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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)*

**(Stock code: 118)**

### **CONNECTED TRANSACTION**

The Board announces that Fair Friend and Yunchang Electronics have entered into the Agreement on 24 March 2004. Pursuant to the Agreement, Fair Friend has agreed to subscribe in cash for the capital interest in the amount of USD510,000 (equivalent to approximately HKD3,978,000), representing 51% in the proposed total registered capital of the New Company, at a subscription price of USD510,000 (equivalent to approximately HKD3,978,000) and Yunchang Electronics has agreed to subscribe in cash for the capital interest in the amount of USD490,000 (equivalent to approximately HKD3,822,000), representing 49% in the proposed total registered capital of the New Company at a subscription price of USD490,000 (equivalent to approximately HKD3,822,000).

As Yunchang Electronics is a substantial shareholder of GL Precision which is a non wholly-owned subsidiary of the Company, the entering into of the Agreement by Fair Friend and Yunchang Electronics constitutes a connected transaction of the Company under the Listing Rules. As the total investment in the New Company by Fair Friend represents less than 3% of the unaudited consolidated net tangible asset value of the Company and its subsidiaries as shown in its interim report as at 30 June 2003, pursuant to Rule 14.25(1) of the Listing Rules, no shareholders' approval is required for the connected transaction and only certain specified details of the transaction are required to be included in this announcement. Details of the transaction will also be included in the Company's next annual report and accounts.

# 1. THE AGREEMENT

## Date of the Agreement

24 March 2004

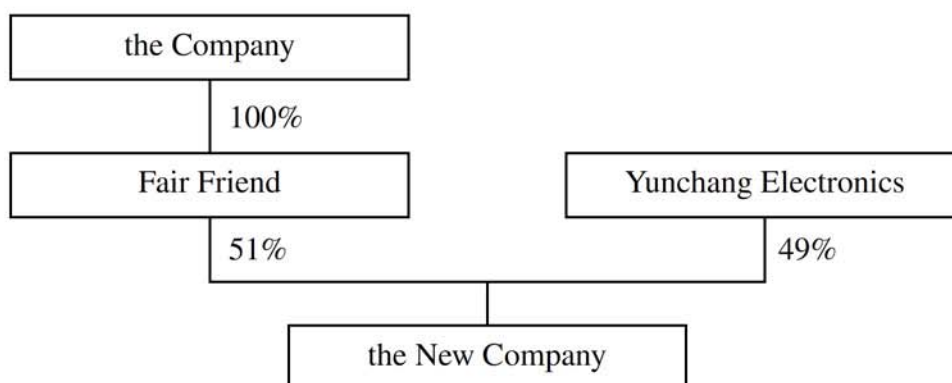
## Parties

- i. Fair Friend, being the subscriber of 51% capital interest in the New Company
- ii. Yunchang Electronics, being the subscriber of 49% capital interest in the New Company

## Particulars of the Agreement

Pursuant to the Agreement, Fair Friend has agreed to subscribe in cash for the capital interest in the amount of USD510,000 (equivalent to approximately HKD3,978,000), representing 51% of the proposed total registered capital of the New Company at a subscription price of USD510,000 (equivalent to approximately HKD3,978,000) and Yunchang Electronics has agreed to subscribe in cash for the capital interest in the amount of USD490,000 (equivalent to approximately HKD3,822,000), representing 49% in the proposed total registered capital of the New Company at a subscription price of USD490,000 (equivalent to approximately HKD3,822,000).

Upon incorporation of the New Company, its shareholding structure shall be as follows:





## **Particulars of the New Company**

The New Company is to be incorporated in the PRC as a Sino-foreign equity joint venture of which the principal businesses are manufacturing and sale of plastic processing products, plastic machine components, electronic and electrical appliances and products in the PRC. It is proposed to be owned as to 51% by Fair Friend and as to 49% by Yunchang Electronics. The board of directors of the New Company shall consist of five directors, three directors (including the chairman) will be appointed by Fair Friend and the remaining two directors will be appointed by Yunchang Electronics. The quorum for directors' meetings is the presence of two-thirds of the total number of directors entitled to vote at the meetings. Any resolution passed will be invalid if: (i) less than two-thirds of the total number of directors; or (ii) no director appointed by Fair Friend was present at the meeting. The term of the New Company is for a period of 15 years, which is renewable six months before its expiry if the board of directors of the New Company unanimously agrees.

The total investment sum and the total registered capital of the New Company amount to RMB16,520,000 (equivalent to approximately HKD15,585,000) and USD1,000,000 (equivalent to approximately HKD7,800,000) respectively. There is no agreement or commitment as to the difference between the total investment sum and the total registered capital of the New Company. Upon incorporation of the New Company, it will be owned as to 51% by Fair Friend and 49% by Yunchang Electronics. Fair Friend and Yunchang Electronics will share the profits (if any) of the New Company in the ratio of 51% to 49%. Upon its incorporation, the New Company will become a non wholly-owned subsidiary of the Company.

## **Subscription Price**

The subscription prices of USD510,000 (equivalent to approximately HKD3,978,000) and USD490,000 (equivalent to approximately HKD3,822,000) respectively payable to the New Company by Fair Friend and Yunchang Electronics have been arrived at after arm's length negotiations between the parties and are on normal commercial terms.

The Board, including independent non-executive directors of the Company, considers using par value of the capital interest in the New Company as a basis for determination of subscription prices is fair and reasonable. Each of Fair Friend and Yunchang Electronics shall pay 30% of their respective subscription prices within three months following the issuance of the business licence of the New Company and their respective remaining

balance shall be paid within one year after issuance of the business licence. Fair Friend will finance its subscription price from its internal resources.

### **Completion Date**

Incorporation of the New Company is conditional upon satisfaction of all registration procedures as required by the relevant government authorities in the PRC. It is expected that the New Company will be incorporated on 10 May 2004 or a later date as the parties may agree in writing.

## **2. REASONS FOR ENTERING INTO THE AGREEMENT**

The Group is principally engaged in trading of industrial tools, manufacturing of machinery and plastic processing products. As the Group envisages that there will be satisfactory growth of the plastic processing business in the PRC market, the Board considers that subscription of the capital interest in the New Company is in line with the Group's current business strategy and that it will enhance the profitability of the Company by further implementing the Group's strategic development of its plastic processing business. Accordingly, the Board, including the independent non-executive directors of the Company, considers that the terms of the Agreement are in the interest of the Company and are fair and reasonable so far as the shareholders of the Company are concerned.

## **3. GENERAL**

As Yunchang Electronics is a substantial shareholder of GL Precision which is a non wholly-owned subsidiary of the Company, the entering into of the Agreement by Fair Friend and Yunchang Electronics constitutes a connected transaction of the Company under the Listing Rules. As the total investment in the New Company by Fair Friend represents less than 3% of the unaudited consolidated net tangible asset value of the Company and its subsidiaries as shown in its interim report as at 30 June 2003, pursuant to Rule 14.25(1) of the Listing Rules, no shareholders' approval is required for the connected transaction and only certain details of the transaction are required to be included in this announcement. Details of the transaction will also be included in the Company's next annual report and accounts.



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

Hong Kong, 24 March 2004

## **DEFINITIONS**

“Agreement”	an agreement dated 24 March 2004 and entered into between Fair Friend and Yunchang Electronics in respect of the subscription of 51% and 49% capital interests in the New Company by Fair Friend and Yunchang Electronics respectively
“Board”	the board of directors of the Company
“Company”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“Fair Friend”	Fair Friend (Hong Kong) Enterprise Co., Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“GL Precision”	Wuxi GL Precision Plastic Products Co., Ltd, a Sino-foreign equity joint venture established in the PRC and a non wholly-owned subsidiary of the Company
“Group”	the Company together with its subsidiaries
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange
“New Company”	Wuxi Cosmos Yunchang Plastic Co., Ltd., a new Sino-foreign equity joint venture to be established in the PRC and which will be a non wholly-owned subsidiary of the Company

“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“USD”	The United States dollars, the lawful currency of the United States
“Yunchang Electronics”	Wuxi City Xinqu Yunchang Electronics Trading Ministry* (無錫市新區運昌電子經營部), an enterprise established in the PRC and a substantial shareholder of GL Precision

\* *The English name is only a translation of its official Chinese name.*

*Unless otherwise specified, the translation of United States dollars into Hong Kong dollars is based on the approximate exchange rate of USD1.00 : HKD7.80 and the translation of Hong Kong dollars into Renminbi is based on the approximate exchange rate of HKD1.00 : RMB1.06.*

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)

(股份代號：118)

### 關連交易

董事會公布，友嘉與運昌電子於二零零四年三月二十四日訂立該協議。根據該協議，友嘉同意以現金認購510,000美元（折合約3,978,000港元）之資本權益，佔新公司建議註冊資本總額之51%，認購價為510,000美元（折合約3,978,000港元）及運昌電子同意以現金認購490,000美元（折合約3,822,000港元）之資本權益，佔新公司建議註冊資本總額之49%，認購價為490,000美元（折合約3,822,000港元）。

鑑於運昌電子為本公司非全資附屬公司吉愛爾之主要股東，根據上市規則，友嘉與運昌電子簽訂該協議構成本公司一項關連交易。由於友嘉於新公司之投資總額少於本公司於二零零三年六月三十日之中期報告所列表載本公司及其附屬公司之未經審核綜合有形資產淨值之3%，根據上市規則第14.25(1)條，為無須由股東批准的關連交易。只須於本公布加入交易的特定資料。同時，於本公司下一次週年報告及賬目內加入交易的詳細資料。

#### 1. 該協議

##### 協議日期

二零零四年三月二十四日

##### 立約方

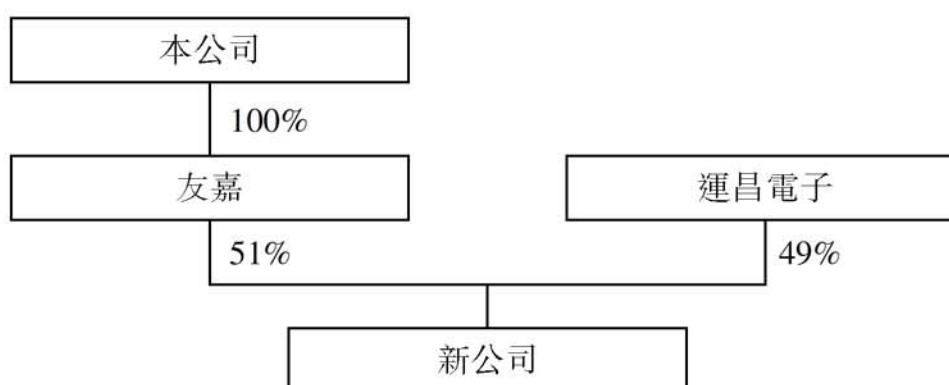
- i. 友嘉－新公司資本權益之51%之認購人
- ii. 運昌電子－新公司資本權益之49%之認購人



## 該協議之詳情

根據該協議，友嘉同意以現金認購510,000美元（折合約3,978,000港元）之資本權益，佔新公司之建議註冊資本總額之51%，認購價為510,000美元（折合約3,978,000港元）及運昌電子同意以現金認購490,000美元（折合約3,822,000港元）之資本權益，佔新公司之建議註冊資本總額之49%，認購價為490,000美元（折合約3,822,000港元）。

於新公司註冊成立時，其股權結構如下：



## 有關新公司之詳情

新公司乃一間於中國註冊成立之中外合資公司。主要業務在中國從事生產及銷售塑料製品及塑料機械零配件、電子電器產品。現建議由友嘉擁有51%及運昌電子擁有49%股權。新公司董事會由五位董事組成，其中三位董事（包括董事長）將由友嘉委任，其餘兩位董事將由運昌電子委任，董事會議之法定人數為全體有權投票的董事的三分之二出席，若 (i) 不夠全體董事的三分之二；或 (ii) 無友嘉委任的董事出席會議時，通過的任何決議為無效。新公司之合資期限為十五年，經新公司董事會一致通過，可在合資期滿六個月前續約。

新公司投資總額及註冊資本總額分別為16,520,000元人民幣（折合約15,585,000港元）及1,000,000美元（折合約7,800,000港元）。對於新公司之投資總額及註冊資本總額之差額並無協議或承諾。於新公司註冊成立時，將由友嘉擁有51%及運昌電子擁有49%股權。友嘉及運昌電子將按照51%比49%的比例分配新公司利潤（如有），新公司於註冊成立時，將成為本公司非全資附屬公司。

## 認購價

友嘉及運昌電子分別需繳付新公司510,000美元（折合約3,978,000港元）及490,000美元（折合約3,822,000港元）之認購價。該等認購價乃由立約各方按公平原則磋商及按照一般商務條款釐定。



董事會（包括本公司獨立非執行董事）均認為以新公司資本權益之面值作為決定認購價之基準誠屬公平合理。友嘉及運昌應各自於新公司營業執照發出後三個月內繳清認購價之30%及於營業執照發出後一年內繳清餘額，友嘉將以內部資源繳付認購價。

### 完成日期

新公司須待中國有關政府機關規定之一切註冊程序滿足後方告註冊成立，預期新公司將於二零零四年五月十日或經各方同意之較後日期註冊成立。

## 2. 訂立該協議之原因

本集團主要從事工業器材貿易業務、機械及注塑製品業務，本集團預計注塑業務在中國市場將有理想發展，董事會認為認購新公司資本權益乃合乎本集團目前之業務策略，並可透過策略性發展本集團之注塑業務，為本公司謀取更佳的回報。故此，董事會（包括本公司之獨立非執行董事）均認為該協議之條款對本公司有利，而對本公司股東而言誠屬公平合理。

## 3. 一般事項

鑑於運昌電子為本公司非全資附屬公司吉愛爾之主要股東，根據上市規則，友嘉與運昌電子簽訂該協議構成本公司一項關連交易。由於友嘉於新公司之投資總額少於本公司於二零零三年六月三十日之中期報告所列表載本公司及其附屬公司之未經審核綜合有形資產淨值之3%，根據上市規則第14.25(1)條，為無須由股東批准的關連交易。只須於本公布加入交易的特定資料。同時，於本公司下一次週年報告及賬目內加入交易的詳細資料。

承董事會命  
大同機械企業有限公司  
主席  
鄧燾

香港，二零零四年三月二十四日

### 釋義

「該協議」 指 友嘉與運昌電子於二零零四年三月二十四日就友嘉及運昌電子分別認購新公司之51%及49%資本權益而簽訂之協議

「董事會」	指	本公司董事會
「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
「友嘉」	指	友嘉（香港）實業有限公司，在香港註冊成立之有限公司及為本公司全資附屬公司
「吉愛爾」	指	無錫吉愛爾精密塑料產品有限公司，在中國成立之中外合資企業及為本公司非全資附屬公司
「本集團」	指	本公司及其附屬公司
「港元」	指	港元，香港法定貨幣
「上市規則」	指	聯交所證券上市規則
「新公司」	指	無錫大同運昌塑業有限公司，在中國成立之中外合資企業及為本公司非全資附屬公司
「中國」	指	中華人民共和國
「人民幣」	指	人民幣，中國法定貨幣
「聯交所」	指	香港聯合交易所有限公司
「美元」	指	美元，美國法定貨幣
「運昌電子」	指	無錫市新區運昌電子經營部，在中國成立之企業及為吉愛爾之主要股東

除特別指明，美元乃按1.00美元兌7.80港元之概約匯率換算成港元，人民幣乃按1.00港元兌1.06元人民幣之概約匯率換算成港元。

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