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 AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

THE DISPOSAL

On 13 August 2026 (after trading hours), the Seller and the Purchaser entered into the Sale and Purchase Agreement, pursuant to which the Seller agreed to sell, and the Purchaser agreed to purchase, the entire equity interest in the Target Company at the Consideration.

As at the date of this announcement, the Target Company is a subsidiary of the Company and the financial results, assets and liabilities of the Target Company have been consolidated into the accounts of the Group. Upon Completion, the Group will cease to hold any interest, directly or indirectly, in the Target Company, which will cease to be a subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the director of the Target Company, Mr. Diao, wholly-owns and is also the director and legal representative of the Purchaser, therefore the Purchaser is an associate of Mr. Diao and 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.

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% (taking into account the aggregation of a prior connected transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules), 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.

The Company proposes to obtain a written approval for the Disposal 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 Disposal 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 Sale and Purchase Agreement and the Disposal; (ii) financial information of the Group; (iii) a valuation report on the property held by the Target Company; and (iv) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 3 September 2026.

As the Disposal is subject to the satisfaction of the condition precedent, the Disposal 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.

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 13 August 2026 (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 agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of the Target Company at the Consideration. The principal terms of the Sale and Purchase Agreement are set out below:

Date

13 August 2026

Parties

(i) The Seller;

(ii) the Purchaser; and

(iii) Mr. Diao as the Purchaser's guarantor.

Subject Matter

The Seller agreed to sell, and the Purchaser agreed to purchase, the entire equity interest of the Target Company. As at the date of this announcement, the Target Company is 100% owned by the Seller, which is an indirect wholly-owned subsidiary of the Company.

Condition Precedent

Save for the Seller's obligation to return the earnest money (see section headed "*Earnest money*" below), the Seller's obligation in connection with the Disposal under the Sale and Purchase Agreement is conditional upon the obtaining of all necessary consents and approvals under the Listing Rules in respect of the Sale and Purchase Agreement and the transactions contemplated therein. The Board expects the condition precedent to be satisfied once the written Shareholders' approval for the Disposal is obtained from a Shareholder, or a closely allied group of Shareholders, holding in total more than 50% of the voting rights at a general meeting of the Company.

Under the Sale and Purchase Agreement, if the condition precedent is not satisfied within a month of the date of the Sale and Purchase Agreement (or such other period as the Seller and Purchaser may agree), the Sale and Purchase Agreement shall terminate automatically. The Seller shall return the earnest money to the Purchaser in full and without interest, and neither party may claim against the other.

Earnest money

Within seven business days of the date of the Sale and Purchase Agreement, the Purchaser shall pay into the Seller's designated onshore PRC account earnest money in the amount of RMB15,000,000 (approximately HK$17,265,000).

The earnest money shall be refunded without interest to the Purchaser (i) if the condition precedent is not satisfied in accordance with the Sale and Purchase Agreement (see section headed "*Condition Precedent*" above), or (ii) within three business days after the first installment of the Consideration is received by the Seller.

Consideration

The Consideration payable for the Disposal is RMB48,000,000 (approximately HK$55,248,000), to be paid by the Purchaser to the Seller's designated offshore account in the following manner:

(a) a first installment of RMB14,400,000 (approximately HK$16,574,000), net of any tax paid by the Purchaser on the Seller's behalf, shall be paid after the Purchaser has completed registration with the relevant Administration for Market Regulation in the PRC and satisfaction of the foreign exchange requirements in connection with the equity transfer; and

(b) the second installment, in the sum of RMB33,600,000 (approximately HK$38,674,000), shall be paid within three months after the Purchaser has completed registration with the relevant Administration for Market Regulation in the PRC for the equity transfer.

The Consideration was determined after arm's length negotiations between the Seller and the Purchaser after taking into account (i) the appraised fair market value of the Target Company as at 30 June 2026; (ii) the unaudited net asset value of the Target Company as at 30 June 2026; (iii) the foreseeable non-profitable position of the Target Company; (iv) potential costs to wind-up the Target Company estimated based on, among other things, the number of the Target Company's employees; and (v) the business prospects of the Target Company and its lack of continued synergy with the Group's business.

Guarantee

Mr. Diao, as the Purchaser's guarantor, has agreed to guarantee the performance of the obligations of the Purchaser under the Sale and Purchase Agreement for two years from the last date by which the second installment of the Consideration is paid.

Completion

The completion of the Disposal shall take place within seven days of the satisfaction of the condition precedent. Upon Completion, the Group will cease to hold any interest, directly or indirectly, in the Target Company, and the Target Company will cease to be a subsidiary of the Company.

GENERAL INFORMATION

The Group

The Group is principally engaged in the businesses of (i) manufacturing of machinery; (ii) machinery leasing; (iii) processing and manufacturing of plastic products; and (iv) 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 company incorporated in the PRC with limited liability, and is wholly-owned by Mr. Diao as of the date of this announcement. Its principal activity is the trading of plastic raw materials. On 5 February 2026, the Target Company (as the vendor) had disposed the Purchaser to Mr. Diao (as the purchaser), which was completed on 12 February 2026 (please refer to the Company's announcements dated 5 February 2026 and 13 February 2026 for further information).

Target Company

The Target Company is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company as of the date of this announcement. Its principal business is the processing of plastic components for home appliances.

The Purchaser's guarantor

Mr. Diao is a resident of the PRC, and a director and the legal representative of the Target Company. Accordingly, Mr. Diao is a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Set out below is the financial information of the Target Company based on the unaudited financial statements of the Target Company for the years ended 31 December 2024 and 31 December 2025.

	For the financial year ended 31 December 2024	**For the financial year ended 31 December 2025**
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Profit before taxation and extraordinary items	6,694	2,044
Profit after taxation and extraordinary items	6,694	1,292

The unaudited net assets value and the fair value of the entire equity interest in the Target Company were approximately HK$88,431,000 as at 30 June 2026.

EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

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

It is expected that the Company would record a loss of approximately HK$34,832,000 upon Completion. Such loss is estimated after taking into account of (i) the Consideration; (ii) the unaudited net asset value of the Target Company as at 30 June 2026; (iii) all relevant expenses incidental to the Disposal; and (iv) reclassification of translation reserve of the Target Company as at 30 June 2026. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

The sale proceeds from the Disposal are intended to be used by the Group as general working capital and/or funding for any future investment opportunities that may arise.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Sluggish end-market demand in the domestic home appliance industry, coupled with consumption downgrading and normalized price wars, has exerted long-term pressure on the Target Company's profit margins. Although management has optimised production processes and intelligent management to reduce labour costs and waste, the sharp rise in plastic raw material prices in the first half of 2026 has further squeezed profitability.

Given that the Target Company is a single plastic component processing plant for household appliances, its mono-processing business model lacks sustainable growth prospects under the aforementioned headwinds (reflected by the declining profit recorded by the Target Company in the three preceding years). The Group has also considered the potential costs and managerial time required to wind-up the Target Company, as well as the level of interest from third-parties for the Target Company's business. Accordingly, the Group has decided to dispose of the Target Company to allow the Group to reallocate its resources toward other business segments with growth potential, enhancing the Group's overall competitiveness.

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 its 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.

LISTING RULES IMPLICATIONS

Reference is made to the connected transaction announcements of the Company dated 5 February 2026 and 13 February 2026 in relation to the Group's sale of the Purchaser to Mr. Diao. As the prior connected transaction and the current Disposal were entered into with related parties within a 12-month period and are related in nature, these transactions are aggregated pursuant to Rules 14.22 and 14.23 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, the director of the Target Company, Mr. Diao, wholly-owns and is also the director and legal representative of the Purchaser, therefore the Purchaser is an associate of Mr. Diao and 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.

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) each independent non-executive Director has 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% (taking into account the aggregation of a prior connected transaction pursuant to Rules 14.22 and 14.23 of the Listing Rules), 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.

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.

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:

1. Percentages are rounded to two decimal points.

2. Ms. Leung Yee Mei is the spouse of Mr. Tang To.

3. 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.

4. 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.

5. 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) 31.42% by Keepsound Investments Limited, which is owned as to 94% by Saniwell Holding Inc.; and (ii) 37.92% 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 Disposal 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 Disposal 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 Sale and Purchase Agreement and the Disposal; (ii) financial information of the Group; (iii) a valuation report on the property held by the Target Company; and (iv) other information required under the Listing Rules is expected to be despatched to the Shareholders on or before 3 September 2026.

As the Disposal is subject to the satisfaction of the condition precedent, the Disposal 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

"associate"	has the meaning ascribed thereto in the Listing Rules;
"Board"	the board of Directors of the Company;
"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;
"connected person"	has the meaning ascribed thereto in the Listing Rules;
"connected transaction(s)"	has the meaning ascribed thereto in the Listing Rules;
"Consideration"	the consideration payable for the entire equity interest in the Target Company under the Sale and Purchase Agreement, being RMB48,000,000 (approximately HK$55,248,000);
"Directors"	directors of the Company;
"Disposal"	the sale and purchase of the entire equity interest in the Target Company pursuant to the terms of the Sale and Purchase Agreement;
"Group"	the Company and its subsidiaries;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Listing Rule(s)" or "Rule(s)"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Diao"	Mr. Diao Junde, a resident of the PRC, the sole shareholder, director and the legal representative of the Purchaser, and a director of the Target Company as of the date of this announcement;
"PRC"	the People's Republic of China, excluding, for the purposes of this announcement, Hong Kong, the Macao Special Administrative Region and Taiwan;
"Purchaser"	合肥格蘭美新材料有限公司, a company incorporated in the PRC with limited liability;
"RMB"	Renminbi, the lawful currency of the PRC;
"Sale and Purchase Agreement"	the sale and purchase agreement entered into between the Seller and the Purchaser on 13 August 2026;
"Seller"	Grand Technology Products Limited 格蘭科技產品有限公司, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company as of the date of this announcement;
"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;
"Target Company"	Cosmos Grand Plastics Co., Ltd.* 合肥大同格蘭塑業有限公司, a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company as of the date of this announcement; and
"%"	percent.

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

Hong Kong, 13 August 2026

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.

* *For identification purposes only.*

For the purpose of this announcement, unless otherwise specified, the conversion of RMB into HK$ is based on the approximate exchange rate from RMB1.00 to HK$1.151. The exchange rate is adopted for illustration purposes only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.