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MAJOR TRANSACTION – PROPOSED DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY

THE DISPOSAL

The Board is pleased to announce that the Vendor, being an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement dated 1 September 2017 with the Purchaser, pursuant to which the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of MS Plasticorp at the Consideration, subject to and upon the terms and conditions as set out in the Sale and Purchase Agreement.

GENERAL

As one of the applicable percentage ratios exceeds 25% and all the applicable percentage ratios are below 75%, the Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the requirements of reporting, announcement and approval of the Shareholders at the EGM under Chapter 14 of the Listing Rules.

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 to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal; therefore, no Shareholder is required to abstain from voting for the resolution to approve the Disposal at the EGM.

A circular containing, among other matters, further details of the Disposal and any other information as required by the Listing Rules, together with a notice convening the EGM is expected to be despatched to the Shareholders on or before 22 September 2017.

Shareholders and potential investors of the Company should note that the Disposal may or may not proceed as it is subject to the Shareholders' approval at the EGM. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

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THE SALE AND PURCHASE AGREEMENT

The salient terms of the Sale and Purchase Agreement are as follows:

Date

1 September 2017

Parties

Vendor: Sunford Enterprises Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: Giant Express Investment Limited (鉅遠投資有限公司)

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

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.

Disposed of MS Plasticorp

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital of MS Plasticorp. MS Plasticorp operates the Resident Representative Office in the PRC, which is principally engaged in the holding and managing of the Property. MS Plasticorp is also the sole shareholder of Dongguan MS Plastic which is in the process of being wound up voluntarily pursuant to the laws and regulations of the PRC.

Upon completion of the Disposal, the Company will not hold any equity interest in each of MS Plasticorp, Resident Representative Office and Dongguan MS Plastic (if it has not yet been wound up) and each of MS Plasticorp, Resident Representative Office and Dongguan MS Plastic (if it has not yet been wound up) shall cease to be a subsidiary of the Company under the Listing Rules.

Consideration

The amount of the Consideration is RMB82,000,000 and shall be payable by the Purchaser to the Vendor in the following manner:

- (i) RMB6,700,000 as initial deposit to be paid in cash to the Vendor upon signing of the Sale and Purchase Agreement;
- (ii) RMB40,200,000 as part payment to be paid in cash to the Vendor and/or such person(s) as the Vendor's solicitors may direct in writing on or before 31 October 2017 or at such other date and time as the Vendor and Purchaser may agree in writing; and
- (iii) the remaining balance of the Consideration of RMB35,100,000 to be paid in cash to the Vendor and/or such person(s) as the Vendor's solicitors may direct in writing on or before the Completion Date or at such other date and time as the Vendor and Purchaser may agree in writing.

Basis of Consideration

The Consideration for the Disposal was arrived at arm's length negotiations between the parties to the Sale and Purchase Agreement after taking into consideration of various factors, including but not limited to the amount of investment in the registered capital of MS Plasticorp by the Vendor, the assets and liabilities of MS Plasticorp including but not limited to the current market value of the Property, the fair value of entire equity interest in MS Plasticorp as at 31 July 2017, related statutory expenses, taxes and professional fees etc.

Condition Precedent

The Sale and Purchase Agreement is conditional upon the satisfaction of the passing by the Shareholders at the EGM of an ordinary resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Pursuant to the Sale and Purchase Agreement, if the above condition precedent has not been satisfied within 60 days after the date of the Sale and Purchase Agreement (or any other date as may be mutually agreed by the parties to the Sale and Purchase Agreement), the parties to the Sale and Purchase Agreement may terminate the Sale and Purchase Agreement. In the event of such termination, the Vendor will refund to the Purchaser the total amount already paid by it without interest, while the terms and conditions of the Sale and Purchase Agreement shall be of no further effect and neither party to the Sale and Purchase Agreement shall have any claim against or liability or obligation to the other party save for any antecedent breaches.

Completion of the Disposal

Pursuant to the Sale and Purchase Agreement, if the above condition precedent is fulfilled on or before 31 October 2017, Completion shall take place at 2:00 p.m. on the Completion Date or such other date and time as the Vendor and the Purchaser may agree in writing.

INFORMATION OF THE GROUP

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

INFORMATION OF THE VENDOR

Sunford Enterprises Limited is a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal business is investment holding.

INFORMATION OF MS PLASTICORP, RESIDENT REPRESENTATIVE OFFICE AND DONGGUAN MS PLASTIC

MS Plasticorp, an indirect wholly-owned subsidiary of the Company, is a company incorporated in the Cook Islands with limited liability and its sole business is operating the Resident Representative Office and holding the equity interest in Dongguan MS Plastic.

Set out below is the financial information of MS Plasticorp as extracted from the consolidated financial statements for the two financial years ended 31 December 2015 and 31 December 2016 respectively:

	For the financial year ended 31 December 2016 (audited) HK\$'million	For the financial year ended 31 December 2015 (audited) HK\$'million
Net loss before taxation	36	12
Net loss after taxation	36	12

The unaudited net assets value and the fair value of entire equity interest in MS Plasticorp as at 31 July 2017 were approximately HK\$22,000,000 and HK\$89,000,000 respectively.

Resident Representative Office is the resident representative office of MS Plasticorp in Dongguan City of the PRC and its principal business is the holding and managing of the Property.

Dongguan MS Plastic, an indirect wholly-owned subsidiary of the Company, is a wholly foreign-owned enterprise incorporated in the PRC with limited liability. It is in the process of being wound up voluntarily pursuant to the laws and regulations of the PRC. The application for voluntary winding up of Dongguan MS Plastic was submitted to the relevant authorities in the PRC on or about 4 August 2016. It is expected that approval of the winding up of Dongguan MS Plastic may be obtained by August 2018.

INFORMATION OF THE PURCHASER

The Purchaser is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding.

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.

FINANCIAL EFFECT OF THE DISPOSAL

Upon Completion, MS Plasticorp will cease to be a subsidiary of the Company and the financial results of MS Plasticorp will cease to be consolidated into those of the Company. The Disposal is expected to recognise a gain (net of related statutory costs and other expenses) of approximately RMB26,100,000 to the Group. Such expected gain is calculated by reference to the book value of MS Plasticorp as at 31 July 2017.

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 considerable gain and it is in the interests of the Group to dispose the entire issued share capital of MS Plasticorp pursuant to the terms and conditions of the Sale and Purchase Agreement.

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 Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

After deducting expenses relating to the Disposal, it is expected that the Company will have an amount of net proceeds of approximately RMB45,100,000, which is intended to apply to the general working capital of the Group.

LISTING RULES IMPLICATION

As one of the applicable percentage ratios exceeds 25% and all the applicable percentage ratios are below 75%, the Disposal constitutes a major transaction on the part of the Company under Chapter 14 of the Listing Rules and is subject to the requirements 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 to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Disposal; therefore, no Shareholder is required to abstain from voting for the resolution to approve the Disposal 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 22 September 2017.

The Board wishes to emphasise that the Disposal may or may not proceed as it is subject to the Shareholders' approval at the EGM. Shareholders and potential investors of the Company are reminded to exercise caution when dealing 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 issued shares of which are listed on the Stock Exchange under stock code: 118;
“Completion”	completion of the Disposal in accordance with the Sale and Purchase Agreement;
“Completion Date”	31 December 2017 or such other date and time as the Vendor and the Purchaser may agree in writing;
“Condition Precedent”	the condition precedent as set out in the Sale and Purchase Agreement;
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules;

“Consideration”	the total sum of RMB82,000,000 payable by the Purchaser to the Vendor pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Directors”	the directors of the Company;
“Disposal”	the proposed disposal of the entire issued share capital of MS Plasticorp by the Vendor to the Purchaser pursuant to the terms and conditions of the Sale and Purchase Agreement;
“Dongguan MS Plastic”	Dongguan MS Plastic Products Co. Limited (東莞明新塑膠製品有限公司), a wholly foreign-owned enterprise established in the PRC and as at the date of this announcement is in the process of being wound up voluntarily pursuant to the laws and regulations of the PRC;
“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to consider and approve, among other things, the Sale and Purchase Agreement 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 Administration Region of the PRC;
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange;
“MS Plasticorp”	MS Plasticorp, a company incorporated in the Cook Islands with limited liability and is an indirect wholly-owned subsidiary of the Company;
“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 piece of land situated at Tanggukeng, Yinzhuling, Zhouwu Village, Dongcheng District, Dongguan City in the PRC* (東莞市東城區周屋村銀珠嶺塘古坑地段), with a total site area of approximately 25,001.98 square metres, together with the buildings and facilities erected thereon;

“Purchaser”	Giant Express Investment Limited (鉅遠投資有限公司), a company incorporated in Hong Kong with limited liability and is a third party independent of the Company and its connected persons;
“Resident Representative Office”	Dongguan Resident Representative Office of MS Plasticorp* (科克群島群力實業有限公司東莞代表處), the resident representative office of MS Plasticorp in Dongguan City of the PRC;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the conditional sale and purchase agreement entered into between the Vendor and the Purchaser dated 1 September 2017 relating to the Disposal, or as it may from time to time be supplemented, and/or amended with the written agreement of the Vendor and the Purchaser;
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	holder(s) of the issued ordinary share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Vendor”	Sunford Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company.

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

Hong Kong, 1 September 2017

* *For identification purpose only*

As at the date hereof, the Board comprises of 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.