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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)

MAJOR TRANSACTION DISPOSAL OF THE ENTIRE SHARE CAPITAL OF GB HK AND THE ENTIRE EQUITY INTEREST IN GB SHENZHEN

THE DISPOSALS

On 16 October 2023 (after trading hours), the Vendor, an indirect non-wholly-owned subsidiary of the Company, have entered into the (i) MOU and Sale and Purchase Agreement I with Purchaser I, and (ii) Sale and Purchase Agreement II with GB Shenzhen and Purchaser II.

Pursuant to the MOU, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II, among other things, the Vendor will sell, and Purchaser I and Purchaser II will respectively purchase, the GB HK Shares and the GB Shenzhen Equity Interest at the respective considerations of HK\$1 and approximately RMB137,000,000 (subject to Price Adjustment, as detailed in the section headed “*Price Adjustment*” in this announcement).

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal I is more than 5% but all of which are less than 25%, Disposal I, on a standalone basis, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal II is more than 25% but all of which are less than 75%, Disposal II, on a standalone basis, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

However, as the MOU, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II were entered into on the same day by (i) the Vendor, (ii) GB Shenzhen (in respect of the Sale and Purchase Agreement II) and (iii) Purchaser I or Purchaser II, where Purchaser I and Purchaser II are associated with each other, and completion of the Sale and Purchase Agreement I is conditional on the completion of the Sale and Purchase Agreement II, they are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposals, on an aggregated basis, is more than 25% but all of which are less than 75%, the Disposals constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders’ approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposals. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposals if the Company were to convene such a general meeting. Accordingly, written Shareholders' approval (from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting) may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

The Company proposes to obtain a written approval for the Disposals from Mr. Tang To and his associates (being a closely allied group of Shareholders). Accordingly, no extraordinary general meeting will be convened to approve the Disposals as permitted under Rule 14.44 of the Listing Rules.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the MOU, the Sale and Purchase Agreement I, the Sale and Purchase Agreement II and the Disposals; (ii) financial information of the Group; and (iii) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 November 2023.

As the Disposals are subject to the satisfaction and/or waiver, where applicable, of the conditions precedents, the Disposals may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the shares or any securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 16 October 2023 (after trading hours), the Vendor, an indirect non-wholly-owned subsidiary of the Company, have entered into the (i) MOU and Sale and Purchase Agreement I with Purchaser I, and (ii) Sale and Purchase Agreement II with GB Shenzhen and Purchaser II.

Pursuant to the MOU, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II, among other things, the Vendor will sell, and Purchaser I and Purchaser II will respectively purchase, the GB HK Shares and the GB Shenzhen Equity Interest at the respective considerations of HK\$1 and approximately RMB137,000,000 (subject to Price Adjustment, as detailed in the section headed "*Price Adjustment*" in this announcement).

MEMORANDUM OF UNDERSTANDING

The MOU is legally binding on the parties to it, and its principal terms are set out below:

Date: 16 October 2023

Parties: (1) Purchaser I; and
(2) the Vendor.

Sale and purchase: Subject to completion and satisfaction of the results of due diligence investigation to be carried out by Purchaser I on the company affairs of GB HK and GB Shenzhen, Purchaser I shall purchase and the Vendor shall sell the GB HK Shares and the GB Shenzhen Equity Interest.

Consideration: Please refer to the consideration stated under the sections headed “*Sale and Purchase Agreement I*” and “*Sale and Purchase Agreement II*” in this announcement.

Completion: Subject to the satisfaction or waiver of the conditions precedent as set out in the Sale and Purchase Agreement I and the Sale and Purchase Agreement II, completion shall take place on 1 November 2023 (or such other date as the parties may agree).

Deposit: Upon the signing of the MOU, Purchaser I shall cause a payment in favour of the Vendor in the sum of HK\$20,000,000 as the HKD Deposit.

Further, under the terms of the MOU, the Sale and Purchase Agreement II shall provide that the RMB Deposit in the sum of RMB20,000,000 be paid by Purchaser II to the Vendor before Completion, and upon receipt of which, the Vendor shall return the HKD Deposit to Purchaser I. The RMB Deposit shall form part of the consideration for the GB Shenzhen Equity Interest.

In the absence of default on the part of the Vendor, if Purchaser I does not proceed to signing of a formal sale and purchase agreement or shall not procure Purchaser II to enter into an agreement in respect of the sale and purchase of the GB Shenzhen Equity Interest, Purchaser I may terminate the MOU and the transactions contemplated thereunder on the condition that the HKD Deposit will be forfeited by the Vendor as liquidated damages.

Completion Audit and Price Adjustment: The Completion Audit will be carried out by Purchaser I (scheduled to be completed on or before 31 October 2023). The Price Adjustment applicable to the consideration for the GB Shenzhen Equity Interest would be determined in accordance with the Completion Audit.

If the Completion Audit is not available or not fully completed by Completion, then the parties may complete Disposal II at a provisional price with reference to the financial status of the GB Subsidiaries as at close of business on 31 August 2023, with further adjustments to be confirmed after Completion or defer any payment or execution process until 2 working days after completion of the Completion Audit or such date as the parties agree.

SALE AND PURCHASE AGREEMENT I

On 16 October 2023, pursuant to the MOU, the Vendor and Purchaser I entered into the Sale and Purchase Agreement I, under which the Vendor agreed to sell and Purchaser I agreed to purchase the GB HK Shares.

The terms of the Sale and Purchase Agreement I are supplemental to the MOU, but prevail over the MOU in case of discrepancies or inconsistency. The principal terms of the Sale and Purchase Agreement I are set out below:

Date: 16 October 2023

Parties: (1) Purchaser I; and
(2) the Vendor.

Sale and purchase: Subject to the terms of the Sale and Purchase Agreement I, the Vendor shall with full title guarantee sell or procure the sale of and Purchaser I shall purchase the GB HK Shares free from all claims or Incumbrances.

Consideration: HK\$1, payable in such manner as the Vendor and Purchaser I shall agree.

The consideration for Disposal I was arrived at arm's length negotiations between the parties after taking into consideration of various factors, including but not limited to the assets and liabilities of GB HK and the future prospects of the business carried out by GB HK.

Conditions precedent: Completion of Disposal I is conditional upon:

- (1) production by the Vendor of the audited accounts for GB HK for the accounting reference period ended 31 August 2023;
- (2) passing at a general meeting of Purchaser I of resolutions approving the transactions provided for in the Sale and Purchase Agreement I and authorising the directors of Purchaser I to take all steps necessary to complete the Sale and Purchase Agreement I; and
- (3) completion of Disposal II.

Completion: Completion shall take place on 1 November 2023 (or such other date as the parties may agree) after the conditions precedent to Disposal I have been fulfilled or waived.

If the conditions precedent to Disposal I have not been fulfilled or waived by Purchaser I by Completion, then Purchaser I may give notice in writing to the Vendor cancelling the Sale and Purchase Agreement I, which shall from the date such notice is given be void and of no effect and none of the parties to it shall be under any liability in respect of the Sale and Purchase Agreement I.

SALE AND PURCHASE AGREEMENT II

On 16 October 2023, pursuant to the MOU, the Vendor, GB Shenzhen and Purchaser II entered into the Sale and Purchase Agreement II, under which the Vendor agreed to sell and Purchaser II agreed to purchase the GB Shenzhen Equity Interest.

The terms of the Sale and Purchase Agreement II are supplemental to the MOU, but prevail over the MOU in case of discrepancies or inconsistencies. The principal terms of the Sale and Purchase Agreement II are set out below:

Date: 16 October 2023

Parties:

- (1) Purchaser II;
- (2) the Vendor; and
- (3) GB Shenzhen.

Sale and purchase: Subject to the completion of due diligence investigation to be carried out by Purchaser II (or its appointed third party) to the satisfaction of Purchaser II, upon the terms of the Sale and Purchase Agreement II, the Vendor shall sell and Purchaser II shall purchase the GB Shenzhen Equity Interest.

Consideration: Subject to Price Adjustment, the consideration is an amount to be determined in accordance with the formula set out in the Sale and Purchase Agreement II (as well as the MOU), which is expected to be approximately RMB137,000,000 (determined with reference to the financial statements of the GB Subsidiaries as at 31 August 2023).

For further details, please refer to the section headed “*Consideration payable for the GB Shenzhen Equity Interest*” in this announcement.

The consideration for Disposal II was arrived at arm’s length negotiations between the parties after taking into consideration of various factors, including but not limited to the assets and liabilities of GB Shenzhen and the future prospects of the business carried out by GB Shenzhen.

- Conditions:** Completion of Disposal II is conditional upon:
- (1) the provision to Purchaser II of the audited financial statements of GB Shenzhen completed by Shenzhen GaoXinHuaYuan CPA* (深圳高信華源會計師事務所), which is preliminarily acceptable to Purchaser II as a basis for Disposal II; and
 - (2) the approval of resolution(s) by the board/general meeting of the Vendor and Purchaser II, approving the transactions agreed under the Sale and Purchase Agreement II and all acts required to complete the Sale and Purchase Agreement II, as well as the execution of the Sale and Purchase Agreement II and the performance of all obligations thereunder.

The Vendor shall also obtain all necessary approvals and consents required under the Listing Rules in respect of the transactions under the Sale and Purchase Agreement II (including the approval of the Shareholders).

- Completion:** Completion shall take place on 1 November 2023 (or such other date as the parties may agree) after the conditions precedent to Disposal II have been fulfilled or waived.

If the conditions precedent to Disposal II are not met by the date of Completion or if the Vendor fails to fulfil any of its obligations upon Completion, Purchaser II may, at its discretion:

- (1) defer completion of Disposal II by not more than 28 days;
- (2) continue with completion of Disposal II to the extent possible; or
- (3) terminate the Sale and Purchase Agreement II, however, Purchaser II reserves all rights to request the Vendor or GB Shenzhen to compensate loss, pay damages or liquidated damages for any breach of representations, warranties or undertakings or any other terms under the Sale and Purchase Agreement II which accrued before the termination.

- Payment of consideration:** Purchaser II will pay the consideration to the Vendor in the following instalments (subject to any deferment as referred to in “*Completion*” above):

- (1) RMB50,000,000 upon Completion (i.e. a total of RMB70,000,000 will have been paid, taking into account the RMB Deposit which will have been paid prior to Completion);
- (2) RMB20,000,000 on or before 31 January 2024; and

- (3) the balance of the consideration for the GB Shenzhen Equity Interest (subject to Price Adjustment) to be settled on or before 30 April 2024.

Deposit: The RMB Deposit in the sum of RMB20,000,000 shall be paid by Purchaser II to the Vendor before Completion, upon receipt of which, the Vendor shall return the HKD Deposit to Purchaser I. The RMB Deposit shall form part of the consideration for the GB Shenzhen Equity Interest.

In the absence of default on the part of the Vendor, if Purchaser II does not pay the first instalment of the consideration upon Completion (or within a reasonable time) under the Sale and Purchase Agreement II (in the amount of RMB50,000,000), either party may terminate the Sale and Purchase Agreement II on the condition that the RMB Deposit will be forfeited by the Vendor as liquidated damages.

Completion Audit and Price Adjustment: The Completion Audit will be carried out by Purchaser II or its appointed third party (scheduled to be completed on or before 31 October 2023). The Price Adjustment applicable to the consideration for the GB Shenzhen Equity Interest would be determined in accordance with the Completion Audit.

Consideration payable for the GB Shenzhen Equity Interest

Under the MOU and the Sale and Purchase Agreement II, the consideration payable for the GB Shenzhen Equity Interest (subject to Price Adjustment) is determined as follows:

$$\textit{Consideration before Price Adjustment} = S + C + AR + MPF - AP - D - E - T$$

where:

S denotes: stock and work in progress

C denotes: cash on hand

AR denotes: accounts receivable, notes receivable, prepayments, other receivables and other current assets (which, for the avoidance of doubt, excludes Bad Debts)

AP denotes: accounts payable and other payables

D denotes: bank loans or debts owed to any third parties

E denotes: an amount agreed under the Sale and Purchase Agreement II, being the potential labour restructuring costs estimated based on the number of employees before Completion

T denotes: taxes payable

MPF denotes: HK\$3,000,000, being the amount of refund of the employer's MPF contribution made by GB HK (subject to adjustment as set out in the section headed "*Price Adjustment*" in this announcement)

Each of the above component shall be determined with reference to the aggregate value of the relevant line items of the financial statements of the GB Subsidiaries as at the day before Completion (i.e. 31 October 2023), subject to adjustments with reference to the results of the Completion Audit as further detailed in the section headed "*Price Adjustment*" in this announcement.

Price Adjustment

The consideration payable for the GB Shenzhen Equity Interest is subject to Price Adjustment, which would affect the final instalment payable by Purchaser II to the Vendor for completion of Disposal II.

The amount of Price Adjustment is determined with reference to the Completion Audit, which will affect the consideration for Disposal II as follows:

- (1) in respect of any profit recorded in the Completion Audit Period, the consideration would increase by the amount of such profit;
- (2) in respect of any loss recorded in the Completion Audit Period, the consideration would decrease by the amount of such loss (and for the avoidance of doubt, any payment made by the GB Subsidiaries in respect of any labour restructuring costs shall be accrued as an expenditure for the Completion Audit Period);
- (3) the consideration would decrease by an amount corresponding to any liabilities or losses arising from any liabilities, accidents or incidents that have occurred or causes leading to such liabilities, accidents or incidents have already been formed prior to Completion (unless the Vendor has adequately disclosed such incidents to Purchaser II prior to Completion or the parties have taken such liabilities, accidents or incidents into account in the consideration for Disposal II at the time of the signing of the MOU);
- (4) Purchaser II shall deduct from the final instalment of the consideration for the GB Shenzhen Equity Interest by the amount of Bad Debts of the GB Subsidiaries (furthermore, Purchaser II may claim against the Vendor for the amount of such Bad Debts on 31 October 2024);
- (5) if the MPF refund from the Mandatory Provident Fund Service Provider is less than the previously agreed estimate of HK\$3,000,000, then Purchaser II shall reduce the final instalment of the consideration by the amount of the shortfall, conversely, if the MPF refund exceeds HK\$3,000,000, the final instalment payable shall increase accordingly; and
- (6) to the extent that there is any difference between the financial statements of the GB Subsidiaries and the Completion Audit, the consideration shall be adjusted with reference to the Completion Audit.

INFORMATION OF THE GROUP

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

INFORMATION OF THE VENDOR

The Vendor is a company incorporated in Hong Kong with limited liability and is an indirect non-wholly-owned subsidiary of the Company. Its principal business is investment holding.

INFORMATION OF PURCHASER I AND PURCHASER II

Purchaser I is a company incorporated in Hong Kong with limited liability and is principally engaged in trading of printed circuits boards, and Purchaser II is a company established in the PRC with limited liability and is principally engaged in manufacturing printed circuits boards.

Mr. Ngo Tai Tak is the ultimate beneficial owner of Purchaser I and Purchaser II.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this announcement, Purchaser I, Purchaser II and their ultimate beneficial owner are third parties independent of the Company and its connected persons.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the 12 months immediately preceding the date of this announcement, there has been, no material loan arrangement between (a) Purchaser I, Purchaser II and any of their respective directors, legal representatives and/or ultimate beneficial owner who can exert influence on the Disposals; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the Disposals.

FINANCIAL INFORMATION ON THE GB SUBSIDIARIES

GB HK and GB Shenzhen are indirect non-wholly-owned subsidiaries of the Company, and are incorporated in Hong Kong and the PRC with limited liability respectively. The principal business of GB HK is the trading of printed circuit boards, and the principal business of GB Shenzhen is the processing of printed circuit boards.

Set out below is the financial information of the GB Subsidiaries as extracted from the consolidated financial statements for the years ended 31 December 2021 and 31 December 2022:

| | For the financial year ended 31 December 2021 (audited) HK\$'000 | For the financial year ended 31 December 2022 (audited) HK\$'000 |
|--------------------------|---|---|
| GB HK | | |
| Profit/(loss) before tax | (16,481) | (16,249) |
| Profit/(loss) after tax | (16,289) | (16,249) |
| GB Shenzhen | | |
| Profit/(loss) before tax | 4,426 | (9,918) |
| Profit/(loss) after tax | 3,755 | (9,828) |

The unaudited net assets value and the fair value of entire equity interest in GB Shenzhen and GB HK as at 31 August 2023 were approximately RMB209,143,000 and negative HK\$4,853,000 respectively.

EFFECT OF THE DISPOSALS

Upon Completion, the Group will cease to have any interest in the GB Subsidiaries. The GB Subsidiaries will cease to be subsidiaries of the Company, and the financial results of the GB Subsidiaries thereafter will no longer be consolidated in the financial statements of the Group.

Assuming that (i) the actual consideration payable for Disposal II is equal to the estimated consideration (i.e. approximately RMB137,000,000, which is determined with reference to the financial statements of the GB Subsidiaries as at 31 August 2023), and (ii) no Price Adjustment is applicable, it is expected that upon Completion, the Group will record a loss on the Disposals of approximately HK\$52,000,000. Such loss is estimated based on the consideration for the Disposals, less the consolidated net assets of the GB Subsidiaries and reclassification of translation reserve as of 31 August 2023, prorated by the Group's 52% interest in the GB Subsidiaries. The loss from the Disposals expected by the Company is unaudited and subject to final confirmation as at the Completion date.

REASONS FOR AND BENEFITS OF THE DISPOSALS

As disclosed in the Annual Report 2022, the Group's printed circuit boards processing business has recorded a notable operating loss due to a combination of unfavourable scenarios, including among others, a notable shift by European automotive parts manufacturer to conduct sourcing outside of the PRC, unfavourable currency movements, a supply crisis of silicon chips, and depressed consumer confidence. The GB Subsidiaries have recorded a significant decrease in revenue in last two years, and their financial performance have not improved since the end of the reporting period for Annual Report 2022. The Group remains sceptical of a quick turnaround given the aforementioned factors.

The Disposals represent an opportunity for the Group to exit the printed circuit boards production business in view of the difficult and changing circumstances, and will allow the Group to focus its resources on other business segments with more potential for positive cash flow, thereby enhancing the Group's financial position.

The Disposals are being carried out after arm's length negotiation and on normal commercial terms, and the Directors are of the view that the Disposals are in the interests of the Company and the Shareholders as a whole and the terms of the MOU, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II are fair and reasonable and on normal commercial terms.

USE OF PROCEEDS

Assuming that (i) the actual consideration payable for Disposal II is equal to the estimated consideration (i.e. approximately RMB137,000,000, which is determined with reference to the financial statements of the GB Subsidiaries as at 31 August 2023), and (ii) no Price Adjustment is applicable, after deducting expenses relating to the Disposals, it is expected that the Group will be distributed its proportion of the net proceeds in the amount of approximately RMB50,000,000, which is expected to be used for the general working capital of the Company and/or funding for any future investment opportunity that may arise.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal I is more than 5% but all of which are less than 25%, Disposal I, on a standalone basis, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of Disposal II is more than 25% but all of which are less than 75%, Disposal II, on a standalone basis, constitutes a major transaction of the Company under Chapter 14 of the Listing Rules.

However, as the MOU, the Sale and Purchase Agreement I and the Sale and Purchase Agreement II were entered into on the same day by (i) the Vendor, (ii) GB Shenzhen (in respect of the Sale and Purchase Agreement II) and (iii) Purchaser I or Purchaser II, where Purchaser I and Purchaser II are associated with each other, and completion of the Sale and Purchase Agreement I is conditional on the completion of the Sale and Purchase Agreement II, they are required to be aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposals, on an aggregated basis, is more than 25% but all of which are less than 75%, the Disposals constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Disposals. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposals if the Company were to convene such a general meeting. Accordingly, written Shareholders' approval (from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting) may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

Mr. Tang To together with his associates, are entitled to exercise voting rights in respect of 450,813,463 Shares (representing approximately 52.30% of the total number of issued Shares) as follows:

| Name of Shareholder | Number of Shares held | Approximate % of the total number of issued Shares ^(Note 1) |
|---|-----------------------|--|
| Tang To | 4,970,005 | 0.57% |
| Tang To and Leung Yee Mei ^(Note 2) | 226,000 | 0.03% |
| Ginta Company Limited ^(Note 3) | 3,460,406 | 0.40% |
| Saniwell Holding Inc. ^(Note 4) | 36,250,000 | 4.20% |
| Cosmos Machinery (Holdings) Limited ^(Note 5) | 235,802,600 | 27.36% |
| Tai Shing Agencies Limited ^(Note 5) | 170,104,452 | 19.74% |
| Total: | 450,813,463 | 52.30% |

Notes:

- Percentages are rounded to two decimal points.
- Ms. Leung Yee Mei is the spouse of Mr. Tang To.
- Ginta Company Limited is approximately 99.999% owned by Fullwin Limited, which in turn is owned as to 50% by Mr. Tang To and 50% by his spouse respectively.
- Saniwell Holding Inc. is the trustee of The Saniwell Trust, the beneficiaries of which include Mr. Tang To and certain of his family members, and Saniwell Holding Inc. in turn is owned as to approximately 57.14% by Mr. Tang To.
- Cosmos Machinery (Holdings) Limited is a subsidiary, and Tai Shing Agencies Limited is an indirect subsidiary of, Codo Development Limited. Codo Development Limited is owned as to approximately (i) 25.06% by Keepsound Investments Limited, which is owned as to 94% by Saniwell Holding Inc.; and (ii) 30.25% by Friendchain Investments Limited, which is owned as to approximately 57.42% by Saniwell Holding Inc..

The Company proposes to obtain a written approval for the Disposals from Mr. Tang To and his associates (being a closely allied group of Shareholders). Accordingly, no extraordinary general meeting will be convened to approve the Disposals as permitted under Rule 14.44 of the Listing Rules.

GENERAL

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, (i) details of the MOU, Sale and Purchase Agreement I, the Sale and Purchase Agreement II and the Disposals; (ii) financial information of the Group; and (iii) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 7 November 2023.

As the Disposals are subject to the satisfaction and/or waiver, where applicable, of the conditions precedents, the Disposals may or may not proceed to Completion. Shareholders and potential investors should exercise caution when dealing in the shares or any securities of the Company.

DEFINITIONS

In this announcement, the following expressions have the following meanings, unless the context otherwise requires:

| | |
|---------------------------|--|
| “%” | per cent.; |
| “Annual Report 2022” | the Company’s annual report for the year ended 31 December 2022; |
| “associate(s)” | has the meaning ascribed to it in the Listing Rules; |
| “Bad Debts” | any amount owed for over one year after the date on which invoice is issued; |
| “Board” | the board of Directors; |
| “Company” | Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 118); |
| “Completion Audit Period” | from 1 September 2023 to the date of Completion; |
| “Completion Audit” | an audit to be carried out by Purchaser I pursuant to the MOU, and Purchaser II pursuant to the Sale and Purchase Agreement II, to verify the audited financial statements of the GB Subsidiaries for the period ended 31 August 2023, and the profit and loss of the GB Subsidiaries for the Completion Audit Period; |
| “Completion” | completion of the Disposals in accordance with the MOU, the Sale and Purchase Agreement I and/or the Sale and Purchase Agreement II; |
| “connected person(s)” | has the same meaning ascribed thereto under the Listing Rules; |
| “Director(s)” | director(s) of the Company; |
| “Disposal I” | the sale and purchase of the GB HK Shares pursuant to the terms of the Sale and Purchase Agreement I; |
| “Disposal II” | the sale and purchase of the GB Shenzhen Equity Interest pursuant to the terms of the Sale and Purchase Agreement II; |
| “Disposals” | Disposal I and Disposal II; |

| | |
|---|--|
| “GB HK Shares” | the entire share capital of GB HK; |
| “GB HK” | Gainbase Industrial Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of the Company; |
| “GB Shenzhen Equity Interest” | the entire equity interest in GB Shenzhen; |
| “GB Shenzhen” | Shenzhen Gainbase Printed Circuit Board Co., Ltd* (深圳邦基綫路板有限公司), a company established in the PRC with limited liability and an indirect non-wholly-owned subsidiary of the Company; |
| “GB Subsidiaries” | GB HK and GB Shenzhen; |
| “Group” | the Company and its subsidiaries; |
| “HK\$” or “HKD” | Hong Kong dollars, the lawful currency of Hong Kong; |
| “HKD Deposit” | the HK\$20,000,000 deposit payable by Purchaser I to the Vendor upon the execution of the MOU; |
| “Hong Kong” | Hong Kong Special Administrative Region of the PRC; |
| “Incumbrance” | any mortgage, charge (whether fixed or floating), pledge, lien, option, right of pre-emption, right of retention of title or any other form of security interest or any obligation (including any conditional obligation) to create any of the same; |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited; |
| “Mandatory Provident Fund Service Provider” | Manulife (International) Limited; |
| “MOU” | the memorandum of understanding dated 16 October 2023 entered into between Purchaser I and the Vendor in relation to the Disposals; |
| “MPF” | the Mandatory Provident Fund; |
| “PRC” | the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macao Special Administrative Region and Taiwan; |
| “Price Adjustment” | the price adjustment applicable to the consideration under the Sale and Purchase Agreement II as described under the section headed “ <i>Price Adjustment</i> ” in this announcement; |

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|----------------------------------|--|
| “Purchaser I” | Onpress PCB Limited, a company incorporated with limited liability in Hong Kong, an associated company of Purchaser II, and a third party independent of the Company and its connected persons; |
| “Purchaser II” | Heshan Onpress Printed Circuit Board Co., Ltd* (鶴山安柏電路版廠有限公司), a company established in the PRC, an associated company of Purchaser I, and a third party independent of the Company and its connected persons; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “Sale and Purchase Agreement I” | the sale and purchase agreement entered into between the Vendor and Purchaser I dated 16 October 2023 relating to Disposal I; |
| “Sale and Purchase Agreement II” | the sale and purchase agreement entered into between the Vendor and Purchaser II dated 16 October 2023 relating to Disposal II; |
| “Share(s)” | ordinary share(s) of the Company; |
| “Shareholder(s)” | holder(s) of the Share(s); |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “Vendor” | Gainbase Industrial (Holding) Limited, a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of the Company. |

* *For identification purposes only*

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

Hong Kong, 16 October 2023

As at the date of this announcement, the Board comprises six Directors, of which two are executive Directors, namely Mr. Tang To and Mr. Tang Yu, Freeman, one is non-executive Director, namely Mr. Kan Wai Wah, and three are independent non-executive Directors, namely Ms. Yeung Shuk Fan, Mr. Lam Kwok Ming and Mr. Lee Wai Yip, Alvin.