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PROFIT WARNING

This announcement is made by Cosmos Machinery Enterprises Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of the Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Reference is made to the announcements dated 8 July 2016 and 23 December 2016 in relation to the cease operation of a wholly-owned subsidiary and business update of the Group respectively.

The board of directors of the Company (the “**Board**”) wishes to inform the shareholders of the Company (the “**Shareholders**”) and potential investors that based on a preliminary review on the unaudited consolidated management account of the Group for the financial year ended 31 December 2016 and information presently available to the Board, the Group is expected to record a significant increase in the loss attributable to the equity holders of the Company for the financial year ended 31 December 2016 as compared with the loss of HK\$38,817,000 recorded for the financial year of 2015.

As stated in the announcements of the Company dated 8 July 2016 and 23 December 2016 respectively, the Group planned to restructure the plastic products and processing segment and machinery manufacturing segment during the year, including the cessation of operation of Dongguan MS Plastic Products Co. Limited and Dongguan Cosmos CNC Machinery Limited. Moreover, as part of the strategic plan of restructuring, the Group planned to optimize the production capacities in its Dongguan manufacturing plant by focusing on the development and manufacturing of industry-specific plastic injection moulding machines and increase the utilization of the idle production capacities in its Wuxi manufacturing plant by enhancing the production of medium-to-large size plastic injection moulding machines. Accordingly, an amount of approximately HK\$125 million including provision and payment for employees compensation, impairment of certain fixed assets, potential obsolete stocks and relocation expenses was incurred in the financial year ended 31 December 2016 with respect to the restructuring exercise.

Based on the relevant information currently available, the Board considers that the significant increase in the loss attributable to the equity holders of the Company were mainly attributable to (i) decrease in sales revenue due to the slowdown of economy, in particular, the manufacturing sector in Mainland China; (ii) decrease in the gross profit which was affected by the continuing adjustment of sales strategy to gain additional market share from key competitors; and (iii) the increase in expenses due to the restructuring exercise stated above, in particular, the operating loss of the plastic products and processing segment and the machinery manufacturing segment increased significantly for the financial year ended 31 December 2016, as compared to that of 2015.

The information contained in this announcement is only a preliminary assessment made by the management of the Company based on the unaudited consolidated management accounts of the Group for the financial year ended 31 December 2016 and information presently available to the Board. The audited consolidated financial results of the Group for the financial year ended 31 December 2016 have not been finalized and are subject to confirmation with the auditors of the Company. Further details of the Group's performance will be disclosed in the final results announcement of the Company for the financial year ended 31 December 2016, which is expected to be published in March 2017, and the subsequent publication of the Group's annual report 2016.

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

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

Hong Kong, 17 February 2017

As at the date hereof, the Board comprises nine directors, of which three are executive directors, namely Mr. Tang To, Mr. Wong Yiu Ming, and Mr. Tang Yu, Freeman, and two are non-executive directors, namely Mr. Kan Wai Wah and Mr. Qu Jinping and four are independent non-executive directors, namely Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei.