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

CONNECTED TRANSACTIONS ACQUISITION OF PROPERTY

On 18th May, 2010, the Purchaser, an indirect wholly-owned subsidiary of the Company entered into the Agreements with the Vendor, whereby the Purchaser agreed to purchase the Property from the Vendor for use as office premises in Guangzhou at an aggregate consideration of RMB8,391,142 (equivalent to approximately HKD 9,535,388).

As the Vendor is a connected person of the Company by virtue of the relationship set out below in this announcement, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the Acquisition are more than 0.1% but less than 2.5%, such connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders' approval requirement under the Listing Rules.

THE AGREEMENTS

Date: 18th May, 2010

Parties

Vendor: Guangzhou Tongxuan Real Estate Development Company Limited
(廣州同軒房地產發展有限公司)

Purchaser: Guangzhou Melco Industrial Supplies Co., Ltd. (廣州市美高工業器材有限公司)

Property to be acquired

The Property comprises of three premises namely Flats 1801, 1802 and 1803 of 18th Floor of Datong Commercial Building, 36 Yan Gong Jie, Yue Xiu Qu, Guangzhou, PRC, with an aggregate construction area of about 630 square meters.

Consideration and Payment Terms

The aggregate consideration for the Property is RMB8,391,142 (equivalent to approximately HKD9,535,388), which will be payable in cash by the Purchaser in full upon signing of the Agreements.

If the Purchaser is not able to pay the aggregate consideration in full upon signing of the Agreements, the Vendor has the right to charge the Purchaser a penalty at 0.05% of the aggregate consideration on a daily basis. If any outstanding amount is not paid at the demand of the Vendor for more than 30 days, the Vendor has the right to terminate the Agreements.

The aggregate consideration for the Property was arrived at after arm's length negotiation between the Purchaser and the Vendor and by reference to the current market value of similar properties in the market in Guangzhou. Furthermore, the consideration was based on the price offered to other independent buyers of the Vendor, with a discount of about 5%.

The aggregate consideration for the Property will be funded by internal resources of the Purchaser.

Delivery of the Property

On or before 30th November, 2010 (the "**Delivery Date**"), the Vendor shall deliver the Property to the Purchaser. The Purchaser agrees that if the Vendor is not able to deliver the Property on the Delivery Date, the Purchaser may not terminate the Agreements but the Vendor shall pay to the Purchaser a compensation fee of 0.01% of the aggregate consideration per day, which compensation fee shall accrue from the date immediately following the Delivery Date up to the actual date of delivery of the Property by the Vendor to the Purchaser.

INFORMATION ABOUT THE PROPERTY

The Property is located at Flats 1801, 1802 and 1803 of 18th floor of Datong Commercial Building, 36 Yan Gong Jie, Yue Xiu Qu, Guangzhou, PRC. The aggregate construction area of the Property is approximately 630 square meters. The building within which the Property is located is constructed by the Vendor as the property developer.

REASONS FOR ENTERING INTO THE AGREEMENTS

The Purchaser is currently renting an office in Guangzhou. The Directors consider that the Acquisition represents a good opportunity for the Purchaser to buy premises in Guangzhou with suitable location and good quality as its permanent office. By establishing a permanent office, the Purchaser is able to save cost and avoid the adverse effect to its operation in moving offices and conducting renovation work frequently. The Company believes that it is in its long term benefit to the development of the Purchaser to purchase a permanent office of its own. The Acquisition is also in the commercial interest of the Group.

The Directors, including the independent non-executive Directors, consider that the terms and conditions of the Agreements are on normal commercial terms, and the terms of the Agreements are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

The Vendor is 41% indirectly owned by Cosmos Holdings, the controlling shareholder of the Company, therefore is an associate of Cosmos Holdings. The Vendor is therefore a connected person of the Company. Accordingly, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios calculated with reference to the Acquisition are more than 0.1% but less than 2.5%, such connected transaction is subject to the reporting and announcement requirements, but is exempt from the independent shareholders’ approval requirement under the Listing Rules.

GENERAL

The Group is principally engaged in trading of industrial consumables, manufacturing and selling of plastic processing products, machinery and printed circuit boards.

The Purchaser is an indirectly wholly owned subsidiary of the Company and is engaged in trading of industrial consumables in Guangzhou.

As far as the Company is aware, the Vendor is principally engaged in property development and investment in Guangzhou and is the property developer of the Property.

DEFINITIONS

“Acquisition” the acquisition of the Property by the Purchaser from the Vendor pursuant to the terms and conditions of the Agreements

“Agreements” three sale and purchase agreements all dated 18th May, 2010 entered into between the Purchaser and the Vendor in respect of the Acquisition

“Board”	board of Directors of the Company
“Company”	Cosmos Machinery Enterprises Limited (大同機械企業有限公司), a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Cosmos Holdings”	Cosmos Machinery (Holdings) Limited (大同機械(控股)有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company which is interested in approximately 41.86% of the Company
“Director(s)”	director(s) of the Company (including independent non-executive directors)
“Group”	the Company and its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed in the Listing Rules
“PRC”	the People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	three premises namely Flats 1801, 1802 and 1803 of 18th floor of Datong Commercial Building, 36 Yan Gong Jie, Yue Xiu Qu, Guangzhou, PRC with an aggregate construction area of approximately 630 square meters
“Purchaser”	Guangzhou Melco Industrial Supplies Co., Ltd. (廣州市美高工業器材有限公司), a limited company established in the PRC and is an indirect wholly-owned subsidiary of the Company

“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Guangzhou Tongxuan Real Estate Development Company Limited (廣州同軒房地產發展有限公司), a limited company established in the PRC and is an associate of Cosmos Holdings

Unless otherwise specified, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of RMB1.00 = HKD0.88. No representation is made that the amounts in question have been, could have been or could be converted at the above rates.

By order of the Board
Cosmos Machinery Enterprises Limited
WONG Yiu Ming
Chief Executive Officer

Hong Kong, 18th May, 2010

As at the date hereof, the board of directors of the Company is comprised of ten directors, of which three are executive directors, namely Mr. Tang To, Mr. Jiang Wei and Mr. Wong Yiu Ming, and four are non-executive directors, namely Mr. Tang Kwan, Mr. Wu Ding, Mr. Kan Wai Wah and Mr. Qu Jinping and three are independent non-executive directors, namely Mr. Yip Jeffery, Ms. Yeung Shuk Fan and Mr. Cheng Tak Yin.