
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Cosmos Machinery Enterprises Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**MAJOR TRANSACTION IN RELATION TO
THE PROPOSED DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the Board is set out on pages 4 to 10 of this circular.

A notice convening the extraordinary general meeting of Cosmos Machinery Enterprises Limited to be held at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 11 October 2017, at 10:00 a.m. is set out on pages 35 to 36 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed. Whether or not you intend to attend and vote at the extraordinary general meeting or any adjourned meeting (as the case may be) in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the registered office of the Company at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjourned meeting (as the case may be) should you so wish.

20 September 2017

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DEFINITIONS

In this Circular, unless the context otherwise requires, the following expressions 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 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 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 circular 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;

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Latest Practicable Date”	18 September 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“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 circular, 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;

* For identification purpose only

DEFINITIONS

“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.

LETTER FROM THE BOARD



大同機械企業有限公司

COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 118)

Executive directors:

Mr. Tang To
Mr. Wong Yiu Ming
Mr. Tang Yu, Freeman

Registered office:

10/F, Billion Plaza 2
No. 10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

Non-executive Directors:

Mr. Kan Wai Wah
Mr. Qu Jinping

Independent Non-executive Directors:

Ms. Yeung Shuk Fan
Mr. Cheng Tak Yin
Mr. Ho Wei Sem
Mr. Huang Zhi Wei

20 September 2017

To all Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION IN RELATION TO
THE PROPOSED DISPOSAL OF
THE ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company published on 1 September 2017 in respect of the Disposal in which the Board announced that the Vendor and the Purchaser entered into the Sale and Purchase Agreement dated 1 September 2017, 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.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with further information regarding (i) the Disposal under the Sale and Purchase Agreement and the transactions contemplated thereunder; (ii) provide you with the financial information of the Group and the valuation on the entire issued share capital of MS Plasticorp and the Property; and (iii) notice of the EGM.

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 circular, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Disposal of MS Plasticorp

The Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to acquire, the entire issued share capital of MS Plasticorp pursuant to the terms and conditions of the Sale and Purchase Agreement. 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.

Consideration

The amount of the Consideration is RMB82,000,000 which has been paid/shall be payable by the Purchaser to the Vendor in the following manner:

- (i) RMB6,700,000 as initial deposit has been paid in cash to the Vendor by the Purchaser on the date of 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

LETTER FROM THE BOARD

- (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 as at 31 July 2017, the fair value of entire equity interest in MS Plasticorp as at 31 July 2017, related statutory expenses, taxes and professional fee etc.

As the agreed amount of the Consideration is greater than the Fair Value (defined hereunder), the Directors believe that the Consideration is fair and reasonable.

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.

Upon Completion, 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/representative office (as the case maybe) of the Company under the Listing Rules.

LETTER FROM THE BOARD

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

The unaudited net assets value and the fair value of the 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. According to the business valuation report prepared by Roma Appraisals Limited, which is set out in Appendix III to this circular, the valuation of the fair value of entire equity interest in MS Plasticorp was HK\$89,000,000 as at 31 July 2017 (the "Fair Value"). For details of the valuation methodology and major assumptions adopted by Roma Appraisals Limited in the business valuation, please refer to section headed "6. VALUATION METHODOLOGY" and section headed "7. MAJOR ASSUMPTIONS" of the business valuation report as set out in Appendix III to this circular.

LETTER FROM THE BOARD

The principal asset of the Resident Representative Office is the Property. The Property was purchased on 6 December 2002 with the original purchase cost of RMB26,000,000. The net book value of the Property as at 31 December 2016 was RMB 19,000,000. According to the property valuation report prepared by Roma Appraisals Limited, which is set out in Appendix II to this circular, the valuation of the Property was RMB35,000,000 as at 31 July 2017. The difference between the two values represents the fair value gain. The Property was originally used by the Company as the production facilities of Dongguan MS Plastic. For details of the valuation methodology and valuation assumptions adopted by Roma Appraisals Limited in the property valuation, please refer to section headed “2. VALUATION METHODOLOGY” and section headed “4. VALUATION ASSUMPTIONS” of the property valuation report as set out in Appendix II to this circular.

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. Dongguan MS Plastic has stopped its business operation as it is in the process of winding up. Neither the Company nor any of its subsidiaries is using the Property for other purposes. The Property had been left vacant after the voluntary winding up application of Dongguan MS Plastic was submitted. The Directors are of the view that there is no impact of the Disposal to the Company’s business operation.

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 circular, 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 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.

LETTER FROM THE BOARD

USE OF THE 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 be used in the following manner:

- (i) approximately RMB30,000,000 will be used to repay outstanding bank loans; and
- (ii) approximately RMB15,100,000 will be applied to general working capital of the Group.

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.

Earnings

The estimated gain on the Disposal (after taking into account the payment of expenses incidental to the Disposal) will be recognized as other income which will have an overall positive impact on the earnings of the Group.

Assets and liabilities

As at 30 June 2017, being last day of the financial reporting period of the Company's Interim Report dated 10 August 2017, the net assets of the Group amounted to approximately HK\$991,500,000. It is estimated that the net assets of the Group will be increased by approximate HK\$30,300,000 (subject to audit of the financial accounts of the Group) following the Completion.

The final amount of the gain on the Disposal is subject to audit of the financial accounts of the Group and tax payable as formally-assessed by the PRC government authorities and could therefore be different from the actual gain to be recognised in the consolidated income statement of the Company.

IMPLICATIONS UNDER THE LISTING RULES

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.

To the best of knowledge, information and belief of the Directors after having made all reasonable enquiries, no Shareholder has material interest in the Sale and Purchase Agreement and the transactions contemplated thereunder and thus no Shareholder would be required to abstain from voting on the resolution for approving the Disposal at the EGM.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 11 October 2017 at 10:00 a.m. at which resolution will be proposed for the purpose of considering and if thought fit, approving the Disposal and the transactions contemplated thereunder. The notice of the EGM is set out on pages 35 to 36 of this circular. A form of proxy for use in connection with the EGM is enclosed with this circular.

Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible to the Company's registered office at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong and in any event by no later than 48 hours before the time appointed for the holding of the EGM (or any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM should you so wish. If you attend and vote at the EGM, the authority of your proxy will be revoked.

Pursuant to Rule 13.39(4) of the Listing Rules, voting by the Shareholders at the EGM will be by poll.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determination of entitlement to attend and vote at the EGM to be held on Wednesday, 11 October 2017, the register of members of the Company will be closed from Friday, 6 October 2017 to Wednesday, 11 October 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Ltd. at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 4 October 2017.

RECOMMENDATIONS

The Board considers that the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to approve the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2014, 2015 and 2016 was disclosed in the annual reports of the Company for the years ended 31 December 2014, 2015 and 2016, respectively, all of which can be found on the websites of the Stock Exchange (<http://www.hkex.com.hk>) and the Company (<http://www.cosmel.com>).

2. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 31 July 2017, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had (i) secured and guaranteed interest-bearing borrowings from financial institutions of approximately HK\$151,000,000; (ii) unsecured and guaranteed interest-bearing borrowings from financial institutions of approximately HK\$232,000,000; and (iii) finance lease liability of approximately HK\$3,800,000. These borrowings are denominated in Hong Kong Dollars and Renminbi.

Contingent liabilities

A dispute claim for outstanding payment of USD1,050,000 (approximately HK\$8,123,000) was brought by the vendor of KFE Hong Kong Co., Limited (“KFE”) to a subsidiary of the Group in relating to an alleged breach of payment obligations for the consideration as agreed pursuant to the sale and purchase agreement for the acquisition of the entire issued share capital of KFE in 2013. The directors, based on the advice from the legal counsel, believe that the subsidiary has a valid defence against the claim and, accordingly, has not provided for a claim arising from the litigation, other than the related legal and other costs. The Group has assessed the claim and considered that the ultimate outcome of such litigation will not have a material adverse effect on the financial position of the Group.

Pledge of assets

As at close of business on 31 July 2017, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had pledged the assets with carrying amounts of HK\$184,500,000 to secure general banking facilities.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debt securities, term loans and overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any guarantees or other material contingent liabilities as at the close of business on 31 July 2017.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 July 2017 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors, after due and careful consideration, are of the opinion that, after taking into account the financial resources available to the Group, including its internally generated funds, the available credit loan facilities, the Group has sufficient working capital for its present requirements for at least twelve months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited financial statements were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company whose subsidiaries are principally engaged in the business of (i) manufacturing of machinery; (ii) manufacturing of plastic processing products; (iii) processing and trading of printed circuit board; and (iv) trading of industrial consumables.

The Directors believe the Disposal gives a good opportunity for the Company to realise its investment with considerable gain.

The Group will continue to prudently seek investment opportunities, with a view to further expanding the Group's sources of revenue, enhancing the Group's profit and maximizing the return for the Shareholders. Should appropriate opportunity arises, the Group may also consider monetising its property interests.

The following is the text of a letter, summary of value and valuation certificate, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 July 2017 of the property interests held by the Group.



22/F., China Overseas Building,
139 Hennessy Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

20 September 2017

Dear Sir/Madam,

Re: Valuation of an industrial complex located at No.7 Yin Zhu Road, Dongcheng District, Dongguan City, Guangdong Province, the People's Republic of China

In accordance with your instruction for us to value the property held by Cosmos Machinery Enterprises Limited (the "Company") and/or its subsidiaries (together with the Company referred to as the "Group") in the People's Republic of China (the "PRC"), we confirm that we have carried out inspection, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the properties as at 31 July 2017 (the "Date of Valuation") for the purpose of incorporation in the circular of the Company dated 20 September 2017.

1. BASIS OF VALUATION

Our valuation of the property is our opinion of the market value of the concerned property which we would define as intended to mean "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

2. VALUATION METHODOLOGY

Due to the specific purpose for which most of the buildings and structures of the properties have been constructed, there are no readily identifiable market comparables. Thus the buildings and structures have been valued on the basis of its depreciated replacement costs instead of direct comparison method. The depreciated replacement cost approach ("DRC") is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the existing structures less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In practice, Depreciated Replacement Cost approach may be used as a substitute for the Market Value of specialized property only, due to the lack of market comparables available. Our valuation does not necessarily represent the amount that might be realized from the disposition of the property and the DRC is subject to adequate profitability of the concerned business.

3. TITLE INVESTIGATION

For the property in the PRC, we have been provided with copies of extracts of title documents relating to the property in the PRC. However, we have not searched the original documents to ascertain the existence of any amendments which do not appear on the copies handed to us. We have relied to a very considerable extent on information given by the Group and the Group's PRC legal adviser, Jian Da Law Firm (景達律師事務所), regarding the title of the property in the PRC. All documents have been used for reference only.

In valuing the property, we have relied on the advice given by the Group and its PRC legal adviser that the Group has valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted right to use the same, for the whole of the unexpired term granted subject to the payment of annual government rent/land use fees and all requisite land premium/purchase consideration payable have been fully settled.

4. VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the owners sell the properties in the market in their existing states without the benefit of deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements which would serve to affect the values of such property.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no allowance has been made for the properties to be sold in one lot or to a single purchaser.

5. SOURCE OF INFORMATION

In the course of our valuation, we have relied to a very considerable extent on the information provided by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of property, particulars of occupation, site/floor areas, ages of buildings and all other relevant matters which can affect the values of the properties. All documents have been used for reference only.

We have no reason to doubt the truth and accuracy of the information provided to us. We have also been advised that no material facts have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and have no reason to suspect that any material information has been withheld.

6. VALUATION CONSIDERATION

We have inspected the exterior and, where possible, the interior of the property. No structural survey has been made in respect of the properties. However, in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. No tests were carried out on any of the building services.

We have not carried out on-site measurement to verify the site/floor areas of the properties under consideration but we have assumed that the site/floor areas shown on the documents handed to us are correct. Except as otherwise stated, all dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Group and are therefore approximations.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

In valuing the property, we have complied with the RICS Valuation — Professional Standards Published by the Royal Institution of Chartered Surveyors and the International Valuation Standards published by the International Valuation Standards Council and Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

7. REMARKS

Unless otherwise stated, all monetary amounts stated in our valuations are in Renminbi (“RMB”).

Our Valuation Certificate is attached.

Yours faithfully,

For and on behalf of

Roma Appraisals Limited

Frank F Wong

BA (Business Admin in Act/Econ) MSc (Real Est)

MRICS Registered Valuer MAusIMM ACIPHE

Director

Note: Mr. Frank F Wong is a Chartered Surveyor, Registered Valuer, Member of the Australasian Institute of Mining & Metallurgy and Associate of Chartered Institute of Plumbing and Heating Engineering who has 18 years’ valuation, transaction advisory and project consultancy of properties experience in Hong Kong and 10 years’ experience in valuation of properties in the PRC as well as relevant experience in the Asia-Pacific region, Australia and Oceania-Papua New Guinea, France, Germany, Poland, United Kingdom, United States, Abu Dhabi (UAE) and Jordan.

VALUATION CERTIFICATE

Property held by the Group for owner-occupation purpose in the PRC

Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 31 July 2017
An industrial complex located at No.7 Yinzhu Road, Dongcheng District, Dongguan City, Guangdong Province, the PRC	The property comprises a parcel of land with a site area of about 25,001.98 sq.m. and various buildings and ancillary structures erected thereon, which were completed in various stages between 1999 and 2002.	As advised by the Group, the property was vacant as at the Date of Valuation.	RMB35,000,000
中國 廣東省 東莞市東城區 銀珠路7號 之工業綜合廠房	The property has a total gross floor area ("GFA") of approximately 27,379.57 sq.m.. The land use rights of the property have been granted for a term expiring on 25 June 2052 for industrial use.		

Notes:

- Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Dong Fu Guo Yong (2002) Zi Di Te No.271 (東府國用(2002)字第特271號) issued by Dongguan City People's Government (東莞市人民政府) dated 18 July 2002, the land use rights of the property with a site area of 25,001.98 sq.m. have been granted to Resident Representative Office, for a term of 50 years expiring on 25 June 2052 for industrial use.

2. Pursuant to 8 Real Estate Title Certificates (房屋所有權證) all registered on 6 December 2002, the property with a total GFA of approximately 27,379.57 sq.m. is legally held by Resident Representative Office. Details of which are as follows:

No.	Certificate No	Usage	GFA (sq.m.)	Expiry Date
1.	Yue Fang Di Zheng Zi Di No. C1366579	Industrial	1,103.44	25 June 2052
2.	Yue Fang Di Zheng Zi Di No. C1366580	Industrial	11,005.42	25 June 2052
3.	Yue Fang Di Zheng Zi Di No. C1366581	Industrial	1,625.00	25 June 2052
4.	Yue Fang Di Zheng Zi Di No. C1366582	Industrial	264.00	25 June 2052
5.	Yue Fang Di Zheng Zi Di No. C1366583	Industrial	2,830.00	25 June 2052
6.	Yue Fang Di Zheng Zi Di No. C1366584	Industrial	3,580.00	25 June 2052
7.	Yue Fang Di Zheng Zi Di No. C1366585	Industrial	6,665.47	25 June 2052
8.	Yue Fang Di Zheng Zi Di No. C1366586	Industrial	306.24	25 June 2052
Total:			<u>27,379.57</u>	

3. The status of the title and grant of major approvals and licenses in accordance with the information provided to us is as follows:

State-owned Land Use Rights Certificate	Yes
Real Estate Title Certificates	Yes

4. Our inspection was performed by Ms. Vinci Q. J. Hou, Bachelor of Arts in Finance, Master of Science in E-Commerce and Logistic Technologies, with about 3-year property valuation experience, in August 2017.
5. In the event of redevelopment, the redevelopment potential value of the property (工業區三舊改造後的土地價值) would be RMB90,000,000 with consider its development potential, and expected development cost including estimated land use compensation fee, relevant renewal policies and planning regulations as advised by the Group's PRC legal adviser which is stipulated in note 6. In case the Re-development plan is changed, the potential impact of the estimated land premium fee has to be re-estimated accordingly.
6. We have been provided with a legal opinion on the title to the Property issued by Jian Da Law Firm (景達律師事務所), the Group's legal advisers as to PRC laws, which contains, inter alia, the following information:
- Resident Representative Office is in possession of a property legal title to the property and is entitled to transfer the property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - The property is not subject to mortgage or any other material encumbrances;
 - The existing use of the property is in compliance with the local planning regulations and have been approved by the relevant authorities;

- d. As advised by Hu Wei He (胡衛和), who is the Group's Feasibility Consultant and a Registered Appraiser of China Real Estate (中國註冊房地產估價師), the property could be redeveloped into a composite development of research center and ancillary apartment with total planned GFA of approximately 50,004 sq.m. (Research center of approximately 35,003 sq.m., and ancillary apartments of approximately 15,001 sq.m.) by adopting the plot ratio 3 and reserved 1/3 of the site area for road, common facilities and green area which are in accordance with the measures of the Demolition of Three and Keep One Policy (拆三留一政策), Dongguan City Planning Bureau of Urban and Rural Development (2015) No. 40 on the issuance of Dongguan City, "Three Old" transformation unit preliminary research report of preparation guidelines (東莞市城鄉規劃局東規發[2015]40號《關於印發〈東莞市“三舊”改造單元前期研究報告編制指引〉》) and Dongguan City, "Three Old" transformation unit planning guidelines notice (《〈東莞市“三舊”改造單元規劃編制指引〉的通知》) by Dongguan City Urban and Rural Planning Bureau (東莞市城鄉規劃局) and other relevant regulations. Furthermore, according to the Guangdong Province Land Surveying and Mapping (2010) No.137 on the "Three Old" transformation of the land plot map construction database work notice (《粵國土資測繪發[2010]137號《關於做好“三舊”改造地塊標圖建庫工作的通知》) and (2011) No.175 on the establishment of the "Three Old" transformation of the land plot map of adjustment on mechanism of the notice (《[2011]175號《關於建立“三舊”改造地塊標圖建庫調整機制的通知》) both by Guangdong Provincial Department of Land and Resources (廣東省國土資源廳). It clearly states that the policy requires relevant local district government authorities to make a great effort on three old industrial zone transformation (三舊工業區改造). Dongguan Municipal Government encourages the renewal project such as redevelopment which is in line with the relevant policy and regulations. The renewal application would normally take four to five years to complete the procedure including: i) to submit the preparation plan of the project to the Renewal Unit Program of the District. ii) to prepare the Renewal Unit Plan and for authority to review. iii) to apply the Confirmation of the Qualification of Implementation Body. Upon approval, then commence to demolish the existing buildings and structures for cancellation of registration of original Certificate of Real Estate Ownership. iv) to apply the approval of the construction and new Land Use Rights and tenure will be granted. Lastly, new construction can be commenced legally. There is no legal impediment in redevelopment project; and
- e. As advised by Shenzhen Shenxin Real Estate Appraisal Co., Ltd. (深信房地產評估有限公司), the Group's PRC Valuer and holder of the Qualification Certificate for Real Estate Appraisal Company in the PRC (中華人民共和國房地產估價機構資質證書), by adopting the adjusted market unit rate of industrial land with consider the residual time of the land use rights of the property then multiplied the new proposed GFA of the development, the estimated land premium for change the usage on upgrading industrial zone into the research center and ancillary apartment development (工業區升級改造綜合科研大樓配套公寓項目) would be approximately RMB2,867,000, it is in compliance with Dongguan City People's Government (東莞市人民政府), Dongguan City Land Resources Bureau file access of No.567 supplement No.61 notice (東莞市國土資源局檔案查詢獲得的編號為No. 567 補61 號《通知》), Dongguan City, "Three Old" reform policy document compilation (2009-2013) (《東莞市“三舊”改造工作政策文件彙編(2009-2013)》), Dongguan City, "Three Old" work policy document compilation (2014-2015) (東莞市“三舊”改造工作政策文件彙編(2014-2015)), Dongcheng Street "Three Old" transformation work policy document compilation (2015-2017) ((東城街道“三舊”改造工作政策文件彙編(2015-2017))).

The following is the text of a letter, summary of valuation, prepared for the purpose of incorporation in this circular received from Roma Appraisals Limited, an independent valuer, in connection with its valuation as at 31 July 2017 of the 100% equity interest in MS Plasticorp.



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<http://www.romagroup.com>

20 September 2017

Dear Sir/Madam,

Re: Business Valuation on 100% Equity Interest in MS Plasticorp

In accordance with the instructions from Cosmos Machinery Enterprises Limited (hereinafter referred to as the “Company”) to us to conduct a business valuation on 100% equity interest in MS Plasticorp, we are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of the fair value of 100% equity interest in MS Plasticorp as at 31 July 2017 (hereinafter referred to as the “Date of Valuation”).

This report states the purpose of valuation, scope of work, overview of MS Plasticorp, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks and opinion of value.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as “Roma Appraisals”) acknowledges that this report may be made available to the Company for public documentation purpose only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of MS Plasticorp, and/or their representative(s) (hereinafter referred to as the “Management”).

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of MS Plasticorp. As part of our analysis, we have reviewed such financial information and other pertinent data concerning MS Plasticorp provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. OVERVIEW OF MS PLASTICORP

MS Plasticorp, an indirectly wholly-owned subsidiary of the Company, is a company incorporated in the Cook Islands with limited liability on 27 April 1994 and its sole business is operating the resident representative office (the “Resident Representative Office”) located in Dongguan City of China, which holds and manages the land use right to a piece of land situated at Tanggukeng, Yinzhuling, Zhouwu Village, Dongcheng District, Dongguan City in China (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 25,001.98 square metres, together with the buildings and facilities erected thereon (hereinafter referred to as the “Property”).

As discussed with the Management, MS Plasticorp was not in operation, and mainly held the Property as at that Date of Valuation.

MS Plasticorp also holds the equity interest in Dongguan MS Plastic Products Co. Limited (hereinafter referred to as “Dongguan MS Plastic”), a wholly foreign-owned enterprise established in China and is in the process of being wound up voluntarily pursuant to the laws and regulations in China as at the Date of Valuation.

4. BASIS OF VALUATION

Our valuation is based on a fair value basis. Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”.

5. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of MS Plasticorp.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning MS Plasticorp provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation of MS Plasticorp requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of MS Plasticorp;
- The financial condition of MS Plasticorp; and
- Relevant licenses.

6. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the fair value of MS Plasticorp, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

(a) Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

(b) Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

(c) Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

(d) Business Valuation

In the process of valuing MS Plasticorp, we have taken into account of the development and operations of MS Plasticorp and conducted discussions with the Management to understand the status and prospect of MS Plasticorp. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches.

The Market-Based Approach was not adopted in this case because most of the important assumptions of the comparable transactions, such as discount or premium on the transaction prices or considerations, were not available. Since MS Plasticorp was not in operation and its subsidiary, Dongguan MS Plastic is being wound up, and given that the Management was unable to provide a reliable financial projection of MS Plasticorp due to lack of future business plan, the Income-Based Approach was also not adopted.

We have therefore considered the adoption of the Asset-Based Approach in arriving at the fair value of MS Plasticorp.

i. Assets and Liabilities

The Asset-Based Approach is based on the economic principle of substitution; it essentially measures what is the net asset value as at the Date of Valuation and how much it would cost to replace those assets. Either one of the replacement value, liquidation value and adjusted net asset value method is used to estimate the current fair value of the business or its assets.

Adjustments on net asset value are common in the Asset-Based Approach. The reason for making the adjustment is that the book values of the asset held may not reflect their corresponding fair values. Under the Asset-Based Approach, the fair value of the net asset value of MS Plasticorp as at the Date of Valuation was as follows:

Fair Value of the Assets and Liabilities of MS Plasticorp as at 31 July 2017

	Fair Value HKD
Non-Current Assets	
Property ^{1,2}	104,499,000
Sub-Total Non-Current Assets	104,499,000
Current Assets	
Bank Balances And Cash	9,080,318
Amounts Due From Group Companies	1,744,157
Sub-Total Current Assets	10,824,475
Total Assets	115,323,475
Current Liabilities	
Other Creditors And Accruals	10,437,025
Sub-Total Current Liabilities	10,437,025
Total Liabilities	10,437,025
Net Assets Value	104,886,450

Notes:

- Adjustments were made on the Property. Please refer section 6.4.2 of this report for the methodology of deriving the fair value of the Property.
- The exchange rate adopted in the valuation of the Property was approximately RMB1 = HKD1.1611 which was the exchange rate as sourced from Bloomberg as at the Date of Valuation.

ii. Property

According to the property valuation report dated 20 September 2017 issued by Roma Appraisals in relation to the Property (hereinafter referred to as the "Property Valuation Report"), the redevelopment potential value of the property (工業區三舊改造後的土地價值) would be RMB90,000,000 considering its development potential, and expected development cost including estimated land use compensation fee, relevant renewal policies and planning regulations as advised by the Company's PRC legal adviser.

The redevelopment potential value of the Property was based on the assumption the owner of the Property would redevelop the Property and could fulfill all the requirements required for redevelopment of the Property.

iii. Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. With reference to Stout Restricted Stock Study published by 2017 Stout Risius Ross, LLC, a marketability discount of 14.80% was adopted in arriving at the fair value of MS Plasticorp under the Asset-Based Approach as at the Date of Valuation.

7. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- The fair value of the Property was based on the redevelopment potential value of the Property according to the Property Valuation Report. The Property Valuation Report has arrived at the redevelopment potential value of the Property based on the potential for redevelopment of the Property as discussed with the Management. The redevelopment potential value was adopted in our valuation based on the Management's expectations on the development of the Property after they have sought for legal advice;
- According to the legal opinion dated 20 September 2017 issued by Jian Da Law Firm (景達律師事務所), in relation to the title to the Property (hereinafter referred to as the "Legal Opinion"):
 - a) Resident Representative Office is in possession of a property legal title to the Property and is entitled to transfer the Property with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;
 - b) Except for the aforesaid mortgage, the Property is not subject to mortgage or any other material encumbrances;
 - c) The existing use of the Property is in compliance with the local planning regulations and have been approved by the relevant authorities;
 - d) As advised by Hu Wei He (胡衛和), who is the Company's Feasibility Consultant and a Registered Appraiser of China Real Estate (中國註冊房地產估價師), the Property could be redeveloped into a composite development of research center and ancillary apartment with total planned gross floor area of approximately 50,004 sq.m. (research center of approximately 35,003 sq.m., and ancillary apartments of approximately 15,001 sq.m.) by adopting the plot ratio 3 and reserving 1/3 of the site areas for roads, common facilities and green areas which are the measures of the "Demolition of Three and Keep One Policy" (拆三留一政策), Dongguan City Planning Bureau of Urban and Rural Development (2015) No. 40 on the issuance of Dongguan City, "Three Old" transformation unit preliminary research report of preparation guidelines (東莞市城鄉規劃局東規發【2015】40號《關於印發〈東莞市

“三舊”改造單元前期研究報告編制指引>》) and Dongguan City, “Three Old” transformation unit planning guidelines notice (《<東莞市“三舊”改造單元規劃編制指引>的通知》) by Dongguan City Urban and Rural Planning Bureau (東莞市城鄉規劃局) and other relevant regulations. Furthermore, according to the Guangdong Province Land Surveying and Mapping (2010) No.137 on the “Three Old” transformation of the land plot map construction database work notice (《粵國土資測繪發【2010】137 號《關於做好“三舊”改造地塊標圖建庫工作的通知》) and (2011) No.175 on the establishment of the “Three Old” transformation of the land plot map of adjustment on mechanism of the notice (《【2011】175 號《關於建立“三舊”改造地塊標圖建庫調整機制的通知》) both by Guangdong Provincial Department of Land and Resources (廣東省國土資源廳). It clearly states that the policy requires relevant local district government authorities to make a great effort on three old industrial zone transformation (三舊工業區改造). Dongguan Municipal Government encourages the renewal project such as redevelopment which is in line with the relevant policy and regulations. The renewal application would normally take four to five years to complete the procedure including:

- i) to submit the preparation plan of the project to the Renewal Unit Program of the District (市城建規劃局).
 - ii) to prepare the Renewal Unit Plan and for authority to review.
 - iii) to apply the Confirmation of the Qualification of Implementation Body. Upon approval, then commence to demolish the existing buildings and structures for cancellation of registration of original Certificate of Real Estate Ownership.
 - iv) to apply the approval of the construction and new Land Use Rights and tenure will be granted.
 - v) Lastly, new construction can be commenced legally. There is no legal impediment in redevelopment project; and
- e) As advised by Shenzhen Shenxin Real Estate Appraisal Co., Ltd. (深信房地產評估有限公司) the Company’s PRC Valuer and holder of the Qualification Certificate for Real Estate Appraisal Company in the PRC (中華人民共和國房地產估價機構資質證書), by adopting the adjusted market unit rate of industrial land with consider the residual time of the land use rights of the property then multiplied the new proposed gross floor area of the new development, the estimated land premium for change the usage on upgrading industrial zone into the research center and ancillary apartment development (工業區升級改造綜合科研大樓配套公寓項目) would be approximately RMB2,867,000 in compliance with Dongguan City People’s Government (東莞市人民政府), Dongguan City Land Resources Bureau file access of No.567 supplement No.61 notice (東莞市國土資源局檔案查詢獲得的編號為 No.567 補61 號《通知》), Dongguan City, “Three Old” reform policy document compilation (2009-2013) (《東莞市“三舊”改造工作政策文件彙編(2009-2013)》), Dongguan City, “Three Old” work policy document compilation (2014-2015) (東莞市“三舊”改造工作政策文件彙編(2014-2015)), Dongcheng Street “Three Old” transformation work policy document compilation (2015-2017) ((東城街道“三舊”改造工作政策文件彙編(2015-2017))).

- The redevelopment potential value of the Property was based on the assumption that the owner of the Property could fulfill all the requirements required for redevelopment of the Property and all the requirements in Legal Opinion can be fulfilled;
- The unaudited management accounts of MS Plasticorp as at 31 July 2017 can reasonably represent its financial position since the audited financial accounts as at the Date of Valuation were not available;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which MS Plasticorp operates or intends to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which MS Plasticorp operates, and MS Plasticorp will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which MS Plasticorp operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which MS Plasticorp operates or intends to operate, which would adversely affect the revenues attributable to and profitability of MS Plasticorp; and
- Interest rates and exchange rates in the localities for the operation of MS Plasticorp will not differ materially from those presently prevailing.

8. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the fair value of MS Plasticorp. The factors considered included, but were not necessarily limited to, the following:

- The Property Valuation Report;
- The Legal Opinion;
- Unaudited financial accounts of MS Plasticorp as at 31 July 2017;
- The nature, background and development of MS Plasticorp;
- Copies of the relevant licenses and agreements; and
- General descriptions in relation to MS Plasticorp.

We have assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion of value.

9. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of MS Plasticorp provided to us.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied on information provided by the Management to a considerable extent in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. The information has not been audited or compiled by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of MS Plasticorp was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the business as well as the fair value of MS Plasticorp.

We have not investigated the title to or any legal liabilities of MS Plasticorp, and have assumed no responsibility for the title to MS Plasticorp appraised.

Our conclusion of the fair value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk. The title of this report shall not pass to the Company until all professional fee has been paid in full.

No change to any item in any part of this report shall be made by anyone except Roma Appraisals. We have no responsibility for any such unauthorized change. Neither all nor any part of this report shall be disseminated to the public without the written consent and approval of Roma Appraisals through any means of communication or referenced in any publications, including but not limited to advertising, public relations, news or sales media.

This report may not be reproduced, in whole or in part, and utilized by any third parties for any purpose, without the written consent and approval of Roma Appraisals.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

10. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Hong Kong Dollars (HKD).

We hereby confirm that we have neither present nor prospective interests in the Company, MS Plasticorp and the associated companies, or the values reported herein.

11. OPINION OF VALUE

Provided that the owner of the Property would redevelop the Property and could fulfill all the requirements for redevelopment of the Property, and based on the investigation and analysis stated above and on the valuation method employed, the fair value of 100% equity interest in MS Plasticorp as at the Date of Valuation, in our opinion, was reasonably stated as **HKD89,000,000 (HONG KONG DOLLARS EIGHTY NINE MILLION ONLY)**.

Yours faithfully,
For and on behalf of
Roma Appraisals Limited

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES IN EQUITY OR DEBT SECURITIES

As at the Latest Practicable Date, the interests and short positions of each Director, chief executives of the Company and their respective associates in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange are set out below:

Long positions in Shares as at the Latest Practicable Date:

Name of Directors	Number of shares held				Total	Approximate % of total issued shares of the Company
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
Tang To ("Mr. Tang")	4,970,000	2,000 <i>(Note 2)</i>	300,617,458 <i>(Note 1)</i>	224,000 <i>(Note 3)</i>	305,813,458	42.66
Wong Yiu Ming	9,468,000	–	–	–	9,468,000	1.32
Kan Wai Wah	136,400	–	–	–	136,400	0.02
Cheng Tak Yin	1,406,000	–	–	–	1,406,000	0.20

Notes:

- 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited ("Ginta") which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited ("Codo").

Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited (“Cosmos Holdings”) and Tai Shing Agencies Limited (“Tai Shing”), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited (“Keepsound”), a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power Enterprises Limited (“Elegant Power”); (iii) 30.25% by Friendchain Investments Limited (“Friendchain”), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited (“Fullwin”); (iv) 16.09% by Yik Wan Company Limited (“Yik Wan”); and (v) 20.23% by five individuals and two limited companies.

2. These 2,000 Shares were held by the spouse of Mr. Tang.
3. These 224,000 Shares were jointly held by Mr. Tang and his spouse.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or were required pursuant to Section 352 of the SFO to be entered into the register referred to therein; or were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Interest in the Shares

Long positions in Shares and underlying shares of equity derivatives of the Company as at the Latest Practicable Date:

Name of substantial shareholders	Number of shares held		Total	Approximate % of total issued shares of the Company
	Direct Interests	Deemed Interests		
Law Kit Fong	–	297,157,052 <i>(Note 1)</i>	297,157,052	41.45
Codo	–	297,157,052 <i>(Note 2)</i>	297,157,052	41.45
Cosmos Holdings	127,052,600	170,104,452 <i>(Note 3)</i>	297,157,052	41.45
Tai Shing	170,104,452	–	170,104,452	23.73
Saniwell Holding Inc.	–	297,157,052 <i>(Note 4)</i>	297,157,052	41.45
China Resources (Holdings) Company Limited	169,649,046 <i>(Note 5)</i>	–	169,649,046	23.66

Notes:

- Ms. Law Kit Fong is deemed to be interested in the block of 297,157,052 Shares through her direct and indirect interests in Elegant Power and Codo. Codo through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing, was deemed to be interested in 297,157,052 Shares. Codo is owned as to 30.25% by Friendchain (which is owned as to 40% by Elegant Power) and 8.37% by Elegant Power (which is wholly owned by Ms. Law Kit Fong).
- Codo is interested in 297,157,052 Shares through its wholly owned subsidiaries, Cosmos Holdings and Tai Shing. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power, which is wholly-owned by Ms. Law Kit Fong; (iii) 30.25% by Friendchain, which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.
- Cosmos Holdings was deemed to be interested in 170,104,452 Shares through its subsidiary, Tai Shing.
- Saniwell Holding Inc. was deemed to be interested in the block of 297,157,052 Shares under the SFO through its deemed interests in Codo. Codo is owned as to (i) 25.06% by Keepsound, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust; (ii) 8.37% by Elegant Power; (iii) 30.25% by Friendchain which is owned as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin; (iv) 16.09% by Yik Wan; and (v) 20.23% by five individuals and two limited companies.
- As shown by the latest interest disclosure information maintained pursuant to Part XV of the SFO provided to the Company by China Resources National Corporation, China Resources Co., Limited and CRC Bluesky Limited, the above three companies were deemed to be interested in the Shares owned by China Resources (Holdings) Company Limited.

Save as disclosed herein, as at the Latest Practicable Date, there was no other person so far as was known to the Directors and chief executives of the Company (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' SERVICES CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which was not expiring or determinable within one year without payment of compensation (other than statutory compensation).

5. LITIGATION

So far as the Directors are aware, save and except the dispute claim for outstanding payment from KFE as set out under the sub-heading "Contingent Liabilities" under heading "2. STATEMENT OF INDEBTEDNESS" of Appendix I, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or arbitration of material importance was pending or threatened against the Company or any of its subsidiaries as at the Latest Practicable Date.

6. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the date of this circular and which was significant in relation to the business of the Group as a whole.

7. EXPERTS' CONSENT AND QUALIFICATION

The following are the qualification of the experts who has/have given opinion or advice which is/are contained in this circular:

Name	Qualification
Roma Appraisals Limited	Independent valuer
Jian Da Law Firm (景達律師事務所)	Legal advisers as to PRC Law
Hu Wei He (胡衛和)	Feasibility consultant, a Registered Appraiser of China Real Estate (中國註冊房地產估價師)
Shenzhen Shenxin Real Estate Appraisal Co., Ltd. (深信房地產評估有限公司)	PRC Valuer, holder of the Qualification Certificate for Real Estate Appraisal Company in the PRC (中華人民共和國房地產估價機構資質證書)

The letters from the Roma Appraisals Limited are given as of the date of this circular for incorporation in this circular.

The above experts have given and have not withdrawn their written consent to the issue of this circular with the inclusion therein of its letters and opinions and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, none of the above experts had any direct or indirect shareholding in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interests, directly or indirectly, in any assets which have been, since 31 December 2016, being the date to which the latest published audited accounts of the Company were made up, acquired, disposed of or leased to any member of the Group, or were proposed to be acquired, disposed of or leased to any member of the Group.

8. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates was interested directly or indirectly in any business, apart from their interest in the Company, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

9. MATERIAL CONTRACTS

The following contract (not being contracts in the ordinary course of business of the Company) have been entered into by members of the Group within the two years immediately preceding the date of this circular, which is or may be material:

- (a) the Sale and Purchase Agreement.

10. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

11. GENERAL

- (a) The registered office and the principal place of business of the Company is at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (b) The joint company secretaries of the Company are Ms. Mak Po Man and Mr. Yeung Yuk Lun, the chief financial officer of the Group. Mr. Yeung Yuk Lun is an associate member of the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong.
- (c) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) articles of association of the Company;
- (b) the annual reports of the Company for two years ended 31 December 2015 and 31 December 2016 respectively;
- (c) the property valuation report prepared by Roma Appraisals Limited, the text of which is set out in Appendix II to this circular;
- (d) the business valuation report prepared by Roma Appraisals Limited, the text of which is set out in Appendix III to this circular;
- (e) the Sale and Purchase Agreement;
- (f) the material contract referred to in the paragraph headed “Material Contracts” in this appendix; and
- (g) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting of Cosmos Machinery Enterprises Limited (“Company”) will be held at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong on Wednesday, 11 October 2017 at 10:00 a.m. for the purposes of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

“**THAT** the conditional sale and purchase agreement dated 1 September 2017 (the “Sale and Purchase Agreement”) entered into between Sunford Enterprises Limited, an indirect wholly-owned subsidiary of the Company, as the Vendor, and Giant Express Investment Limited (鉅遠投資有限公司) as the purchaser relating to the proposed disposal of the entire issued share capital of MS Plasticorp (the “Disposal”) (a copy of the Sale and Purchase Agreement marked “A” has been produced to the meeting and signed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and all other matters of and incidental thereto or in connection therewith be and are hereby approved, ratified and confirmed and that any one or more directors of the Company be and is/ are hereby authorised for and on behalf of the Company to execute (including affixing the seal of the Company in accordance with the articles of association of the Company to) all such documents and do all such acts and things as he/she may in his/her absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or to give effect to the Disposal and the transactions contemplated under the Sale and Purchase Agreement and all matters incidental or ancillary thereto.”

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

Hong Kong, 20 September 2017

Principal place of business in Hong Kong:
10/F, Billion Plaza 2
No. 10 Cheung Yue Street
Cheung Sha Wan
Kowloon
Hong Kong

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. A member entitled to attend and vote at the above meeting (or at any adjournment thereof) is entitled to appoint another person as his proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. Where there are joint registered holders of any shares, any one of such persons may vote at the above meeting (or at any adjournment thereof), either personally or by proxy, in respect of such shares as if he were solely entitled thereto; but if more than one of such joint holders be present at the above meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority (such certification to be made by either a notary public or a solicitor qualified to practise in Hong Kong), must be deposited with the Company at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong, not less than 48 hours before the time fixed for holding the above meeting or any adjournment thereof.
4. For the purpose of determination of entitlement to attend and vote at the EGM to be held on Wednesday, 11 October 2017, the register of members of the Company will be closed from Friday, 6 October 2017 to Wednesday, 11 October 2017, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the EGM, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Secretaries Ltd. at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 4 October 2017.
5. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should he so wish.
6. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.

As at the date of this notice, 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.