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INSIDE INFORMATION

PROFIT WARNING

This announcement is made by Cosmos Machinery Enterprises Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the inside information provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to inform shareholders of the Company (the “**Shareholders**”) and potential investors that, based on the currently available information which includes, but without limitation to, the unaudited consolidated management accounts of the Group for the year ended 31 December 2019, despite two non-recurring gain items recorded for the year ended 31 December 2019, it is expected that there will be a decrease of not less than 50% in the Group’s unaudited consolidated profit for the year ended 31 December 2019 as compared to that of the year ended 31 December 2018.

This expected discernible reduction in profit was mainly attributable to:

- (i) drop of sales turnover in manufacturing of injection moulding machines business, trading of industrial consumables business and printed circuit board processing and trading businesses during the year of 2019 amidst global economic uncertainties and deteriorating market sentiments caused by the ongoing United States and China trade friction, therefore gross profits of the said businesses had further eroded and declined for the year ended 31 December 2019; and
- (ii) without a non-recurring gain on the disposal of entire issued share capital of MS Plasticorp, an indirect wholly-owned subsidiary of the Company prior to the completion of the disposal and incorporated in Cook Islands with limited liability, of approximately HK\$44,500,000, after deducting related statutory cost and expenses, recorded for the year ended 31 December 2018.

As disclosed above, there are two non-recurring gain items recorded for the year ended 31 December 2019 as follows:

- (1) a gain on reversal of unused provision for restructuring amounted to approximately HK\$20,290,000; and
- (2) a gain on reversal of unused provision for indemnity amounted to approximately HK\$25,780,000.

The expected discernible reduction in profit has not included any potential provisions/impairment losses which may have to be made subject to the review of the Board and the audit committee of the Company together with the discussion with the external auditor of the Company.

The Company is still in the process of finalizing the Group's final results for the year ended 31 December 2019. The information contained in this announcement is only a preliminary assessment of the unaudited consolidated management accounts of the Group for the year ended 31 December 2019 which is currently being audited by the external auditor of the Company. Shareholders and potential investors are advised to read carefully the final results announcement of the Company for the year ended 31 December 2019 which will be published in late March 2020.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 13 March 2020

As at the date of this announcement, the Board is comprised of ten directors, of which four are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming, Mr. Tang Yu, Freeman and Mr. Mei Zheqi and 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.