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 2025

RESULTS SUMMARY

	Six months ended 30 June		
	2025	2024	
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	**Change**
		(Restated)	
CONTINUING OPERATIONS			
Revenue	**996,205**	892,649	+11.6%
Gross profit	**185,762**	153,448	+21.1%
Operating profit	**13,205**	4,980	+165.2%
Profit/(loss) for the period	**4,070**	(3,071)	N/A
DISCONTINUED OPERATION			
Profit for the period	**–**	4,643	N/A

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (30 June 2024: Nil).

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Cosmos Machinery Enterprises Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2025. These interim results have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2025

		Six months ended 30 June	
		2025	2024
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
			(Restated)
CONTINUING OPERATIONS			
Revenue	*3*	**996,205**	892,649
Cost of sales		**(810,443)**	(739,201)
Gross profit		**185,762**	153,448
Other income, gain and loss, net		**9,437**	21,620
Selling and distribution costs		**(96,174)**	(87,560)
Administrative expenses		**(85,820)**	(82,528)
Operating profit		**13,205**	4,980
Investment income		**4,175**	4,748
Share of results of associates		**2,227**	1,471
Finance costs		**(4,414)**	(8,709)
Profit before tax	*4*	**15,193**	2,490
Income tax expense	*5*	**(11,123)**	(5,561)
Profit/(loss) for the period from continuing operations		**4,070**	(3,071)
DISCONTINUED OPERATION			
Profit for the period from discontinued operation		**–**	4,643
Profit for the period		**4,070**	1,572

	Note	Six months ended 30 June **2025** **(Unaudited)** ***HK$'000***	2024 (Unaudited) *HK$'000* (Restated)
Profit/(loss) for the period attributable to equity shareholders of the Company			
From continuing operations		**1,481**	(4,907)
From discontinued operation		**–**	2,414
		1,481	(2,493)
Profit for the period attributable to non-controlling interests			
From continuing operations		**2,589**	1,836
From discontinued operation		**–**	2,229
		2,589	4,065
Profit for the period		**4,070**	1,572
		HK cent	*HK cent* (Restated)
Earnings/(loss) per share – Basic			
From continuing operations	*7*	**0.17**	(0.57)
From discontinued operation	*7*	**–**	0.28
		0.17	(0.29)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit for the period	**4,070**	1,572
Other comprehensive income/(expense), net of tax:		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Share of other comprehensive expense of associates	**(166)**	(218)
Exchange differences arising from translation of financial statements of foreign operations	**18,199**	(9,739)
	18,033	(9,957)
Total comprehensive income/(expense) for the period	**22,103**	(8,385)
Total comprehensive income/(expense) attributable to equity shareholders of the Company:		
From continuing operations	**18,431**	(14,627)
From discontinued operation	**–**	3,173
	18,431	(11,454)
Total comprehensive income attributable to non-controlling interests:		
From continuing operations	**3,672**	139
From discontinued operation	**–**	2,930
	3,672	3,069
Total comprehensive income/(expense) for the period	**22,103**	(8,385)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2025

	Notes	30 June 2025 (Unaudited) HK$'000	31 December 2024 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment		**473,830**	455,254
Right-of-use assets		**41,781**	42,768
Interests in associates		**35,720**	36,987
Finance lease receivables		**16,491**	22,256
Deferred tax assets		**26,567**	25,525
Investment in an insurance contract		**8,037**	–
Deposit paid for purchase of property, plant and equipment	*9*	**–**	19,996
		602,426	602,786
Current Assets			
Inventories		**454,553**	408,584
Finance lease receivables		**79,286**	63,750
Trade and other receivables	*9*	**707,944**	577,880
Other financial assets		**21,642**	–
Current tax recoverable		**–**	161
Cash and bank balances		**448,882**	519,030
		1,712,307	1,569,405
Current Liabilities			
Trade and other payables	*10*	**721,912**	622,708
Contract liabilities		**77,318**	81,613
Bank borrowings		**136,985**	110,399
Lease liabilities		**4,804**	4,657
Current tax payable		**5,985**	5,627
		947,004	825,004
Net Current Assets		**765,303**	744,401
Total Assets less Current Liabilities		**1,367,729**	1,347,187

	30 June 2025 (Unaudited) *HK$'000*	31 December 2024 (Audited) *HK$'000*
Non-current Liabilities		
Bank borrowings	**4,605**	4,860
Lease liabilities	**5,517**	7,046
Deferred tax liabilities	**24,987**	24,764
	35,109	36,670
Net Assets	**1,332,620**	1,310,517
Equity		
Capital and reserves attributable to equity shareholders of the Company:		
Share capital	**609,027**	609,027
Reserves	**651,041**	632,610
	1,260,068	1,241,637
Non-controlling Interests	**72,552**	68,880
Total Equity	**1,332,620**	1,310,517

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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

These interim financial statements have been prepared in accordance with the accounting policies which are consistent with those adopted in the Group's annual consolidated financial statements for the year ended 31 December 2024. The amendments to standards adopted by the Group in the current accounting period are set out in Note 2 below.

The information in this interim financial report is unaudited and does not constitute statutory financial statements. The financial information relating to the financial year ended 31 December 2024 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 2024 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

The segment reporting in Note 3 does not include the financial information of the processing and trading of printed circuit boards ("**PCB**") business (the "**PCB Business**") as it has become a discontinued operation described in Note 6. Accordingly, the comparative figures of the segment reporting for the six months ended 30 June 2024 have been restated.

2. APPLICATION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

In the current accounting period, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA, for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

- Amendments to HKAS 21, Lack of Exchangeability

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

3. SEGMENT REPORTING

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

(1) trading of industrial consumables;

(2) processing and manufacturing of plastic products;

(3) manufacturing of machinery; and

(4) machinery leasing.

The PCB Business discontinued during the year ended 31 December 2024. The segment reporting does not include any amounts for this discontinued operation. For details, please refer to Note 6. Certain comparative figures have been restated to conform with current period presentation.

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 2025 are as follows:

	Industrial consumables *HK$'000*	Plastic products *HK$'000*	Machinery *HK$'000*	Machinery leasing *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	**246,375**	**285,395**	**462,235**	**2,200**	**–**	**–**	**996,205**
Inter-segment sales *(Note)*	**13,733**	**18**	**62**	**7**	**–**	**(13,820)**	**–**
Total revenue	**260,108**	**285,413**	**462,297**	**2,207**	**–**	**(13,820)**	**996,205**
Segment results	**12,412**	**13,900**	**(4,601)**	**1,854**	**2,802**	**–**	**26,367**
Unallocated corporate expenses							**(13,162)**
Operating profit							**13,205**
Investment income							**4,175**
Share of results of associates							**2,227**
Finance costs							**(4,414)**
Profit before tax							**15,193**

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

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

	Industrial consumables *HK$'000*	Plastic products *HK$'000*	Machinery *HK$'000*	Machinery leasing *HK$'000*	Other operations *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
REVENUE							
External sales	175,319	275,114	439,868	2,348	–	–	892,649
Inter-segment sales *(Note)*	10,852	14	534	5	–	(11,405)	–
Total revenue	186,171	275,128	440,402	2,353	–	(11,405)	892,649
Segment results	7,917	17,397	(20,013)	1,726	2,829	–	9,856
Unallocated corporate income							6,872
Unallocated corporate expenses							(11,748)
Operating profit							4,980
Investment income							4,748
Share of results of associates							1,471
Finance costs							(8,709)
Profit before tax							2,490

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

An analysis of revenue by geographical markets is as follows:

	Six months ended 30 June	
	2025	2024
	HK$'000	*HK$'000*
		(Restated)
Hong Kong	**13,827**	15,083
Mainland China	**894,064**	768,345
Other Asia-Pacific countries	**66,852**	70,908
North America	**1,397**	5,287
Europe	**20,065**	33,026
	996,205	892,649

An analysis of the Group's property, plant and equipment and right-of-use assets by the geographical area in which the assets are located is as follows:

	30 June	31 December
	2025	2024
	HK$'000	*HK$'000*
Hong Kong	**102,768**	108,146
Mainland China	**412,843**	389,876
	515,611	498,022

4. PROFIT BEFORE TAX

Profit before tax is arrived at after charging the following:

	Six months ended 30 June	
	2025	2024
	HK$'000	*HK$'000*
		(Restated)
Depreciation and amortisation on:		
Property, plant and equipment		
– Ownership interest in leasehold land and buildings held for own use	**7,121**	7,395
– Other owned assets	**12,609**	13,901
Right-of-use assets	**2,947**	2,976
Short-term lease payments	**537**	581

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2025	2024
	HK$'000	*HK$'000*
		(Restated)
Hong Kong profits tax	**560**	149
Overseas income tax	**10,563**	5,412
	11,123	5,561

The provision for Hong Kong profits tax for the six months ended 30 June 2025 is calculated at 16.5% (30 June 2024: 16.5%) of the estimated assessable profits for the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

6. DISCONTINUED OPERATION

On 27 May 2024, Purchaser II has settled the Final Instalment in full, and all transactions under the Disposals have been completed in accordance with the MOU, the Sale and Purchase Agreement I, the Sale and Purchase Agreement II and the Confirmation. Details were set out in the circular of the Company dated 24 November 2023 and the announcements of the Company dated 29 April 2024 and 27 May 2024. Unless otherwise specified, capitalised terms used in this paragraph shall have the same meanings as those defined in the above-mentioned circular and announcements.

During the year ended 31 December 2024, Major Success Company Limited, an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement to dispose of 5,200 ordinary shares of the Target Company (representing 52% of the total number of its issued shares) at a cash consideration of approximately HK$52,993,000. Details were set out in the circular and the announcement of the Company both dated 21 August 2024. Unless otherwise specified, capitalised terms used in this paragraph shall have the same meanings as those defined in the above-mentioned circular and announcement.

The profit for the six months ended 30 June 2024 from the discontinued PCB Business is set out below. The comparative figures in the condensed consolidated income statement have been restated to re-present the PCB Business as a discontinued operation.

	HK$'000
Profit of the PCB Business for the period	4,643

The results of the PCB Business for the six months ended 30 June 2024, which have been included in the condensed consolidated income statement, were as follows:

	HK$'000
Revenue	111,971
Cost of sales	(93,456)
Gross profit	18,515
Other income, gain and loss, net	536
Selling and distribution costs	(1,342)
Administrative expenses	(12,776)
Operating profit	4,933
Investment income	586
Finance costs	(5)
Profit before tax	5,514
Income tax expense	(871)
Profit for the period from discontinued operation	4,643

Profit for the six months ended 30 June 2024 from discontinued operation include the following:

	HK$'000
Depreciation and amortisation on:	
– Property, plant and equipment	
– Ownership interest in leasehold land and buildings held for own use	252
– Other owned assets	132
– Right-of-use assets	197

7. EARNINGS/(LOSS) PER SHARE – BASIC

The calculation of the basic earnings/(loss) per share attributable to equity shareholders of the Company is based on the following:

	Six months ended 30 June	
	2025	2024
Weighted average number of ordinary shares in issue	**861,930,692**	861,930,692
	HK$'000	*HK$'000* (Restated)
Profit/(loss) for the purpose of calculating the basic earnings/(loss) per share		
From continuing operations	**1,481**	(4,907)
From discontinued operation	**–**	2,414
	1,481	(2,493)
	HK cent	*HK cent* (Restated)
Basic earnings/(loss) per share attributable to equity shareholders of the Company for the period		
From continuing operations	**0.17**	(0.57)
From discontinued operation	**–**	0.28
Earnings/(loss) per share for the period	**0.17**	(0.29)

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

8. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (30 June 2024: Nil).

9. TRADE AND OTHER RECEIVABLES

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

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

	30 June 2025	31 December 2024
	HK$'000	*HK$'000*
Current	**472,054**	388,883
0 to 3 months	**116,045**	92,001
4 to 6 months	**30,894**	26,861
7 to 9 months	**12,631**	10,742
Over 9 months	**8,422**	6,348
Total trade and bills receivables	**640,046**	524,835
Other receivables	**16,900**	10,792
Prepayments	**50,998**	42,125
Deposit paid for purchase of property, plant and equipment	**–**	19,996
Amounts due from related parties	**–**	128
	707,944	597,876
Analysed for reporting purpose as:		
Non-current	**–**	19,996
Current	**707,944**	577,880
	707,944	597,876

10. TRADE AND OTHER PAYABLES

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

	30 June 2025	31 December 2024
	HK$'000	*HK$'000*
0 to 3 months	**427,441**	379,051
4 to 6 months	**128,199**	99,249
7 to 9 months	**25,520**	16,942
Over 9 months	**18,382**	28,610
Total trade and bills payables	**599,542**	523,852
Accruals and other payables	**122,370**	98,856
	721,912	622,708

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS – CONTINUING OPERATIONS

Revenue

Revenue of the Group for the six months ended 30 June 2025 was approximately HK$996,205,000 (30 June 2024: approximately HK$892,649,000). Despite the complex and changing global economic environment and weak demand in the manufacturing industry, overall sales of the Group have increased by 11.6% as compared to the same period last year. This growth benefited from incremental development and the need for upgrading equipment in domestic and foreign power grids, as well as the continuous increase in the penetration rate of the new energy vehicle market.

Gross profit and gross profit margin

For the six months ended 30 June 2025 and 2024, the Group's gross profit amounted to approximately HK$185,762,000 and HK$153,448,000, with gross profit margins of 18.6% and 17.2%, respectively. The increase in gross profit margin was driven by a significant growth in sales of certain products with high gross profit margins, especially the medium and large-sized composite insulator rubber injection molding machines.

Other income, gain and loss, net

The net amount of other income, gain and loss of the Group for the six months ended 30 June 2025 amounted to approximately HK$9,437,000 (30 June 2024: approximately HK$21,620,000), a significant decrease of 56.4% as compared with the same period last year was mainly due to a one-off government subsidy recorded in the same period last year.

Selling and distribution costs

The selling and distribution costs of the Group for the six months ended 30 June 2025 was approximately HK$96,174,000 (30 June 2024: approximately HK$87,560,000), an increase of 9.8% as compared with the same period last year, which was mainly due to continued efforts in overseas market expansion. The selling and distribution costs to revenue was approximately 9.7% (30 June 2024: approximately 9.8%).

Administrative expenses

The administrative expenses of the Group for the six months ended 30 June 2025 were approximately HK$85,820,000 (30 June 2024: approximately HK$82,528,000), which was similar to the same period last year.

Finance costs

The finance costs of the Group for the six months ended 30 June 2025 amounted to approximately HK$4,414,000 (30 June 2024: approximately HK$8,709,000), a decrease of 49.3% as compared to the same period last year was mainly a result of downward trend of interest rates and repayment on bank borrowings.

BUSINESS REVIEW

Machinery Manufacturing Business

In the first half of this year, overall market demand for injection molding machines ("**IMM(s)**") was weak, primarily due to tariff threats and frequently changing tariff policies by the United States. These factors led many domestic customers to adopt a wait-and-see attitude and defer their equipment investment plans. At the same time, adverse factors such as domestic overcapacity, a sluggish recovery in the real estate market, and low consumer confidence persisted. Coupled with industry leaders expanding capacity as planned and significantly lowering prices to capture market share, our IMM manufacturing business faced increased pressure to balance order volume with profitability. Accordingly, sales in this business during the first half of this year decreased compared to the same period last year, and profitability performance did not improve as expected. The decline in export business was even more pronounced, mainly because end customers in key markets, such as Mexico, Turkey, South Korea and South America, postponed their orders due to tariff uncertainties. Moreover, there were orders with exceptionally long payment terms in certain markets due to fierce competition. To effectively control financial risks, this business chose to forgo certain orders with lower gross margins and unfavorable payment terms.

This business successfully launched optimized standard general-purpose IMMs, including the medium and small-sized standard IMMs (SeKIII series) and the medium and large-sized two-platen IMMs (JSeIII series). These optimized series not only enhanced basic functions but also improved cost structures, significantly increasing overall competitiveness to meet market price demands and gain customer recognition. Since the second quarter, benefiting from large orders from leading domestic home appliance companies, sales of the medium and large two-platen IMMs (J series) have experienced a notable rebound. Through prior marketing efforts and key customers development, the order volume for the high-end precision energy-saving IMMs (Se5H series) and electric IMMs (D series) recorded significant growth, laying a solid foundation for further focus on high-end industries, such as new energy vehicles and precision 3C electronics. This business will continue to make strategic investments in specialized machines for niche industries, particularly targeting the medical packaging industry with polypropylene (PP) series electric IMMs. Recently, we have initiated close collaboration with strong industry partners, which is expected to boost future order volumes. A new high-speed version of the transparent packaging polyethylene terephthalate (PET) machine solution has been successfully delivered, which includes a self-developed and manufactured high-speed automation system. This business will further deploy resources and delve deeper into the PET packaging niche market. Furthermore, the first ultra-large-sized 4,500-ton two-platen IMM (JSeII) has been successfully delivered to a South Korean new energy auto parts customer.

The Group's self-developed intelligent cloud platform "iSee 4.0" has been optimized over several years to meet customer demands for intelligent digitalization of equipment and production management, leading to consistent annual user growth. To highlight the differentiation advantages of our "highly intelligent IMM", we offer a standard version of "iSee 4.0" for all our machines, allowing customers to conveniently use real-time data streaming features for free on mobile and computer software. With the breakthrough and widespread use of artificial intelligence (AI) technology, this business has invested resources to develop a number of AI functions, aiming to provide customers with value-added services such as AI models for the injection molding technique, fully automated machine adjustment, intelligent customer service, and equipment maintenance.

In the current challenging market environment, in addition to enhancing product quality and expanding promotion, it is crucial to optimize the internal cost structure to improve per capita efficiency and output. It is anticipated that uncertainties and risks, both domestically and internationally, will persist in the second half of this year. Therefore, prudent financial management will be of utmost importance.

Despite facing a downturn in domestic and international manufacturing demand and intense competition, the extrusion lines, rubber injection molding machines and hydraulic presses manufacturing business achieved significant sales growth in the first half of this year. This business has consistently adhered to a market strategy that focuses on specialized machines for niche markets and prioritizes large-sized customers. The explosive growth in several product lines of specialized machines is driven by the maturation of technologies and technique across various industries, the rapid formation of industry oligopolies, and the counter-cyclical growth experienced by large-sized customers. Notably, the sales of the medium and large-sized composite insulator rubber injection molding machines targeting the electric power industry recorded significant growth, benefiting from the incremental development of national power grid and the needs of upgrading foreign power grid equipment. The automotive pipe extrusion solutions for new energy vehicles also achieved growth in both domestic and export markets. Additionally, after years of research and development, our differential pressure overlay decoration machines for the surface decoration of components have successfully achieved mass production and delivery this year, following customization and testing for several mobile phone assembly manufacturers last year. These machines have received high recognition in the mobile phone industry. This new technology effectively addresses the environmental issues associated with traditional spray painting, water transfer printing, and electroplating.

This business will continue to invest resources in specialized research and development across multiple niche markets, constantly improving product quality and strengthening talent cultivation and development. Amid the shadows of the US-China rivalry, it is anticipated that the trend of foreign and private enterprises relocating their production capacities from China to other regions will continue. Nevertheless, we still believe that the demand for high-quality domestically produced specialized machinery and equipment in overseas markets will keep growing. To further achieve the goal of significantly increasing our export sales share, the size of our overseas marketing team has gradually expanded, with sales and technical personnel frequently visiting customers abroad to provide services. Recently, we have also actively recruited international talent for our sales team to enhance service efficiency in overseas markets in the future.

Machinery Leasing Business

In the first half of this year, due to the sluggish overall domestic economic recovery, a downturn in the manufacturing industry, and continuously declining interest rates, our machinery leasing business has maintained a cautious risk control strategy by strictly screening customers to actively reduce leasing exposure. As competition among industry peers intensifies and challenges such as rising risks and declining returns emerge, this business is reserving funds to support and provide better services to the quality customers of the Group's machinery manufacturing business.

Plastic Products Processing and Manufacturing Business

The sales of the food packaging plastic processing factory located in Zhuhai recorded a slight decrease compared to the same period last year. With the birth rate in China rising for the first time since 2017 and the implementation of childbirth and childcare subsidy policies, our key customer has shown structural growth in demand for high-end infant formula packaging, partially offsetting the impact of weak demand in conventional dairy product packaging. Given this customer's product advantages in the health and nutrition sector, we expect related orders will continue to grow steadily. However, price competition in the dairy industry and its packaging supply chain remains intense, with significant sales discrepancies among similar products from different brands. As a packaging manufacturer, we believe it is crucial not only to ensure product quality and production efficiency but also to develop product lines and projects with high potential alongside our customers. Sales to our health supplement customers have declined due to a drop in their sales and changes in packaging designs. The sales performance in overseas markets was impacted by various factors, including rising logistics costs driven by geopolitical factors, as well as changes in tariff policies and market demand.

In the second half of this year, this business will focus on deepening customization and innovative design capabilities. By upgrading functional packaging to optimize product performance and quality, we aim to enhance the end-consumer experience, while helping customers benefit from high-quality products and services in a highly competitive market, thus maintaining their leading consumer position.

In response to price competition pressure in the industry, we will continue to optimize our production and operational systems. By integrating the Group's self-developed intelligent cloud platform "iSee 4.0" with the enterprise resource planning (ERP) system, we aim to unify the management data system. Our digital system has completed deep integration, designed to enhance production efficiency and supply chain responsiveness, thereby further improving operational management effectiveness.

This business will continue to expand its markets through multiple channels and adopting a three-dimensional development strategy of "deepening existing customer relationships, developing regional markets, and positioning in emerging fields". By deepening the joint innovation mechanism with core customers, we will further enhance customization service capabilities in regional markets.

The delivery of the new factory in Northern China has been delayed by the industrial park since the landlord has not yet completed key infrastructure items. Currently, we are unable to determine the final delivery date, but we will continue to closely monitor the progress and actively plan for subsequent construction project.

The plastic component processing plant for household appliances in Hefei maintained constant sales and profitability compared to the same period last year. Intense price competition in China's home appliance industry has become the norm in recent years. Although the central government's "trade-in" subsidy policy temporarily boosted consumption, it essentially pulled forward future demand, and overall sales did not rebound as expected. As more strong enterprises enter the "white-goods" home appliance industry, all parties will inevitably lower prices to compete for orders. This business faces significant price-cutting pressure from its major customers, directly impacting its profitability in the near future. Although the market was sluggish, our sales and management teams have actively maintained the existing orders and successfully introduced new projects, allowing this business to sustain relatively high output, thereby mitigating negative impacts resulting from the market downturn.

Through continuous optimization of automated, intelligent, and standardized production processes, along with rigorous quality control measures, we have achieved the strict quality standards required by customers for “no-inspection upon storage”. The management team has also extended the functionality of the new ERP system, enhancing efficiency across various processes, and successfully developed our own production management application. The full-process system operation, enabled by mobile scanning, facilitates order placement, material readiness, main and auxiliary material delivery, completion storage, and logistics delivery, ensuring efficient production operations. We utilize the ERP system to drive the timely completion of production plans across all processes and to monitor production status in real time, promoting efficiency enhancement.

The Group anticipates the operating conditions of this business will become increasingly challenging and will continue to put pressure on profitability. In the future, our focus will be actively maintaining order volumes, flexibly responding to customers’ demands for multi-variety and small-batch projects with short lead times, and enhancing quality control for no-inspection production. Additionally, continuous investment and optimization in customization, automation, and intelligent solutions will be necessary to tackle challenges in employee recruitment and reduce overall labour costs. Prudent cash flow management will still be one of our key priorities.

In the first half of this year, the blow molded mannequins production plant in Dongguan recorded similar sales and profitability compared to the same period last year. This business has consistently focused on the niche market of environmentally friendly blow molded display mannequins over the years. With high-quality products and excellent service, we have gained significant recognition from our customers, and become a high-end leader in the global apparel mannequin industry. Due to a significant reduction in new store opening plans by one of our key customers, a global sporting goods brand and retailer, sales derived from this customer are expected to decline for the full year compared to the strong growth in the second half of last year. Nevertheless, this business was able to maintain overall growth momentum due to the continuous development of new customers, including a globally famous sports brand in Europe, apparel retail chains in the United States and Japan, and a high-end activewear brand in Canada. We will continue to collaborate with brands that have development potential and high-quality requirements to promote balanced growth and mitigate the impact of fluctuations in demand from a single customer on sales.

In order to fulfil the needs of environmental and sustainable development from customers in Europe, the United States and Japan, this business has been increasing investment in research and development related to materials and production technique. A new line of micro-foaming pellets blow molded mannequin products is expected to enter mass production in the second half of this year. By successfully applying this technique, carbon emissions throughout the product’s entire lifecycle will be significantly reduced. At present, it has already attracted significant attention from several internationally renowned apparel brands.

This business has consistently reduced costs and increased efficiency through technique improvement and equipment optimization, enhancing per capita output and average output per production area each year. This not only serves as an effective measure to maintain product competitiveness but also as an important anchor for the company’s sustainable development.

Industrial Consumables Trading Business

Despite the complex and changing domestic and global economic environment, the industrial consumables trading business recorded notable growth compared to the same period last year. In the first half of this year, as the penetration rate of new energy vehicles further increased, the installation volumes of power batteries and energy storage batteries significantly rose, prompting leading battery manufacturers to resume expansion plans and overseas investment projects. This trend has been favorable for lithium battery equipment manufacturers, resulting in significant growth in the lithium battery equipment industry.

However, excluding the highlights of the orders from the lithium battery equipment industry, many of our customers in various industries did not perform as expected. Sluggish consumer demand and downgrades in consumption have weakened investment sentiments in the industrial equipment industry, with most general equipment industries either flat or slightly declining compared to last year. The domestic market is facing intense competition accompanied by significant price reductions across various industries. Furthermore, different parties are fatigued by coping with the trade and tariff war between the United States and China. As a result, customers are generally adopting conservative business strategies and refraining from actively exploring new markets. Additionally, most orders in the first half of this year lacked long-term planning, particularly in the first quarter, when customers rushed to place bulk orders to avoid tariff risks. While this benefited our performance in the first half, it will undoubtedly affect sales in the second half.

The market is expected to remain challenging in the second half of this year. Downgrades in consumption have become mainstream, and demand in industries such as daily necessities, home appliances, toys, 3C products, packaging and building materials is anticipated to slow down continuously. This business will actively expand collaboration with customers in industries such as lithium battery equipment, medical supplies, robotics and new energy vehicles, focusing on servo drive system solutions and metal materials applications to stabilize sales. To better respond to market competition and achieve diversified development, the management team will continue to introduce high-quality new suppliers and product lines. At the same time, this business will carefully manage accounts receivable risks and conduct strict evaluations and trade-offs for orders with higher financial risks.

Subsequent Events

There is no material event after the end of the reporting period.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2025, the Group's total outstanding bank borrowings amounted to approximately HK$141,590,000 (31 December 2024: approximately HK$115,259,000), which comprised mainly bank loans and trade finance facilities. The bank borrowings repayable within one year, in the first to second year and in the second to the fifth year amounted to approximately HK$134,145,000, HK$2,039,000 and HK$5,406,000, respectively (31 December 2024: approximately HK$106,759,000, HK$2,032,000 and HK$6,468,000, respectively).

After including lease liabilities of approximately HK$10,321,000 (31 December 2024: approximately HK$11,703,000) and deducting cash and bank balances of approximately HK$448,882,000 (31 December 2024: approximately HK$519,030,000), the Group's net cash amounted to approximately HK$296,971,000 (31 December 2024: approximately HK$392,068,000). Total equity attributable to equity shareholders of the Company as at 30 June 2025 was approximately HK$1,260,068,000 (31 December 2024: approximately HK$1,241,637,000).

The gearing ratio of the Group is measured as total of bank indebtedness and lease liabilities less cash and bank balances divided by net assets. The Group had a net cash position as at 30 June 2025 (31 December 2024: same). As a result, no gearing ratio was presented.

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

CONTINGENT LIABILITIES

As at 30 June 2025, the Group had no material contingent liabilities (31 December 2024: Nil).

MATERIAL ACQUISITION AND DISPOSAL

There were no material acquisitions and disposals by the Group during the six months ended 30 June 2025.

CAPITAL STRUCTURE

There was no change in the total number of issued shares of the Company for the six months ended 30 June 2025. The total number of issued shares of the Company remained at 861,930,692 shares as at 30 June 2025.

EMPLOYEES, REMUNERATION POLICY AND TRAINING SCHEME

As at 30 June 2025, the Group had a total of 1,776 employees (30 June 2024: 1,765 employees) located in Hong Kong and Mainland China, the ratio of women to men in the workforce was 30:70. Notwithstanding the foregoing, gender diversity for industrial business segment in which the Group operates may be less relevant due to the nature of work.

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

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

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

OUTLOOK AND PROSPECTS

The Group estimates that the domestic and international markets will remain challenging and filled with uncertainties in the second half of this year. In this context, all subsidiaries must prudently mitigate risks, actively respond to intense market competition, and seize development opportunities. Since US President Trump took office at the beginning of this year, the global economic situation has been affected by the tariff war, particularly impacting investment plans in the manufacturing industry. The tariff policies and measures are volatile and their subsequent impacts are difficult to predict. In the first half of this year, the global economy experienced chaos in trade due to the initiation, pressure, and negotiations of the tariff war. Since August, tariff regimes between the United States and various countries have gradually come into effect, and their actual impacts currently remain hard to forecast. Some of our customers have placed orders and shipped goods in advance of the implementation of the tariff policies to avoid tariff risks, which has overdrawn future market demand to a certain extent. At the same time, although some industries in Mainland China have migrated or expanded their capacities overseas, the overcapacity issue in other industries still requires time to be absorbed. Additionally, disorderly price competition has spread across multiple industries, including manufacturing industry. The central government is trying to reverse this trend, however, under the dual pressures of economic downturn and industrial transformation, low-price competition remains difficult to curb effectively in the short term.

In overseas markets, Chinese enterprises are increasingly expanding their investment scale. The Group believes this trend will continue to deepen, and demand for high-quality Chinese manufacturing industrial equipment will maintain steady growth. Therefore, the Group will invest more resources in the machinery manufacturing business to seize opportunities brought by export growth.

Despite a decline in investment confidence in China's manufacturing industry and intensifying low-price competition, several leading domestic enterprises are leveraging their large scale and abundant resources to achieve business expansion and upgrades through innovation-driven and low-cost strategies. Each business segment of the Group will focus on two core areas: product differentiation and cost optimization, continuously recruiting and training talent, while strengthening cooperation with leading enterprises to address challenges posed by future technological innovations and market changes.

Amidst these challenges, the Group believes there are still abundant opportunities in China and other regions, especially in niche markets with significant development potential, such as new energy vehicles, home appliances, and lithium battery equipment. The ongoing expansion of overseas production capacity will inject new growth momentum into our machinery manufacturing and industrial consumables trading businesses. Additionally, the food packaging industry is experiencing stable demand and is continuously pursuing lean production efficiency and cost optimization, providing a favorable development environment for our plastic products processing business.

The Group will concentrate resources to increase efforts in research and development for customized solutions in niche markets, particularly in exploration and innovation in areas such as improving production efficiency, optimizing energy efficiency, controlling direct labor costs, and enhancing the connectivity of digital systems to help customers effectively cope with cost pressures. Furthermore, the Group will continue to monitor financial health, strictly control accounts receivable risks, prudently manage debt levels, and consistently optimize cost control measures to ensure stable business development.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (30 June 2024: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2025.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to practicing and maintaining a high standard of corporate governance for the enhancement of value of shareholders of the Company (the "**Shareholders**") and safeguarding interests of Shareholders and other stakeholders, and reviews corporate governance practices and procedures of the Group from time to time. In the opinion of the Board, the Company has complied with all the applicable code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules during the six months ended 30 June 2025.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND 2025 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 2025 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, 27 August 2025

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