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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)

**PRICE SENSITIVE INFORMATION:
DISCLOSEABLE TRANSACTION
DISPOSAL OF LAND AND PROPERTY IN WUXI
AND
COMPENSATION FOR EARLY TERMINATION OF A LEASE AGREEMENT**

Financial Adviser to the Company



REXCAPITAL (Hong Kong) Limited

DISPOSAL AGREEMENT

After the close of trading hours on 30th May, 2008, Wuxi Grand entered into the Disposal Agreement with the Purchaser, pursuant to which Wuxi Grand agreed to sell, and the Purchaser agreed to purchase, the Land A and the Property A for a cash consideration of RMB25,317,600.

COMPENSATION AGREEMENT

After the close of trading hours on 30th May, 2008, Wuxi Grand also entered into the Compensation Agreement with the Purchaser and the Landlord, pursuant to which Wuxi Grand will receive compensation of RMB55,518,200 from the Purchaser for early termination of a lease agreement in respect of Wuxi Grand's remaining tenure of approximately 12 years until 31st May, 2020 on the Land B and the Property B.

IMPLICATION UNDER LISTING RULES

The transactions contemplated under the Disposal Agreement and the Compensation Agreement together constitute a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Disposal and the Compensation will be delivered to the Shareholders in accordance with the Listing Rules as soon as practicable.

THE DISPOSAL AGREEMENT

Date: 30th May, 2008 (after the close of trading hours)

Parties:

Wuxi Grand: Wuxi Grand Tech Machinery Group Ltd. (無錫格蘭機械集團有限公司), a wholly owned subsidiary of the Company and owner of the Land A and the Property A; and

The Purchaser: Wuxi Industry Development Group Co., Ltd. (無錫產業發展集團有限公司), to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and any of its connected person. The Group has no previous transactions with the Purchaser and its ultimate beneficial owners within a 12 months period which required aggregation under Rule 14.22 of the Listing Rules.

Land A: A parcel of land located at No. 89, Hubin Road, Wuxi City, Jiangsu Province, the PRC with a site area of 7,198.50 sq.m. which is owned by Wuxi Grand.

Property A: 5 buildings build on Land A with total construction area of 3,399.54 sq.m., comprising offices which are owned by Wuxi Grand.

Consideration: RMB25,317,600

The consideration for the Disposal was agreed after arm's length negotiations between the Company and the Purchaser with reference to the valuation conducted under the depreciated replacement cost basis by an independent property valuer appointed by the Company. Land A together with the Property A were valued at approximately RMB9,100,000 as at 31st December, 2007.

Payment of Consideration: The Consideration shall be paid in cash in the manner as follows:

1. as to RMB4,000,000 to be paid within 10 days from the date of the Disposal Agreement;
2. as to RMB9,000,000 to be paid by the end of 2008;
3. as to RMB4,000,000 to be paid within 10 days upon commencement foundation piling of the plant of Wuxi Grand in the new site; and
4. as to the balance of RMB8,317,600 to be paid within 10 days upon completion of the Disposal Agreement.

Delivery of Possession: Wuxi Grand shall deliver the vacated Land A and the Property A to the Purchaser no later than 31st December 2009.

Penalty:

If the Disposal Agreement cannot be completed due to:

- (i) the infringement of the Purchaser, then the Purchaser shall pay to Wuxi Grand 20% of the consideration which had been paid to the Wuxi Grand by that time as penalty; or
- (ii) the infringement of Wuxi Grand, then Wuxi Grand shall refund to the Purchaser the consideration which had been paid to Wuxi Grand by that time and compensate the Purchaser by paying 20% of such paid consideration to the Purchaser.

If Wuxi Grand incapable to deliver Land A and the Property A to the Purchaser by 31st December, 2009, there will be a penalty fee of 3% (daily basis) on the consideration which had been paid to Wuxi Grand by that time. In the event that Land A and Property A cannot be delivered to the Purchaser 60 days after 31st December, 2009, the Purchaser has a right to terminate the Disposal Agreement and request Wuxi Grand to repay to the Purchaser all the consideration has been paid to Wuxi Grand and relevant loss and liabilities arising from the failure of such delivery.

If the Purchaser incapable to settle the consideration pursuant to the Disposal Agreement, there will be a penalty fee of 3% (daily basis) on the outstanding balance of the consideration which had not been paid to Wuxi Grand. In the event that the consideration has not been settled in full upon 60 days after 31st December, 2009, Wuxi Grand has a right to terminate the Disposal Agreement and the Purchaser has to be responsible for the relevant loss and liabilities arising from the failure of such settlement.

THE COMPENSATION AGREEMENT

Date: 30th May, 2008 (after the close of trading hours)

Parties:

Wuxi Grand: Wuxi Grand Tech Machinery Group Ltd. (無錫格蘭機械集團有限公司), a wholly owned subsidiary of the Company and the tenant of the Land B and the Property B;

The Landlord: Wuxi Plastic Machinery Factory (無錫塑料機械廠), the landlord of the Land B and the Property B, principally engaged in manufacturing of machinery and land and properties leasing. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, save for being the landlord of the Land B and the Property B, the Landlord and its ultimate beneficial owners are independent of and not connected with the Company and any of its connected person. The Group has no previous transactions with the Landlord and its ultimate beneficial owners within a 12 month period which required aggregation under Rule 14.22 of the Listing Rules; and

The Purchaser:	Wuxi Industry Development Group Co., Ltd. (無錫產業發展集團有限公司), to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser and its ultimate beneficial owners are independent of and not connected with the Company and any of its connected person. The Group has no previous transactions with the Purchaser and its ultimate beneficial owners within a 12 months period which required aggregation under Rule 14.22 of the Listing Rules.
Land B:	A parcel of land located at No. 89, Hubin Road, Wuxi City, Jiangsu Province, the PRC with a site area of 46,947.10 sq.m. As at the date of this announcement, Wuxi Grand has a remaining tenure of approximately 12 years until 31st May, 2020 on the Land B.
Property B:	19 buildings build on Land B of total construction area of 27,408.66 sq.m. comprising production workshops, offices and staff quarters. As at the date of this announcement, Wuxi Grand has a remaining tenure of approximately 12 years until 31st May, 2020 on the Property B.
Amount of Compensation:	RMB55,518,200. The aggregate amount of Compensation for early termination of a lease agreement in respect of Wuxi Grand's remaining tenure of approximately 12 years on the Land B and the Property B was agreed after arm's length negotiations between the Company and the Purchaser with reference to the prevailing rental of similar industry buildings in Wuxi and the relocation costs of the plants of Wuxi Grand to 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: <ol style="list-style-type: none"> 1. as to RMB10,000,000 to be paid within 10 days from the date of the Compensation Agreement; 2. as to RMB17,000,000 to be paid by the end of 2008; 3. as to RMB11,000,000 to be paid within 10 days upon commencement foundation piling of the plant of Wuxi Grand in the new site; and 4. as to the balance of RMB17,518,200 to be paid within 10 days upon completion of the Compensation Agreement.
Delivery of Possession:	Wuxi Grand shall deliver possession of the vacated Land B and the Property B to the Purchaser no later than 31st December, 2009.

Penalty:

If the Compensation Agreement cannot be completed due to:

- (i) the infringement of the Purchaser, then the Purchaser shall pay to Wuxi Grand 20% of the Compensation which had been paid to the Wuxi Grand by that time as penalty; or
- (ii) the infringement of Wuxi Grand, then Wuxi Grand shall refund to the Purchaser the Compensation which had been paid to Wuxi Grand by that time and compensate the Purchaser by paying 20% of such paid Compensation to the Purchaser.

If Wuxi Grand incapable to deliver Land B and the Property B to the Purchaser by 31st December, 2009, there will be a penalty fee of 3% (daily basis) on the Compensation which had been paid to Wuxi Grand by that time. In the event that Land B and Property B cannot be delivered to the Purchaser 60 days after 31st December, 2009, the Purchaser has a right to terminate the Compensation Agreement and request Wuxi Grand to repay to the Purchaser all the Compensation which has been paid to Wuxi Grand and relevant loss and liabilities arising from the failure of such delivery.

If the Purchaser incapable to settle the Compensation pursuant to the Compensation Agreement, there will be a penalty fee of 3% (daily basis) on the outstanding balance of the consideration which had not been paid to Wuxi Grand. In the event that the Compensation has not been settled in full upon 60 days after 31st December, 2009, Wuxi Grand has a right to terminate the Compensation Agreement and the Purchaser has to be responsible for the relevant loss and liabilities arising from the failure of such settlement.

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

BACKGROUND AND REASON FOR THE DISPOSAL AND THE COMPENSATION

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

Based on the information provided by the Purchaser, the Purchaser is a corporation authorized by the PRC Government body to perform the management work of state owned assets and supervise the preservation and increment of the value of state-owned assets in state enterprises.

In view that (i) the consideration for the Disposal is above the valuation of the Land A and the Property A, (ii) the Compensation is expected to be sufficient to cover the relocation costs of the existing plants of Wuxi Grand in the new site; and (iii) there is an existing parcel of land purchased by the Company in 2006 for the relocation of the plants of Wuxi Grand, the Directors consider that the terms of the Disposal Agreement and the Compensation Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Company will relocate its production workshops, offices, staff quarters and other facilities of Wuxi Grand to the parcel of Land located at B7-C of Wuxi National High-tech Industrial Development Zone, Wuxi PRC. Such parcel of land with a site area of 75,354.6 sq.m. was purchased in 2006 by the Group.

FINANCIAL EFFECT OF THE DISPOSAL AND THE COMPENSATION

With reference to the audited account of the Group for the year ended 31st December, 2007, the book value of the Land A and the Property A were approximately HK\$2,054,000 (equivalently to RMB1,827,000) and approximately HK\$3,000,000 (equivalently to RMB2,668,000) as at 31st December, 2007 respectively. It is estimated that a net gain of approximately HK\$23,410,000 (equivalently to RMB20,822,000) can be realized as a result of the Disposal (based on the difference between the book value of the Land A and the Property A and the consideration of the Disposal). The Compensation will result in a book profit of approximately HK\$62,417,000 (equivalently to RMB55,518,000) (before expenses) for the financial year ended 31st December, 2008.

USE OF PROCEEDS

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

GENERAL

The transactions contemplated under the Disposal Agreement and the Compensation Agreement together constitute a discloseable transaction for the Company under the Listing Rules. A circular containing details of the Disposal and the Compensation will be delivered to the Shareholders in accordance with the Listing Rules as soon as practicable.

DEFINITIONS

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

“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 made by the Purchaser to Wuxi Grand for early termination of a lease agreement in respect of Wuxi Grand’s remaining tenure of approximately 12 years on the Land B and the Property B pursuant to the Compensation Agreement
“Compensation Agreement”	the agreement dated 30th May, 2008 entered into between Wuxi Grand, the Landlord and the Purchaser in relation to the Compensation
“Disposal”	Disposal of the Land A and the Property A to the Purchaser by Wuxi Grand pursuant to the Disposal Agreement
“Disposal Agreement”	the disposal agreement dated 30th May, 2008 entered into between Wuxi Grand and the Purchaser in relation to the Disposal

“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administration Region of the PRC
“Land A”	a parcel of land located at No. 89, Hubin Road, Wuxi City, Jiangsu Province, the PRC with a site area of 7,198.50 sq.m. owned by Wuxi Grand
“Land B”	a parcel of land located at No. 89, Hubin Road, Wuxi City, Jiangsu Province, the PRC with a site area of 46,947.10 sq.m. As at the date of this announcement, Wuxi Grand has a remaining tenure of approximately 12 years until 31st May, 2020 on the Land B
“Landlord”	Wuxi Plastic Machinery Factory (無錫塑料機械廠), the landlord of the Land B and the Property B
“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
“Property A”	5 buildings build on Land A with total construction area of 3,399.54 sq.m., comprising offices which are owned by Wuxi Grand
“Property B”	19 buildings build on Land B of total construction area of 27,408.66 sq.m., comprising production workshops, offices and staff quarters. As at the date of this announcement, Wuxi Grand has a remaining tenure of approximately 12 years until 31st May, 2020 on the Property B.
“RMB”	Renminbi, the lawful currency of the PRC
“The Purchaser”	Wuxi Industry Development Group Co., Ltd. (無錫產業發展集團有限公司)
“Wuxi Grand”	Wuxi Grand Tech Machinery Group Ltd. (無錫格蘭機械集團有限公司), a wholly owned subsidiary of the Company
“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\$1.1243. 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, 30th May, 2008

As at the date hereof, the Board comprises of eleven directors, of which four are executive directors, namely Mr. Tang To, Mr. Jiang Wei, Mr. Wong Yiu Ming 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, Ms. Yeung Shuk Fan and Mr. Cheng Tak Yin.