	23,200
Leasehold land and land use rights	3,922	3,940
Plant and machinery	43,949	47,149
Bank deposits	31,849	39,750
	103,053	114,039

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

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

During the period, the Group had significant transactions with the following related parties:

	Six months ended 30th June,	
	2010 HK\$'000	2009 HK\$'000
Substantial shareholder and its subsidiaries:		
EDP charges received (<i>note i</i>)	92	92
Management fee paid (<i>note i</i>)	1,394	1,412
Companies controlled by certain directors:		
Management fee paid (<i>note i</i>)	498	498
EDP charges received (<i>note i</i>)	26	26
Associates:		
Sales of finished good (<i>note i</i>)	-	51
Sub-contracting charges received (<i>note i</i>)	-	1,320
EDP charges received (<i>note i</i>)	27	64
Purchases (<i>note i</i>)	-	5,911

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. TRANSACTIONS AND BALANCES WITH RELATED PARTIES *(Continued)*

At the balance sheet date, the Group has balances with the following related parties:

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Substantial shareholder and its subsidiaries:		
Balances due from the Group <i>(note ii)</i>	-	-
Balances due to the Group <i>(note ii)</i>	1	12
Non-controlling shareholders:		
Balances due from the Group <i>(note ii)</i>	383	383
Balances due to the Group <i>(note ii)</i>	604	825
Associates:		
Balance due from the Group <i>(note ii)</i>	53,149	53,263
Balances due to the Group <i>(note ii)</i>	75,994	75,942

Notes:

- (i) The prices of the transactions were determined by the directors with reference to prices for similar transactions with unrelated third parties.
- (ii) The balances are unsecured, interest free and have no fixed repayment term.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

In retrospect to the first half of 2010 when the global financial crisis had taken place over one year ago, major economies in the world were on their way to recovery as market demand and investment confidence stabilized gradually, and the Group upheld its prudent and pragmatic operating direction to weather this economic crisis. During the reporting period, our businesses overcame different changes and challenges emerged in the business environment and at the same time seized the opportunity of economic recovery with a clearer development strategy and a more streamlined operational structure, such that the performance of most of the businesses have recovered or even surpassed their respective levels prior to the financial crisis occurred. During the period, the Group's consolidated turnover amounted to approximately HK\$1,173,385,000, representing an increase of approximately 70% from the same period of last year. Operating profit and net profit attributable to the shareholders amounted to approximately HK\$68,683,000 and HK\$243,574,000. The above net profit included a gain in carrying amount of approximately HK\$201,000,000 as recognized for the deemed disposal of interest in associate by the Company after the successful listing of A shares of Shenzhen Haoningda Meters Co., Ltd. on Shenzhen Stock Exchange during the period, details of which were disclosed in the announcement dated 8th February, 2010 and in the 2009 Annual Report.

Manufacturing Business

Machinery

The growth in domestic industry was driven by the RMB4 trillion economic revival measure launched by the China Government last year, such that the machinery business recorded an overall sales amount of approximately HK\$480 million for the period with an increase of 125% as compared with the same period of last year, which accounted for approximately 41% of the consolidated turnover of the Group. This business segment took a favorable turn from loss to profit during the period with an operating profit of approximately HK\$24,041,000, while the operating loss was HK\$24,865,000 for the same period of last year.

The Central Government has launched series of measures to stimulate the economy consecutively, which included "Home Appliance and Car Subsidy Policy for Rural Areas", acceleration and expansion of infrastructure projects and relaxation of restriction on money-supply, which resulted in a strong rebound in the domestic market. Foreseeing a brighter and ascertained prospect, the domestic customers were eager to make investment in equipment, the intention of which even surpassed to some extent the demand level before the financial crisis occurred. Regarding the demand from overseas market, a growth of over 30% was recorded as compared with the same period of last year. Moulding machine, the core product, recorded a significant increase in consolidated gross profit margin as a result of the combination of various factors like strategic adjustment of product mix, concentration on the research, production and sale of GREENLINE Se-series servo energy saving machinery and the effect of mass production. Moreover, the main trend of energy saving and the direct effect of industrial electricity fee markup last year have made Se-series extensively recognized by our customers as its sales grew with each passing month, and it is expected that the sales proportion of this product series will gradually increase. For CNC sheet-metal fabricating and other machines, both benefited by the addition of infrastructure projects and the consumption growth domestically, the sales volume doubled and the gross profit margin resumed its level in the past.

BUSINESS REVIEW AND PROSPECTS

Regarding the development of product technology, we have successfully developed the first servo driven hydraulic energy saving system powered by regenerated brake-energy in China through the close coordination between our engineering research team and suppliers of key OEM components and by drawing on the successful examples of trans-industry (escalator and motor) that apply the concept of brake-energy regeneration and application on moulding machines, and exhibited the Se-series moulding machine equipped with the “Servo-driven Hydraulic Brake-energy Regeneration Usage Device” at CHINAPLAS exhibition in Shanghai in May of this year. In addition, we further deepened our R&D on the energy saving effect of super-sized injection moulding machines to realize the optimal servo-driven combination and model. In May of this year, Se-series (2200T Clamping force) was appraised as conforming to the first grade (the highest grade) energy-saving standard by the National Quality Supervision and Inspection Centre of Plastic Machinery; and GREENLINE Se-series even became the only super-sized injection moulding machine (1600T–2800T Clamping force) for the whole industry being appraised as conforming to the first grade energy saving rating, which symbolized an important milestone for GREENLINE Se-series in the course of energy saving development.

Plastic Products and Processing

The consolidated sales of this business for the period was approximately HK\$205,917,000, representing an increase of about 38% as compared with the same period of last year and accounted for approximately 18% of the Group’s consolidated turnover with operating profit of the period was approximately HK\$9,011,000, while the operating profit for the same period of last year was HK\$781,000.

Regarding the plastic processing business in Dongguan, benefited by orders for newly developed products made by customers, coupled with the increase in the overall sales to end customers in various industries, the sales of this business increased by approximately 25% during the period under review as compared with the same period of last year, of which high-gloss products, LED lights and other high value-added products particularly recorded significant increases. During the period, operating profit resumed a reasonable level due to the increase in turnover. However, like most of the manufacturing industries, this business had to face the increasing pressure on costs inevitably, such as the continuous rise in raw materials and labor expenses. In this regard, this business will continue to concentrate on strengthening production efficiency, cost control and personnel management, etc., in order to reduce the effect of cost pressure that may have on profit.

For the optic products business, as the U.S. has not recovered from the financial crisis, whilst Europe was hampered by a new round of economic crisis, the purchasing power of countries of European Dollar was affected that imports shrank. During the period, turnover and gross profits margin of this business improved as compared with the same period of last year, of which the sales of microscope products with higher gross profit recorded a relatively significant increase. However, as the export market has yet fully recovered, this business could only record slender profit during the period.

For the plastic cutlery and food packaging plastic-injection products business in Zhuhai, along with gradual recovery of the economic situation at home and abroad, in addition to the promotion and application of new degradable and environment-friendly materials, which has been widely accepted and recognized by customers, such that during the reporting period, the sales of this business was in a stable development and recorded a comparable turnover with that of the same period of last year; but the growth in gross profit was pressured by continued rise of plastic price and labor costs. Fortunately, measures in respect of this business like energy saving production and automation reform were yielding results while administrative management charges was under proper control, such that its profit recorded only a slight drop as compared with the same period of last year.

BUSINESS REVIEW AND PROSPECTS

For the plastic processing business in Hefei, as Hefei has been gradually becoming one of the household electrical appliances manufacturing centers in China, and as driven by the State's policies such as "Home Appliances Subsidy Policy for Rural Areas" and "Urbanization Construction for Rural Areas", sales and profit of this business recorded a pleasant growth as compared with the same period of last year. Regarding the project of extending factory premises in Hefei, plans like early-stage land planning, factory premise purchase and construction, and expansion of production lines were being carried out one by one.

Printed Circuit Board

The printed circuit board business recorded a sales of approximately HK\$268,302,000 in first half year, representing an increase of about 30% as compared with the same period of 2009, and accounted for approximately 23% of the Group's consolidated turnover, while operating profit for the period was approximately HK\$27,686,000, and operating profit for the same period last year was HK\$26,346,000. Looking back on the first half of the year, all sectors and industries resumed thriving to some extent in the aftermaths of the global crisis, that orders from customers of this business could still maintain a satisfactory amount. Yet, due to the continuous rally of raw materials price and RMB exchange rate during the period, production costs of this business has increased. We have proposed to customers the arrangement about price increase progressively so as to reduce the pressure from rising costs. The profitability was eventually better than expected owing to a steady number of orders secured during the period.

Trading business

In 2009, the trading business has successfully expanded into the domestic market in China to cope with the severe economic crisis at that moment and to make up for the gliding export market, laying a sound foundation for business growth this year. Along with the gradual economic recovery worldwide in 2010, China's domestic demand stimulating policy has been yielding results as demand from customers in different sectors and industries obviously increased as compared with that of last year, resulting in a significant business upturn in trading business for the first half year. During the period, the Group's consolidated turnover amounted to approximately HK\$212,692,000, representing an increase of 79% as compared with the same period of last year. The operating profit for the period was approximately HK\$18,329,000, while the operating profit for the same period last year was HK\$3,710,000. In May this year, we spent approximately RMB8,391,000 on purchasing a new office in Yuexiu District of Guangzhou City, which can avoid any future effects of rent rise and frequent moving on business operations.

Other Businesses

Electronic Watt-Hour Meters and Related Businesses

Shenzhen Haoningda Meters Co., Ltd. ("Haoningda"), an associate company of the Group in Shenzhen, was listed on Shenzhen Stock Exchange by issuing A shares in February 2010 and becoming one of the Group's investment projects with great growth potential. Haoningda raised total proceeds of approximately RMB687,000,000, which will be used as planned to augment the development of electronic watt-hour meters and electric automation management system terminal projects while part of the proceeds will be applied to construction of a corporate technology R&D centre and establishment of marketing networks. After the listing, Haoningda posed enhancement in its financial base, business level as well as market share. During the period, Haoningda developed sound and stably and achieved pleasant results as anticipated.

BUSINESS REVIEW AND PROSPECTS

PROSPECTS

In respect of the machinery business, it is anticipated that the market can maintain to be stabilized. This business will be operated in accordance with a strategy for steady growth that focuses on the domestic market and the energy saving machinery, as complemented by the overseas market. Besides, along with the completion of the new plant located in Dongcheng District of Dongguan in May this year that enlarges the production capacity by about 20%, it is believed that orders on hand can be handled and that the continued growth momentum of servo energy saving plastic processing machinery can be catered to by appropriate adjustment. In respect of the construction of the domestic supply chain, we will further strengthen the strategic partnership cooperation relationship with key OEM-version component suppliers to match up the mid to long term planning of product R&D and production capacity enlargement. It is believed that the machinery manufacturing business can sustain a pleasant growth on the basis of the adjusted product mix, that the Group is optimistic about its future results performance.

In respect of the plastic product and processing business, the plastic processing business in Dongguan will strive with efforts for orders of mini-refrigerators, energy-saving LED table lamps and others with a higher product value, and will continue to solicit new customers in other industries. With a satisfactory order condition for the second half of the year, it is anticipated that results for the year can maintain a steady growth. For optic products business, there are new customers and projects being secured under some negotiations in mature stage in relation to plastic processing and pen-shape microscopes, and it is expected that sales of this business can be promoted as driven by these new customers and new projects. As for business of plastic cutlery and food packaging, we will stress on production management for the second half of the year and adopt an array of measures to enhance efficiency and control costs while perfecting its customer services to promote product development efficiency and explore new markets.

In respect of the printed circuit board business, it is anticipated that the minimum salary, the price of raw materials and the exchange rate of RMB will be all on the rise, and that the operating situation will become more difficult for the second half of the year. In addition to continued improvement of product quality, this business will develop products with higher production effectiveness to retain its competitiveness.

In respect of the trading business, it is anticipated that after the rapid growth in the first half of the year, the market condition will cool down slightly in the second half of the year and the business will tend towards a steady development. Notwithstanding a remarkably improved operation environment in the first half of the year, the debt crisis in Europe and in the US is yet to be resolved and the road to recovery of the global economy is long, difficult and arduous as clouded by a remaining fragile market confidence. In fact, in the latter time of the second quarter, signs of slowdown had emerged in some industries as particular customers recorded hoarding up of parts and components, such that the demand in market will decrease accordingly in the second half of the year. Confronted with such rapid-changing market, while implementing the policy to retrench expenditure, the trading business will continue to intensify development of business for the domestic demand market, explore new products and services conformed with concepts of environmental protection and energy saving. It is believed that the results for the year will pose desirable performance.

BUSINESS REVIEW AND PROSPECTS

The economic recovery in the first half of 2010 has brought about considerable positive effects on the sales and profit of the Group's businesses as evidenced in the encouraging growth figures set out in the interim results, and has strengthened the confidence for the Group's businesses to strive for better results in the second half of the year. However, there exist a number of hidden troubles, such as the upcoming period of contraction for the economy in Europe, the uncertainties lie in the prospect for full recovery of the global economy, the soaring costs like raw material and labor costs, the risk of slowdown underlying the economic development of China, all represent the challenges to be addressed by the Group with prudence in the second half of the year or in 2011. Nevertheless, endowed with Cosmos's solid and healthy foundation, our outstanding management team apt at rising to the occasion, we are deeply convinced that we have ample capability and determination to address any significant challenge and change ahead. The Group will persist in scientific research and development, continue to cultivate management talents, deploy resources timely into high added-value business and products, and enhance competitive edge, so as to realize sustainable development of the Group's businesses and achieve brilliant results again.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2010 (2009: Nil).

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30th June, 2010, the Group's shareholders' funds were approximately HK\$1,240,991,000, compared with approximately HK\$991,891,000 as at 31st December, 2009.

The Group finances its operations with internally generated cash flow and banking facilities provided by its bankers in Hong Kong and China. The Group's debt ratio as at 30th June, 2010 was approximately 0.46 (31st December, 2009: 0.47), and the liquidity ratio was approximately 1.47 (31st December, 2009: 1.53), both were maintained at a healthy level. As at 30th June, 2010, cash, bank balances and time deposits amounted to approximately HK\$315,745,000. All these reflect that the Group is in sound financial position.

CONTINGENT LIABILITIES

	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by outsiders	-	-

PLEDGE OF ASSETS

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

	Net book value	
	30th June, 2010 HK\$'000	31st December, 2009 HK\$'000
Leasehold buildings	23,333	23,200
Leasehold land and land use rights	3,922	3,940
Plant and machinery	43,949	47,149
Bank deposits	31,849	39,750
	103,053	114,039

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

FOREIGN CURRENCIES AND TREASURY POLICY

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

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES

During the period, the interests and short positions of the Directors and the chief executive of the Company (the "Chief Executive") in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the Part XV of the Securities and Futures Ordinance, Chapter 571 under the Laws of Hong Kong (the "SFO")) as recorded in the register of directors' and chief executives' interests and short positions required to be maintained under section 352 of the SFO or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), to be notified to the Company and the Stock Exchange are as follows:

(a) Interests in the Shares

Name of Directors	Personal interests	Number of shares held			Total	Approximate % of total issued shares of the Company
		Family interests	Corporate interests	Others interests		
Tang To	2,970,000	2,000 (Note 2)	300,617,458 (Note 1)	224,000 (Note 3)	303,813,458	42.79
Wong Yiu Ming	11,696,072	–	–	–	11,696,072	1.65
Tang Kwan	–	297,157,052 (Note 4)	–	–	297,157,052	41.86
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,716,000	–	–	4,400	1,720,400	0.24

Notes:

- As at 30th June, 2010, 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited ("Ginta") which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited ("Codo").

As at 30th June, 2010, Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited ("Cosmos Holdings") and Tai Shing Agencies Limited ("Tai Shing"), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited ("Keepsound"), a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust, (ii) 8.37% by Elegant Power Enterprises Limited ("Elegant Power"); (iii) 30.25% by Friendchain Investments Limited ("Friendchain"), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited ("Fullwin"); (iv) 16.09% by Yik Wan Company Limited ("Yik Wan"); and (v) 20.23% collectively held by 5 individuals and 2 limited companies.

- As at 30th June, 2010, 2,000 Shares were held by the spouse of Mr. Tang.
- As at 30th June, 2010, 224,000 Shares were jointly held by Mr. Tang and his spouse.

OTHER INFORMATION

4. As at 30th June, 2010, Mr. Tang Kwan was deemed to be interested in the block of 297,157,052 Shares under the SFO through his deemed interests in Codo. As at 30th June, 2010, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by The Saniwell Trust, a trust established for the benefit of Mr. Tang Kwan's family, of which the spouse of Mr. Tang Kwan is one of the beneficiaries; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain, a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by The Saniwell Trust and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% collectively held by 5 individuals and 2 limited companies.

(b) Interests in Share Options

Name of directors	Capacity	Number of Options held	Number of Underlying shares	Approximate % of total issued shares of the Company
Wong Yiu Ming	Beneficial owner	6,000,000	6,000,000	0.85

The percentage shown was calculated based on the number of issued shares of the Company as at 30th June, 2010.

As at 30th June, 2010, other than as disclosed above and certain nominee shares held in trust for the Group, none of the Directors or Chief Executive or their associates had any interests and short positions in the shares, underlying shares of the Company and its associated corporations (within the meaning of the SFO) to be notified to the Company and the Stock Exchange pursuant to Section 352 of the SFO, to be entered in the register referred to therein.

Save as disclosed herein, none of the Directors is materially interested in any contract or arrangement subsisting as at 30th June, 2010 which is significant in relation to the business of the Company and its subsidiaries.

As at 30th June, 2010, none of the Directors had any direct interests or indirect interests in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2010, the following interests in 5% or more in the shares and underlying shares of the Company have been notified to the Company and recorded in the register of substantial shareholders' interests and short positions required to be kept under Section 336 of Part XV of the SFO:

Interests in the Shares

Name of Substantial Shareholders	Direct Interests	Number of shares held		Approximate % of total issued shares of the Company
		Deemed interests	Total	
Law Kit Fong	–	297,157,052 (Note 1)	297,157,052	41.86
Codo	–	297,157,052 (Note 2)	297,157,052	41.86
Cosmos Holdings	127,052,600	170,104,452 (Note 3)	297,157,052	41.86
Tai Shing	170,104,452	–	170,104,452	23.96
Saniwell Holding Inc.	–	297,157,052 (Note 4)	297,157,052	41.86
China Resources (Holdings) Company Limited	169,649,046 (Note 5)	–	169,649,046	23.90

Notes:

- Ms. Law Kit Fong is deemed to be interested in the block of 297,157,052 Shares through her direct and indirect interests in Elegant Power and Codo. As at 30th June, 2010, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. As at 30th June, 2010, Codo is owned as to 30.25% by Friendchain (which is owned as to 40% by Elegant Power) and 8.37% by Elegant Power (which is wholly owned by Ms. Law Kit Fong).
- As at 30th June, 2010, Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 30th June, 2010, Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power, which is wholly-owned by Ms. Law Kit Fong; (iii) 30.25% by Friendchain, which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% collectively held by 5 individuals and 2 limited companies.
- Cosmos Holdings was deemed to be interested in 170,104,452 Shares through its subsidiary, Tai Shing.
- As at 30th June, 2010, Saniwell Holding Inc. was deemed to be interested in the block of 297,157,052 Shares under the SFO through its deemed interests in Codo. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% collectively held by 5 individuals and 2 limited companies.
- As shown by the latest interest disclosure information maintained pursuant to Part XV of the SFO provided to the Company by China Resources Corporation, China Resources Co., Limited and CRC Bluesky Limited, the above three companies were deemed to be interested in shares owned by China Resources (Holdings) Company Limited.

OTHER INFORMATION

The percentage shown was calculated based on the number of issued shares of the Company as at 30th June, 2010.

Save as disclosed above, as at 30th June, 2010, the Directors are not aware of any other persons who have interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would be required to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO.

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, and unless otherwise terminated or amended, this scheme will remain in force for 10 years from that date.

The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets on the date of offer of the share options; and (ii) the average closing price of the Company's shares as quoted on the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; (iii) the nominal value of the Company's shares.

The offer of the grant of option may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK\$1 by the grantee. The option period of the share options is determined by the directors at their absolute discretion and notified by them to each grantee as being the period during which an option may be exercised and in any event, such period shall not be longer than 10 years from the date of offer. Share options do not confer rights on the holders to dividends or to vote at shareholder's meetings.

The following table disclosed movements in the Company's share options during the period:

Grantee(s)	Date of grant	Exercisable period	Exercise price per share HK\$	Number of share options				
				Outstanding at 1.1.2010	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Outstanding at 30.6.2010
Directors								
Wong Yiu Ming	24.5.2010	15.6.2010 to 14.6.2013	0.66	-	6,000,000	-	-	6,000,000
Employees								
(in aggregate)	24.5.2010	25.5.2010 to 19.6.2013 (note 2)	0.66	-	15,000,000	-	-	15,000,000
Total				-	21,000,000	-	-	21,000,000

OTHER INFORMATION

Notes:

1. The closing price of the Company's shares on the trading day immediately before 24th May, 2010, being the date of grant of options was HK\$0.59.
2. The exercisable period of share options granted to employees is three years commencing from the respective dates of acceptance of each particular employee which varied from 25th May, 2010 to 20th June, 2010.
3. As at 30th June, 2010, the Company had 21,000,000 share options outstanding. The exercise in full of the share options outstanding would, under the present capital structure of the Company, result in the issue of 21,000,000 additional ordinary shares of HK\$0.4 each of the Company and additional share capital of HK\$8,400,000 and share premium of HK\$5,460,000 (before issue expenses).
4. The value of such share options granted during the period are not material to the financial statements for the period under review.

DIRECTORS' AND CHIEF EXECUTIVES' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save 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 Executives to acquire benefits by means of the acquisition of shares of 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.

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 in Appendix 14 of the Listing Rules. The unaudited financial statements of the Company for the six months ended 30th June, 2010 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 of the Company 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 provisions of the Code on Corporate Governance in Appendix 14 of the Listing Rules. 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.

COMMITTEE OF EXECUTIVE DIRECTORS

The Company has established the Committee of Executive Directors which includes all the three Executive Directors which meets frequently as when necessary and is responsible for the management and day-to-day operations of the Group.

OTHER INFORMATION

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2010, the Group has approximately 5,500 employees (2009: approximately 5,500). The remuneration policy of the Group was formulated in accordance with market trends and performance of employees. Benefits plans have included schemes of insurance, retirement, share option and so on.

The remunerations of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The remuneration policy of the Company for non-executive directors is to ensure that they are sufficiently compensated for their efforts and time dedicated to the Company and that for the employees, including the executive directors and senior management is to ensure that the remuneration offered is appropriate for the duties and in line with market practice. The remuneration policy is to ensure that the pay levels are competitive and effective in attracting, retaining and motivating employees. No director, or any of his associates and executive, is involved in deciding his own remuneration.

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

During the six months ended 30th June, 2010, 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 Practices as set out in Appendix 14 of the Listing Rules throughout the six months ended 30th June, 2010.

COMPLIANCE WITH MODEL CODE

Throughout the six months ended 30th June, 2010, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they have been fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

PUBLICATION OF THE INTERIM REPORT

This interim report is published on the Company's web site at www.cosmel.com and the web site of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk.

On behalf of the Board

TANG To

Chairman

Hong Kong, 24th August, 2010

REGISTERED OFFICE

8th Floor, Tai Tung Industrial Building
29-33 Tsing Yi Road
Tsing Yi Island
New Territories
Hong Kong
Tel : 2376-6188
Fax : 2375-9626/2433-0130
Website : www.cosmel.com
E-mail : cmel@cosmel.com

註冊辦事處

香港新界
青衣島青衣路 29-33 號
大同工業大廈 8 字樓
電話：2376-6188
傳真：2375-9626/2433-0130
網址：www.cosmel.com
電郵：cmel@cosmel.com