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MAJOR TRANSACTION IN RELATION TO THE PROPOSED DISPOSAL OF THE PROPERTY

THE DISPOSAL

The Board is pleased to announce that the Vendor, being the resident representative office of an indirect wholly-owned subsidiary of the Company in Dongguan City of the PRC, entered into the Transfer Contract dated 4 July 2017 with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property at the Consideration of RMB83,000,000, subject to and upon the terms and conditions as set out in the Transfer Contract.

GENERAL

As the applicable percentage ratio exceeds 25% but below 75%, the Disposal will, if implemented, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and be subject to the requirement of reporting, announcement and approval of the Shareholders at the EGM.

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, to approve the Disposal. The voting in relation to the Disposal at the EGM will be conducted by way of a poll and no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other matters, further details of the Disposal, a notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 July 2017.

The Board wishes to emphasize that the Disposal is subject to the Condition Precedent, which may or may not be fulfilled. Shareholders and potential investors of the Company should exercise caution when they deal in the Shares.

THE DISPOSAL

The Vendor, being the resident representative office in Dongguan City of MS PLASTICORP, an indirect wholly-owned subsidiary of the Company, entered into the Transfer Contract dated 4 July 2017 with the Purchaser, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the Property at the Consideration of RMB83,000,000, subject to and upon the terms and conditions as set out in the Transfer Contract.

THE TRANSFER CONTRACT

The salient terms of the Transfer Contract are as follows:

Date

4 July 2017

Parties

Vendor: Dongguan Resident Representative Office of MS PLASTICORP (科克群島群力實業有限公司*東莞代表處), being the resident representative office of MS PLASTICORP, an indirect wholly-owned subsidiary of the Company, in Dongguan City of the PRC

Purchaser: Dongguan City Dingtong Precision Metal Co., Limited* (東莞市鼎通精密五金有限公司)

The Purchaser is a company established in the PRC with limited liability and is principally engaged in production and sales of connectors for electronic industries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Assets to be disposed of

The assets to be disposed of under the Transfer Contract consist of the land use right to a piece of land situated at Tanggukeng, Yinzhuling, Zhouwu Village, Dongcheng District, Dongguan City in the PRC (中國東莞市東城區周屋村銀珠嶺塘古坑地段), with a total site area of approximately 25,000 square metres, together with the buildings and the facilities erected on the same.

Consideration

The amount of the Consideration is RMB83,000,000 and shall be payable by the Purchaser to the Vendor by bank transfer in the following manner:

- (i) prior to the signing of the Transfer Contract, the Purchaser has paid RMB20,000,000 to the Vendor, of which RMB10,000,000 shall be treated as deposit;
- (ii) within 7 days after the issue by the real estate exchange centre of a notice acknowledging the receipt of the information for registration of title transfer, the Purchaser shall pay RMB61,000,000 (the “Second Instalment”) to the Vendor; and
- (iii) within 7 days after obtaining by the Purchaser of the real estate title certificates in relation to the Property (except the facilities thereof) from the real estate exchange centre, the Purchaser shall pay the remaining RMB2,000,000 to the Vendor.

Basis of Consideration

The Consideration for the Disposal was arrived at arm’s length negotiations between the parties to the Transfer Contract after taking into consideration of various factors, such as the current market value of the Property, related statutory expenses, taxes and professional fee etc.

Condition Precedent

The Transfer Contract is conditional upon the satisfaction of the passing by the Shareholders at the EGM of an ordinary resolution approving the Transfer Contract and the transactions contemplated thereunder.

If the above Condition Precedent has not been satisfied within 60 days after the date of the Transfer Contract (or any other date as may be mutually agreed by the parties to the Transfer Contract), the parties to the Transfer Contract will be released from, and will not be required to perform, their obligations under the Transfer Contract save for any antecedent breaches. The Vendor will then have to refund to the Purchaser the deposits already paid by it without interest.

Completion of the Disposal

Completion shall take place after the Purchaser has paid the Second Instalment to the Vendor.

INFORMATION OF THE GROUP

The Group is principally engaged in the business of (i) machinery manufacturing, (ii) plastic products and processing, (iii) printed circuit board processing and trading, and (iv) industrial consumables trading.

INFORMATION OF THE VENDOR

MS PLASTICORP is a company incorporated in the Cooks Islands with limited liability and an indirect wholly-owned subsidiary of the Company. Its resident representative office in Dongguan City of the PRC is principally engaged in holding and managing the Property.

INFORMATION OF THE PURCHASER

The Purchaser is a company established in the PRC with limited liability and is principally engaged in production and sales of connectors for electronic industries.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS FOR THE DISPOSAL

Taking into account of the financial resources to be generated from the Disposal and the current property market conditions in the PRC, the Directors are of the view that the Disposal gives a good opportunity for the Company to realise its investment with operating cashflow and it is in the interests of the Group to dispose of the Property pursuant to the terms and conditions of the Transfer Contract.

Based on the above and the negotiations with the Purchaser on arm's length basis, the Directors consider that the terms and conditions of the Transfer Contract are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After deducting expenses relating to the Disposal, it is expected that the Company will have an amount of net proceeds of approximately RMB47,710,000, which is intended to apply to the general working capital of the Group.

FINANCIAL EFFECT OF THE DISPOSAL

The net book value of the Property as at the date of the latest audited financial statements, that is 31 December 2016, amounted to RMB19,610,000. Based on the Consideration of RMB83,000,000, the Group is expected to recognize a gain (net of related statutory costs and other expenses) of approximately RMB28,100,000 from the Disposal following the Completion. Such gain will be reflected in the financial results of the Group for the second half of 2017.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio exceeds 25% but below 75%, the Disposal will, if implemented, constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the requirement of reporting, announcement and approval of the Shareholders at the EGM.

An EGM will be convened and held for the Shareholders to, among other things, consider and, if thought fit, approve the Disposal. The voting in relation to the Disposal at the EGM will be conducted by way of a poll and no Shareholder is required to abstain from voting at the EGM.

A circular containing, among other matters, further details of the Disposal, a notice of the EGM and other information as required under the Listing Rules is expected to be despatched to the Shareholders on or before 17 July 2017.

The Board wishes to emphasize that the Disposal is subject to the Condition Precedent, which may or may not be fulfilled. Shareholders and potential investors of the Company should exercise caution when they deal in the Shares.

DEFINITIONS

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

“Board”	the board of Directors
“Company”	Cosmos Machinery Enterprises Limited (大同機械企業有限公司), a company incorporated in Hong Kong with limited liability and the shares of which are listed and traded on the Stock Exchange (Stock Code: 118)
“Completion”	completion of the Disposal in accordance with the Transfer Contract
“Condition Precedent”	the condition precedent as set out in the Transfer Contract
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the sum of RMB83,000,000 payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Transfer Contract

“Directors”	the directors of the Company
“Disposal”	the proposed disposal of the Property by the Vendor to the Purchaser pursuant to the terms and conditions of the Transfer Contract
“EGM”	an extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Transfer Contract and the Disposal
“Group”	the Company and its subsidiaries
“HK\$”	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
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Property”	the land use right to a piece of land situated at Tanggukeng, Yinzhuling, Zhouwu Village, Dongcheng District, Dongguan City in the PRC (中國東莞市東城區周屋村銀珠嶺塘古坑地段), with a total site area of approximately 25,000 square metres, together with the buildings and the facilities erected on the same
“Purchaser”	Dongguan City Dingtong Precision Metal Co., Limited* (東莞市鼎通精密五金有限公司), a company established in the PRC with limited liability and is a third party independent of the Company and its connected persons
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	share(s) of the Company
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Transfer Contract” the conditional real estate transfer contract (房地產轉讓合同) entered into between the Vendor and the Purchaser dated 4 July 2017 relating to the Disposal

“Vendor” Dongguan Resident Representative Office of MS PLASTICORP (科克群島群力實業有限公司*東莞代表處), being the resident representative office of MS PLASTICORP, an indirect wholly-owned subsidiary of the Company, in Dongguan City of the PRC

* *For identification purpose only*

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

Hong Kong, 4 July 2017

As at the date of this announcement, the Board of Directors of the Company comprises nine directors, of which three are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming and Mr. Tang Yu, Freeman, two are non-executive directors, namely 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.