大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

RESULTS SUMMARY

	Six months ended 30 June		
	2022	2021	
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	**Change**
Revenue	**1,224,571**	1,499,998	-18.4%
Gross profit	**189,237**	256,962	-26.4%
Operating profit	**12,338**	54,124	-77.2%
Profit for the period	**1,648**	39,300	-95.8%

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Cosmos Machinery Enterprises Limited (the "**Company**") is pleased to announce that the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2022 (the "**Period**"). These interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue		**1,224,571**	1,499,998
Cost of sales		**(1,035,334)**	(1,243,036)
Gross profit		**189,237**	256,962
Other income and gains, net		**7,384**	6,123
Selling and distribution costs		**(82,878)**	(101,603)
Administrative expenses		**(101,405)**	(107,358)
Operating profit		**12,338**	54,124
Finance costs		**(6,134)**	(9,162)
Investment income		**2,343**	1,922
Share of results of associates		**2,213**	1,099
Profit before tax	*4*	**10,760**	47,983
Taxation	*5*	**(9,112)**	(8,683)
Profit for the period		**1,648**	39,300
Profit/(loss) attributable to:			
– Equity shareholders of the Company		**8,633**	40,215
– Non-controlling interests		**(6,985)**	(915)
		1,648	39,300
Earnings per share – Basic and diluted	*6*	**1.00 HK cents**	4.67 HK cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period	**1,648**	39,300
Other comprehensive (expense)/income, net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
– Share of other comprehensive (expense)/income of associates	**(1,516)**	382
– Exchange differences arising from translation of financial statements of foreign operations	**(60,575)**	15,316
	(62,091)	15,698
Total comprehensive (expense)/income for the period	**(60,443)**	54,998
Total comprehensive (expense)/income attributable to:		
– Equity shareholders of the Company	**(48,344)**	53,926
– Non-controlling interests	**(12,099)**	1,072
Total comprehensive (expense)/income for the period	**(60,443)**	54,998

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Notes	**30 June 2022 (Unaudited) *HK$'000***	31 December 2021 (Audited) *HK$'000*
Non-current Assets			
Property, plant and equipment		**579,133**	610,196
Right-of-use assets		**75,784**	85,578
Goodwill		**32,996**	32,996
Intangible assets		**1,614**	2,305
Interests in associates		**38,998**	41,524
Finance lease receivables		**82,397**	76,205
Deferred tax assets		**27,491**	28,722
		838,413	877,526
Current Assets			
Inventories		**519,054**	542,429
Finance lease receivables		**134,777**	200,143
Trade and other receivables	*7*	**814,027**	887,400
Other financial assets		**70,872**	53,571
Current tax recoverable		**1,437**	759
Cash and bank balances		**376,251**	406,057
		1,916,418	2,090,359
Current Liabilities			
Trade and other payables	*8*	**732,151**	853,744
Contract liabilities		**81,501**	77,064
Bank borrowings		**271,122**	289,469
Lease liabilities		**14,345**	15,283
Current tax payable		**7,261**	10,683
		1,106,380	1,246,243
Net Current Assets		**810,038**	844,116
Total Assets less Current Liabilities		**1,648,451**	1,721,642

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Non-current Liabilities		
Bank borrowings	**6,248**	11,698
Lease liabilities	**28,571**	36,186
Deferred tax liabilities	**33,551**	33,234
	68,370	81,118
Net Assets	**1,580,081**	1,640,524
Equity		
Capital and reserves attributable to equity shareholders of the Company:		
Share capital	**609,027**	609,027
Reserves	**753,438**	801,782
	1,362,465	1,410,809
Non-controlling Interests	**217,616**	229,715
Total Equity	**1,580,081**	1,640,524

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2021. The amendments to standards adopted by the Group in the current period are set out in Note 2 below.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 31 December 2021 that is included in this interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2021 to the Registrar of Companies in accordance with section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

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

- Amendments to HKFRS 3, Reference to the Conceptual Framework
- Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use
- Amendments to HKAS 37, Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to HKFRSs, Annual Improvements to HKFRSs 2018–2020

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

3. SEGMENT REPORTING

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

(1) trading of industrial consumables;

(2) processing and manufacturing of plastic products;

(3) manufacturing of machinery; and

(4) processing and trading of printed circuit boards.

Segment results

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

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

The segment results for the six months ended 30 June 2022 are as follows:

	Industrial consumables HK$'000	Plastic products HK$'000	Machinery HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	**227,258**	**231,571**	**442,572**	**309,851**	**13,319**	**–**	**1,224,571**
Inter-segment sales *(Note)*	**12,371**	**94**	**2,627**	**–**	**–**	**(15,092)**	**–**
Total revenue	**239,629**	**231,665**	**445,199**	**309,851**	**13,319**	**(15,092)**	**1,224,571**
Segment result	**20,000**	**17,605**	**(6,695)**	**(12,309)**	**8,644**	**–**	**27,245**
Unallocated corporate expenses							**(14,907)**
Operating profit							**12,338**
Finance costs							**(6,134)**
Investment income							**2,343**
Share of results of associates							**2,213**
Profit before tax							**10,760**

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

The segment results for the six months ended 30 June 2021 are as follows:

	Industrial consumables HK$'000	Plastic products HK$'000	Machinery HK$'000	Printed circuit boards HK$'000	Other operations HK$'000	Eliminations HK$'000	Consolidated HK$'000
REVENUE							
External sales	250,690	265,022	585,995	386,033	12,258	–	1,499,998
Inter-segment sales *(Note)*	16,206	–	–	–	–	(16,206)	–
Total revenue	266,896	265,022	585,995	386,033	12,258	(16,206)	1,499,998
Segment result	24,988	15,420	25,540	(2,228)	6,808	–	70,528
Unallocated corporate expenses							(16,404)
Operating profit							54,124
Finance costs							(9,162)
Investment income							1,922
Share of results of associates							1,099
Profit before tax							47,983

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

The breakdown of revenue by geographical market is as follows:

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Hong Kong	**171,577**	188,255
Mainland China	**874,268**	1,149,419
Other Asia-Pacific countries	**134,784**	115,071
North America	**3,043**	7,114
Europe	**40,899**	40,139
	1,224,571	1,499,998

4. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Profit before tax is arrived at after charging the following:		
Depreciation and amortisation on:		
– Property, plant and equipment		
– Ownership interest in leasehold land and buildings held for own use	**1,887**	1,790
– Other owned assets	**28,263**	28,155
– Intangible assets	**691**	691
– Right-of-use assets	**6,790**	8,317
Short-term leases payment	**2,307**	1,047

5. TAXATION

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
Hong Kong profits tax	**643**	544
Overseas taxation	**8,469**	8,139
	9,112	8,683

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2021: 16.5%) on the estimated assessable profits. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2022	2021
Weighted average number of ordinary shares in issue during the period	**861,930,692**	861,930,692
	HK$'000	*HK$'000*
Profit attributable to the equity shareholders of the Company	**8,633**	40,215
	HK cents	*HK cents*
Basic and diluted earnings per share	**1.00**	4.67

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

7. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 to 3 months	**488,680**	550,778
4 to 6 months	**125,778**	156,189
7 to 9 months	**56,362**	52,790
Over 9 months	**52,012**	41,483
Total trade receivables	**722,832**	801,240
Other receivables	**57,432**	48,980
Prepayments	**33,680**	37,153
Amounts due from related parties	**83**	27
	814,027	887,400

8. TRADE AND OTHER PAYABLES

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

	30 June 2022	31 December 2021
	HK$'000	*HK$'000*
0 to 3 months	**474,379**	480,862
4 to 6 months	**95,803**	147,803
7 to 9 months	**19,163**	21,583
Over 9 months	**16,968**	47,262
Total trade payables	**606,313**	697,510
Accruals and other payables	**125,838**	156,234
	732,151	853,744

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS

Revenue

Revenue of the Group for the Period was approximately HK$1,224,571,000 (30 June 2021: approximately HK$1,499,998,000), a decrease of 18.4% over the same period last year, which was mainly due to the weak manufacturing demands in the People's Republic of China (the "**PRC**") and globally, disrupted supply chains made worse by the pandemic lockdowns enforced in some cities in the PRC, and the Russia-Ukraine conflict worsened market conditions. This led to the decrease in sales revenue in most of the business segments of the Group.

Gross profit and gross profit margin

For the Period and the corresponding period of 2021, the Group's gross profit amounted to approximately HK$189,237,000 and HK$256,962,000 with gross profit margin of 15.5% and 17.1%, respectively. The unfavorable impact of rising raw material prices and freight costs dragged down the financial results, causing the gross profit and gross profit margin of the Group decreased when compared with the same period last year.

Administrative expenses

The administrative expenses of the Group for the Period were approximately HK$101,405,000 (30 June 2021: approximately HK$107,358,000), a decrease of 5.5% over the same period last year. This was mainly due to the implementation of effective cost measures by the Group.

Selling and distribution costs

The selling and distribution costs of the Group for the Period amounted to approximately HK$82,878,000 (30 June 2021: approximately HK$101,603,000), and selling and distribution costs to revenue was approximately 6.8%, which was similar to the same period last year.

Finance costs

The Group's finance costs amounted to approximately HK$6,134,000 for the Period, representing a decrease of 33% as compared to approximately HK$9,162,000 for the same period last year, which was mainly due to gradual repayment of bank borrowings. The Group will continue to improve the efficiency of capital utilisation and strive for the most favourable conditions for obtaining bank credits, so as to reduce the overall finance charges.

BUSINESS REVIEW

Machinery Manufacturing Business

The injection molding machine ("**IMM**") manufacturing business operated in a difficult market environment during the first half of the year. It was the opposite of a vibrant growth market as reported during the corresponding period of last year. Weak overall market demands for machinery were exasperated by high raw material prices, weak manufacturing demands in the PRC and globally, disrupted supply chains made worse by the pandemic lockdowns enforced in Shanghai and its neighbouring cities, and the Russia-Ukraine conflict. In line with industry peers, this business experienced a marked drop in sales and net profits, caused by lower than expected order intake.

Orders from customer groups in industries such as infrastructures, electronics, and telecommunications indicated the most significant drops compared to the previous year. While customers in the medical supplies and daily necessities industries demonstrated relative strength in demands. Orders from automotive and household appliance customers rebounded from relative low levels from last year. Our export business and export-oriented customers confronted various difficulties including high freight costs, disrupted shipment supplies, and much weakened currencies relative to the United States dollar.

On the production side, elevated prices of raw materials, namely metal castings, motion and drive components, and electrical components, increased pressure on our profit margins. At the same time, management team had to respond in an agile manner to lessen supply chain disruptions caused by various pandemic lockdowns in Shanghai and its surrounding areas.

Despite the number of challenges described above, the Group is committed to invest in the IMM business for long term growth and to strengthen its competitiveness. In addition to the new Computer Numerical Control (CNC) machining centers commissioned last year, investments for new Double Column Type Machining Center, fully automated welding production lines, and water-based spray painting workshops will go ahead as planned. Talent recruitment, especially in engineering and technical departments, and front line sales teams, will continue as planned. Talent development is also a focus for this year, the number of internal and external trainings will significantly increase.

Our all electric injection molding machine series will further expand to wider range of clamping force within this year, after successful trials and market launch since last year. Orders for Polyethylene Terephthalate (PET) industry machine series, multi-component machine series, higher end “SEIII” series, and large-sized two-platen series are forecasted to remain relatively robust.

For the extrusion and rubber injection molding machines and hydraulic presses manufacturing business, it achieved slightly weaker than expected results. The weak overall conditions for manufacturing industries caused by high raw material prices, over-capacity in most industry segments, unfavourable export market conditions, and pandemic lockdowns creating supply chain disruptions, put pressure on our order intake and caused postponement in customers’ equipment investment plans. Our export business did not recover as strongly as anticipated due to high freight costs, shipment delays, weak global growth, and unfavourable fluctuating foreign currencies.

Our highly automated rubber track belt production line, automated hydraulic presses for automotive braking systems, and various specialized extrusion lines for our electric vehicle customers, remain the bright spots of our product portfolio.

Despite the challenging market conditions, this business ramped up a number of investments and improvements in its operation. Development for new technical applications for niche market customers are on-going. Efforts to initiate innovative online marketing and knowledge-based content creation on social media platforms kicked off early this year with preliminary success. Talent recruitment, especially young engineering talents also saw improvement compared to previous years. The number of internal and external trainings for management team and staff also increased according to a refined talent development plan.

Plastic Products Processing and Manufacturing Business

The plastic processing plant for food packaging industry in Zhuhai achieved relative stable operating results. Key customers in the PRC dairy industry placed slightly higher than expected order volume due to new projects deployment, and stock piling in order to mitigate supply disruption risk in response to the pandemic lockdowns in the PRC. The export business, however, suffered as a result of elevated freight costs and shipment delays. A number of overseas customers not only decreased purchasing from the PRC, but may shift procurement from other regions outside of the PRC.

Elevated and fluctuating plastic resins prices are causing a slight decrease in profit margins, as well as increased depreciation costs as a result of ramped up capital expenditures in previous years.

Our management team focused on enhancing the engineering team, as well as achieving breakthrough in innovative product design service for our customers. New projects development, especially multi-colour and multi-component products are on-going. Additional automation equipment, as well as optical quality control systems are further deployed. Enhancement of our Group-developed Manufacturing Execution System (MES) achieved further management efficiencies and traceability capabilities to benefit our operation and our customers.

If demands for dairy and health supplements remain stable in the rest of the year, the Group anticipates steady performance from this business, as customers remain satisfied with our products' top quality and timely delivery.

The plastic components processing plant for household appliances in Hefei endured challenging operating conditions as anticipated. Overall demands for household appliances in the PRC continued its steady drop from previous years' peak. The weak housing market in most of the PRC cities provided no stimulus for new appliance purchases. Key market leaders in household appliance faced stagnated demands and decreased profitability. As a result, this business faced further pricing pressure from customers and intense competition from industry peers.

In mid-April 2022, our production plant was ordered to lockdown for 15 days by the Hefei authorities due to unjustified suspected cases of COVID-19 within our community. This caused major disruptions in production and sales during that period.

Our management team will continue to compete for orders so as to sustain a healthy production scale. Efforts to increase production efficiencies and cost control measures will remain the focus for this year. Should a slight rebound from the current depressed levels of household appliance sales materialize in the latter half of the year, this business is poised to achieve a stable performance and a relatively healthy cash flow.

The blow molded mannequins production plant in Dongguan delivered better than expected results despite challenging market conditions. Our major sporting goods retail customer placed high volume of orders as it is satisfied with our top quality and timely delivery, as well as executing their ambitious expansion plans globally and within the PRC. However, other customers especially those based in Europe, decreased their orders for blow molded mannequins as retail operations continue to slump globally, and online retail continue to affect in-store sales.

The management team responded well by working with customers to alleviate rises of plastic resins costs. Overall management and production efficiencies further improved, as talents in the management team emerge to serve its specific functions and also created a sound teamwork culture. The business will also further enhance new and additional 3D printing equipment to serve customers' rapid prototyping and small scale order needs.

This business should achieve steady growth for the rest of year if market conditions remain stable. New project development for a world-class sporting brand customer is on-going, and the business is hopeful these new projects will successfully launch later this year.

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

The PCB processing plant's performance suffered massively during the first half of the year. Extreme weak demands from our European automotive customers was the main cause, as the supply crisis of silicon chips, unfavourable currency movements, and the Russia-Ukraine crisis is deepening supply shocks and depressing consumer confidence. Our European automotive orders were cut by almost two thirds compared to normal levels. In addition, our customer in the Japanese gaming industry significantly decreased orders as sales of their gaming consoles stagnated. On the contrary, sales to our PRC automotive customers remained stable as sales of vehicles in the PRC rebounded from depressed levels last year.

In response to the large drop in sales and profitability, the management team focused to lessen production costs by limiting outsourcing orders, controlling direct labour costs, decreasing production capacities, and shifting production schedules in order to save electricity and equipment running costs. Sales development will ramp up to focus on the PRC customers in industries such as automotive and electronics. However, due to the overall weakness in the PCB manufacturing industry, pricing competition is problematic.

The management team will strive to protect its cash flow amid the financial losses for this year. Despite the sizeable efforts to explore new high quality customers and limit costs, a quick turnaround for this business is not realistic as we are unable to foresee major customers ramping up orders in the near future.

The PCB trading business achieved better than anticipated stable result for this reporting period. Orders from our major customers, mostly Japanese enterprises in the office automation and automotive industries, remained stable despite the challenging economic conditions as well as supply chain disruptions caused by the lockdowns in the PRC.

A quick and massive depreciation of the Japanese Yen provided a backdrop for some high-end low-volume PCB manufacturing orders to shift back to Japan. Our Japan operation were able to benefit from this "on-shoring" shift of orders. Our lab test services on PCB quality assurance continues to serve new customers. Trading of high quality Japan made PCB will likely see a surge in orders this year.

Industrial Consumables Trading Business

The industrial consumables trading business underperformed compared to the same period of last year. The unfavourable macro-economic conditions of high raw material costs, weak demands in most manufacturing industries, weak housing market, and a severe drop in exports, caused our customers to decrease investments and demands for industrial components. The lengthy lockdown measures in Shanghai massively affected our operations and created supply chain disasters affecting the majority of industrial enterprises. Customers anchored in industries such as electronics, household appliances, machineries, automotive, elevators, and infrastructures displayed notable weakness in demands and investment sentiments.

Our operation in Shanghai was virtually shut down for over two months due to the pandemic lockdown, and deliveries to and from our warehouse were halted. Staff were forced to work from home. Consequently, sales dropped significantly during that period. However, our cash flow quickly returned to normalized levels once operations resumed in June this year.

The rare bright spot for strong orders intake for this business is the lithium battery industry. With favourable government directives to stimulate electric vehicles growth in the PRC, alongside the mega trend of lower emissions for cleaner energy, our lithium battery customers continued to place large orders for our drive and motion components. This trend is likely to continue for the rest of the year.

However, our overall outlook for the industrial consumables trading business is not optimistic for the remainder of the year, as numerous global macro-economic risks will continue to suppress industrial growth. Rampant inflations are denting consumer confidence in the most advanced economies, raw materials costs remain at high levels, geopolitical tensions and conflicts see no signs of abating. Supply chain issues such as costly and delayed shipments will continue to affect our customers. Lower production outputs, especially our overseas suppliers, will continue to increase lead time and create supply bottlenecks.

Subsequent Event

There has been no material event since the end of the Period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2022, the Group's total outstanding bank borrowings amounted to approximately HK$277,370,000 (31 December 2021: approximately HK$301,167,000) which comprised mainly bank loans and trade finance facilities. The bank borrowings repayable within one year and in the second to the fifth year amounted to approximately HK$271,122,000 and HK$6,248,000 respectively (31 December 2021: approximately HK$289,469,000 and HK$11,698,000 respectively).

After including lease liabilities of approximately HK$42,916,000 (31 December 2021: approximately HK$51,469,000) and deducting cash and bank balances of approximately HK$376,251,000 (31 December 2021: approximately HK$406,057,000), the Group's net cash amounted to approximately HK$55,965,000 (31 December 2021: approximately HK$53,421,000). Total equity attributable to equity shareholders of the Company as at 30 June 2022 was approximately HK$1,362,465,000 (31 December 2021: approximately HK$1,410,809,000).

The gearing ratio of the Group is measured as total of bank indebtedness and lease liabilities less cash and bank balance, pledged deposit and short-term bank deposits with maturity over three months divided by net assets. The Group had a net cash position as at 30 June 2022. As a result, no gearing ratio was presented.

The Group's financial statements are presented in Hong Kong dollars. The Group carried out its business transactions mainly in Hong Kong dollars, Renminbi, United States dollars and Japanese Yen. As the Hong Kong dollar remained pegged to the United States dollar, there was no material exchange risk in this respect. The Group continues to monitor its foreign exchange exposure in Japanese Yen and Renminbi, and enter into forward contracts when necessary. The Group's long-term bank loans were denominated mainly in Hong Kong dollars and carried interest at floating rates. Credit risk was hedged mainly through credit insurance.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisitions and disposals by the Group during the Period.

CAPITAL STRUCTURE

There was no change in the total number of issued shares of the Company (the "**Shares**") during the Period. The total number of issued Shares remained at 861,930,692 Shares at 30 June 2022.

EMPLOYEES, REMUNERATION POLICY AND TRAINING SCHEME

As at 30 June 2022, the Group had a total of 2,458 employees located in Hong Kong and Mainland China (30 June 2021: 2,563).

The remuneration policy regarding the employees of the Group is based on qualifications, competence and performance of the employees as well as market trends. Employees' benefits include retirement benefits and medical insurance coverage.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to individual performance, the Group's performance and profitability, remuneration benchmark in the industry and prevailing market condition.

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

OUTLOOK AND FORECAST

The risks and uncertainties for the remainder of 2022 are severe and highly challenging. On the macro-economic level, we observe anaemic global economic growth hampered by volatile costs of raw materials, weak consumer spending, rampant inflation in most Western and emerging markets economies, rising interest rates, and volatile United States dollars appreciation against most currencies. At the same time, various on-going crises are further dampening business sentiments and overall demands, such as the Russia-Ukraine conflict, the ensuing energy crisis in Europe, the food scarcity crisis, and rising geopolitical tensions especially between the United States and PRC. The aforementioned negative factors will certainly affect our businesses and our customers, especially demands from export markets.

Within the PRC, while the PRC government launched a series of stimulus and incentives to revitalize its economy after recording weak economic growth in the first half of the year caused by various COVID-19 related lockdowns, the potency and effectiveness of such policies are yet to be seen. A potential real-estate crisis with far reaching consequences is being seriously handled by the authorities. Presently, the COVID-19 pandemic is still sporadically spreading in various regions in the PRC. Encouragingly, it seems the Central Government is deploying more flexible and tolerant measures in combating the pandemic in order to avoid mass lockdowns affecting the flow of people and goods, but if more severe outbreaks occur, it is difficult to predict the repercussions to all businesses.

Weak overall demands and rising production costs are directly affecting businesses' capital expenditure plans, which put pressure on our machinery manufacturing business. The weak outlook is almost certain to continue for the rest of the year. Pricing competition amongst industry peers is ever more intense. However, with a relatively healthy cash flow, the Group is focusing on its longer-term growth by investing in necessary capital expenditures, research and development, and talent development. The PCB processing business is experiencing structural lack of customer orders and rising costs. This difficult period is likely to persist in the near future. Our industrial consumables trading business will face further headwinds as most customer groups in various manufacturing industries experience low growth in orders. Fortunately, our business with electric vehicle customers will likely continue to grow for the rest of the year. The plastic processing business should provide a relatively stable sales volume for the remainder of the year, although rising and fluctuating raw materials costs are the key challenge.

Despite the extremely challenging market conditions, the Group is committing on the necessary investments of capital expenditure, research and development, and talent development in most subsidiaries to foster future growth opportunities. At the same time, prudent financial management and priority on a healthy cash flow are being implemented in order to safeguard against this challenging period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (30 June 2021: Nil).

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE CODE

The Board is committed to practicing and maintaining a high standard of corporate governance for the enhancement of value of shareholders of the Company (the "**Shareholders**") and safeguarding interests of Shareholders and other stakeholders. In the opinion of the Board, the Company has complied with all the principles and applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT

The interim results announcement of the Company is published on the websites of the Company at http://www.cosmel.com and the Stock Exchange at https://www.hkexnews.hk. The 2022 interim report of the Company will be published on the above websites and despatched to the Shareholders in due course.

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

Hong Kong, 26 August 2022

As at the date of this announcement, the Board is comprised of seven Directors, of which two are executive Directors, namely Mr. Tang To and Mr. Tang Yu, Freeman, two are non-executive Directors, namely Mr. Kan Wai Wah and Mr. Qu Jinping, and three are independent non-executive Directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Huang Zhi Wei.