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COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(Incorporated in Hong Kong with limited liabilities)

CONNECTED TRANSACTION

SUMMARY

The Directors announce that JEI, a wholly owned subsidiary of the Company and GHIL, a non wholly owned subsidiary of the Company, have entered into the Agreement on 25th October, 2002. Pursuant to the Agreement, JEI has agreed to subscribe in cash for the New Shares at a subscription price of HKD1.00 each, representing approximately 53% of the enlarged issued share capital of GHIL immediately after the completion of the Subscription.

As JEI is a wholly owned subsidiary of the Company, the Subscription, being a transaction between JEI and GHIL, a non wholly owned subsidiary of the Company, constitutes a connected transaction of the Company under Chapter 14 of the Listing Rules and is subject to approval by independent shareholders of the Company. To the extent that any of the minority shareholders of GHIL and of Sunford has interest in shares in the Company, the relevant minority shareholder will be required to abstain from voting at the EGM. Neither GHIL, Sunford or Mr. Lau has any interest in shares in the Company as at the date of this announcement. An independent board committee of the Company will be set up to advise the independent shareholders of the Company on the terms of the Agreement, and an independent financial adviser will be appointed to advise the independent board committee. A circular containing, among other things, details of the Agreement, a letter from the independent board committee of the Company and a letter from the independent financial adviser together with a notice to convene the EGM to consider and, if thought fit, to approve the transactions contemplated under the Agreement will be despatched to the shareholders of the Company as soon as practicable pursuant to the Listing Rules.

1. THE AGREEMENT

Date of the Agreement

25th October, 2002

Parties

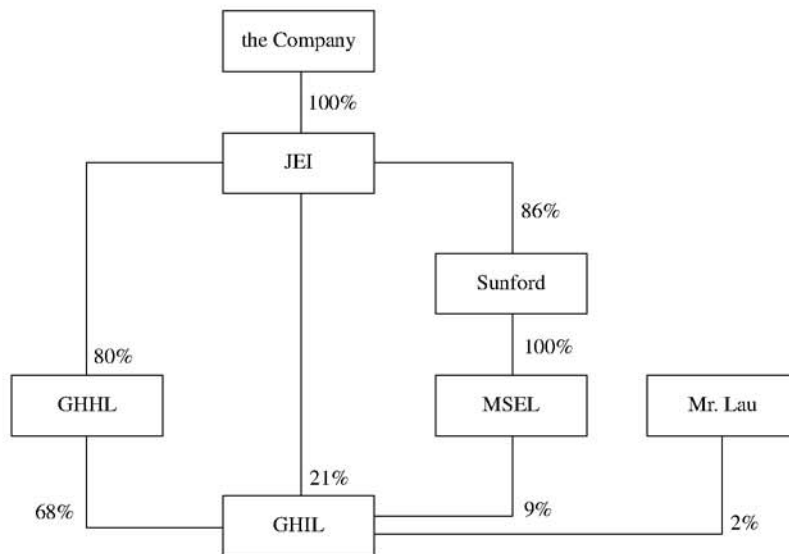
- i. JEI, being the subscriber of the New Shares
- ii. GHIL, being the issuer of the New Shares

Particulars of the Agreement

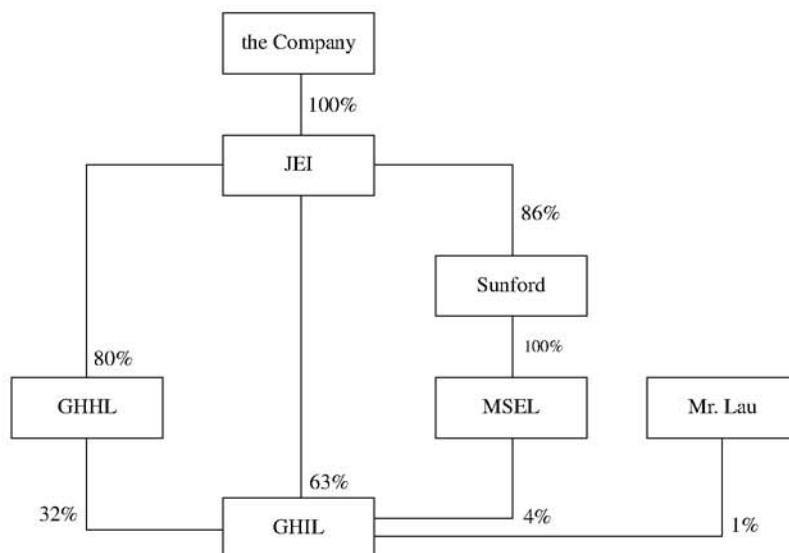
Pursuant to the Agreement, JEI has agreed to subscribe in cash for the New Shares at a subscription price of HKD1.00 each, representing approximately 53% of the enlarged issued share capital of GHIL immediately after the completion of the Subscription.

Prior to completion of the Subscription, JEI owns 4,660,174 shares in GHIL, representing approximately 21% of the existing issued share capital of GHIL.

Shareholding of GHIL immediate before the Subscription
(with approximate percentage figures)



Shareholding of GHIL immediate after the Subscription
(with approximate percentage figures)



Particulars of the New Shares to be subscribed

The New Shares represent approximately 115% of the existing issued share capital of GHIL and approximately 53% of the enlarged issued share capital of GHIL respectively. The New Shares, fully paid upon allotment, shall rank pari passu in all respects with all existing shares of GHIL in issue as at the date of completion of the Agreement.

GHIL was incorporated in Hong Kong on 12th April, 1990 as a limited company, the principal business of which is manufacturing, assembling and designing of electronic products in the People's Republic of China. The issued shares in GHIL are presently owned as to approximately 68% by GHHL (the issued shares of which are in turn owned as to 80% by JEI), as to approximately 21% by JEI directly, as to approximately 9% by MSEL (which is in turn owned as to approximately 86% by JEI) and as to approximately 2% by Mr. Lau. It is expected that, immediately after completion of the Agreement, the issued shares in GHIL will be owned by GHHL as to 14,840,000 shares (representing approximately 32% of the enlarged issued share capital of GHIL), by JEI directly as to 29,660,174 shares (representing approximately 63% of the enlarged issued share capital of GHIL), by MSEL as to 1,935,000 shares (representing approximately 4% of the enlarged issued share capital of GHIL), and by Mr. Lau as to 330,000 shares (representing approximately 1% of the enlarged issued share capital of GHIL). The Group has no present intention to acquire the remaining shares of GHIL. The total issued share capital of GHIL as at 31st December, 2001 amounted to 21,765,174 shares of HKD1.00 each. The audited net loss of GHIL for the two years ended 31st December, 2000 and 31st December, 2001 amounted to HKD8,351,852 and HKD19,256,746 respectively (GHIL not having tax liability in those two years). The value of the audited net assets of GHIL as at 31st December, 2000 amounted to HKD12,369,051, and the audited net liabilities of GHIL as at 31st December, 2001 amounted to HKD6,904,518.

Subscription Price

The subscription price of HKD1.00 for each of the New Shares payable to GHIL by JEI has been arrived at after arm's length negotiations between the parties to the Agreement and is on normal commercial terms after taking into account the financial position of GHIL.

The Directors consider that, in view of the current financial position of GHIL, using the par value of shares in the capital of GHIL as the subscription price is fair and reasonable. The total subscription price amounted to HKD25,000,000 and shall be paid on the date of the completion of the Agreement by internal resources of JEI.

Completion date

Completion of the Agreement is conditional upon satisfaction of a number of conditions precedent set out in the Agreement, including but not limited to the obtaining of the approval of shareholders of the Company independent from GHHL and its associates at the EGM, and the fulfillment and compliance of all requirements of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong). Completion of the Agreement shall take place on the 15th business day following the fulfillment of the conditions precedent, or such later date as the parties may agree.

2. REASONS FOR ENTERING INTO THE AGREEMENT

The Group remains principally engaged in manufacturing and trading of machinery and industrial tools. The strategy is to consolidate its manufacturing business, including electronic products and to strengthen capital structure of the Group by reallocation of resources to more effective uses. The funds raised by GHIL from the Subscription will be used as working capital of GHIL. The Directors consider that the Subscription is in line with the Group's current business strategy and the Agreement is entered into with a view to enhance the operation of the Company and its subsidiaries as a whole. Accordingly, the Directors, including the independent non-executive Directors, consider that the terms of the Agreement are in the interest of the Company and are fair and reasonable so far as shareholders of the Company are concerned.

3. GENERAL

As JEI is a wholly owned subsidiary of the Company, the Subscription, being a transaction between JEI and GHIL, a non wholly owned subsidiary of the Company, constitutes a connected transaction of the Company under Chapter 14 of the Listing Rules and is subject to approval by independent shareholders of the Company. To the extent that any of the minority shareholders of GHHL and of Sunford has interest in shares in the Company the relevant minority shareholder will be required to abstain from voting at the EGM. Neither GHHL, Sunford or Mr. Lau has any interest in shares in the Company as at the date of this announcement. An independent board committee of the Company will be set up to advise the independent shareholders of the Company on the terms of the Agreement, and an independent financial adviser will be appointed to advise the independent board committee. A circular containing, among other things, details of the Agreement, a letter from the independent board committee of the Company and a letter from the independent financial adviser together with a notice to convene the EGM will be despatched to the shareholders of the Company as soon as practicable pursuant to the Listing Rules.

The Directors have noted the recent increases in the price of the shares of the Company and wish to state that, save as mentioned herein, they are not aware of any reasons for such increases. The Directors also confirm that, save and except as mentioned herein, there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under paragraph 3 of the Listing Agreement, neither is the board of Directors aware of any matter discloseable under the general obligation imposed by paragraph 2 of the Listing Agreement, which is or may be of a price-sensitive nature.

4. DEFINITIONS

“Agreement”	a subscription agreement dated 25th October, 2002 and entered into between JEI and GHIL in respect of the Subscription
“Company”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve, inter alia, the Agreement and the transactions contemplated thereunder

“GHHL”	Glory Horse (Holdings) Limited, a company incorporated in Samoa and a non wholly owned subsidiary of the Company
“GHIL”	Glory Horse Industries Limited, a company incorporated in Hong Kong with limited liability and a non wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“JEI”	Jackson Equities Incorporated, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company
“Listing Agreement”	has the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lau”	Mr. LAU Kwok Yau, a shareholder of GHIL and an independent third party not connected with the Group, the Directors and the substantial shareholders of the Company (other than in relation to holdings in GHIL)
“MSEL”	Ming Sun Enterprises Limited, a company incorporated in Hong Kong with limited liability and a non wholly owned subsidiary of the Company
“New Shares”	25,000,000 new shares of par value of HKD1.00 each in the capital of GHIL
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of New Shares by JEI at a subscription price of HKD1.00 each
“Sunford”	Sunford Enterprises Limited, a company incorporated in the British Virgin Islands and a non wholly owned subsidiary of the Company

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

Hong Kong, 25th October, 2002

“Please also refer to the published version of this announcement in The Standard”.

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COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(於香港註冊成立之有限公司)

關連交易

摘要

董事會公佈，本公司全資附屬公司JEI與本公司非全資附屬公司耀駒實業於二零零二年十月二十五日訂立該協議。根據該協議，JEI同意以現金認購新股份，認購價為每股1港元，於認購事項完成後，新股份將佔耀駒實業經擴大已發行股本約53%。

鑑於JEI為本公司全資附屬公司，認購事項為JEI與本公司非全資附屬公司耀駒實業之交易，根據上市規則第十四章，構成本公司一項關連交易，並須待本公司獨立股東批准。倘若任何耀駒控股及Sunford之少數股東擁有本公司之股份權益，有關少數股東須於股東特別大會上放棄投票權。截至本公佈日期止，耀駒控股、Sunford或劉先生概無擁有本公司任何股份權益。本公司將成立獨立董事委員會就該協議條款向本公司之獨立股東提供意見，並委任一名獨立財務顧問向獨立董事委員會提供意見。本公司將根據上市規則在實際可行情況下，將載有包括該協議詳情、本公司獨立董事委員會發出之函件及獨立財務顧問函件之通函，連同召開股東特別大會以考慮及酌情批准該協議預期進行交易之通告，儘快向本公司股東寄發。

1. 該協議

協議日期

二零零二年十月二十五日

立約方

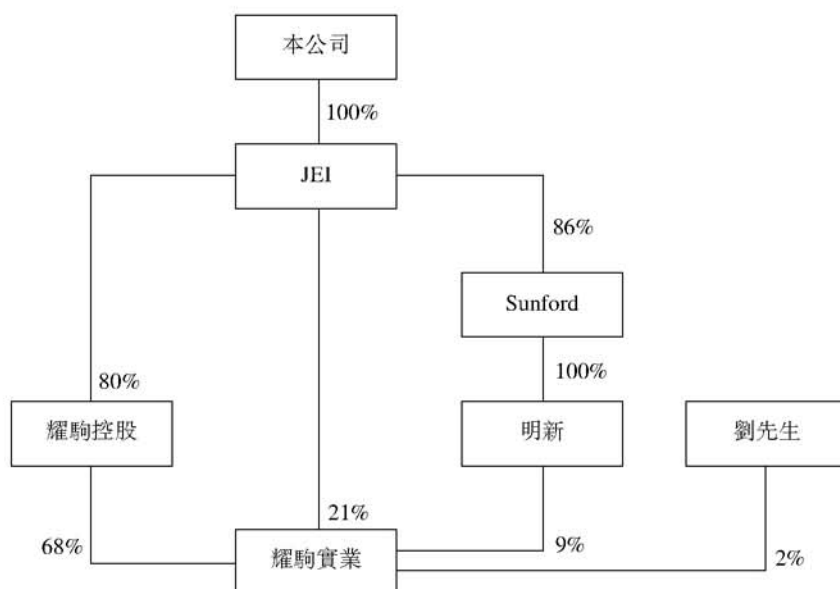
- i) JEI－新股份之認購人
- ii) 耀駒實業－新股份之發行人

該協議之詳情

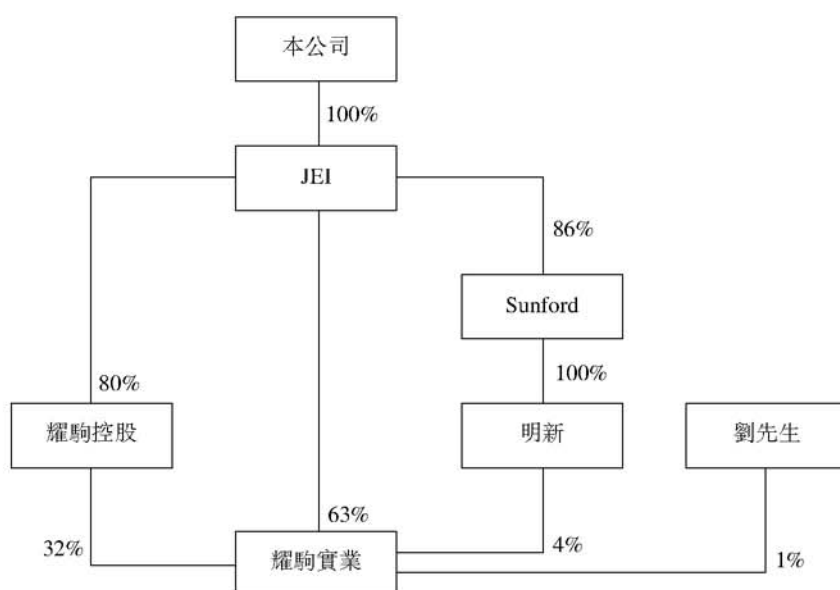
根據該協議，JEI 同意以現金認購新股份，認購價為每股 1 港元，於認購事項完成後，新股份將佔耀駒實業經擴大已發行股本約 53%。

於認購事項完成前，JEI 擁有 4,660,174 股耀駒實業股份，佔耀駒實業現時已發行股本約 21%。

於認購事項前耀駒實業之股權結構
(按相約之百分比數字)



於認購事項後耀駒實業之股權結構
(按相約之百分比數字)



將予認購新股份之詳情

新股份分別佔耀駒實業現時已發行股本約115%及其經擴大已發行股本約53%。於認購協議完成日期，新股份（在配發時繳足）將與耀駒實業現時已發行股份於各方面擁有同等權利。

耀駒實業乃於一九九零年四月十二日在香港註冊成立之有限公司。其主要業務在中華人民共和國境內製造、組裝及設計電子產品。耀駒實業現時由耀駒控股擁有約68%（由JEI擁有該公司已發行股份80%）、由JEI直接擁有約21%、由本公司非全資附屬公司明新擁有約9%（由JEI擁有該公司約86%）及由劉先生擁有約2%已發行股份。因此，於該協議完成後，耀駒實業之已發行股份將分別由耀駒控股擁有14,840,000股（佔耀駒實業經擴大已發行股本約32%）、由JEI直接擁有29,660,174股（佔耀駒實業經擴大已發行股本約63%）、由明新擁有1,935,000股（佔耀駒實業經擴大已發行股本約4%）及由劉先生擁有330,000股（佔耀駒實業經擴大已發行股本約1%）。本集團現時並無意收購耀駒實業其餘股份。耀駒實業於二零零一年十二月三十一日之已發行股本合共為21,765,174股，每股面值1港元之股份。截至二零零零年十二月三十一日及二零零一年十二月三十一日止兩年度之經審核虧損淨額，分別為8,351,852港元及19,256,746港元（於該兩年度，耀駒實業並無應納稅款）。於二零零零年十二月三十一日，耀駒實業之經審核資產淨值為12,369,051港元及於二零零一年十二月三十一日，耀駒實業之經審核負債淨值為6,904,518港元。

認購價

JEI需繳付耀駒實業之認購價為每股新股份1港元。該認購價乃由立約各方按公平原則磋商，並考慮耀駒實業之財務狀況後，按一般商務條款釐定。

董事會認為，就耀駒實業現時之財務狀況而言，以耀駒實業股份之面值作為該認購價之計算基準誠屬公平合理。認購價總額25,000,000港元將於該協議完成日期，以JEI之內部資源繳付。

完成日期

該協議須待滿足各項先決條款（包括但不限於股東特別大會上取得本公司股東（獨立於耀駒控股及其聯繫人士）批准），並履行及遵守公司條例（香港法例第三十二章）之一切規定後，方告完成。預期該協議將於各項先決條款履行後第十五個工作天或經各方同意之較後日期完成。

2. 訂立該協議之原因

本集團仍主要從事製造及買賣機械及工業器材，策略為鞏固其製造業務，包括電子產品，並重新分配資源於更有效之用途上，以強化本集團資本結構。從認購事項所得資金將用作耀駒實業之營運資金。董事會認為認購事項乃合乎本集團目前之業

務策略，而簽訂該協議可望改善本公司及其附屬公司整體之營運狀況。故此，董事會（包括本公司獨立非執行董事）認為該協議條款對本公司有利，而對本公司股東而言誠屬公平合理。

3. 一般事項

鑑於JEI為本公司全資附屬公司，認購事項為JEI與本公司非全資附屬公司耀駒實業之交易，根據上市規則第十四章，構成本公司一項關連交易，並須待本公司獨立股東批准。倘若任何耀駒控股及Sunford之少數股東擁有本公司之股份權益，有關少數股東須於股東特別大會上放棄投票權。截至本公佈日期止，耀駒控股、Sunford或劉先生概無擁有本公司任何股份權益。本公司將成立獨立董事委員會就該協議條款向本公司獨立股東提供意見，並委任一名獨立財務顧問向獨立董事委員會提供意見。本公司將根據上市規則在實際可行情況下，將載有包括該協議詳情、本公司獨立董事委員會發出之函件及獨立財務顧問函件之通函，連同召開股東特別大會之通告，儘快向本公司股東寄發。

董事會已知悉最近本公司之股價上升，茲聲明除以上所述外，彼等並不知悉導致該等上升之任何原因。董事會同時確認，除本公佈所述外，目前並無任何有關收購或變賣的商談或協議為根據上市協議第3段而須予公開者；董事會亦不知悉有任何足以或可能影響價格的事宜為根據上市協議第2段所規定的一般責任而須予公開者。

4. 釋義

「該協議」	指	JEI及耀駒實業於二零零二年十月二十五日就認購事項簽訂之認購協議
「本公司」	指	大同機械企業有限公司，在香港註冊成立之有限公司，其證券在聯交所上市
「董事會」	指	本公司董事會
「股東特別大會」	指	本公司將舉行之股東特別大會以批准（其中包括）該協議及預期進行之該等交易
「耀駒控股」	指	耀駒（控股）有限公司，在薩摩亞註冊成立之公司，並為本公司非全資附屬公司
「耀駒實業」	指	耀駒實業有限公司，在香港註冊成立之有限公司，並為本公司非全資附屬公司
「本集團」	指	本公司及其附屬公司

「JEI」	指	Jackson Equities Incorporated，在英屬處女群島註冊成立之公司，並為本公司全資附屬公司
「上市協議」	指	與上市規則就此詞語所定之涵義相同
「上市規則」	指	聯交所證券上市規則
「劉先生」	指	劉國友先生，耀駒實業股東之一，並為獨立第三方，與本集團、董事會及主要股東概無關連（所持有耀駒實業之股份除外）
「明新」	指	明新實業有限公司，在香港註冊成立之有限公司，並為本公司非全資附屬公司
「新股份」	指	耀駒實業股本中25,000,000股新股份，每股面值1港元
「聯交所」	指	香港聯合交易所有限公司
「認購事項」	指	JEI以每股1港元之代價認購新股份
「Sunford」	指	Sunford Enterprises Limited，在英屬處女群島註冊成立之公司，並為本公司非全資附屬公司

承董事會命
大同機械企業有限公司
主席
鄧燾

香港，二零零二年十月二十五日

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