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

COSMOS 2005

INTERIM REPORT 中期報告

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Tang To *(Chairman)*
Zhao Zhuoying
Wong Yiu Ming
Yan Wing Fai Richard
Li Tin Loi

Non-Executive Directors

Tang Kwan *(Honorary Chairman)*
He Zhiqi *(Vice Chairman)*
Kan Wai Wah

Independent Non-Executive Directors and Audit Committee Members

Liang Shangli
Yip Jeffery
Yeung Shuk Fan

Remuneration Committee

Liang Shangli
Yip Jeffery
Yeung Shuk Fan
Tang To

CHIEF EXECUTIVE OFFICER

Wong Yiu Ming

JOINT COMPANY SECRETARY

Ho Kwong Sang
Tsang Shu Kei

REGISTERED OFFICE

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

PRINCIPAL BANKERS

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

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Ting Ho Kwan & Chan

SHARE REGISTRAR

Secretaries Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
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, 2005 with comparative figures for the corresponding period in 2004 are as follows:

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

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30th June, 2005 (Unaudited) HK$'000	31st December, 2004 (Audited and restated) HK$'000
ASSETS			
Non-current Assets			
Investment properties		**24,400**	24,400
Property, plant and equipment		**445,052**	450,613
Goodwill		**1,345**	1,345
Interests in associates		**167,474**	164,785
Available-for-sale financial assets		**7,590**	7,590
Deferred tax assets		**15,812**	15,946
Total non-current assets		**661,673**	664,679
Current Assets			
Inventories		**523,805**	479,428
Trade and other receivables	*9*	**609,423**	571,590
Bills receivable		**13,621**	10,114
Tax recoverable		**67**	863
Pledged bank deposits		**7,405**	3,961
Bank balances and cash		**98,268**	107,536
Total current assets		**1,252,589**	1,173,492
Total assets		**1,914,262**	1,838,171
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	*11*	**282,491**	282,491
Reserves		**411,144**	392,215
Proposed dividend		**–**	7,062
		693,635	681,768
Minority interests		**173,664**	162,221
Total equity		**867,299**	843,989

Condensed Consolidated Balance Sheet

	Notes	30th June, 2005 (Unaudited) HK$'000	31st December, 2004 (Audited and restated) HK$'000
Non-current Liabilities			
Borrowings – due after one year		**69,961**	47,308
Obligations under finance leases and hire purchase contracts – due after one year		**862**	1,035
Deferred tax liabilities		**11,661**	11,796
Total non-current liabilities		**82,484**	60,139
Current Liabilities			
Trade and other payables	10	**524,079**	490,302
Bills payable		**106,452**	149,813
Amounts due to associates		**21,605**	13,577
Dividend payable		**7,062**	–
Tax payable		**11,071**	12,982
Borrowings – due within one year		**257,514**	243,463
Obligations under finance leases and hire purchase contracts – due within one year		**3,447**	5,374
Bank overdrafts		**33,249**	18,532
Total current liabilities		**964,479**	934,043
Total liabilities		**1,046,963**	994,182
Total equity and liabilities		**1,914,262**	1,838,171

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Minority interests	Total
	Share capital	Share premium	Asset revaluation reserve	Translation reserve	Retained profits	Proposed dividend	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January, 2004	256,810	267,160	40,906	(1,433)	68,360	–	631,803	170,482	802,285
Exchange differences arising from translation of overseas operations	–	–	–	2,342	–	–	2,342	866	3,208
Net gain recognised directly in equity	–	–	–	2,342	–	–	2,342	866	3,208
Profit for the period	–	–	–	–	21,550	–	21,550	9,656	31,206
Total recognised income and expense for the period	–	–	–	2,342	21,550	–	23,892	10,522	34,414
Realised on partial disposal of interests in subsidiaries	–	–	–	(35)	–	–	(35)	6,542	6,507
Capital contribution from minority shareholders	–	–	–	–	–	–	–	1,789	1,789
Dividends paid to minority interests	–	–	–	–	–	–	–	(3,846)	(3,846)
Acquisition of minority interests	–	–	–	–	–	–	–	(6,542)	(6,542)
At 30th June, 2004 and 1st July, 2004	256,810	267,160	40,906	874	89,910	–	655,660	178,947	834,607
Exchange differences arising from translation of overseas operations	–	–	–	(1,240)	–	–	(1,240)	(458)	(1,698)
Surplus arising on revaluation									
– gross	–	–	6,857	–	–	–	6,857	1,457	8,314
– taxation	–	–	(737)	–	–	–	(737)	(477)	(1,214)
Net gain (loss) recognised directly in equity	–	–	6,120	(1,240)	–	–	4,880	522	5,402
Profit for the period	–	–	–	–	20,299	–	20,299	5,269	25,568

Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							Minority interests	Total
	Share capital	Share premium	Asset revaluation reserve	Translation reserve	Retained profits	Proposed dividend	Total		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total recognised income and expense for the period	–	–	6,120	(1,240)	20,299	–	25,179	5,791	30,970
Bonus issue of shares	25,681	(25,681)	–	–	–	–	–	–	–
Realised on partial disposal of interests in subsidiaries	–	–	–	(246)	–	–	(246)	2,119	1,873
Capital contribution from minority shareholders	–	–	–	–	–	–	–	522	522
Dividends paid to minority interests	–	–	–	–	–	–	–	(2,337)	(2,337)
Acquisition of minority interests	–	–	–	–	–	–	–	(22,821)	(22,821)
Proposed dividend	–	–	–	–	(7,062)	7,062	–	–	–
At 31st December, 2004 and 1st January, 2005, as previously reported	282,491	241,479	47,026	(612)	103,147	7,062	680,593	162,221	842,814
Effect of change in accounting policies *(note 2)*	–	–	(8,607)	–	9,782	–	1,175	–	1,175
At 31st December, 2004 and 1st January, 2005, as restated	282,491	241,479	38,419	(612)	112,929	7,062	681,768	162,221	843,989
Exchange differences arising from translation of overseas operations	–	–	–	306	–	–	306	93	399
Net gain recognised directly in equity	–	–	–	306	–	–	306	93	399
Profit for the period	–	–	–	–	18,630	–	18,630	11,350	29,980
Total recognised income and expense for the period	–	–	–	306	18,630	–	18,936	11,443	30,379
Realised on disposal of an associate	–	–	–	(7)	–	–	(7)	–	(7)
Transfer to dividend payable	–	–	–	–	–	(7,062)	(7,062)	–	(7,062)
At 30th June, 2005	282,491	241,479	38,419	(313)	131,559	–	693,635	173,664	867,299

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30th June, 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(37,062)**	(6,452)
NET CASH USED IN INVESTING ACTIVITIES	**(16,698)**	(14,821)
NET CASH FROM FINANCING	**29,697**	47,053
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(24,063)**	25,780
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**89,004**	65,129
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**78**	599
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**65,019**	91,508
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	**98,268**	132,706
Bank overdrafts	**(33,249)**	(41,198)
	65,019	91,508

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and Hong Kong Accounting Standards ("HKASs") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The accounting policies and basis of preparation adopted are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31st December, 2004 except that the Group has changed certain of its accounting policies following the adoption of new/revised Hong Kong Financial Reporting Standards, HKASs and Interpretations ("HKFRS") which are effective for accounting periods commencing on or after 1st January, 2005. The changes to the Group's accounting policies and the effect of adopting these new accounting policies are set out in note 2 below.

2. CHANGES IN ACCOUNTING POLICIES

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

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

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

c. *(Continued)*

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

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

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

Notes to the Condensed Consolidated Financial Statements

2. CHANGES IN ACCOUNTING POLICIES *(Continued)*

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

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

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENTAL INFORMATION

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

Six months ended 30th June, 2005

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENTAL INFORMATION *(Continued)*

Six months ended 30th June, 2004

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

Inter-segment sales are charged at prevailing market rates

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

Notes to the Condensed Consolidated Financial Statements

3. SEGMENTAL INFORMATION *(Continued)*

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

4. PROFIT FROM OPERATIONS

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

Notes to the Condensed Consolidated Financial Statements

5. TAXATION

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

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

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

6. EARNINGS PER SHARE

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

7. INTERIM DIVIDEND

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

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the group has acquired property, plant and equipment amounting to approximately HK$29,741,000.

9. 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 receivables of approximately HK$499,120,000 (31st December, 2004: approximately HK$476,723,000) and their aging analysis is as follows:

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
0 to 3 months	**339,088**	327,432
4 to 6 months	**44,464**	50,977
7 to 9 months	**32,044**	29,666
Over 9 months	**83,524**	68,648
	499,120	476,723

10. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$351,435,000 (31st December, 2004: approximately HK$323,783,000) and their aging analysis is as follows:

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
0 to 3 months	**276,572**	249,729
4 to 6 months	**45,370**	41,617
7 to 9 months	**12,342**	8,305
Over 9 months	**17,151**	24,132
	351,435	323,783

Notes to the Condensed Consolidated Financial Statements

11. SHARE CAPITAL

	Number of ordinary shares	Value
		HK$'000
Ordinary shares of HK$0.40 each		
Authorised:		
At 1st January, 2005 and 30th June, 2005	1,000,000,000	400,000
Issued and fully paid:		
At 1st July, 2004	642,026,234	256,810
Bonus issue of shares	64,202,623	25,681
At 1st January, 2005 and at 30th June, 2005	706,228,857	282,491

12. OPERATING LEASE COMMITMENTS

The Group as lessee

	30th June, 2005	30th June, 2004
	HK$'000	*HK$'000*
Minimum lease payments during the period under operating leases in respect of:		
Land and buildings	**6,127**	6,106
Plant and machinery	**530**	894
	6,657	7,000

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, 2005	31st December, 2004
	HK$'000	*HK$'000*
Within one year	**10,299**	11,716
In the second to fifth year inclusive	**33,195**	36,058
Over five years	**66,501**	71,862
	109,995	119,636

Operating lease payments represent payable by the Group for certain of its office properties and factories. Leases are negotiated for an average term of 2-10 years and rental are fixed for an average of 2-10 years.

Notes to the Condensed Consolidated Financial Statements

12. OPERATING LEASE COMMITMENTS *(Continued)*

The Group as lessor

Property rental income earned during the period was approximately HK$1,154,000 (2004: approximately HK$1,374,000). The properties are expected to generate rental yields of 8% (2004: 10%) on an ongoing basis. All of the properties held have committed tenants for the next 1-2 years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Within one year	**2,110**	1,630
In the second to fifth year inclusive	**928**	196
	3,038	1,826

13. OTHER COMMITMENTS

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the financial statements in respect of:		
Acquisition of property, plant and equipment	**2,445**	9,284
Investments	**4,168**	18,841
	6,613	28,125
Capital expenditure authorised but not contracted for in respect of the acquisition of property, plant and equipment	**–**	–

Notes to the Condensed Consolidated Financial Statements

14. CONTINGENT LIABILITIES

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

15. PLEDGE OF ASSETS

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

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

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

Notes to the Condensed Consolidated Financial Statements

16. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

	30th June, 2005	30th June, 2004
	HK$'000	*HK$'000*
Substantial shareholder and its subsidiaries:		
License fee paid *(note i)*	**714**	753
EDP charges received *(note i)*	**92**	92
Management fee paid *(note i)*	**849**	1,016
Companies controlled by certain directors:		
Management fee paid *(note i)*	**498**	498
EDP charges received *(note i)*	**26**	26
Minority shareholders:		
Purchases of finished goods *(note i)*	**–**	8,881
Rental paid *(note i)*	**1,147**	977
Interest paid *(note iii)*	**1,053**	932
Acquisition of additional interests in subsidiaries *(note ii)*	**–**	6,542
Disposal of interests in subsidiaries *(note ii)*	**–**	10,191
Associates:		
Rental income *(note i)*	**–**	24

Notes to the Condensed Consolidated Financial Statements

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

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

	30th June, 2005	31st December, 2004
	HK$'000	*HK$'000*
Substantial shareholder and its subsidiaries		
Balances due by the Group *(note v)*	**5,041**	5,062
Balances due to the Group *(note v)*	**188**	57
Minority shareholders:		
Balances due by the Group *(note vi)*	**21,970**	21,024
Balances due to the Group *(note v)*	**13,951**	12,969
Associates:		
Balance due by the Group *(note iv)*	**21,605**	13,577
Balances due to the Group *(note iv)*	**15,625**	16,997

Notes:

(i) The prices of the transactions were determined by the directors with reference to market prices or prices for similar transactions with unrelated third parties.

(ii) The transaction was carried out pursuant to the sale and purchase agreement entered into during the period.

(iii) The interest was charged at 10% per annum on the outstanding balances.

(iv) The interest are charged at prime rate plus 0.5% per annum on the outstanding balances.

(v) The balances are unsecured, interest free and have no fixed repayment term.

(vi) The balances are unsecured, interest free and have no fixed repayment term. Other than an amount of approximately HK$15,762,000 which bears interest at 10% per annum, the remaining balances are interest free.

Notes to the Condensed Consolidated Financial Statements

17. SUBSEQUENT EVENTS

a. On 3rd May, 2005, Grand Technology Products Limited ("GTPL"), a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with Wuxi Plastic Machinery Factory ("WX Factory"), a substantial shareholder of a non-wholly owned subsidiary of the Company. Pursuant to the Agreement, GTPL agreed to acquire from WX Factory its 24% equity interest in Wu Xi Grand Plastic Machine Manufacture Co., Ltd in the amount of US$684,000 (equivalent to approximately HK$5,321,520) at the consideration of RMB4,418,700 (equivalent to approximately HK$4,168,585). Details of the Agreement are set out in the Company's announcement dated 3rd May, 2005. The acquisition has been completed in July 2005.

b. On 29th June, 2005, GTPL, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with WX Factory, a substantial shareholder of a non-wholly owned subsidiary of the Company. Pursuant to the Agreement, GTPL agreed to acquire from WX Factory its 49% equity interest in Wu Xi Grand Tech Machinery Group Co. Ltd. in the amount of US$3,227,140 (equivalent to approximately HK$25,107,149) at the consideration of USD1 (equivalent to approximately HK$7.78). Details of the Agreement are set out in the Company's announcement dated 29th June, 2005 and the Company's circular dated 20th July 2005. The acquisition has been completed in July, 2005.

c. On 12th September 2005, GTPL, a wholly-owned subsidiary of the Company entered into an agreement (the "Agreement") with Yunchang Ministry, a substantial shareholder of a non-wholly owned subsidiary of the Company. Pursuant to the Agreement, GTPL agreed to acquire and Yunchang Ministry agreed to disposed of its 39% equity interest in Wuxi GL Precision Plastic Products Co., Ltd at a consideration of USD305,800 (equivalent to approximately HK$2,379,000). Details of the Agreement are set out in the Company's announcement dated 12th September 2005. The acquisition has not been completed up to the date of this report.

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

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

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

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

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

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

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

Business Review and Prospects

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

PROSPECTS

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

INTERIM DIVIDEND

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

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

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

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

CONTINGENT LIABILITIES

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

PLEDGE OF ASSETS

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

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

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

Financial Review

FOREIGN CURRENCIES AND TREASURY POLICY

Most of the Group's business transactions, assets and liabilities are denominated in Hong Kong Dollars, Renminbi or United States Dollars. It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. During the period, the Group had certain fixed interest rate borrowings but had not engaged in any financial instruments for hedging or speculative activities.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES OF THE COMPANY

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 executive's 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

	Number of shares held					Approximate % of total
Name of Director	Personal interests	Family interests	Corporate interests	Other interests	Total	issued shares of the Company
Tang To	2,970,000	–	300,617,458 *(Note 1)*	2,000 *(Note 2)*	303,589,458	42.99
Wong Yiu Ming	9,696,072	–	–	–	9,696,072	1.37
Tang Kwan	–	297,157,052 *(Note 3)*	–	–	297,157,052	42.08
Kan Wai Wah	136,400	–	–	–	136,400	0.02

Notes:

1. *As at 30th June, 2005, 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, 2005, 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, a Hong Kong company controlled by Saniwell Holdings 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 Holdings Inc. and as to 2.58% by Fullwin Limited; (iv) 16.09% by Yik Wan Company Limited; and (v) 20.23% by 7 individuals.*

2. *As at 30th June, 2005, 2,000 Shares were held by the spouse of Mr. Tang.*

3. *As at 30th June, 2005, Mr. Tang Kwan was deemed to be interested in the block of 297,157,052 shares under the SFO through his deemed interests in Codo Development Limited ("Codo"). As at 30th June, 2005, Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited, a Hong Kong company controlled by The Saniwell Trust, a trust established for the benefit of Mr. Tang Kwan's family, of which the spouse of Mr. Tang Kwan is one of the beneficiaries; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain, a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by The Saniwell Trust and as to 2.58% by Fullwin Limited; (iv) 16.09% by Yik Wan Company Limited; and (v) 20.23% by 7 individuals.*

Other Information

DIRECTOR'S AND CHIEF EXECUTIVE'S INTERESTS IN SHARES OF THE COMPANY *(Continued)*

The percentage shown was calculated based on the number of issued shares of the Company as at 30th June, 2005.

As at 30th June, 2005, 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, 2005 which is significant in relation to the business of the Company and its subsidiaries.

As at 30th June, 2005, 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.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2005, 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 Shareholder	Number of shares held Direct interests	 Deemed interests	 Total	Approximate % of total issued Shares of the Company
Law Kit Fong	–	297,157,052 *(Note 1)*	297,157,052	42.08
Codo	–	297,157,052 *(Note 2)*	297,157,052	42.08
Cosmos Holdings	127,052,600	170,104,452 *(Note 3)*	297,157,052	42.08
Tai Shing	170,104,452	–	170,104,452	24.09
Saniwell Holdings Inc.	–	297,157,052 *(Note 4)*	297,157,052	42.08
China Resources (Holdings) Company Limited	169,649,046 *(Note 5)*	–	169,649,046	24.02

Other Information

SUBSTANTIAL SHAREHOLDERS *(Continued)*

Notes:

1. *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, 2005, 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 2005, 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).*

2. *As at 30th June 2005, Codo is interested in 297,157,052 shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. As at 30th June 2005, Codo is owned as to (i) 25.06% by Keepsound Investments Limited, a Hong Kong company controlled by Saniwell Holdings Inc.; (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 Holdings Inc. and as to 2.58% by Fullwin Limited; (iv) 16.09% by Yik Wan Company Limited; and (v) 20.23% by 7 individuals.*

3. *Cosmos Holdings was deemed to be interested in 170,104,452 shares through its subsidiary, Tai Shing.*

4. *As at 30th June 2005, Saniwell Holdings 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 Investments Limited, a Hong Kong company controlled by Saniwell Holdings Inc., (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 Holdings Inc. and as to 2.58% by Fullwin Limited; (iv) 16.09% by Yik Wan Company Limited; and (v) 20.23% by 7 individuals.*

5. *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.*

The percentage shown was calculated based on the number of issued shares of the Company as at 30th June, 2005.

Save as disclosed above, as at 30th June, 2005, 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.

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

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

SHARE OPTION SCHEME

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

Other Information

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

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

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

Other Information

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN THE CODE ON CORPORATE GOVERNANCE PRACTICES *(Continued)*

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

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

COMPLIANCE WITH MODEL CODE

Throughout the six months ended 30th June 2005, the Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules and all Directors have confirmed that they fully complied with the required standard as set out in the Model Code based on the enquiry of all the directors of the Company.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.cosmel.com and the website of The Stock Exchange of Hong Kong Limited at www.hkex.com.hk. The interim report will be available at the Company's website and the website of The Stock Exchange of Hong Kong Limited and dispatched to shareholders of the Company in late September 2005.

On behalf of the Board
TANG To
Chairman

Hong Kong, 26th September, 2005

REGISTERED OFFICE

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

註冊辦事處

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