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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)

DISCLOSEABLE TRANSACTION

COMPENSATION FOR RELOCATION OF PLANTS IN DONGGUAN

Financial adviser



REXCAPITAL (Hong Kong) Limited

This announcement is made pursuant to Rule 13.09(1) and Chapter 14 of the Listing Rules.

COMPENSATION FOR RELOCATION OF PLANTS

On 5th December, 2007 (after trading hours), Dong Hua entered into the Compensation Agreement with SASAC whereas Dong Hua will receive compensation for relocation of the Plants of approximately RMB76,092,000 (equivalent to approximately HK\$78,337,000).

The transaction contemplated under the Compensation Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Compensation will be sent to the Shareholders in accordance with the Listing Rules as soon as practicable.

This announcement is made pursuant to Rule 13.09(1) and Chapter 14 of the Listing Rules.

THE COMPENSATION AGREEMENT

Date : 5th December, 2007

Parties : A. Dong Hua : Dong Hua Machinery Limited (“東華機械有限公司”), a 75.56% owned subsidiary of the Company;
and
B. SASAC : The State-owned Assets Supervision and Administration Commission of Dongguan (“東莞國有資產監督管理委員會”).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, SASAC is independent of and not connected with the Company and any of its connected person, and has no prior transactions with the Group which require aggregation under Rule 14.22 of the Listing Rules.

- Land : A parcel of land located at 15 Jianshe Road, Dongguan, the PRC with a site area of 51,645 sq.m.
- Plants : 16 buildings of total construction area of 47,474.94 sq.m., comprising production workshops, offices and staff quarters build on the Land.
- Amount of Compensation : Aggregate amount of compensation for relocation of the Plants: RMB76,092,641.79 (equivalent to approximately HK\$78,337,000).

The aggregate amount of Compensation for relocation of the Plants was agreed after arm's length negotiations between the Company and the SASAC. Both parties agreed to use the replacement cost basis to value the relocation costs of the new plants in a new site after considering the scale and standards of the existing factory buildings, their functions, structures and also their facilities and so on.

- Payment of Compensation : The Compensation shall be paid in cash in the manner as follows:
1. as to RMB30,000,000.00 to be paid within 10 working days from the date of the Compensation Agreement;
 2. as to RMB36,092,641.79 to be paid within 10 working days from serving a notice of commencement foundation piling of the new plant by Dong Hua to SASAC; and
 3. as to the balance of RMB10,000,000.00 to be paid within 10 working days from serving a notice of handover of the Land and the Plants from Dong Hua to SASAC, which is expected to be served within 30 months from the effective date of the Compensation Agreement.

- Delivery of Possession : The Company shall deliver possession of the Land and the vacated Plants to SASAC within 30 months from the effective date of the Compensation Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Compensation Agreement is not subject to any other regulatory approval.

The Directors (including independent non-executive Directors) consider that the terms of the Compensation Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND SASAC

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

The SASAC is a PRC Government body to supervise the preservation and increment of the value of state-owned assets in state enterprises. The consent from SASAC is required in most of the asset disposal or corporate reorganization exercises.

BACKGROUND AND REASON FOR THE COMPENSATION

The Group entered into a State-owned Land Use Right Grant Contract with a delegated entity of SASAC in Dongguan in 1997 to obtain a long-term lease on the Land at a yearly rental of approximately RMB427,000.00. The Company invested and built the production workshops, staff quarters and offices on the Land totally 16 buildings with total construction area of 47,474.94 sq.m.

Due to the urban planning of Dongguan, SASAC planned to call back the Land and requested Dong Hua to move out from the Land. After due consideration, the Company decided to co-operate with the state's planning and plans to relocate the Plants. However, the possible relocation will result in loss on the investments in the existing Plants on the Land, furthermore, extra cost including but not limited to new plant renovation, relocation, and staff compensation and so on will be incurred. Under such background, the Company negotiated and entered into the Compensation Agreement with SASAC to compensate Dong Hua for the possible cost incurred.

The Company will relocate its production workshops, offices, staff quarters and other facilities of Dong Hua to the parcel of land at Er Huan Road, Zhou Wu District, Fu Cheng, Dongguan, PRC. Such parcel of land with a site area of 66,365 sq.m. was purchased in 1993 on which 19,203 sq m. of the site area have been utilized by the Group since 1994 to construct factory buildings. The remaining 47,162 sq.m. of site area will be further developed by the Group to relocate the production workshops, offices, staff quarters and other facilities of Dong Hua.

FINANCIAL EFFECT OF THE COMPENSATION

With reference to the unaudited account of the Group for the six months ended 30th June, 2007, the net book value of the Land and the Plants were approximately RMB257,000 (equivalent to approximately HK\$265,000) and approximately RMB23.5 million (equivalent to approximately HK\$24.2 million) as at 30th June, 2007 respectively. It is estimated that the Compensation will result in a book profit of approximately RMB52.3 million (equivalent to approximately HK\$53.8 million) with reference to the net book value of the Land and the Plants as at 30th June, 2007 (before expenses).

The Directors are of the opinion that the relocation would not have any material adverse impact on the business operation of the Group.

USE OF PROCEEDS

The proceeds from the Compensation will be entirely used as the construction of new factories and replacement of machineries.

GENERAL

The transaction contemplated under the Compensation Agreement constitutes a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Compensation will be sent to the Shareholders in accordance with the Listing Rules as soon as practicable.

DEFINITIONS

In this announcement, the following terms have the following meanings:

“Compensation Agreement”	the agreement dated 5th December, 2007 entered into between Dong Hua and SASAC in relation to the Compensation
“Company”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“Compensation”	the compensation by SASAC for relocation of the Plants of Dong Hua pursuant to the Compensation Agreement
“Directors”	the directors of the Company
“Dong Hua”	Dong Hua Machinery Limited (東華機械有限公司), a 75.56% owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Land”	a parcel of land located at 15 Jianshe Road, Dongguan, the PRC with a site area of 51,645 sq.m.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Plants”	16 buildings of construction area of 47,474.94 sq.m., comprising production workshops, offices and staff quarters build on the Land in Dongguan
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	The State-owned Assets Supervision and Administration Commission of Dongguan (“東莞國有資產監督管理委員會”)
“sq.m.”	square metre

For the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.0295. 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.

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

Hong Kong, 5th December, 2007

As at the date hereof, the Board comprises of twelve directors, of which five are executive directors, namely Mr. Tang To, Mr. Jiang Wei, Mr. Wong Yiu Ming, Mr. Yan Wing Fai Richard and Mr. Li Tin Loi, 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, Miss Yeung Shuk Fan and Mr. Cheng Tak Yin.