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COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 118)

CONNECTED TRANSACTION

The Directors announce that, on 3rd May, 2005, GTPL has entered into the Agreement with WX Factory. Pursuant to the Agreement, GTPL has agreed to acquire from WX Factory its 24% equity interest in Grand Plastic Machine representing registered capital of Grand Plastic Machine in the amount of USD684,000 (equivalent to approximately HKD5,321,520) at the consideration of RMB4,418,700 (equivalent to approximately HKD4,168,585).

As Grand Plastic Machine is a non-wholly owned subsidiary of the Company, WX Factory, being a substantial shareholder of Grand Plastic Machine, is a connected person of the Company within the meaning of the Listing Rules and the Acquisition constitutes connected transaction of the Company and is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

1. THE AGREEMENT

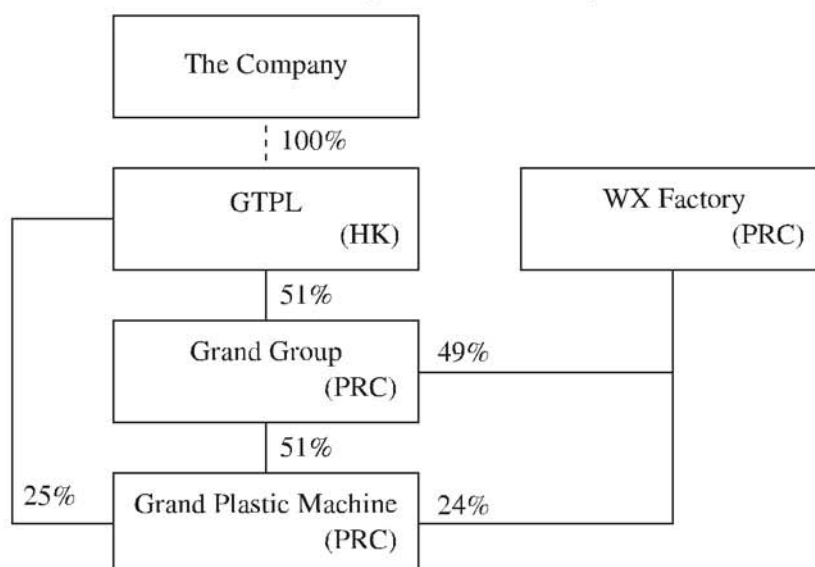
Date: 3rd May, 2005

Parties: (1) GTPL as purchaser
(2) WX Factory as vendor

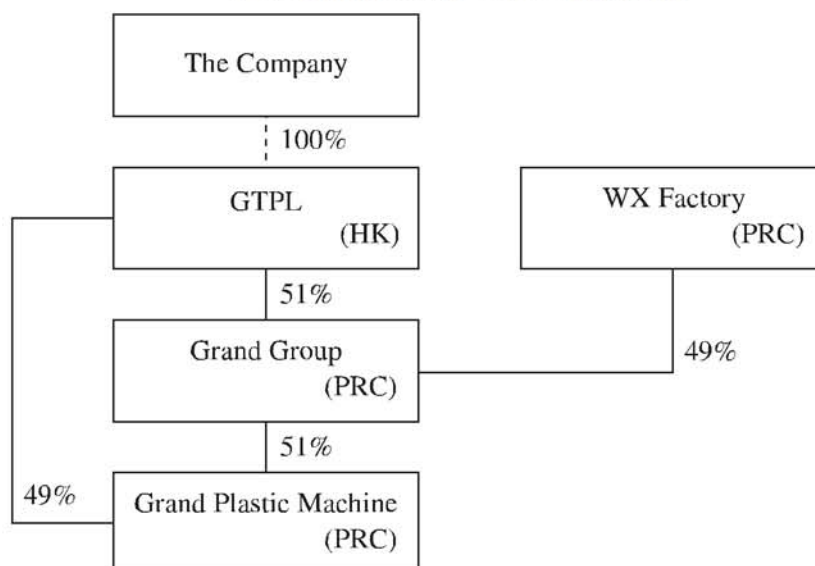
Particulars of the Agreement:

Pursuant to the Agreement, GTPL has agreed to acquire 24% equity interest in Grand Plastic Machine, representing registered capital of Grand Plastic Machine in the amount of USD684,000 (equivalent to approximately HKD5,321,520) from WX Factory at the consideration of RMB4,418,700 (equivalent to approximately HKD4,168,585). Upon completion of the Agreement, Grand Plastic Machine will be owned as to 51% by Grand Group and as to 49% by GTPL.

Shareholding structure of Grand Plastic Machine immediately before completion of the Acquisition



Shareholding structure of Grand Plastic Machine after completion of the Acquisition



2. PARTICULARS OF ASSET TO BE ACQUIRED

Grand Plastic Machine, located in Wuxi, the PRC, was incorporated in the PRC in 1997 as a Sino-foreign joint venture the principal businesses of which are manufacturing, assembling and sale of plastic injection moulding machines in the PRC. It is currently owned as to 51% by Grand Group, as to 25% by GTPL and as to 24% by WX Factory and is therefore an indirect non-wholly owned subsidiary of the Company. Grand Group acquired aggregate 51% equity interest in Grand Plastic Machine in 2002 from GTPL and WX Factory. GTPL reduced its equity interest in Grand Plastic Machine from 51% to 25% and WX Factory reduced its equity interest in Grand Plastic Machine from 49% to 24% in 2002 under the same transaction. Upon completion of the Agreement, Grand Plastic Machine will be owned as to 51% by Grand Group and as to 49% by GTPL and remains an indirect non wholly-owned subsidiary of the Company. The total registered capital of Grand Plastic Machine amounted to USD2,850,000 (equivalent to approximately HKD22,173,000) as at 31st December, 2004. The audited net profit before and after taxation (based on PRC accounting standard) of Grand Plastic Machine for the year ended 31st December, 2003 amounted to RMB2,823,094.63 (equivalent to approximately HKD2,663,297) and RMB2,442,433.79 (equivalent to approximately HKD2,304,183) respectively. The audited net profit before and after taxation (based on PRC accounting standard) of Grand Plastic Machine for the year ended 31st December, 2004 amounted to RMB3,522,329 (equivalent to approximately HKD3,322,952) and RMB3,089,887 (equivalent to approximately HKD2,914,988) respectively. The audited net asset value (based on PRC accounting standard) of Grand Plastic Machine as at 31st December, 2004 amounted to RMB41,839,229 (equivalent to approximately HKD39,470,971). The original purchase cost of the 24% equity interest in Grand

Plastic Machine by WX Factory was USD684,000 (equivalent to approximately HKD5,321,520) and WX Factory owns such equity interest since the incorporation of Grand Plastic Machine in 1997.

3. BASIS AND PAYMENT TERM OF THE CONSIDERATION

The consideration for the Acquisition under the Agreement is RMB4,418,700 (equivalent to approximately HKD4,168,585). The consideration shall be payable in cash upon completion of the Acquisition and shall be funded by the internal resources of the Group. The consideration for Acquisition has been arrived at after arm's length negotiations between the parties and are on normal commercial terms after taking into account the financial performance and net asset value of Grand Plastic Machine. The consideration of RMB4,418,700 (equivalent to approximately HKD4,168,585) approximately represents the attributable 24% of the unaudited net asset value (based on PRC accounting standard) of Grand Plastic Machine in the approximate amount of RMB20,453,000 (equivalent to approximately HKD19,295,283) as at 31st July, 2004.

Upon completion of the Acquisition, Grand Plastic Machine will be owned as to 51% by Grand Group and as to 49% by GTPL.

The Directors (including independent non-executive Directors) consider that the use of the unaudited net asset value as at 31st July 2004 of Grand Plastic Machine (based on PRC accounting standard) as a basis for determination of the consideration is fair and reasonable.

4. COMPLETION DATE

Completion of the Acquisition shall take place within the 30 days after the conditions as set out in the Agreement have been satisfied. Such conditions include the following:–

- (i) each of the parties under the Agreement having obtained valid board resolutions approving the transactions contemplated under the Agreement;
- (ii) in the view that the Company, being the controlling shareholder of GTPL, is listed on the main board of the Stock Exchange, GTPL shall procure that the Agreement complies with the requirements of the Stock Exchange;
- (iii) obtaining approval of the Agreement from the relevant government authorities in the PRC and the new foreign-invested enterprises business license documents in respect of Grand Plastic Machine having been issued by the relevant government authorities in the PRC.

5. REASONS FOR ENTERING INTO THE AGREEMENT

The Group is principally engaged in manufacturing and trading of plastic injection moulding machines and industrial tools. It is the Group's strategy to strengthen its capital structure and to reallocate resources for use in a more effective way. The Directors consider that the Acquisition is in line with the Group's current business strategy. Accordingly, the Directors, including the independent non-executive Directors, also consider that the Agreement is on normal commercial terms and the terms of the Agreement are in the interest of the Company and are fair and reasonable so far as the Company and its shareholders as a whole are concerned.

6. GENERAL

As far as the Company is aware, WX Factory is principally engaged in manufacturing of facilities for plastic industry.

As Grand Plastic Machine is a non-wholly owned subsidiary of the Company, WX Factory being a substantial shareholder of Grand Plastic Machine, is a connected person of the Company within the meaning of the Listing Rules and the Acquisition therefore constitute a connected transaction of the Company and is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules.

7. DEFINITIONS:

“Acquisition”	the acquisition of 24% equity interest in Grand Plastic Machine by GTPL from WX Factory pursuant to the terms and conditions of the Agreement
“Agreement”	the transfer agreement dated 3rd May, 2005 and entered into between GTPL and WX Factory in respect of the acquisition of 24% equity interest in Grand Plastic Machine by GTPL from WX Factory
“Board”	board of Directors

“Company”	Cosmos Machinery Enterprises Limited (大同機械企業有限公司), a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
“Directors”	directors of the Company (including independent non-executive directors)
“Grand Group”	Wuxi Grand Tech Machinery Group Ltd. (無錫格蘭機械集團有限公司), a Sino-foreign joint venture established in the PRC and a non-wholly owned subsidiary of the Company
“Grand Plastic Machine”	Wuxi Grand Plastic Machine Manufacture Co., Ltd (無錫格蘭塑機製造有限公司), a Sino-foreign joint venture established in the PRC and a non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“GTPL”	Grand Technology Products Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 of America
“WX Factory”	無錫塑料機械廠 (Wuxi Plastic Machinery Factory), a company established in the PRC

Unless otherwise specified, the conversion of Renminbi into Hong Kong dollars is based on the exchange rate of HKD1.00:RMB1.06 and the conversion of United States dollars into Hong Kong dollars is based on the exchange rate of USD1.00:HKD7.78. No representation is made that the amounts in question have been, could have been or could be converted at the above rates.

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

Hong Kong, 4th May, 2005

As at the date hereof, the board of directors of the Company is comprised of eleven directors, of which five are executive directors, namely Mr. Tang To, Mr. Zhao Zhuoying, Mr. Wong Yiu Ming, Mr. Yan Wing Fai Richard and Mr. Li Tin Loi, and three are non-executive directors, namely Mr. Tang Kwan, Mr. He Zhiqi and Mr. Kan Wai Wah and three are independent non-executive directors, namely Mr. Liang Shangli, Mr. Yip Jeffery and Miss Yeung Shuk Fan.

“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

董事宣布，於二零零五年五月三日，香港格蘭與無錫廠簽訂該協議。根據該協議，香港格蘭同意向無錫廠收購格蘭塑機24%資本權益，佔格蘭塑機註冊資本684,000美元（折合約5,321,520港元），無錫廠收取之代價為人民幣4,418,700元（折合約4,168,585港元）。

由於格蘭塑機為本公司之非全資附屬公司，無錫廠為格蘭塑機之主要股東，根據上市規則，無錫廠為本公司之關連人士，故此，該收購將構成本公司之關連交易及須遵照上市規則第十四A章之報告及公告規定。

1. 該協議

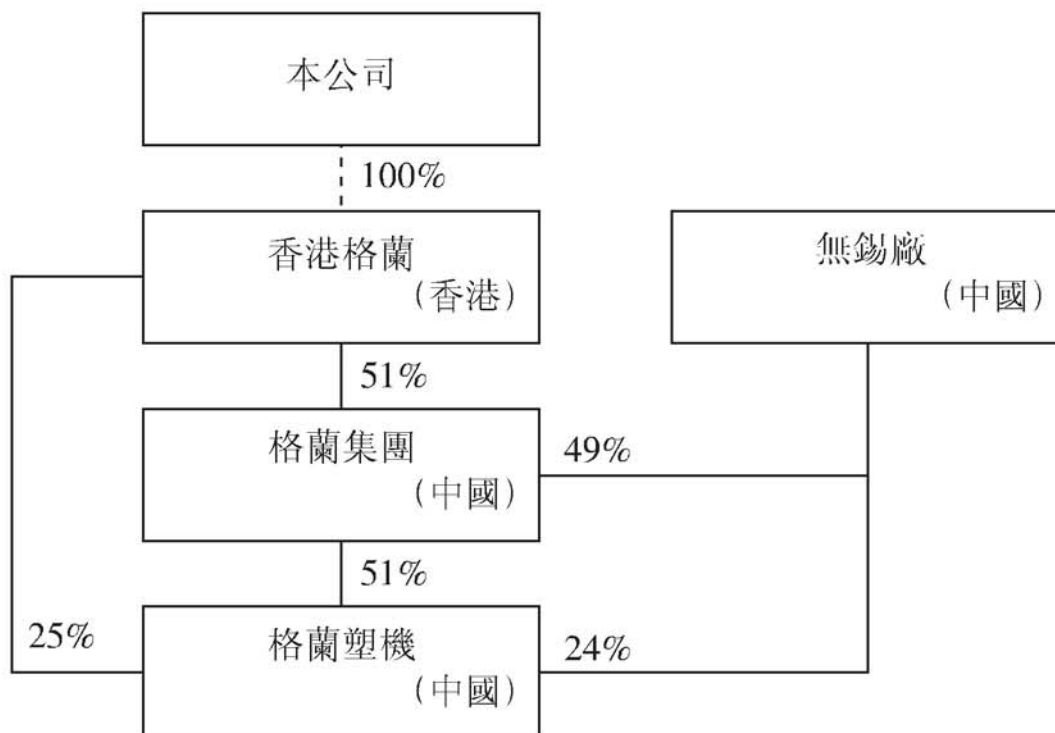
日期： 二零零五年五月三日

立約方： (1) 香港格蘭為買方
(2) 無錫廠為賣方

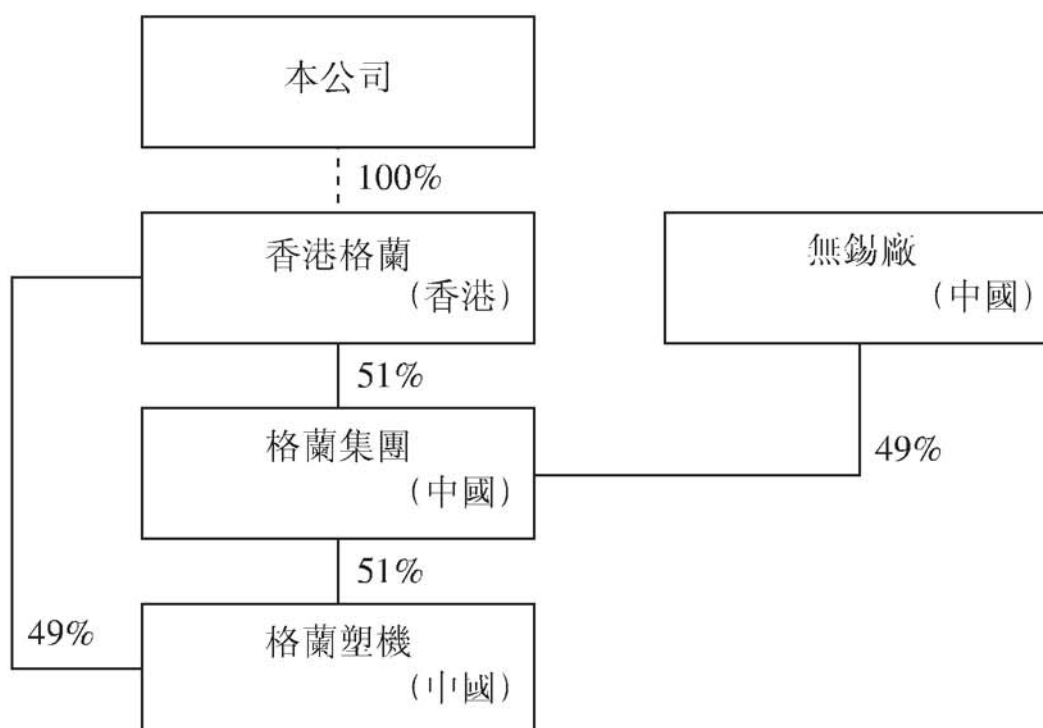
該協議之詳情

根據該協議，香港格蘭同意向無錫廠收購格蘭塑機24%資本權益，佔格蘭塑機註冊資本684,000美元（折合約5,321,520港元），無錫廠收取之代價為人民幣4,418,700元（折合約4,168,585港元）。於該協議完成時，格蘭塑機將由格蘭集團擁有51%及香港格蘭擁有49%。

緊於該收購完成前格蘭塑機的股權架構



於該收購完成後格蘭塑機的股權架構



2. 收購資產之詳情

格蘭塑機位於中國無錫市，乃一間於一九九七年在中國成立之中外合資公司。主要業務在中國製造、組合及銷售塑料注射成型機。現由格蘭集團擁有51%、香港格蘭擁有25%及無錫廠擁有24%股權，故此，為本公司之間接非全資附屬公司。於二零零二年，格蘭集團向香港格蘭及無錫廠收購格蘭塑機合共51%資本權益。於二零零二年的同一項交易中，香港格蘭將其持有格蘭塑機資本權益由51%減至25%，而無錫廠將其持有格蘭塑機資本權益由49%減至24%。在該協議完成時，格蘭塑機將由格蘭集團擁有51%及香港格蘭擁有49%，且仍然是本公司之間接非全資附屬公司。於二零零四年十二月三十一日，格蘭塑機註冊資本總額為2,850,000美元（折合約22,173,000港元）。截至二零零三年十二月三十一日止年度，格蘭塑機之經審核除稅前及除稅後溢利淨額（按照中國會計標準），分別為人民幣2,823,094.63元（折合約2,663,297港元）及人民幣2,442,433.79（折合約2,304,183港元）。截至二零零四年十二月三十一日止年度，格蘭塑機之經審核除稅前及除稅後溢利淨額（按照中國會計標準），分別為人民幣3,522,329元（折合約3,322,952港元）及人民幣3,089,887元（折合約

2,914,988港元)。於二零零四年十二月三十一日，格蘭塑機之經審核資產淨值（按照中國會計標準）為人民幣41,839,229元（折合約39,470,971港元）。無錫廠購買格蘭塑機24%資本權益之成本為684,000美元（折合約5,321,520港元）。從一九九七年格蘭塑機註冊成立起，無錫廠便擁有該資本權益。

3. 代價的基準及支付條款

該協議項下之該收購代價為人民幣4,418,700元（折合約4,168,585港元），將於該收購完成時，以本集團的內部資源及現金方式支付。該收購之代價乃由各立約方按公平原則及一般商業條款磋商，並參考格蘭塑機之財務表現及資產淨值後釐定。代價人民幣4,418,700元（折合約4,168,585港元）乃按格蘭塑機於二零零四年七月三十一日之未經審核資產淨值（按照中國會計標準）為人民幣20,453,000元（折合約19,295,283港元）之24%概約值計算。

於該收購完成時，格蘭塑機將由格蘭集團擁有51%及香港格蘭擁有49%。

董事（包括獨立非執行董事）均認為以格蘭塑機於二零零四年七月三十一日的未經審核資產淨值（按照中國會計標準），作為釐定代價之基準誠屬公平合理。

4. 完成日期

預期該收購將於該協議所載之條件達成後三十天內完成，該等條件包括下列各項：

- (i) 該協議各立約方取得批准該協議項下規定進行之交易之有效董事會決議；
- (ii) 由於本公司為香港格蘭之控股股東，並於聯交所主板上市，香港格蘭須促使該協議遵照聯交所各項規定；
- (iii) 取得有關中國政府機構就該協議作出之批准及已重新發出格蘭塑機之外資企業營業執照文件。

5. 該等協議之原因及預期得益

本集團主要從事製造及買賣塑料注射成型機及工業器材，本集團之策略為增強其資本結構及重新分配資源於更具效益之用途上。董事認為該收購乃合乎本集團目前之業務策略。故此，董事（包括獨立非執行董事）均認為該協議之條款乃符合一般商業條款及對本公司有利，而對本公司及其股東而言誠屬公平合理。

6. 一般事項

根據本公司所知悉，無錫廠主要業務為製造塑料工業專用設備。

由於格蘭塑機為本公司之非全資附屬公司，無錫廠為格蘭塑機之主要股東，根據上市規則，無錫廠為本公司之關連人士，故此，該收購將構成本公司之關連交易及須遵照上市規則第十四A章之報告及公告規定。

7. 釋義

「該收購」	指	香港格蘭根據該協議之條款及條件向無錫廠收購格蘭塑機24%資本權益
「該協議」	指	指香港格蘭與無錫廠於二零零五年五月三日就香港格蘭向無錫廠收購格蘭塑機24%資本權益所簽訂之轉讓協議
「董事會」	指	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
「董事」	指	本公司董事（包括各獨立非執行董事）
「格蘭集團」	指	無錫格蘭機械集團有限公司，在中國成立之中外合資公司，並為本公司之非全資附屬公司

「格蘭塑機」	指	無錫格蘭塑機制造有限公司，在中國成立之中外合資公司，並為本公司之非全資附屬公司
「本集團」	指	本公司及其附屬公司
「香港格蘭」	指	格蘭科技產品有限公司，在香港註冊成立之有限公司，並為本公司之全資附屬公司
「港元」	指	港元，香港之法定貨幣
「香港」	指	中國香港特別行政區
「上市規則」	指	聯交所證券上市規則
「中國」	指	中華人民共和國
「人民幣」	指	人民幣，中國之法定貨幣
「聯交所」	指	香港聯合交易所有限公司
「美元」	指	美元，美國之法定貨幣
「無錫廠」	指	無錫塑料機械廠，在中國成立之公司

除特別指明外，人民幣乃按人民幣1.06元兌1.00港元之匯率換算成港元及美元乃按1美元兌7.78港元之匯率換算成港元。並不代表有關之金額已經、或已經或可以上述匯率換算。

承董事會命
大同機械企業有限公司
主席
鄧燾

香港，二零零五年五月四日

於本公告發表日期，本公司董事會由十一位董事組成；其中鄧燾先生、趙卓英先生、黃耀明先生、甄榮輝先生及李天來先生五位為執行董事；鄧焜先生、何志奇先生、簡衛華先生三位為非執行董事；而梁尚立先生、葉慶輝先生及楊淑芬小姐三位則為獨立非執行董事。

「請同時參閱本公布於經濟日報刊登的內容。」