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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)**

## **VERY SUBSTANTIAL DISPOSAL**

**Financial Adviser**

**AMASSE CAPITAL**  
寶 積 資 本

### **THE DISPOSAL**

On 9th April, 2013, the Vendor and Purchaser A entered into the SPA-A, pursuant to which Purchaser A conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to Purchaser A, 4,700 ordinary shares of the Disposal Company, representing 47% of the issued share capital of the Disposal Company, at a consideration of RMB455,430,000 (equiv. to HK\$570,653,790) which will be satisfied in cash.

On 9th April, 2013, the Vendor and Purchaser B entered into the SPA-B, pursuant to which Purchaser B conditionally agreed to purchase from the Vendor, and the Vendor conditionally agreed to sell to Purchaser B, 121 ordinary shares of the Disposal Company, representing 1.21% of the issued share capital of the Disposal Company, at a consideration of RMB11,724,900 (equiv. to HK\$14,691,300) which will be satisfied in cash.

### **IMPLICATIONS OF THE DISPOSAL UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal for the Company pursuant to Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements.

A circular containing, among other matters, (i) further details of the Disposal; (ii) the financial information of Disposal Company; (iii) unaudited pro forma financial information on the Remaining Group; and (iv) the notice of the EGM is expected to be despatched to the Shareholders on or before 10th May, 2013 as more time is required to prepare the relevant financial and other information to be included in the circular under the Listing Rules.

The Board has noted the recent increase in the price of the shares of the Company. Save for the Disposal, the Board confirms that it is not aware of any reasons for the price movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

### **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, trading in the Shares on the Stock Exchange has been halted with effect from 9:00 a.m. on 10th April 2013, pending the publication of this announcement. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 11th April, 2013.

**As completion of both SPA-A and SPA-B are subject to the fulfillment of certain conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.**

### **THE DISPOSAL**

On 9th April, 2013 (after trading hours of the Stock Exchange), the Vendor, a directly wholly-owned subsidiary of the Company, entered into the SPA-A and SPA-B with Purchaser A and Purchaser B respectively.

#### **The SPA-A**

*Date:* 9th April, 2013

#### *Parties*

Vendor: Fair Friend (Hong Kong) Enterprise Co., Limited

Purchaser: 北京首赫投資有限責任公司 (Beijing Sunbeway Investment Co., Ltd.\*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, Purchaser A is an Independent Third Party.

### ***Assets disposed***

4,700 ordinary shares of the Disposal Company, representing 47% of the issued share capital of the Disposal Company.

### ***Consideration***

The consideration for the 4,700 ordinary shares of the Disposal Company is in aggregate RMB455,430,000 (equiv. to HK\$570,653,790).

The consideration will be satisfied by the Purchaser as to:–

- (i) RMB91,086,000 (equiv. to HK\$114,130,758) as refundable deposit in cash payable within 2 Business Days of the SPA-A; and
- (ii) RMB364,344,000 (equiv. to HK\$456,523,032) in cash payable upon completion.

The deposit (without interest) shall be refunded by the Vendor to the Purchaser A within 3 Business Days after the termination of the SPA-A.

### ***Conditions precedent***

Completion of the SPA-A is conditional upon, among other things, the satisfaction of certain conditions precedent, including the following:

- (a) the approval of the SPA-A by Shareholders at the EGM;
- (b) Purchaser A having completed and being satisfied with the results of its due diligence review on the legal, financial and business aspects of the Disposal Company; and
- (c) Purchaser A (together with its concert parties) to file relevant submissions to the China Securities Regulatory Commission and/or Shenzhen Stock Exchange, and notify Shenzhen Haoningda Meters Co., Ltd within 3 days from the date of the SPA-A.

The above conditions precedent are required to be fulfilled on or before the Long Stop Date unless extended by both parties. Condition (a) cannot be waived by either party to the SPA-A.

Pursuant to the SPA-A, in the case that the settlement of the consideration under the SPA-A by Purchaser A could not be made within 10 Business Days after the fulfillment of the conditions precedent owing to the lengthy administrative approval procedures, Purchaser A could assign its rights under the SPA-A to another purchaser, who must be an Independent Third Party, with sufficient financial resources for such settlement.

## **The SPA-B**

**Date:** 9th April, 2013

### ***Parties***

**Vendor:** Fair Friend (Hong Kong) Enterprise Co., Limited

**Purchaser:** 北京金源益通商貿有限公司 (Beijing Jin Yuan Yi Tong Trading Co., Ltd.\*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, Purchaser B is an Independent Third Party.

### ***Assets disposed***

121 ordinary shares of the Disposal Company, representing 1.21% of the issued share capital of the Disposal Company.

### ***Consideration***

The consideration for the 121 ordinary shares of the Disposal Company is in aggregate RMB11,724,900 (equiv. to HK\$14,691,300).

The consideration will be satisfied by the Purchaser as to:–

- (i) RMB2,344,980 (equiv. to HK\$2,938,260) as refundable deposit in cash payable within 2 Business Days of the SPA-B; and
- (ii) RMB9,379,920 (equiv. to HK\$11,753,040) in cash payable upon completion.

The deposit (without interest) shall be refunded by the Vendor to the Purchaser B within 3 Business Days after the termination of the SPA-B.

### ***Conditions precedent***

Completion of the SPA-B is conditional upon, among other things, the satisfaction of certain conditions precedent, including the following:

- (a) the approval of the SPA-B by Shareholders at the EGM;
- (b) Purchaser B having completed and being satisfied with the results of its due diligence review on the legal, financial and business aspects of the Disposal Company; and
- (c) Purchaser B (together with its concert parties) to file relevant submissions to the China Securities Regulatory Commission and/or Shenzhen Stock Exchange, and notify Shenzhen Haoningda Meters Co., Ltd within 3 days from the date of the SPA-B.

The above conditions precedent are required to be fulfilled on or before the Long Stop Date unless extended by both parties. Condition (a) cannot be waived by either party to the SPA-B.

Pursuant to the SPA-B, in the case that the settlement of the consideration under the SPA-B by Purchaser B could not be made within 10 Business Days after the fulfillment of the conditions precedent owing to the lengthy administrative approval procedures, Purchaser B could assign its rights under the SPA-B to another purchaser, who must be an Independent Third Party, with sufficient financial resources for such settlement.

Completion of SPA-A and SPA-B are not inter-conditional to each other.

### **INFORMATION OF THE GROUP, THE VENDOR, PURCHASER A, PURCHASER B AND THE DISPOSAL COMPANY**

The Group is principally engaged in manufacturing and sale of plastic injection moulding machine; manufacturing, processing and sale of plastic products; trading of industrial consumables; and in the printed circuit board business.

The Vendor is an investment holding company and directly wholly-owned by the Company.

Purchaser A is principally engaged in projects investment, investment management, project management, sale of chemical products, machineries, communication equipments, natural resource and electronic products, etc.

Purchaser B is principally engaged in import and export of products, sale of chemical products, machineries, electronic products and accessories of vehicles, etc.

The Disposal Company is an investment holding company holding 51,000,000 shares (representing 63.75%) of Shenzhen Haoningda Meters Co., Ltd, which is a joint stock limited company in the PRC and whose shares are listed on the Shenzhen Stock Exchange. The Disposal Company is currently held as to (i) 49.4% by the Vendor; (ii) 17.6% by Silver International Investment Limited; (iii) 16.5% by Mr. Or Leung Chit; and (iv) 16.5% by Mr. Wang Rongan. Upon completion of both SPA-A and SPA-B, the Disposal Company will be held as to (i) 47.0% by Purchaser A; (ii) 1.21% by Purchaser B; (iii) 1.19% by the Vendor; (iv) 17.6% by Silver International Investment Limited; (v) 16.5% by Mr. Or Leung Chit; and (vi) 16.5% by Mr. Wang Rongan. To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, each of Silver International Investment Limited (together with its ultimate beneficial owner), Mr. Or Leung Chit and Mr. Wang Rongan is an Independent Third Party.

Shenzhen Haoningda Meters Co., Ltd has been focusing on the fields of electrical instrumentation, microelectronics and components over the years. It is a national high-tech enterprise which incorporates research, development, production, sales and services. It concentrates on the research and development and production of intelligent energy metering instrumentation products, meter reading system and energy metering automated management system.

### ***Financial information on the Disposal Company***

The Disposal Company is an investment holding company. There is no consolidation account being prepared for the Disposal Group.

The audited net asset value of the Disposal Company (at company-level) was approximately HK\$6 million as at 31st December 2012, representing the original cost of its investment in Shenzhen Haoningda Meters Co., Ltd. of approximately of HK\$12 million since 1998 and the corresponding shareholder's loan of approximately HK\$6 million drawn for the same investment since 1998. The audited net profits before and after taxation and extraordinary items of the Disposal Company for the year ended 31st December 2011 was approximately HK\$17 million. The audited net profits before and after taxation and extraordinary items of the Disposal Company for the year ended 31st December 2012 was approximately HK\$11 million. These net profits represented mainly the dividend incomes from Shenzhen Haoningda Meters Co., Ltd..

Based on the published annual report of Shenzhen Haoningda Meters Co., Ltd for the year ended 31st December, 2012, which was prepared based on general accepted accounting principles in the PRC, the following financial information are extracted for information purposes. The auditor of the Company confirms that there is no material difference between the general accepted accounting principles in the PRC and the Hong Kong Financial Reporting Standards.

The audited net assets of Shenzhen Haoningda Meters Co., Ltd as at 31st December, 2012 was approximately RMB936 million (equiv. to approximately HK\$1,173 million).

The audited net profits before and after taxation and extraordinary items of Shenzhen Haoningda Meters Co., Ltd for each of the two years ended 31st December, 2012 and 2011 are set out below:

	<b>Year ended 31st December,</b>	
	<b>2012</b>	<b>2011</b>
Net profit before taxation and extraordinary items	RMB28.7 million (equiv. to HK\$36.0 million)	RMB25.9 million (equiv. to HK\$32.5 million)
Net profit after taxation and extraordinary items	RMB20.2 million (equiv. to HK\$25.3 million)	RMB22.4 million (equiv. to HK\$28.1 million)

## **BASIS OF THE CONSIDERATION**

The consideration under both SPA-A and SPA-B were arrived at after arm's length negotiations between the Vendor and Purchaser A and Purchaser B respectively, with reference to:–

- (i) the net asset value of Shenzhen Haoningda Meters Co., Ltd and the proportionate net asset value attributable to the Disposal Company of approximately RMB597 million (equiv. to HK\$748 million);
- (ii) the aggregate market value of the 51,000,000 shares of Shenzhen Haoningda Meters Co., Ltd of RMB1,065 million (equiv. to HK\$1,334 million) owned by the Disposal Company with reference to its closing share price of RMB20.88 per share on the date of both the SPA-A and SPA-B. Accordingly, the attributable value to the aggregate equity interest (48.21%) in the Disposal Company under the Disposal is approximately RMB513 million (equiv. to HK\$643 million). Therefore, the aggregate considerations under SPA-A and SPA-B represents a discount of approximately 9% to the attributable value derived above;
- (iii) the Group's position as a non-controlling shareholder in the Disposal Company which was regarded as non-core business to the Group; and
- (iv) the expectation that a direct disposal in the A-Share market will create an adverse impact on the share price of Shenzhen Haoningda Meters Co., Ltd which is therefore not considered by the Directors as a desirable way to do so.

The Directors consider the terms of SPA-A and SPA-B are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

## **REASONS FOR THE DISPOSAL**

As the Disposal Company is only an associate company within the Group and is thus not regarded as core business of the Group, the Group will still maintain its existing principal businesses as disclosed above after completion of the Disposal.

The Directors consider that the Disposal could allow the Group to focus its resources, apply the proceeds from the Disposal on its principal businesses and improve the financial strength of the Group which would be in the interest of the Company and Shareholders as a whole.

## **FINANCIAL EFFECT OF THE DISPOSAL**

Since Purchaser A and Purchaser B only offered to purchase in aggregate of 48.21% equity interest in the Disposal Company, upon completion of SPA-A and SPA-B, the Vendor's equity interest in the Disposal Company will decrease from 49.4% to 1.19%. The Company will continue to hold the remaining 1.19% equity interest in the Disposal Company and will treat it as an investment in the accounts of the Company.

The actual financial effect from the Disposal and to be accounted for in the consolidated financial statements of the Company for the financial year ending 31st December, 2013 will be computed basing on the financial information of the Disposal Group as at completion of both the SPA-A and SPA-B and which is subject to audit.

For illustrative purposes, there is an estimated gain of approximately HK\$201 million arising on the Disposal based on the Consideration and the carrying value of the Group's investment in the Disposal Group of approximately HK\$355 million.

The proceeds from the Disposal will be used for general working capital purposes.

### **IMPLICATIONS OF THE DISPOSAL UNDER THE LISTING RULES**

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A circular containing, among other matters, (i) further details of the Disposal; (ii) the financial information of Disposal Company; (iii) unaudited pro forma financial information on the Remaining Group; and (iv) the notice of the EGM are expected to be despatched to the Shareholders on or before 10th May, 2013 as more time is required to prepare the relevant financial and other information to be included in the circular under the Listing Rules.

The Board has noted the recent increase in the price of the shares of the Company. Save for the Disposal, the Board confirms that it is not aware of any reasons for the price movements or of any information which must be announced to avoid a false market in the Company's securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong.

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**As completion of both SPA-A and SPA-B are subject to the fulfillment of certain conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.**



## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“Company”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“Directors”	directors of the Company
“Disposal”	the disposal of 4,700 and 121 ordinary shares of the Disposal Company in accordance with the SPA-A and SPA-B respectively
“Disposal Company”	Hon Kiu Machine Factory Limited, a company incorporated in Hong Kong with limited liability
“Disposal Group”	Disposal Company and its subsidiaries
“EGM”	the extraordinary general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the SPA-A and SPA-B, and the transactions contemplated thereunder respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a party and, if applicable, the ultimate beneficial owner of the party who is not fallen into the definition of connected persons of the Company under Chapter 14A of the Listing Rules and independent of the connected persons of the Company and their associates (as defined in the Listing Rules)

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Long Stop Date”	31st May, 2013 (or such other date as the Vendor and the Purchaser A and/or Purchaser B may agree)
“Purchaser A”	北京首赫投資有限責任公司 (Beijing Sunbeway Investment Co., Ltd.*), incorporated in the PRC with limited liability
“Purchaser B”	北京金源益通商貿有限公司(Beijing Jin Yuan Yi Tong Trading Co., Ltd.*), incorporated in the PRC with limited liability
“Remaining Group”	the Group immediately after completion of both SPA-A and SPA-B
“SPA-A”	the conditional sale and purchase agreement dated 9th April, 2013 entered into between, among others, the Vendor and Purchaser A in relation to the sale and purchase of 4,700 ordinary shares of the Disposal Company
“SPA-B”	the conditional sale and purchase agreement dated 9th April, 2013 entered into between, among others, the Vendor and Purchaser B in relation to the sale and purchase of 121 ordinary shares of the Disposal Company
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.4 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	Fair Friend (Hong Kong) Enterprise Co., Limited, incorporated in Hong Kong with limited liability and a directly wholly-owned subsidiary of the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“RMB” Renminbi, the lawful currency of the People’s Republic of China

“%” per cent.

*For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.253. The exchange rates have been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

\* *The English names of Purchaser A and Purchaser B are for identification purpose only.*

By Order of the Board  
**Cosmos Machinery Enterprises Limited**  
**TANG To**  
Chairman

Hong Kong, 10th April, 2013

*As at the date hereof, the Board comprises of eleven directors, of which four are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming, Mr. Jiang Wei and Mr. Tang Yu, Freeman, and three are non-executive directors, namely Mr. Wu Ding, Mr. Kan Wai Wah and Mr. Qu Jinping and four are independent non-executive directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei.*