



# COSMOS MACHINERY ENTERPRISES LIMITED

## 大同機械企業有限公司

(Incorporated in Hong Kong with limited liability)

### CONNECTED TRANSACTION

#### SUMMARY

The Directors of the Company announce that WIEL, a wholly owned subsidiary of the Company, and the Vendor, a substantial shareholder of Cosmos Bigtide, a non wholly owned subsidiary of the Company, entered into the Agreement on 21st July, 2003. Pursuant to the Agreement, WIEL agreed to purchase in cash the capital interest in the amount of RMB2,700,000 (equivalent to approximately HKD2,559,242), representing 15% of the total registered capital in Cosmos Bigtide from the Vendor for the consideration of RMB2,700,000 (equivalent to approximately HKD2,559,242).

As the Vendor is a substantial shareholder of Cosmos Bigtide, therefore, entering into the Agreement by WIEL and the Vendor constitutes a connected transaction of the Company pursuant to the Listing Rules. As the consideration for the Acquisition represents less than three percent of the audited consolidated net tangible asset value of the Company and its subsidiaries as at 31st December, 2002, no shareholders' approval is required for such connected transaction and only certain specified details of such transaction are required to be disclosed in this announcement and the Company's next annual report. This announcement is made pursuant to Rule 14.25 of the Listing Rules for the purposes of providing the shareholders of the Company with brief details relating to the Acquisition.

#### 1. THE AGREEMENT

##### Date of the Agreement

21st July, 2003

##### Parties

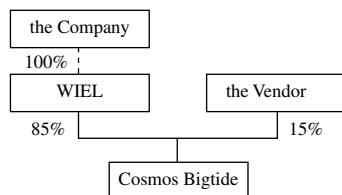
- i. WIEL
- ii. the Vendor

##### Particulars of the Agreement

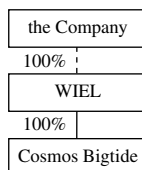
Pursuant to the Agreement, WIEL has agreed to purchase in cash the capital interest in the amount of RMB2,700,000 (equivalent to approximately HKD2,559,242), representing 15% of the total registered capital in Cosmos Bigtide from the Vendor for the consideration of RMB2,700,000 (equivalent to approximately HKD2,559,242).

Prior to completion of the Acquisition, Cosmos Bigtide is owned by WIEL and the Vendor as to 85% and 15% respectively.

##### Shareholding Structure of Cosmos Bigtide before the Acquisition



##### Shareholding Structure of Cosmos Bigtide after the Acquisition



##### Particulars of Assets to be Acquired

Cosmos Bigtide, located in Shenyang, the PRC and incorporated in 1999 as a Sino-foreign joint venture of which the principal businesses are plastic processing and manufacturing of plastic products in the PRC. It is presently owned as to 85% by WIEL and as to 15% by the Vendor. The board of directors of Cosmos Bigtide consists of 7 directors, 5 of which are appointed by WIEL and the chairman of the board of directors of Cosmos Bigtide is appointed by WIEL. For all purposes, the quorum for directors' meetings requires two-third of the total number of the directors entitled to vote. The contract of joint venture for Cosmos Bigtide is for a term of 30 years commencing in November, 1998. The total investment sum and the total registered capital of Cosmos Bigtide amounted to RMB30,000,000 (equivalent to approximately HKD28,436,018) and RMB18,000,000 (equivalent to approximately HKD17,061,611) respectively. In relation to the difference between the total investment cost and the total registered capital, RMB8,900,000 (equivalent to approximately HKD8,436,019) of which is financed by a short-term bank loan and the rest of which the Company is under no obligation to inject. On and subsequent to completion of the Agreement, Cosmos Bigtide will be owned as to 100% by WIEL. The audited net loss after tax of Cosmos Bigtide for the year ended 31st December, 2001 amounted to RMB167,182 (equivalent to approximately HKD158,466) and the audited net profit after tax for the year ended 31st December, 2002 amounted to RMB62,233 (equivalent to approximately HKD58,989) with a grant of preferential tax treatment duly approved by the Administration of Taxation of Shenyang\* (瀋陽市國家稅務局). Under such preferential tax treatment, Cosmos Bigtide was exempted completely from the obligation to pay tax in an amount equal to 24% of the net profit for the year ended 31st December, 2002. The value of audited net asset of Cosmos Bigtide as at 31st December, 2002 amounted to RMB17,636,984 (equivalent to approximately HKD16,717,520) according to the PRC recognized accounting standard. There shall be a premium of the consideration of the Acquisition amounted to approximately RMB54,452 (equivalent to approximately HKD51,613) as compared to the value of audited net asset of Cosmos Bigtide. The accumulated loss of Cosmos Bigtide for the two years ended 31st December, 2002 amounted to approximately RMB427,334 (equivalent to approximately HKD405,056) and RMB365,102 (equivalent to approximately HKD346,068) respectively.

##### Consideration

The consideration for the sale and purchase under the Agreement amounted to RMB2,700,000 (equivalent to approximately HKD2,559,242) payable to the Vendor by WIEL has been arrived at after arm's length negotiations between the parties and is on normal commercial terms after taking into account the financial performance of Cosmos Bigtide.

The Directors, including independent non-executive directors, consider using par value of the capital interest in Cosmos Bigtide as a basis of calculation of consideration is fair and reasonable. Upon obtaining approval from the relevant government authorities in the PRC, including the Administration for Industry and Commerce in Shenyang\* (瀋陽市工商

行政管理局), the issue of capital verification report by auditors in the PRC and other related procedures for completion of the Acquisition, WIEL shall pay the consideration amounted to RMB2,700,000 (equivalent to approximately HKD2,559,242) to the Vendor by internal resources.

##### Completion Date

Completion of the Agreement is conditional upon satisfaction of all registration procedures as required by the relevant government authorities in the PRC. Completion of the Agreement is expected to be on 22nd September, 2003 or a later date as such parties may agree.

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

The Group is principally engaged in trading of industrial tools, manufacturing of machinery and plastic products. The Group's strategy is to develop its manufacturing business, including plastic processing and plastic products business, and to enhance capital structure of the Group by reallocation of resources to more effective uses. As the Group envisages that there will be more satisfactory development for the plastic business in the Mainland China market, the Directors consider the Acquisition an essential step towards restructuring of such business. It is also the present intention of the Directors to change the shareholding in Cosmos Bigtide only as to comprehensively implement the Group's strategic development of its plastic business and to obtain better return of capital. Accordingly, the Directors, including the independent non-executive directors of the Company, 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 the Vendor is a substantial shareholder of Cosmos Bigtide, therefore, entering into the Agreement by WIEL and the Vendor constitutes a connected transaction of the Company pursuant to the Listing Rules. The consideration for the Acquisition represents less than three percent of the audited consolidated net tangible asset value of the Company and its subsidiaries as at 31st December, 2002. This announcement is made pursuant to rule 14.25 of the Listing Rules for the purposes of providing the shareholders of the Company with brief details relating to Acquisition. Further details of the transaction will also be included in the next annual report of the Company pursuant to the Listing Rules.

#### 4. DEFINITIONS

"Acquisition"	the acquisition of 15% capital interest in Cosmos Bigtide by WIEL from the Vendor
"Agreement"	a sale and purchase agreement dated 21st July, 2003 and entered into between WIEL and the Vendor in respect of the Acquisition
"Company"	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, whose securities are listed on the Stock Exchange
"Cosmos Bigtide"	Shenyang Cosmos Bigtide Plastic-Infusing Co., Ltd. (瀋陽大同北泰注塑有限公司), a Sino-foreign joint venture established in the PRC and a non wholly owned subsidiary of the Company
"Directors"	the directors 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
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Shenyang Bigtide Direction Group Co., Ltd.* (瀋陽北泰方向集團有限公司), formerly known as Shenyang Bigtide Group Co., Ltd.* (瀋陽北泰集團有限公司), an enterprise established in the PRC and a substantial shareholder of Cosmos Bigtide
"WIEL"	Welltec Industrial Equipment Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company

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

Hong Kong, 21st July, 2003

Unless otherwise specified, the translation of RMB into HKD is based on the exchange rate of HKD1.00:RMB1.055.

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



# COSMOS MACHINERY ENTERPRISES LIMITED

## 大同機械企業有限公司

(在香港註冊成立之有限公司)

### 關連交易

#### 摘要

本公司之董事會公布，本公司之全資附屬公司華大與賣方(本公司之非全資附屬公司大同北泰之主要股東)於二零零三年七月二十一日訂立該協議。根據該協議，華大同意以現金收購大同北泰之資本權益為人民幣2,700,000元(折合約2,559,242港元)，佔大同北泰註冊資本總額之15%，賣方收取之代價為2,700,000元(折合約2,559,242港元)。

鑑於賣方為大同北泰主要股東之一，故此，根據上市規則，華大與賣方簽訂該協議構成本公司一項關連交易。由於收購事項之代價少於本公司及其附屬公司於二零零二年十二月三十一日之經審核綜合有形資產淨值百分之三(3%)，只須於本公司及本公司下一次的周年報告內披露有關該交易之詳細資料，而無須由股東批准該項關連交易。本公布乃根據上市規則第14.25條而發出，旨在為本公司股東提供有關收購事項之資料摘要。

#### 1. 該協議

##### 協議日期

二零零三年七月二十一日

##### 立約方

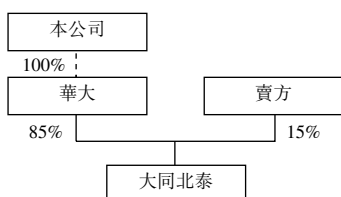
- i) 華大
- ii) 賣方

##### 該協議之詳情

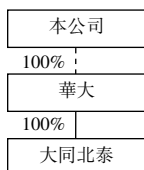
根據該協議，華大同意以現金收購大同北泰人民幣2,700,000元(折合約2,559,242港元)之資本權益，佔大同北泰註冊資本總額之15%，賣方收取之代價為人民幣2,700,000元(折合約2,559,242港元)。

於收購事項完成前，大同北泰由華大及賣方分別擁有85%及15%。

##### 於收購事項前大同北泰之股權結構



##### 於收購事項後大同北泰之股權結構



##### 將予收購資產之詳情

大同北泰位於中國瀋陽市，乃一間於一九九九年於中國註冊成立之中外合資公司。主要業務在中國從事注塑及塑料產品製造。現時由華大擁有85%及賣方擁有15%股權。大同北泰董事會由七位董事組成，其中五位及董事長由華大委任，所有董事會議之法定人數為全體有權投票董事之三分之二，大同北泰之合資期限為三十年，從一九九八年十一月開始，投資總額及註冊資本總額分別為人民幣30,000,000元(折合約28,436,018港元)及人民幣18,000,000元(折合約17,061,611港元)。於投資總額及註冊資本總額之差額中，由銀行短期貸款提供人民幣8,900,000元(折合約8,436,019港元)，本公司並無責任注資餘額。在完成該協議之時及以後，大同北泰之權益將由華大擁有100%。截至二零零二年十二月三十一日止年度大同北泰之經審核除稅後虧損淨額為人民幣167,182元(折合約158,466港元)及截至二零零二年十二月三十一日止年度之經審核除稅後溢利淨額為人民幣62,233元(折合約58,989港元)(獲中國稅務機關正式授予稅務優惠)。於該稅務優惠下，截至二零零二年十二月三十一日止年度，大同北泰獲全數豁免繳納相等於溢利淨額之24%之稅款。於二零零二年十二月三十一日，根據認可之中國會計準則，大同北泰之經審核資產淨值約為人民幣17,636,984元(折合約16,717,520港元)。與大同北泰之經審核資產淨值比較，收購代價之溢價約為人民幣54,452元(折合約51,613港元)。大同北泰截至二零零二年十二月三十一日止兩年度之累計虧損分別為人民幣427,334元(折合約405,056港元)及人民幣365,102元(折合約346,068港元)。

##### 收購價

華大需繳付賣方人民幣2,700,000元(折合約2,559,242港元)之收購價。該收購價乃由立約方按公平原則磋商，並考慮大同北泰之財務狀況後，按一般商務條款釐定。

董事會(包括獨立非執行董事)均認為以大同北泰資本權益之面值作為收購價之計算基準誠屬公平合理。收購價總額人民幣2,700,000元(折合約2,559,242港元)將於取得

有關中國政府機關(包括瀋陽市工商行政管理局)就中國會計師出具驗資報告及與完成收購事項有關之其他程序作出之批准後，由華大以內部資源繳付予賣方。

##### 完成日期

該協議須待中國有關政府機關規定之一切註冊程序滿足後方告完成，預期該協議於二零零三年九月二十二日或經各方同意之較後日期完成。

#### 2. 訂立該協議之原因

本集團主要從事工業器材貿易業務、機械及注塑製造業務，集團之策略為發展其製造業務，包括注塑及塑膠製品業務；並重新分配資源於更有效之用途上，以增強本集團的資本結構。本集團預計注塑業務在國內市場將有較理想的發展，董事會認為收購事項為該業務重組的重要步驟，董事會現只希望藉著變更於大同北泰之股權，令集團注塑業務的發展策略得以全面實施，並謀取更佳之資金回報。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

鑑於賣方為大同北泰之主要股東之一，故此，根據上市規則，華大與賣方簽訂該協議構成本公司一項關連交易。由於收購事項之代價少於本公司及其附屬公司於二零零二年十二月三十一日之經審核綜合有形資產淨值百分之三(3%)。本公布乃根據上市規則第14.25條而發出，旨在為本公司股東提供有關收購事項之資料摘要。根據上市規則，交易之詳情將載於本公司下一次的週年報告內。

#### 4. 釋義

「收購事項」	指	華大向賣方收購大同北泰之15%資本權益
「該協議」	指	華大與賣方於二零零三年七月二十一日就收購事項簽訂之買賣協議
「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
「大同北泰」	指	瀋陽大同北泰注塑有限公司，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
「董事會」	指	本公司董事會
「本集團」	指	本公司及其附屬公司
「港元」	指	港元，香港的法定貨幣
「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，中國的法定貨幣
「聯交所」	指	香港聯合交易所有限公司
「賣方」	指	瀋陽北泰方向集團有限公司(前稱瀋陽北泰集團有限公司)，在中國成立之企業，並為大同北泰之主要股東
「華大」	指	華大機械設備有限公司，在香港註冊成立之有限公司，並為本公司全資附屬公司

承董事會命  
大同機械企業有限公司  
主席  
鄧彥

香港，二零零三年七月二十一日

除特別註明，人民幣數額乃按人民幣1.055元兌1.00港元之匯率換算成港元。