



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

Stock Code 股份代號: 118

INTERIM REPORT
2013 中期報告

5 consecutive years
商界展關懷
caringcompany 2007-12
Awarded by The Hong Kong Council of Social Service
香港社會服務發展局



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CORPORATE INFORMATION

CHAIRMAN EMERITUS

Tang Kwan

DIRECTORS

Executive Directors

Tang To (*Chairman*)

Jiang Wei

Wong Yiu Ming

Tang Yu, Freeman

Non-Executive Directors

Wu Ding (*Vice Chairman*)

Kan Wai Wah

Qu Jinping

Independent Non-Executive Directors

Yeung Shuk Fan *CPA (US) ACIS*

Cheng Tak Yin

Ho Wei Sem

Huang Zhi Wei

Audit Committee

Yeung Shuk Fan *CPA (US) ACIS*

Cheng Tak Yin

Ho Wei Sem

Remuneration Committee

Yeung Shuk Fan *CPA (US) ACIS*

Cheng Tak Yin

Ho Wei Sem

Tang To

Committee of Executive Directors

Tang To

Jiang Wei

Wong Yiu Ming

Tang Yu, Freeman

Nomination Committee

Yeung Shuk Fan *CPA (US) ACIS*

Cheng Tak Yin

Ho Wei Sem

Tang To

Tang Yu, Freeman

CHIEF EXECUTIVE OFFICER

Tang Yu, Freeman

JOINT COMPANY SECRETARIES

Ho Kwong Sang *FCCA CPA FCS FCIS*

Tam Pui Ling *ACS ACIS*

REGISTERED OFFICE

Units 1217-1223A

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Kowloon

Hong Kong

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PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong & Shanghai

Banking Corporation Limited

Citic Bank International Limited

DBS Bank (Hong Kong) 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, 2013 with comparative figures for the corresponding period in 2012 are as follows:

		Six months ended 30th June,	
		2013	2012
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	3	1,157,443	1,000,606
Cost of sales		(968,928)	(830,347)
Gross profit		188,515	170,259
Other income and gains, net		10,782	17,655
Distribution costs		(73,585)	(65,293)
Administrative expenses		(122,855)	(112,760)
Allowance for impairment of bad and doubtful debts		(322)	(317)
Profit from operations		2,535	9,544
Finance costs		(9,051)	(10,508)
Investment income, net		1,259	2,425
Gain on deregistration of a subsidiary		1,727	–
Share of results of associates		649	1,742
(Loss) profit before taxation	4	(2,881)	3,203
Taxation	5	(4,717)	(5,693)
Loss for the period		(7,598)	(2,490)
Attributable to:			
– Equity holders of the Company		(11,795)	(3,918)
– Non-controlling interests		4,197	1,428
		(7,598)	(2,490)
Loss per share for loss			
attributable to the equity holders			
of the Company during the period	6		
– Basic		(HK1.65 cents)	(HK0.55 cents)
– Diluted		–	–
Proposed interim dividend: Nil (2012: Nil)		–	–

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30th June,	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Loss for the period	(7,598)	(2,490)
Other comprehensive income for the period, net of tax:		
Change in fair value of available-for-sale financial assets	(9)	(92)
Share of other comprehensive income (expense) of associates	6,749	(2,228)
Exchange differences arising from translation of financial statements of foreign operations	18,337	(5,824)
	25,077	(8,144)
Total comprehensive income (expense) for the period	17,479	(10,634)
Attributable to:		
– Equity holders of the Company	11,553	(11,565)
– Non-controlling interests	5,926	931
Total comprehensive income (expense) for the period	17,479	(10,634)

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June, 2013 (Unaudited) HK\$'000	31st December, 2012 (Audited) HK\$'000
Non-current Assets			
Property, plant and equipment	7	708,443	708,834
Leasehold land and land use rights		56,454	56,392
Interests in associates		430,298	421,823
Available-for-sale financial assets		6,696	6,704
Deferred tax assets		6,492	5,643
		1,208,383	1,199,396
Current Assets			
Inventories		724,955	649,602
Trade and other receivables	8	796,569	713,699
Current tax recoverable		144	673
Pledged bank deposits		60,812	53,562
Cash and cash equivalents		293,118	209,206
		1,875,598	1,626,742
Current Liabilities			
Trade and other payables	9	1,118,893	846,189
Amounts due to associates		234	1,317
Bank borrowings		329,830	355,772
Obligations under finance leases		14,711	15,903
Current tax payable		7,646	5,601
		1,471,314	1,224,782
Net Current Assets		404,284	401,960
Total Assets less Current Liabilities		1,612,667	1,601,356

CONDENSED CONSOLIDATED BALANCE SHEET

		30th June, 2013 (Unaudited) HK\$'000	31st December, 2012 (Audited) HK\$'000
	<i>Notes</i>		
<hr/>			
Non-current Liabilities			
Obligations under finance leases		8,262	15,277
Deferred tax liabilities		9,024	8,177
		17,286	23,454
<hr/>			
Net Assets		1,595,381	1,577,902
<hr/>			
Equity			
Capital and reserves attributable to equity shareholders of the Company:			
Share capital	10	286,772	286,772
Reserves		1,103,718	1,092,165
		1,390,490	1,378,937
Non-controlling interests		204,891	198,965
		1,595,381	1,577,902
<hr/>			

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company										Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Share options reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Others HK\$'000	Proposed final dividend HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1st January 2012	286,772	246,094	37	380	31,985	177,950	(246)	3,585	654,898	1,401,455	189,005	1,590,460
Loss for the period	-	-	-	-	-	-	-	-	(3,918)	(3,918)	1,428	(2,490)
Other comprehensive income for the period:												
Fair value loss:												
– Available-for-sale financial assets	-	-	-	-	-	-	(92)	-	-	(92)	-	(92)
Share of reserves of associates	-	-	-	-	-	(2,228)	-	-	-	(2,228)	-	(2,228)
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	-	(5,327)	-	-	-	(5,327)	(497)	(5,824)
Total other comprehensive income for the period	-	-	-	-	-	(7,555)	(92)	-	-	(7,647)	(497)	(8,144)
Total comprehensive income for the period	-	-	-	-	-	(7,555)	(92)	-	(3,918)	(11,565)	931	(10,634)
Transactions with owners:												
Dividend paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(1,052)	(1,052)
2011 final dividend paid	-	-	-	-	-	-	-	(3,585)	-	(3,585)	-	(3,585)
Balance at 30th June 2012 and 1st July 2012	286,772	246,094	37	380	31,985	170,395	(338)	-	650,980	1,386,305	188,884	1,575,189
Loss for the period	-	-	-	-	-	-	-	-	(20,257)	(20,257)	9,609	(10,648)
Other comprehensive income for the period:												
Fair value loss:												
– Available-for-sale financial assets	-	-	-	-	-	-	(477)	-	-	(477)	-	(477)
Share of reserves of associates	-	-	-	-	-	1,509	-	-	-	1,509	-	1,509
Surplus on revaluation of properties held for own use	-	-	-	-	8,092	-	-	-	-	8,092	697	8,789
Deferred taxation adjustment	-	-	-	-	(1,264)	-	-	-	-	(1,264)	(120)	(1,384)
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	-	5,034	-	-	-	5,034	475	5,509
Total other comprehensive income for the period	-	-	-	-	6,828	6,543	(477)	-	-	12,894	1,052	13,946
Total comprehensive income for the period	-	-	-	-	6,828	6,543	(477)	-	(20,257)	(7,363)	10,661	3,298
Transactions with owners:												
Realised on dilution of interest in an associate	-	-	-	-	-	(5)	-	-	-	(5)	-	(5)
Dividend paid to the non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(580)	(580)
Balance at 31st December 2012 and 1st January 2013	286,772	246,094	37	380	38,813	176,933	(815)	-	630,723	1,378,937	198,965	1,577,902
Loss for the period	-	-	-	-	-	-	-	-	(11,795)	(11,795)	4,197	(7,598)
Other comprehensive income for the period:												
Fair value loss:												
– Available-for-sale financial assets	-	-	-	-	-	-	(9)	-	-	(9)	-	(9)
Share of reserves of associates	-	-	-	-	-	6,749	-	-	-	6,749	-	6,749
Exchange differences arising from translation of financial statements of foreign operations	-	-	-	-	-	16,608	-	-	-	16,608	1,729	18,337
Total other comprehensive income for the period	-	-	-	-	-	23,357	(9)	-	-	23,348	1,729	25,077
Total comprehensive income for the period	-	-	-	-	-	23,357	(9)	-	(11,795)	11,553	5,926	17,479
Transactions with owners:												
Realised on lapse of share options	-	-	-	(380)	-	-	-	-	380	-	-	-
Balance at 30th June 2013	286,772	246,094	37	-	38,813	200,290	(824)	-	619,308	1,390,490	204,891	1,595,381

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30th June,	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH USED IN OPERATING ACTIVITIES	(5,393)	(56,950)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	131,803	(25,185)
NET CASH USED IN FINANCING ACTIVITIES	(43,481)	(34,245)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	82,929	(116,380)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	172,561	220,470
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	2,741	(958)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	258,231	103,132
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	293,118	139,775
Bank overdrafts	(34,887)	(36,643)
	258,231	103,132

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, 2012 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, 2013. 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 2013, the Group adopted the standard, amendment and interpretations of HKFRS below, which are relevant to its operations.

Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

HKFRS 10, *Consolidated financial statements*

HKFRS 11, *Joint arrangements*

HKFRS 12, *Disclosure of interests in other entities*

HKFRS 13, *Fair value measurement*

HKAS 27 (2011), *Separate financial statements (2012)*

HKAS 28 (2011), *Investments in associates and joint ventures*

Revised HKAS 19, *Employee benefits*

Annual improvements to HKFRSs 2009-2011 Cycle

Amendments to HKFRS 1, *First-time adoption of Hong Kong Financial Reporting Standards – Government loans*

Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, *Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition guidance*

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 2013 and have not been early adopted:

Amendments to HKAS 32, *Financial Instruments: Presentation – Offsetting financial assets and financial liabilities*

Amendments to HKFRS 10, HKFRS 12 and HKAS 27(2011), *Investment entities*

HKFRS 9, *Financial instruments*

Amendments to HKFRS 7 and HKFRS 9, *Mandatory effective date of HKFRS 9 and Transition disclosures*

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 top executive management monitors the results, assets and liabilities attributable to each reportable segment:

The segment results for the period ended 30th June, 2013 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	195,461	167,724	526,976	263,442	3,840	-	1,157,443
Inter-segment sales	14,232	251	989	-	2,810	(18,282)	-
Total revenue	209,693	167,975	527,965	263,442	6,650	(18,282)	1,157,443
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	14,540	(10,825)	2,300	8,029	(975)	197	13,266
Unallocated corporate expenses							(10,731)
Profit from operations							2,535
Finance costs							(9,051)
Investment income, net							1,259
Gain on deregistration of a subsidiary							1,727
Share of results of associates		(390)	(337)		1,376		649
Loss before taxation							(2,881)

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, 2013						
Segment assets	260,570	389,843	1,329,382	410,924	189,073	2,579,792
Interests in associates						430,298
Available-for-sale financial assets						6,696
Unallocated corporate assets						67,195
Consolidated total assets						<u>3,083,981</u>

The segment results for the period ended 30th June, 2012 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	186,269	152,161	450,742	208,857	2,577	-	1,000,606
Inter-segment sales	10,655	109	2,083	-	2,824	(15,671)	-
Total revenue	<u>196,924</u>	<u>152,270</u>	<u>452,825</u>	<u>208,857</u>	<u>5,401</u>	<u>(15,671)</u>	<u>1,000,606</u>
Inter-segment sales are charged at prevailing market rates							
RESULT							
Segment result	11,268	(3,929)	10,544	(1,001)	361	544	17,787
Unallocated corporate expenses							<u>(8,243)</u>
Profit from operations							9,544
Finance costs							(10,508)
Investment income, net							2,425
Share of results of associates		(402)	858		1,286		<u>1,742</u>
Profit before taxation							<u>3,203</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, 2012						
Segment assets	232,845	380,301	1,244,421	445,758	34,661	2,337,986
Interests in associates						421,823
Available-for-sale financial assets						6,704
Unallocated corporate assets						59,625
Consolidated total assets						2,826,138

	Sales revenue by geographical market Six months ended 30th June,	
	2013 HK\$'000	2012 HK\$'000
Hong Kong	299,495	257,569
PRC	739,439	625,967
Other Asia-Pacific countries	86,339	91,445
North America	18,608	7,945
Europe	13,562	17,680
	1,157,443	1,000,606

4. (LOSS) PROFIT BEFORE TAXATION

	Six months ended 30th June,	
	2013 HK\$'000	2012 HK\$'000
(Loss) profit before taxation has been arrived at after charging and crediting the following:		
Charging:		
Depreciation and amortisation on:		
– Owned assets	36,865	35,639
– Assets held under finance leases	2,843	1,981
– Leasehold land held for own use under finance leases	301	180
– Leasehold land and land use rights	735	717
Loss on disposal of property, plant and equipment	–	3,474
Operating lease payments – Land and buildings	11,630	7,629
and crediting:		
Gain on disposal of property, plant and equipment	1,106	–
Rental income net of direct outgoings	175	220

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. TAXATION

	Six months ended 30th June,	
	2013	2012
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	610	385
Overseas taxation	4,107	5,308
	4,717	5,693

Hong Kong Profits Tax is calculated at 16.5% (2012: 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. LOSS PER SHARE

The calculation of the basic loss per ordinary share is based on the Group's loss attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30th June,	
	2013	2012
Weighted average number of shares in issue during the period	716,930,692	716,930,692
Loss attributable to the equity holders of the Company	(HK\$11,795,000)	(HK\$3,918,000)
Basic loss per share	(HK1.65 cents)	(HK0.55 cents)

Diluted loss per share for 2012 & 2013 has not been presented as the exercise price of the Company's outstanding share options was higher than the average market price of the Company's shares for both period. During the period ended 30th June, 2013, all share options outstanding had also lapsed.

7. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group has acquired property, plant and equipment amounting to approximately HK\$35,675,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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\$663,453,000 (31st December, 2012: approximately HK\$598,879,000) and their ageing analysis is as follows:

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
0 to 3 months	461,353	440,521
4 to 6 months	84,143	63,359
7 to 9 months	31,122	35,203
Over 9 months	86,835	59,796
	663,453	598,879

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of approximately HK\$661,304,000 (31st December, 2012: approximately HK\$555,170,000) and their ageing analysis is as follows:

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
0 to 3 months	575,405	422,901
4 to 6 months	64,181	106,679
7 to 9 months	11,745	17,572
Over 9 months	9,973	8,018
	661,304	555,170

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, 2013 and 30th June, 2013	1,000,000,000	400,000
Issued and fully paid:		
At 1st January, 2013 and 30th June, 2013	716,930,692	286,772

11. OPERATING LEASE COMMITMENTS

The Group as lessee

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, 2013 HK\$'000	31st December, 2012 HK\$'000
Within 1 year	22,522	19,719
Between 2 to 5 years	30,389	30,017
Over 5 years	16,203	15,051
	69,114	64,787

Operating lease payments represent rentals payable by the Group for certain of its office properties and factories and plant and machinery. Leases are negotiated mostly for terms of ranging from 1 to 10 years and rentals are almost fixed for the said term.

The Group as lessor

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, 2013 HK\$'000	31st December, 2012 HK\$'000
Within 1 year	614	232
Between 2 to 5 years	231	–
	845	232

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CAPITAL COMMITMENTS

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Capital expenditure:		
Authorised but not contracted for	-	-
Contracted but not provided for	20,363	28,523
	20,363	28,523

13. FINANCIAL GUARANTEES AND CONTINGENT LIABILITIES

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by third party	-	-

14. PLEDGE OF ASSETS

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

	Net Book Value	
	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Leasehold buildings	59,745	58,590
Leasehold land and land use rights	20,546	20,467
Plant and machinery	57,749	60,045
Bank deposits	60,812	53,562
	198,852	192,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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, 2013		2012
	HK\$'000		HK\$'000
Substantial shareholder and its subsidiaries:			
EDP charges received (<i>note i</i>)	92		92
Companies controlled by certain directors and its relatives:			
Management fee paid (<i>note i</i>)	498		498
EDP charges received (<i>note i</i>)	26		26

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

	30th June, 2013	31st December, 2012
	HK\$'000	HK\$'000
Non-controlling shareholders:		
Balances due from the Group (<i>note ii</i>)	-	383
Balances due to the Group (<i>note ii</i>)	459	663
Associates:		
Balance due from the Group (<i>note ii</i>)	234	1,317
Balances due to the Group (<i>note ii</i>)	33,754	25,542

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

During the reporting period, the world economy remained in its adjustment stage. The United States showed a sign of gradual recovery but remained unstable. Europe was still shrouded by the cloud of debt crisis. In China, its economic growth was also slowing down with enterprises facing difficulties in obtaining credit facilities, while operating cost of manufacturing enterprises in the country continued to increase. In this business environment, enterprises were operating in difficulty. During the reporting period, turnovers of most of the Group's businesses still recorded increases when compared to the corresponding period last year. However, because of the difficult business environment the Group faced, its consolidated profit performance was unfavourable. During the period under review, the Group's consolidated turnover was approximately HK\$1,157,443,000, an increase of 16% as compared with about HK\$1,000,606,000 of the corresponding period last year. Net loss was approximately HK\$11,795,000.

Manufacturing Business

Machinery

Machinery business recorded an overall sales turnover of approximately HK\$526,976,000 during the period, an increase of about 17% as compared with the same period last year, representing about 45% of the Group's consolidated turnover. Operating profit during the period was approximately HK\$2,300,000.

During the period, this business went through a change in its major product mix and further cultivated for business in China's mid/western area and new export markets. Hence, sales in the domestic and overseas markets increased 17% and 28% respectively. Nevertheless, due to the disorderly vicious competition, the selling prices of general purpose series injection moulding machine (including the servo-driven energy-saving plastic injection moulding machine) was under pressure, resulting in a slight decrease in its gross profit margin. In addition, there were several new products we promoted in the market that resulted in a significant increase of administrative and selling expenses as compared with the corresponding period last year. This, together with increase in labour cost during the period, manifested a relatively significant reduction in profit in that short period of time.

Concerning the research and development of product technology, the Group has deployed its established mainstay direction of strategy – “energy saving, high efficiency, automation and networking”. Together with the close collaboration of our in-house engineering research and development team and our strategic suppliers, we have successfully developed a new generation of the ESH series full servo-driven electric high speed CNC turret punch press. The series of machine commands such merits as energy saving, high accuracy of finishing and very high cost effectiveness. This series of machine is scheduled to go into volume production and sales in the second half of this year, which may result in improving profit contribution from the related product line. As regards to the optimization and upgrade of our core product of injection moulding machine, the new generation of Sell series servo-driven energy-saving injection moulding machine will be in the market in the third quarter of this year. It will help escalate the competitive edge of the product and hence enhancing its market share. On the other hand, targeting the subdivided high-end plastic processing equipment market, the Group is developing the Ge series all-electric injection moulding machine to forge ahead as the industry's specialized machine, which includes moulding thin-wall precision plastics and multi-material products.

With respect to other production lines, the extrusion production line developed the ultra-size cutter and haul-off unit during the period, which can process pipes of 2 metres in diameter, and the PERT 32 high throughput single screw extruder (410 kg per hr). During the period, we had developed a rubber injection moulding machine that boasts the energy saving and automated functions – the DKM-RC25D series of machine, which is used as a double-station joint corner rubber injection machine in the automotive sealing part industry.

BUSINESS REVIEW AND PROSPECTS

Plastic Products and Processing

Looking back to the first half of this year, the consolidated sales turnover of this business was approximately HK\$167,724,000, representing an increase of about 10% as compared with the same period last year and accounting for about 15% of the Group's consolidated turnover. Operating loss was about HK\$10,825,000.

In respect of the processing business of household electrical appliances and A/V products in our production base in Dongguan, operating performance in the first half of this year remained unfavourable as both operating turnover and result were not as good as the same period last year. The major reason behind such a performance was that we did not yet adjust ourselves to accommodate the product design and quality requirements of new customers. The production lead time was therefore longer and the number of rework was quite significant, resulting in cost increase and loss. In the meantime, we have conducted an adjustment to the management and organization of this business and enhanced our engineering technological capacity, and have made appropriate screening on the products involved in order to give up individual orders that incurred relatively significant losses for the business.

After the completion of moving into its new plant and the implementation of optimizing its production management, the Hefei production base saw a gradual revival of its business performance. With the cultivation of new customers and their increase in number, this business is poised to develop along a healthy direction.

Concerning the food packaging and cutlery business in Zhuhai, sales turnover during the reporting period slightly increased as compared with the same period last year, which was however more than offset by the increases in the price of plastic material as well as labour cost, resulting in a decline in profit. The sales of candy sticks recorded a relatively significant increase in turnover, which compensated partly the slowdown in milk powder scoops and container covers business. In respect of in-mould labeling plastic containers, as a result of the recognition of domestic ice-cream and milk product manufacturers, our orders in this respect increased significantly. However, due to the weakness of Japanese Yen, orders of disposable plastic cutlery from Japan saw a slow down. In the meantime, our production base in Zhuhai is in the process of increasing its production facilities to cope with its development requirement.

Our eco-friendly kitchenware brand, BioChef was on its trial sale through different distribution channels in the domestic market during the period, and received good reception. Nevertheless, it is still necessary to put in more effort to establish brand image and increase market share. Hence, we will in future enhance our investment in the brand's product development and market promotion so as to increase sales volume and reduce cost through the economy of scale production.

In the business of optical products, our product of plastic optical lens was in majority exported to the US market. However, the economic slowdown of the US business had a direct impact on the business of this product and hence its business was unfavourable. In the meantime, resources have been invested in the development of optical auxiliary parts of the smart phone in order to develop a market that goes beyond amplifying and microscopic lens.

BUSINESS REVIEW AND PROSPECTS

Printed Circuit Boards

For the printed circuit board business, sales turnover during the period under review was approximately HK\$263,442,000, accounting for approximately 23% of the Group's consolidated turnover and representing an increase of approximately 26% as compared with the same period last year. Operating profit recorded for this segment was approximately HK\$8,029,000.

Major clientele of this business came from Europe and Japan, and the product mainly caters for the industries of household electrical appliances, game players, interior and exterior lighting systems for automobiles, etc. During the reporting period, thanks to segment's prosperous business performance in the second half of last year that continued into the period, its capability in providing quality services to clients of good potential, and the cooperation and the hard work of various departments in the technical process that enhances improvement, production cost was hence controlled within a reasonable range. Thus, the business result in the first half of the year was achieved on the expected target.

Trading Business

Trading business during the period recorded a consolidated turnover of approximately HK\$195,461,000, representing an increase of approximately 5% as compared with the same period last year and accounting for approximately 17% of the Group's consolidated turnover. Operating profit for the period was approximately HK\$14,540,000.

During the period under review, certain industries such as the automotive, injection moulding machine, elevator, semi-conductor, communication and robotic arm industries were thriving. Hence, this business was able to ride on the prospering trend of the aforesaid industries and therefore resulted in better than expected performance in consolidated turnover and profit. However, quite a few industries remained in their doldrums and as a result the overall business operating environment could only be considered as stable. Hence, this business will be required to continue exploring new industries and enhance its product lines to cope with the ever-changing market development.

Other businesses

Electronic Watt-Hour Meters and Related businesses

The Group had, during the period under review, disposed its interests in the associated company located in Shenzhen, Shenzhen Haoningda Meters Co., Ltd. ("Haoningda") for an aggregate consideration of approximately RMB467,000,000. The disposal constituted a very substantial disposal. After it was passed in the extraordinary general meeting on May 29 of this year, the transaction was completed on July 5 of this year. As Haoningda does not belong to the Group's core businesses, the disposal can spare more resources for the Group so that it can deploy the disposal consideration to concentrate on developing its major business and increase the Group's financial strength.

BUSINESS REVIEW AND PROSPECTS

BUSINESS PROSPECTS

Looking into the second half of 2013, the domestic and foreign macro-economic conditions of the machinery business shall remain perplexing. The market demand for plastic and sheet-metal processing equipment may see an increasing risk of slowdown. It is anticipated that the high-end equipment market shall suffer lesser impact from the fluctuation of economic cycle. This business will endeavour to continue its road towards transformation and upgrade to “All Products”. While maintaining an appropriate production scale for cost advantage, the business will enhance its effort in upgrading its product mix and move it to the high-end market. We strongly believe that the machinery manufacturing business shall appropriately adjust its product and marketing mix in order to improve its business performance.

For the business of plastic products and processing, the plastic products processing business in Dongguan will go through such measures as restructuring, clientele screening, and production flow optimization in order to narrow down its loss. Concerning the household electrical appliances' processing business in Hefei, its number of orders is expected to increase gradually and its existing production facilities will be improved, which will lay a good foundation for the development in the second half of the year and beyond. With its endeavour to implement the aforesaid moves, it is believed that the business's performance in the second half of the year will be improved.

With respect to the business of printed circuit board, it is anticipated that orders from certain customers may see a significant increase in the third quarter of this year. These orders may include orders from domestic manufacturers of large household electrical appliances and lighting products, and mass production of motherboards required by well-known household game player brand. Orders will also include printed circuit boards for large-scale outdoor LED display facilities for the 2016 Olympic Game to be held in Brazil, and for the small-scale LED facilities for Japan's railway system. Hence, it is expected the business will see a relatively significant business performance in the second half of the year.

In the trading business, external economic environment will remain to be challenging as sluggishness will continue along with weak domestic demand and the shrinking manufacturing industry in the second half of this year. Although this business performed better than expected in the first half of this year, majority of its business came from certain industries only. And we saw a slowdown in the beginning of the third quarter of this year. Because of the continuing credit tightening of the Chinese government, small and medium manufacturing factories are under the pressure of the survival of the fittest. This business has actively cultivated new industries, enhanced production lines, and has grasped opportunities offered by our nation's twelfth five-year plan in energy saving, emission reduction and in the transformation as well as upgrade of industries. We hope that there will be a breakthrough in the business's profit contribution in the second half of this year and the business will accomplish the new profit target for the whole year.

BUSINESS REVIEW AND PROSPECTS

Looking into the second half of 2013, international economic environment will remain to be plagued with complexity and uncertainty. The slowdown of the Chinese economy that negatively impacted consumer demand may continue into the second half of this year and the anticipated domestic debt market sentiment may remain rather difficult. Hence, small and medium customers would face financing problems. As external factors remain unstable, we will concentrate on carrying out established strategies, strictly managing factors that are within our control. That includes adopting more cost optimization measures, continuing our investment in research and development in new technology for key products, and improving our products' technical process. Internally, we will continue to ensure that account receivables, inventories and cash flow of various businesses will be managed healthily to avoid the increase of bad debt, and that sufficient working capital and healthy capital structure will be maintained. The Board of Directors is convinced that, with the relentless hard work of our management and staff, the Group's various businesses is poised to have significant improvement in the second half of this year.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30th June, 2013 (2012: Nil).

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30th June, 2013, the Group's shareholders' funds were approximately HK\$1,390,490,000, compared with approximately HK\$1,378,937,000 as at 31st December, 2012.

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, 2013 was approximately 0.48 (31st December, 2012: 0.44), and the liquidity ratio was approximately 1.27 (31st December, 2012: 1.33), both were maintained at a healthy level. As at 30th June, 2013, cash, bank balances and time deposits amounted to approximately HK\$293,118,000 and available banking facilities amounted to approximately HK\$518,000,000. All these reflect that the Group is in sound financial position.

Financial Guarantees and Contingent Liabilities

	30th June, 2013 HK\$'000	31st December, 2012 HK\$'000
Guarantees given to financial institutions in respect of credit facilities utilized by third party	-	-

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, 2013 HK\$'000	31st December, 2012 HK\$'000
Leasehold buildings	59,745	58,590
Leasehold land and land use rights	20,546	20,467
Plant and machinery	57,749	60,045
Bank deposits	60,812	53,562
	198,852	192,664

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:

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	Other interests		
Tang To	4,970,000	2,000 (Note 2)	300,617,458 (Note 1)	224,000 (Note 3)	305,813,458	42.66
Wong Yiu Ming	10,832,072	–	–	–	10,832,072	1.51
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,406,000	–	–	4,400	1,410,400	0.20

Notes:

- As at 30th June, 2013, 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, 2013, 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, 2013, 2,000 Shares were held by the spouse of Mr. Tang.
- As at 30th June, 2013, 224,000 Shares were jointly held by Mr. Tang and his spouse.

OTHER INFORMATION

The percentage shown was calculated based on the number of issued shares of the Company as at 30th June, 2013.

As at 30th June, 2013, 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, 2013 which is significant in relation to the business of the Company and its subsidiaries.

As at 30th June, 2013, 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, 2013, 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	41.45
Codo	–	297,157,052 (Note 2)	297,157,052	41.45
Cosmos Holdings	127,052,600	170,104,452 (Note 3)	297,157,052	41.45
Tai Shing	170,104,452	–	170,104,452	23.73
Saniwell Holding Inc.	–	297,157,052 (Note 4)	297,157,052	41.45
China Resources (Holdings) Company Limited	169,649,046 (Note 5)	–	169,649,046	23.66

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, 2013, 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, 2013, 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, 2013, Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 30th June, 2013, 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, 2013, 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, 2013.

Save as disclosed above, as at 30th June, 2013, 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 1.1.2013	Granted during the period	Exercised during the period	Cancelled/Lapsed during the period	Outstanding at 30.6.2013
Director								
Wong Yiu Ming	24.5.2010	15.6.2010 to 14.6.2013	0.66	6,000,000	-	-	6,000,000	-
Employees (in aggregate)								
(in aggregate)	24.5.2010	25.5.2010 to 19.6.2013	0.66	8,000,000	-	-	8,000,000	-
Total				14,000,000	-	-	14,000,000	-

OTHER INFORMATION

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.

VERY SUBSTANTIAL DISPOSAL

On 9th April, 2013, the wholly-owned subsidiary of the Company Fair Friend (Hong Kong) Enterprise Co., Limited entered into sale and purchase agreements with Beijing Sunbeway Investment Co., Ltd. and Beijing Jin Yuan Yi Tong Trading Co., Ltd. respectively to dispose 4,700 and 121 shares of Hon Kiu Machine Factory Limited, an associate owned 49.4% by the Company ("Hon Kiu") at consideration of RMB455,430,000 (equiv. to HK\$570,653,790) and RMB11,724,900 (equiv. to HK\$14,691,300) respectively. Hon Kiu holds 51,000,000 shares (representing 63.75%) of Shenzhen Haoningda Meters Co., Ltd, which is a joint stock limited company in the PRC and whose shares are listed on the Shenzhen Stock Exchange. The disposal constituted a very substantial disposal for the Company. A circular carrying all information regarding the disposal had been sent to shareholders of the Company on 10th May, 2013 and an extraordinary general meeting was convened on 29th May 2013 to approve the sale and purchase agreements. The disposal was completed on 5th July, 2013.

POST BALANCE SHEET EVENT

On 14th August, 2013, a 52% owned subsidiary of the Company, Gainbase Industrial (Holding) Limited ("Gainbase") entered into sale and purchase agreement with MA International Co., Limited, Gainbase purchased the entire issued share capital of KFE Hong Kong Co., Limited ("KFE HK") at a consideration of USD2,400,000 (equivalent to approximately HK\$18,720,000), which will be satisfied in cash. KFE HK is principally engaged in trading of laminates and printed circuit boards. KFE HK has two wholly-owned subsidiaries established in the PRC, namely KFE (Shenzhen) Co., Limited which is a back office providing quality checking and assurance services to the customers; and KFE (Suzhou) Co., Limited which is a sale office to serve customers in Northern China. The acquisition constituted a discloseable transaction for the Company, the Company has made an announcement on 14th August, 2013 in accordance with the requirements of the Listing Rules.

AUDIT COMMITTEE

The audit committee of the Company comprises three Independent Non-Executive Directors. The unaudited financial statements of the Company for the six months ended 30th June, 2013 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. 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.

OTHER INFORMATION

NOMINATION COMMITTEE

The nomination committee of the Company comprises three Independent Non-Executive Directors, the Chairman and the Chief Executive Officer of the Board. The main functions of the nomination committee are to make recommendations to the Board on the appointment or re-appointment of directors based on their skill, knowledge and experiences. Furthermore, the nomination committee will review the structure, size and diversity (including but not limited to gender, age, cultural and educational background) of the Board at least annually to complement the Company's corporate strategy.

COMMITTEE OF EXECUTIVE DIRECTORS

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

EMPLOYEES AND REMUNERATION POLICY

As at 30th June, 2013, the Group has approximately 6,000 employees (2012: approximately 6,000). 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 result 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, 2013, there has been no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed shares.

CORPORATE GOVERNANCE

The directors consider that the Company has adopted and complied with the code provisions of the Corporate Governance Code during the six months ended 30th June, 2013 as contained in Appendix 14 of the Listing Rules except for the deviation from code provision A.6.7 as mentioned below.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. Some independent non-executive directors and non-executive directors were unable to attend the 2013 annual general meeting of the Company held on 28th May, 2013 and the extraordinary general meeting held on 29th May, 2013 due to their other business engagements. However, the Board believes that the presence of independent non-executive directors at the said general meetings allowed the Board to develop a balanced understanding of the views of shareholders.

OTHER INFORMATION

COMPLIANCE WITH MODEL CODE

Throughout the six months ended 30th June, 2013, 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 website 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, 28th August, 2013

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