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If you are in any doubt as to any aspect about this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, 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 to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF SALE SHARES**

Capitalised terms used on this cover page have the same meaning as defined in the section headed “Definitions” in this circular, unless the context otherwise requires.

A letter from the Board is set out on pages 5 to 13 of this circular.

The Disposal has been approved by written shareholders’ approval obtained from the Closely Allied Group, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. Accordingly, no general meeting will be convened for the purpose of approving the Disposal. This circular is being despatched to the Shareholders for information only.

21 August 2024

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors of the Company;
“Closely Allied Group”	a closely allied group of the Shareholders, comprising Mr. Tang To and his associates;
“Codo”	Codo Development Limited, a company incorporated in Hong Kong with limited liability;
“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”	completion of the Disposal in accordance with the Sale and Purchase Agreement;
“Completion Date”	the business day on which the last of the conditions to the Disposal (except such conditions which are expressed to be satisfied on or as at Completion) are satisfied or waived (or another day as the Seller and the Purchaser may agree in writing);
“connected person”	has the meaning ascribed thereto in the Listing Rules;
“connected transaction”	has the meaning ascribed thereto in the Listing Rules;
“Consideration”	the consideration payable for the Sale Shares under the Sale and Purchase Agreement, being HK\$52,993,165;
“controlling shareholder”	has the meaning ascribed thereto in the Listing Rules;
“Cosmos Holdings”	Cosmos Machinery (Holdings) Limited, a company incorporated in Hong Kong with limited liability;
“Deposits”	the First Deposit and the Second Deposit;
“Director(s)”	director(s) of the Company;
“Disposal”	the sale and purchase of the Sale Shares pursuant to the terms of the Sale and Purchase Agreement;

DEFINITIONS

“First Deposit”	part of the Consideration in the amount of HK\$2,000,000, paid by the Purchaser upon the execution of the Sale and Purchase Agreement;
“Ginta”	Ginta Company Limited, a company incorporated in Hong Kong with limited liability;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hung Cheong”	Hung Cheong Realty Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly-owned subsidiary of Cosmos Holdings;
“Latest Practicable Date”	15 August 2024, 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;
“Long Stop Date”	15 September 2024 (or such other date as the Seller and the Purchaser may agree in writing);
“Mr. Yip”	Mr. Yip Kar Shun 葉嘉信, the father of the Purchaser, and a director and a substantial shareholder of the Target Company;
“PRC”	the People’s Republic of China, excluding, for the purposes of this circular, Hong Kong, the Macao Special Administrative Region and Taiwan;
“Properties”	the three properties held by the Target Company, namely (i) Workshop 3 on 6/F, Worldwide Industrial Centre, 43-47 Shan Mei Street, Shatin, New Territories, Hong Kong, (ii) Workshop 4 on 6/F, Worldwide Industrial Centre, 43-47 Shan Mei Street, Shatin, New Territories, Hong Kong and (iii) Workshop 18 on 7/F, Worldwide Industrial Centre, 43-47 Shan Mei Street, Shatin, New Territories, Hong Kong, each representing 14 out of 6,640 shares of and in Sha Tin Town Lot No. 137;

DEFINITIONS

“Purchaser”	Mr. Yip Kin Keung 葉建強, the son of Mr. Yip;
“Sale and Purchase Agreement”	the sale and purchase agreement entered into between the Seller and the Purchaser dated 10 July 2024;
“Sale Shares”	5,200 ordinary shares in the Target Company held by the Seller, representing 52% of the Target Company’s total number of issued shares;
“Saniwell”	Saniwell Holding Inc., a company incorporated in the Cook Islands with limited liability;
“Second Deposit”	part of the Consideration in the amount of HK\$23,000,000 paid by the Purchaser on or before 31 July 2024;
“Seller”	Major Success Company Limited 致騰有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong);
“Share(s)”	ordinary share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules;
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules;
“Tai Shing”	Tai Shing Agencies Limited, a company incorporated in the British Virgin Islands with limited liability;
“Target Company”	Able Popular Limited 致興有限公司, a company incorporated in Hong Kong with limited liability and an indirect non-wholly-owned subsidiary of the Company;

DEFINITIONS

“Target Group”

the Target Company together with its subsidiaries, namely (i) KFE International Limited, (ii) KFE Hong Kong Co., Limited, (iii) KFE (Shenzhen) Co., Ltd.* (協榮二葉科技(深圳)有限公司), (iv) KFE (Suzhou) Co., Ltd.* (協榮二葉電子(蘇州)有限公司), (v) Kyoei Futaba Engineering Co., Ltd.* (協榮二葉エンジニアリング株式会社) and (vi) KFE (Thailand) Company Limited; and

“%”

percent.

* *For identification purposes only*

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 (*Chairman*)

Mr. Tang Yu, Freeman (*Chief Executive Officer*)

Non-executive Director:

Mr. Kan Wai Wah

Independent Non-executive Directors:

Ms. Yeung Shuk Fan

Mr. Lam Kwok Ming

Mr. Lee Wai Yip, Alvin

Registered Office:

10th Floor, Billion Plaza 2

No. 10 Cheung Yue Street

Cheung Sha Wan

Kowloon, Hong Kong

21 August 2024

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF SALE SHARES

1. INTRODUCTION

Reference is made to the announcement of the Company dated 10 July 2024 in relation to the Sale and Purchase Agreement and the Disposal contemplated thereunder.

The purpose of this circular is to provide you with, among other things, (i) details of the Sale and Purchase Agreement and the Disposal; (ii) financial information of the Group; and (iii) other information as required under the Listing Rules.

2. SALE AND PURCHASE AGREEMENT

On 10 July 2024 (after trading hours), the Seller (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Seller conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Seller, the Sale Shares at the Consideration.

LETTER FROM THE BOARD

The principal terms of the Sale and Purchase Agreement are set out below:

Date

10 July 2024

Parties

- (i) The Seller; and
- (ii) the Purchaser.

Subject Matter

The Seller conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Seller, the Sale Shares, being 5,200 ordinary shares of the Target Company (representing 52% of the total number of its issued shares).

As at the Latest Practicable Date, the Target Company is held as to 52% by the Seller and 48% by Mr. Yip.

Consideration

The consideration payable for the sale and purchase of the Sale Shares is HK\$52,993,165, to be paid by the Purchaser to the Seller in the following manner:

- (a) the First Deposit, being a sum of HK\$2,000,000 has been paid upon the execution of the Sale and Purchase Agreement;
- (b) the Second Deposit, being a further sum of HK\$23,000,000 which has been paid on or before 31 July 2024; and
- (c) the remaining balance of the Consideration, in the sum of HK\$27,993,165, shall be paid on the Completion Date.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser. The Board considered that the Consideration was fair and reasonable, taking into account, primarily, (a) the business prospects of the Target Group and (b) the net asset value of the Target Group (taking into account its assets and liabilities) as at 31 December 2023 and 30 June 2024 (which amounted to approximately HK\$86,243,000 (excluding certain amounts owed to Mr. Yip and other members of the Group which were waived by 30 June 2024) and HK\$88,684,000, respectively).

LETTER FROM THE BOARD

In addition and supplemental to the above, to substantiate the Board's assessment of the Consideration based on the net asset value of the Target Group as at 31 December 2023 and 30 June 2024, for the Board's reference and cross-checking purposes, the Board has also considered and taken into account:

- (i) the appraised fair market value in respect of KFE Hong Kong Co., Limited (an indirect subsidiary of the Target Company) through a valuation of its cash generating unit, which amounted to approximately HK\$76,627,000 as at 31 December 2023; and
- (ii) the appraised fair market value of the Properties, which in aggregate amounted to HK\$11,400,000 as at 15 June 2024.

Conditions

Completion is conditional upon the satisfaction (or waiver, where applicable) of the following conditions:

- (a) the Purchaser's payment of the Deposits;
- (b) the obtaining of all consents which are necessary in respect of the Sale and Purchase Agreement and the transactions contemplated therein;
- (c) none of the Purchaser's warranties in the Sale and Purchase Agreement being found to be, and no event occurring or matter arising which may render or renders such warranties, untrue, inaccurate or misleading in a material respect on and as at the Completion Date;
- (d) none of the Seller's warranties in the Sale and Purchase Agreement being found to be, and no event occurring or matter arising which may render or renders such warranties, untrue, inaccurate or misleading in a material respect on and as at the Completion Date; and
- (e) the execution of the Sale and Purchase Agreement and the transactions contemplated thereunder having complied with all applicable requirements under the Listing Rules, including obtaining Shareholders' approval if necessary.

The conditions referred to in paragraphs (a), (b) (in respect of the consents to be obtained by the Purchaser) and (c) above can be waived by the Seller, and the conditions referred to in paragraphs (b) (in respect of the consents to be obtained by the Seller) and (d) above can be waived by the Purchaser. The condition referred to in paragraph (e) above cannot be waived by either the Seller or the Purchaser. As at the Latest Practicable Date, save for the condition referred to in paragraph (a) which has been fulfilled, none of the conditions above has been fulfilled or waived.

LETTER FROM THE BOARD

In the event that the conditions have not been satisfied or waived on or before the Long Stop Date, the party who is entitled to waive the outstanding condition(s) may elect in its sole discretion to (i) waive the outstanding condition(s) and continue with Completion on such terms as the parties may agree in respect of the unsatisfied condition(s), or (ii) terminate the Sale and Purchase Agreement by notice to the other party.

Under the Sale and Purchase Agreement, the First Deposit is non-refundable to the extent permitted under law, unless the Purchaser elects to not proceed to Completion due to the Seller's failure (i) to obtain the consents referred to in paragraph (b) above, or (ii) to meet the condition in respect of the Seller's warranties referred to in paragraph (d) above. Further, the Seller is entitled to retain and set-off any losses, damages, expenses or liabilities against the Deposits received (or balance thereof) in the event that the Purchaser fails to pay the Second Deposit or comply with his obligations upon Completion. Subject to the aforesaid, the Seller shall refund the Second Deposit if any of the conditions have not been satisfied or waived by the Long Stop Date, or if the Sale and Purchase Agreement is terminated or rescinded before Completion. Refund of any Deposit by the Seller is without interest.

Completion

Completion shall take place at the Seller's office at or before 4:00 p.m. on the Completion Date or such later date as the parties may agree in writing.

Upon Completion, the Group will cease to hold any interest, directly or indirectly, in the Target Group, and each member of the Target Group will cease to be a subsidiary of the Company.

3. GENERAL INFORMATION

The Group

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

The Seller

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

The Purchaser

The Purchaser is a Hong Kong resident, and the son of Mr. Yip.

LETTER FROM THE BOARD

Target Company

The Target Company is a company incorporated in Hong Kong with limited liability and is held as to 52% and 48% by the Seller and Mr. Yip, respectively. It is principally engaged in investment holding activities. The subsidiaries of the Target Company are principally engaged in the business of trading printed circuit boards. The Target Company wholly-owns KFE International Limited, which in turn wholly-owns KFE Hong Kong Co., Limited. KFE Hong Kong Co., Limited is the holding company of the other members of the Target Group, namely KFE (Shenzhen) Co., Ltd.* (協榮二葉科技(深圳)有限公司), KFE (Suzhou) Co., Ltd.* (協榮二葉電子(蘇州)有限公司), Kyoei Futaba Engineering Co., Ltd.* (協榮二葉エンジニアリング株式会社) and KFE (Thailand) Company Limited.

Financial information of the Target Group

Set out below is the financial information of the Target Group based on the unaudited combined financial statements of the Target Group for the financial years ended 31 December 2022 and 31 December 2023.

	For the financial year ended 31 December 2022^(Note) (unaudited) HK\$'000	For the financial year ended 31 December 2023^(Note) (unaudited) HK\$'000
Profit before taxation	10,682	8,272
Profit after taxation	9,347	6,339

Note: The Target Company was incorporated on 8 August 2023, therefore the figures for the year ended 31 December 2022 reflect the results of KFE International Limited and its subsidiaries only (being all of the members of the Target Group except for the Target Company).

The figures for the year ended 31 December 2023 reflect the results of all of the members of the Target Group, including the Target Company.

LETTER FROM THE BOARD

As at 30 June 2024, the unaudited book values of the assets and liabilities of the Target Group were approximately HK\$139,789,000 and HK\$51,105,000 respectively. The Target Company's only assets were the Properties, shares in KFE International Limited (an investment holding company which in turn holds, as its sole asset, shares in KFE Hong Kong Co., Limited) and cash and bank balances in the amount of approximately HK\$510,000. The unaudited net assets value and the fair value of the entire equity interest in the Target Group were approximately HK\$88,684,000 as at 30 June 2024. As at 31 December 2023, the unaudited book values of the assets and liabilities of the Target Group were approximately HK\$138,064,000 and HK\$51,821,000 respectively (excluding certain amounts owed to Mr. Yip and other members of the Group which were waived by 30 June 2024).

4. EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon Completion, the Group will cease to have any interest in the Target Group. Each member of the Target Group will cease to be a subsidiary of the Company, and the financial results of the Target Group thereafter will no longer be consolidated in the financial statements of the Group.

It is expected that the Company would record a gain of approximately HK\$3,999,000 upon Completion. Such gain is estimated based on the Consideration less the consolidated net assets and reclassification of translation reserve (representing the exchange differences arising as a result of the financial position of foreign operations being translated into the Group's presentation currency) of the Target Group as at 30 June 2024, prorated by the Group's 52% interest in the Target Company. It is expected that the Company would also record a decrease in total assets of approximately HK\$139,789,000 (without taking into account the Consideration to be received), as well as a decrease in total liabilities of approximately HK\$51,105,000.

The financial effect of the Disposal as set out in the foregoing paragraph is presented for illustrative purpose only, will be assessed after Completion and is subject to audit.

The sale proceeds from the Disposal are intended to be used by the Group to fund appropriate future investment opportunities that may arise in the 12 months from Completion, subject to the working capital needs of the Group.

As at the Latest Practicable Date, save for any capital expenditures that may be incurred in relation to the new factory set up in Northern China (details of which are set out in the 2023 annual report of the Company published on 25 April 2024), the Company has not identified specific business opportunities and does not have any negotiation, agreement, arrangement or understanding (concluded or otherwise) in relation thereof. If the Board is unable to identify any suitable investment opportunities upon the end of the 12-month period, such amount will be applied towards the general working capital of the Group.

LETTER FROM THE BOARD

5. REASONS FOR AND BENEFITS OF THE DISPOSAL

Reference is made to the announcements of the Company dated 16 October 2023, 1 November 2023, 29 April 2024 and 27 May 2024, and the circular of the Company dated 24 November 2023 in connection with the disposal of the Group's printed circuit boards processing business (the "**Prior Disposal**"). Following the completion of the Prior Disposal in May 2024, the Board holds a pessimistic view on the business prospects of printed circuit boards trading, as the Board considers that the competitive advantage of the Group's printed circuit boards trading business has diminished following the Prior Disposal. The Disposal represents an opportunity for the Group to exit this business and 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.

While KFE Hong Kong Co., Limited and its subsidiaries had recorded profits in the last two years, the Board takes the view that, without the printed circuit boards processing business following the Prior Disposal, the printed circuit board trading business lacks prospect for further development given its simple business model and low barrier to entry. There is also a lack of synergy between the printer circuit board business and the other business segments of the Group after the Group's disposal of its printed circuit boards business.

Upon Completion, the Group will have no operations in the printed circuit boards segment, and will exit the segment entirely.

Following the Disposal, the Group's business strategy will focus on the development of the remaining segments, namely the businesses of machinery manufacturing, machinery leasing, plastic products processing and manufacturing, and industrial consumables trading.

In view of the above, the Directors (including all the independent non-executive Directors) consider that although the Disposal is not in the ordinary and usual course of business of the Group, the terms and conditions for the Disposal are on normal commercial terms, fair and reasonable, and are in the interest of the Company and the Shareholders as a whole.

None of the Directors (including the independent non-executive Directors) has a material interest in the Sale and Purchase Agreement, and none of the Directors has abstained from voting on the relevant Board resolutions.

6. LISTING RULES IMPLICATIONS

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the Purchaser is the son of Mr. Yip, who is a director and a substantial shareholder of the Target Company and hence a connected person of the Company at the subsidiary level. The Purchaser is an associate of Mr. Yip and hence a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

Given that (i) the Purchaser is a connected person of the Company at the subsidiary level; (ii) the Board has approved the Sale and Purchase Agreement; and (iii) all the independent non-executive Directors have confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is only subject to the reporting and announcement requirements, and is exempt from the circular, independent financial advice and Shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Disposal is more than 25% but all of them are less than 75%, the Disposal constitutes a major transaction of the Company and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

7. WRITTEN SHAREHOLDERS' APPROVAL

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 Disposal. As such, no Shareholders would be required to abstain from voting at a general meeting of the Company approving the Disposal 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.

As at the Latest Practicable Date, the Closely Allied Group is 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 ^(Note 3)	3,460,406	0.40
Saniwell ^(Note 4)	36,250,000	4.20
Cosmos Holdings ^(Note 5)	235,802,600	27.36
Tai Shing ^(Note 5)	170,104,452	19.74
Total:	450,813,463	52.30

LETTER FROM THE BOARD

Notes:

1. Percentages are rounded to two decimal points.
2. Ms. Leung Yee Mei is the spouse of Mr. Tang To.
3. Ginta is approximately 99.999% owned by Fullwin Limited (incorporated in the Republic of Liberia, “**Fullwin**”), which in turn is owned as to 50% by Mr. Tang To and 50% by his spouse respectively.
4. Saniwell is the trustee of The Saniwell Trust, the beneficiaries of which include Mr. Tang To and certain of his family members, and Saniwell in turn is owned as to approximately 57.14% by Mr. Tang To.
5. Cosmos Holdings is a subsidiary, and Tai Shing is an indirect subsidiary, of Codo. Codo is owned as to approximately (i) 25.06% by Keepsound Investments Limited (incorporated in Hong Kong, “**Keepsound**”), which is owned as to 94% by Saniwell; and (ii) 30.25% by Friendchain Investments Limited (incorporated in Hong Kong, “**Friendchain**”), which is owned as to approximately 57.42% by Saniwell.

The Company has obtained a written approval for the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Disposal) from the Closely Allied Group. Accordingly, no extraordinary general meeting will be convened to approve the Disposal as permitted under Rule 14.44 of the Listing Rules.

8. RECOMMENDATION

For the reasons set out above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder (including the Disposal) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole, and would recommend the Shareholders to vote in favour of the Disposal if it had been necessary to hold a general meeting for such purpose.

9. ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf 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 2021, 2022 and 2023 was disclosed in the annual reports of the Company for the years ended 31 December 2021, 2022 and 2023, respectively, all of which are incorporated by reference into this circular. All of the abovementioned annual reports can be found on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.cosmel.com>).

The following is the hyperlink to the 2021 annual report of the Company published on 27 April 2022 with its audited consolidated financial statements for the year ended 31 December 2021 on pages 125 to 284:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0427/2022042700705.pdf>

The following is the hyperlink to the 2022 annual report of the Company published on 26 April 2023 with its audited consolidated financial statements for the year ended 31 December 2022 on pages 128 to 288:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042601084.pdf>

The following is the hyperlink to the 2023 annual report of the Company published on 25 April 2024 with its audited consolidated financial statements for the year ended 31 December 2023 on pages 112 to 248:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0425/2024042500582.pdf>

2. STATEMENT OF INDEBTEDNESS**Borrowings**

At the close of business on 30 June 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had (i) unsecured and guaranteed interest-bearing borrowings from financial institutions of approximately HK\$178,070,000; and (ii) unsecured and unguaranteed interest-bearing borrowings from financial institutions of approximately HK\$60,000,000.

Lease liabilities

The Group measures the lease liabilities at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates. At the close of business on 30 June 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had lease liabilities of approximately HK\$12,369,000.

Guarantee

At the close of business on 30 June 2024, being the latest practicable date for the purpose of this indebtedness statement prior to printing of this circular, the Group had given corporate guarantees in an aggregate amount of approximately HK\$4,382,000 to one of the Group's supplier who is, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, a third party that is not a connected person of the Company and is independent of the Company and its subsidiaries, their directors, chief executives and substantial shareholders or their respective associates.

Save as disclosed above and apart from inter-group liabilities, intra-group guarantees, and trade payables in the ordinary course of the Group's business, as at 30 June 2024, the Group did not have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, or term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Group or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, unguaranteed, secured or unsecured; (iii) mortgages or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL STATEMENT

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 12 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, based on the information available to them, there has been no material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Company is an investment holding company whose subsidiaries were, as at the Latest Practicable Date, principally engaged in the business of (i) manufacturing of machinery; (ii) machinery leasing; (iii) processing and manufacturing of plastic products; (iv) trading of printed circuit boards; and (v) trading of industrial consumables.

The Board anticipates that the consumer spending in the traditional manufacturing sectors in the PRC, such as automotive, household appliances, electronics, infrastructures and consumer products, will remain weak. Notwithstanding the disruptions brought by geopolitical tensions between the PRC and western countries on the supply chain and the slower economic growth in the PRC, the Board is of the view that there are still business opportunities for companies in industries such as electric vehicles, renewable energy and storage, and medical devices and applications. In the coming year, the Group intends to focus on machinery manufacturing and trading of industrial consumables, and to provide customised and integrated products and services to customers. The Group expects that the demands for technically advanced machinery produced in the PRC will continue to be high, as regions such as South East Asia, South America, the Middle East and North Africa develop their manufacturing capabilities. The Group also expects stable growth in its plastic products processing business, given the steady demand and strong relationships with long-term customers. Following the Disposal, the Company's processing and manufacturing business remains well positioned to capture such demands and it is keen to focus its resources to set up new production facilities in the PRC.

The Group will remain proactive in exploring suitable investment opportunities and investing in research and development of its manufacturing and production capabilities to navigate the challenging and highly competitive market, and to maintain its competitiveness.

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 executive 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 as set out in Appendix C3 of the Listing Rules (the “**Model Code**”) to be notified to the Company and the Stock Exchange are set out below:

Long positions in the Shares as at the Latest Practicable Date:

Name of Director	Number of Shares Held			Total	Approximate % of the Total Number of Issued Shares
	Personal Interests	Family Interests	Corporate Interests		
Tang To	4,970,005	226,000 <i>(Note 1)</i>	445,617,458 <i>(Note 2)</i>	450,813,463	52.30
Tang Yu, Freeman	–	–	442,157,052 <i>(Note 3)</i>	442,157,052	51.30
Kan Wai Wah	136,400	–	–	136,400	0.02

Notes:

1. 226,000 Shares were held by Mr. Tang To and his spouse jointly.
2. Mr. Tang To was deemed to be interested in 445,617,458 Shares under the SFO, comprising (i) 3,460,406 Shares held by Ginta which is owned as to approximately 99.999% by Fullwin, which in turn is owned as to 50% by Mr. Tang To and 50% by his spouse respectively; (ii) 405,907,052 Shares held by Codo through its wholly-owned subsidiaries, Tai Shing, Hung Cheong and Cosmos Holdings; and (iii) 36,250,000 Shares held by Saniwell (as the trustee of The Saniwell Trust, the beneficiaries of which include Mr. Tang To and certain of his family members) which in turn is owned as to approximately 57.14% by Mr. Tang To. As at the Latest Practicable Date, Mr. Tang To was one of the directors of Ginta.
3. Mr. Tang Yu, Freeman was deemed to be interested in 442,157,052 Shares under the SFO, comprising (i) 405,907,052 Shares held by Codo through its wholly-owned subsidiaries, Tai Shing, Hung Cheong and Cosmos Holdings; and (ii) 36,250,000 Shares held by Saniwell (as the trustee of The Saniwell Trust, the beneficiaries of which include Mr. Tang To and certain of his family members) which in turn is owned as to approximately 42.86% by Mr. Tang Yu, Freeman.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executives of the Company and their respective associates had or was deemed to have 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 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 executive of the Company, the following persons (other than a Director or chief executive of the Company) had, or were deemed to have, 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 the Company or any of its subsidiaries:

Long positions in the Shares as at the Latest Practicable Date:

Name of Substantial Shareholder	Capacity	Number of Shares Held			Approximate % of the Total Number of Issued Shares
		Direct Interests	Deemed Interests	Total	
Tai Shing	Beneficial owner	170,104,452	-	170,104,452	19.74
Cosmos Holdings	Beneficial owner and interest of controlled corporations	235,802,600	170,104,452 (Note 1)	405,907,052	47.09
Codo	Interest of controlled corporations	-	405,907,052 (Note 2)	405,907,052	47.09
Law Kit Fong	Interest of controlled corporations	-	405,907,052 (Note 3)	405,907,052	47.09
Saniwell	Beneficial owner and interest of controlled corporations	36,250,000	405,907,052 (Note 4)	442,157,052	51.30
China Resources (Holdings) Company Limited	Beneficial owner	169,649,046	-	169,649,046	19.68
CRC Bluesky Limited	Interest of controlled corporations	-	169,649,046 (Note 5)	169,649,046	19.68
China Resources Co., Limited	Interest of controlled corporations	-	169,649,046 (Note 6)	169,649,046	19.68

Notes:

1. Tai Shing was wholly-owned by Hung Cheong, which is a wholly-owned subsidiary of Cosmos Holdings. By virtue of the SFO, Cosmos Holdings was deemed to be interested in 170,104,452 Shares held by Tai Shing.

2. Cosmos Holdings was owned as to approximately (i) 99.999% by Codo; and (ii) 0.001% by Glad Season Investments Limited (incorporated in Hong Kong), which was owned as to 50% by Codo and 50% by Cosmos Holdings (as trustee for Codo). By virtue of the SFO, Codo was deemed to be interested in 405,907,052 Shares held by Cosmos Holdings. As at the Latest Practicable Date, Mr. Tang To, Mr. Tang Yu, Freeman and Mr. Kan Wai Wah were the directors of Cosmos Holdings.
3. Codo was owned as to approximately (i) 8.37% by Elegant Power Enterprises Limited (incorporated in Hong Kong, “**Elegant Power**”); and (ii) 30.25% by Friendchain, which was owned as to 40% by Elegant Power. Elegant Power was owned as to approximately 0.002% by Mr. Kan Wai Wah, a non-executive Director (as trustee for Ms. Law Kit Fong), and approximately 99.998% by Ms. Law Kit Fong. By virtue of the SFO, Ms. Law Kit Fong was deemed to be interested in 405,907,052 Shares held by Codo. As at the Latest Practicable Date, Mr. Tang To and Mr. Kan Wai Wah were the directors of Codo.
4. Codo was owned as to approximately (i) 25.06% by Keepsound, which was owned as to 94% by Saniwell; and (ii) 30.25% by Friendchain, which was owned as to approximately 57.42% by Saniwell. By virtue of the SFO, Saniwell was deemed to be interested in 405,907,052 Shares held by Codo. As at the Latest Practicable Date, Mr. Tang To and Mr. Tang Yu, Freeman were the directors of Saniwell.
5. China Resources (Holdings) Company Limited (incorporated in Hong Kong) was a wholly-owned subsidiary of CRC Bluesky Limited (incorporated in the British Virgin Islands). By virtue of the SFO, CRC Bluesky Limited was deemed to be interested in 169,649,046 Shares held by China Resources (Holdings) Company Limited.
6. CRC Bluesky Limited was a wholly-owned subsidiary of China Resources Co. Limited (incorporated in the PRC). By virtue of the SFO, China Resources Co. Limited was deemed to be interested in 169,649,046 Shares held by CRC Bluesky Limited.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and chief executive of the Company, no other person (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 the Company or any of its subsidiaries.

Further, save as disclosed above, as at the Latest Practicable Date, none of the Directors is a director or employee of a company which has an interest or 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.

4. DIRECTORS’ SERVICE CONTRACTS

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

5. LITIGATION

As at the Latest Practicable Date, the Group does not have any litigations or claims of material importance and, so far as the Directors are aware, no litigation or claims of material importance are pending or threatened by or against the Company or any of its subsidiaries.

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 2023, 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 the Company or any of its subsidiaries; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries 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. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Listing Rules) 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.

8. MATERIAL CONTRACTS

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

- (a) the memorandum of understanding dated 16 October 2023 entered into between Onpress PCB Limited (“**Onpress PCB**”) as purchaser and Gainbase Industrial (Holding) Limited (an indirect non-wholly-owned subsidiary of the Company, “**GB Holding**”) as vendor in relation to sale and purchase of (i) the entire share capital of Gainbase Industrial Limited and (ii) the entire equity interest in Shenzhen Gainbase Printed Circuit Board Co., Ltd* (深圳邦基綫路板有限公司) (“**GB Shenzhen**”);
- (b) the sale and purchase agreement dated 16 October 2023 entered into between Onpress PCB as purchaser and GB Holding as vendor relating to sale and purchase of the entire share capital of Gainbase Industrial Limited at the consideration of HK\$1;

- (c) the sale and purchase agreement dated 16 October 2023 entered into between Heshan Onpress Printed Circuits Ltd* (鶴山安栢電路版廠有限公司, “**Heshan Onpress**”) as purchaser, GB Holding as vendor and GB Shenzhen relating to sale and purchase of the entire equity interest in GB Shenzhen at a consideration of approximately RMB137,000,000, subject to price adjustment (the “**GB Shenzhen SPA**”);
- (d) the deed of security dated 1 November 2023 entered into between Onpress PCB, Heshan Onpress, GB Holding and GB Shenzhen in relation to the arrangements for the settlement of consideration under the GB Shenzhen SPA;
- (e) the confirmation letter dated 29 April 2024 entered into between GB Holding, GB Shenzhen and Heshan Onpress, pursuant to which the final consideration for the sale and purchase of the entire equity interest in GB Shenzhen following price adjustment under the GB Shenzhen SPA was confirmed to be RMB131,841,620 (among other things); and
- (f) the Sale and Purchase Agreement.

9. GENERAL

- (a) The registered office of the Company is at 10th Floor, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, Kowloon, Hong Kong.
- (b) The company secretary of the Company is Ms. Wong Lai Tong, an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.
- (c) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

10. DOCUMENTS ON DISPLAY

Electronic copies of the following documents will be published on the websites of the Stock Exchange (<https://www.hkexnews.hk>) and the Company (<http://www.cosmel.com>) from the date of this circular up to 14 days thereafter:

- (a) the Sale and Purchase Agreement; and
- (b) this circular.