



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 Board announces that Shenzhen HND, Hon Kiu, Silver International, Dingneng Power and Success Silver have entered into the Agreement on 4 June 2004. Pursuant to the Agreement, (i) Shenzhen HND has agreed to subscribe in cash for 30.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD360,000 (equivalent to approximately HKD2,808,000); (ii) Hon Kiu has agreed to subscribe in cash for 29.4% in the proposed total registered capital of the New Company at an aggregate consideration of USD352,800 (equivalent to approximately HKD2,752,000); (iii) Silver International has agreed to subscribe in cash for 12.6% in the proposed total registered capital of the New Company at an aggregate consideration of USD151,200 (equivalent to approximately HKD1,179,000); (iv) Dingneng Power has agreed to subscribe in cash for 18.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD216,000 (equivalent to approximately HKD1,685,000); and (v) Success Silver has agreed to subscribe in cash for 10.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD120,000 (equivalent to approximately HKD936,000).

Mr. Wang and Mr. Or are directors of Hon Kiu which is an indirect non wholly-owned subsidiary of the Company. As Mr. Wang and Mr. Or each owns 50% interest in Silver International, Silver International is a connected person by virtue of its being an associate of Mr. Wang and Mr. Or. Hence, the entering into the Agreement by Shenzhen HND, Hon Kiu, Silver International, Dingneng Power and Success Silver constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the total investment in the New Company payable by Hon Kiu represents less than 2.5% of the applicable percentage ratios of the Company under Rule 14.07 of the Listing Rules, no independent shareholders' approval is required for the connected transaction pursuant to Rule 14A.32(1) 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 in accordance with Rule 14A.45 of the Listing Rules.

1. THE AGREEMENT

Date of the Agreement

4 June 2004

Parties

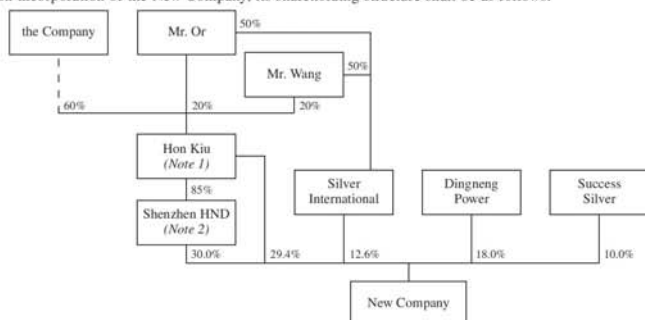
- Shenzhen HND, being the subscriber of 30.0% capital interest in the New Company
- Hon Kiu, being the subscriber of 29.4% capital interest in the New Company
- Silver International, a connected person as defined in the Listing Rules, being the subscriber of 12.6% capital interest in the New Company
- Dingneng Power, being the subscriber of 18.0% capital interest in the New Company
- Success Silver, being the subscriber of 10.0% capital interest in the New Company

The Company confirms that, to the best of the directors' knowledge, information and belief having made all reasonable enquiry, Dingneng Power and Success Silver and their respective ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Particulars of the Agreement

Pursuant to the Agreement, (i) Shenzhen HND has agreed to subscribe in cash for 30.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD360,000 (equivalent to approximately HKD2,808,000); (ii) Hon Kiu has agreed to subscribe in cash for 29.4% in the proposed total registered capital of the New Company at an aggregate consideration of USD352,800 (equivalent to approximately HKD2,752,000); (iii) Silver International has agreed to subscribe in cash for 12.6% in the proposed total registered capital of the New Company at an aggregate consideration of USD151,200 (equivalent to approximately HKD1,179,000); (iv) Dingneng Power has agreed to subscribe in cash for 18.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD216,000 (equivalent to approximately HKD1,685,000); and (v) Success Silver has agreed to subscribe in cash for 10.0% in the proposed total registered capital of the New Company at an aggregate consideration of USD120,000 (equivalent to approximately HKD936,000).

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



Note:

- Hon Kiu owns 85% interest in Shenzhen HND of which 15% interest is held by Hon Kiu as a trustee for Silver International. The remaining 15% interest in Shenzhen HND is held by a third party independent of and not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates.
- Since the Company can only exercise significant influence in Shenzhen HND's management, Shenzhen HND is treated as an associated company in the Company's 2003 annual report.

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 manufacture of electronic meters and related products for both household and industrial use. It is proposed to be owned as to (i) 30.0% by Shenzhen HND; (ii) 29.4% by Hon Kiu; (iii) 12.6% by Silver International; (iv) 18.0% by Dingneng Power; and (v) 10.0% by Success Silver. The board of directors of the New Company shall consist of seven directors among which two will be appointed by Shenzhen HND, two by Hon Kiu, one by Silver International, one by Dingneng Power and one by Success Silver. The chairman and vice chairman of the board will be appointed by Shenzhen HND. The quorum for directors' meetings is the presence of two-thirds of the total number of directors entitled to vote at the meetings. The term of the New Company is for a period of 15 years commencing from the date of the business licence, 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 USD1,500,000 (equivalent to approximately HKD11,700,000) and USD1,200,000 (equivalent to approximately HKD9,360,000) respectively. There is no agreement or commitment among the subscribers, regarding the contribution 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 (i) 30.0% by Shenzhen HND; (ii) 29.4% by Hon Kiu; (iii) 12.6% by Silver International; (iv) 18.0% by Dingneng Power; and (v) 10.0% by Success Silver. The shareholders will share the profits (if any) of the New Company according to such shareholding ratios. Upon its incorporation, the New Company will become an associated company of the Company and be equity accounted for in the consolidated accounts of the Company. The Company will hold its interest in the New Company as a long term investment.

Subscription Price

The respective subscription prices payable to the New Company by Shenzhen HND, Hon Kiu, Silver International, Dingneng Power and Success Silver 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 the parties shall pay their respective subscription prices within the period as required by the State Administration of Industry and Commerce which is expected to be on or about 30 July this year. Shenzhen HND and Hon Kiu will finance their respective subscription price from their 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 currently anticipated that the New Company should be incorporated and commence business on or about 30 July this year.

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 directors of the Company envisages that there will be satisfactory growth of the electronic meter business in the PRC market by reference to the rate of growth of the market last year, the Board considers that subscription of the capital interest in the New Company is in line with the Group's current business strategy that enhance the profitability of the Company by further implementing the Group's strategic development. 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

Since the Company can only exercise significant influence in Shenzhen HND's management, Shenzhen HND is treated as an associated company in the Company's 2003 annual report.

Shenzhen HND is a Sino-foreign equity joint venture established in the PRC which is principally engaged in the manufacture of electronic meters.

Hon Kiu, Silver International, Dingneng Power and Success Silver are investment holding companies.

Mr. Wang and Mr. Or are directors of Hon Kiu which is an indirect non wholly-owned subsidiary of the Company. As Mr. Wang and Mr. Or each owns 50% interest in Silver International, Silver International is a connected person by virtue of its being an associate of Mr. Wang and Mr. Or. Hence, the entering into the Agreement by Shenzhen HND, Hon Kiu, Silver International, Dingneng Power and Success Silver constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the total investment in the New Company payable by Hon Kiu represents less than 2.5% of the applicable percentage ratios of the Company under Rule 14.07 of the Listing Rules, no independent shareholders' approval is required for the connected transaction pursuant to Rule 14A.32(1) 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 in accordance with Rule 14A.45 of the Listing Rules.

4. DEFINITIONS

"Agreement"	an agreement dated 4 June 2004 and entered into between Shenzhen HND, Hon Kiu, Silver International, Dingneng Power and Success Silver in respect of their respective subscription of capital interests in the New Company
"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
"Dingneng Power"	南京鼎能電力設備有限公司(Nanjing Dingneng Power Equipment Co., Ltd.), an enterprise established in the PRC and a subscriber of 18.0% capital interest in the New Company
"Group"	the Company together with its subsidiaries
"HKD"	Hong Kong dollars, the lawful currency of Hong Kong
"Hon Kiu"	Hon Kiu Machine Factory Ltd., a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company and a subscriber of 29.4% capital interest in the New Company
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange
"Mr. Or"	Mr. Or Leung Chit, shareholder of 20% interest in Hon Kiu, 50% interest in Silver International and director of Hon Kiu, Shenzhen HND, Silver International and Success Silver
"Mr. Wang"	Mr. Wang Rongan, shareholder of 20% interest in Hon Kiu, 50% interest in Silver International and director of Shenzhen HND and Silver International
"New Company"	Nanjing Haoningda Electronic Meters Manufacturing Co., Ltd. (南京浩寧達電能儀表製造有限公司), a new Sino-foreign equity joint venture to be established in the PRC and which will become an associated company of the Company
"PRC"	the People's Republic of China
"Shenzhen HND"	Shenzhen Haoningda Electronic Meters Manufacturing Co., Ltd. (深圳浩寧達電能儀表製造有限公司), a Sino-foreign equity joint venture established in the PRC, an associated company of the Company and a subscriber of 30.0% capital interest in the New Company
"Silver International"	Silver International Investment Limited, a company incorporated in Hong Kong with limited liability and a subscriber of 12.6% capital interest in the New Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Success Silver"	Success Silver Development Limited, a company incorporated in Hong Kong with limited liability and a subscriber of 10.0% capital interest in the New Company
"USD"	the United States dollars, the lawful currency used in the United States

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

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

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

Hong Kong, 4 June 2004

As at the date hereof, the board of directors of the Company is comprised of ten 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 two are independent non-executive directors, namely Mr. Liang Shangli and Mr. Yip Jeffery.



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

董事會宣布，深圳浩寧達、漢橋、銀駿、鼎能與銀成於二零零四年六月四日訂立該協議。根據該協議，(i)深圳浩寧達同意以現金認購新公司建議註冊資本總額之30.0%，代價總額為360,000美元(折合約2,808,000港元)；(ii)漢橋同意以現金認購新公司建議註冊資本總額之29.4%，代價總額為352,800美元(折合約2,752,000港元)；(iii)銀駿同意以現金認購新公司建議註冊資本總額之12.6%，代價總額為151,200美元(折合約1,179,000港元)；(iv)鼎能同意以現金認購新公司建議註冊資本總額之18.0%，代價總額為216,000美元(折合約1,685,000港元)；及(v)銀成同意以現金認購新公司建議註冊資本總額之10.0%，代價總額為120,000美元(折合約936,000港元)。

王先生及柯先生為本公司間接非全資附屬公司漢橋之董事，鑑於王先生及柯先生各自擁有銀駿50%權益，銀駿為王先生及柯先生之聯繫人，並為關連人士。因此，根據上市規則第14A章，深圳浩寧達、漢橋、銀駿、鼎能與銀成簽訂該協議構成本公司一項關連交易。由於漢橋於新公司之投資總額少於上市規則第14.07條所訂明本公司適用之百分比率之2.5%，根據上市規則第14A.32(1)條，為無須由獨立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，根據上市規則第14A.45條，於本公司下一次週年報告及帳目內加入交易的詳細資料。

1. 該協議

協議日期

二零零四年六月四日

立約方

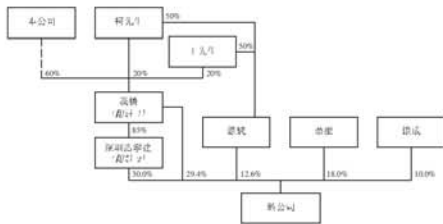
- 深圳浩寧達一新公司資本權益之30.0%之認購人
- 漢橋一新公司資本權益之29.4%之認購人
- 銀駿一關連人士(定義見上市規則)，新公司資本權益之12.6%之認購人
- 鼎能一新公司資本權益之18.0%之認購人
- 銀成一新公司資本權益之10.0%之認購人

本公司確認(就各董事作出一切合理查詢後所知悉及確信之資料)鼎能及銀成及彼等各白之最終受委擁有人為獨立於本公司及其關連人士之第三方。

該協議之詳情

根據該協議，(i)深圳浩寧達同意以現金認購新公司建議註冊資本總額之30.0%，代價總額為360,000美元(折合約2,808,000港元)；(ii)漢橋同意以現金認購新公司建議註冊資本總額之29.4%，代價總額為352,800美元(折合約2,752,000港元)；(iii)銀駿同意以現金認購新公司建議註冊資本總額之12.6%，代價總額為151,200美元(折合約1,179,000港元)；(iv)鼎能同意以現金認購新公司建議註冊資本總額之18.0%，代價總額為216,000美元(折合約1,685,000港元)；及(v)銀成同意以現金認購新公司建議註冊資本總額之10.0%，代價總額為120,000美元(折合約936,000港元)。

於新公司註冊成立後，其股權結構如下：



附註：

- 漢橋擁有深圳浩寧達85%權益(其中15%權益乃以信託方式代表銀駿持有)，深圳浩寧達之其餘15%權益乃由獨立第三方(與本公司或其任何附屬公司或彼等各白之聯繫人之董事、主要行政人員或主要股東並無關連)所持有。
- 鑑於本公司只對深圳浩寧達之管理具有重大影響力，深圳浩寧達於本公司二零零一年年報內被視為本公司之聯營公司。

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企業，主要業務為從事生產經營電能儀表及相關產品作為家庭及工業用途。現建議由(i)深圳浩寧達擁有30%；(ii)漢橋擁有29.4%；(iii)銀駿擁有12.6%；(iv)鼎能擁有18.0%；及(v)銀成擁有10.0%。新公司董事會由七位董事組成，其中兩位由深圳浩寧達、兩位由漢橋、一位由銀駿、一位由鼎能及一位由銀成委任，董事長及副董事長由深圳浩寧達委任，董事會議之法定人數為全體有權於會上投票的董事之二分之一。新公司之合資期限為營業執照簽發之日起十五年，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1,500,000美元(折合約11,700,000港元)及1,200,000美元(折合約9,360,000港元)。各認購人並無對提供新公司之投資總額及註冊資本總額之差額作出協議或承諾。於新公司註冊成立時，將由(i)深圳浩寧達擁有30%；(ii)漢橋擁有29.4%；(iii)銀駿擁有12.6%；(iv)鼎能擁有18.0%；及(v)銀成擁有10.0%。各股東將按股份比例分配新公司利潤(如有)。於新公司註冊成立時，將成為本公司聯營公司及以權益法合併於本公司之帳目內。本公司將以持有之新公司權益作為長期投資。

認購價

深圳浩寧達、漢橋、銀駿、鼎能及銀成分別需向新公司繳付之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屬公平合理。立約各方應各自按其出資額在工商局要求期限內繳清認購價。預計該期限大約至本年七月二十日。深圳浩寧達及漢橋將以彼等之內部資源繳付認購價。

完成日期

新公司須行中國有關政府機關規定之一切註冊程序滿足後方許註冊成立，預期新公司人約在本年七月三十日註冊成立及開業。

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，經參考去年的市場增長率，各董事預計電能儀表業務在中國市場將有

理想增長。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，而對公司股東而言誠屬公平合理。

3. 一般事項

鑑於本公司只對深圳浩寧達之管理具有重大影響力，深圳浩寧達於本公司二零零三年年報內被視為本公司之聯營公司。

深圳浩寧達為於中國成立之中外合資企業，主要從事製電能儀表。

漢橋、銀駿、鼎能及銀成為投資控股公司。

王先生及柯先生為本公司非全資附屬公司漢橋之董事，鑑於王先生及柯先生各自擁有銀駿50%權益，銀駿為王先生及柯先生之聯繫人，並為關連人士。因此，根據上市規則第14A章，深圳浩寧達、漢橋、銀駿、鼎能與銀成簽訂該協議構成本公司一項關連交易。由於漢橋於新公司之投資總額少於上市規則第14.07章所訂明本公司適用之百分比率之2.5%，根據上市規則第14A.32(1)條，為無須由獨立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，根據上市規則第14A.45條，於本公司下一次週年報告及帳目內加入交易的詳細資料。

4. 釋義

「該協議」	指	深圳浩寧達、漢橋、銀駿、鼎能與銀成於二零零四年六月四日就認購新公司之資本權益簽訂之協議
「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
「鼎能」	指	南京鼎能電力設備有限公司，在中國成立之企業，並為新公司18.0%資本權益之認購人
「本集團」	指	本公司及其附屬公司
「港元」	指	港元，香港法定貨幣
「漢橋」	指	漢橋儀器有限公司，在香港註冊成立之有限公司及為本公司非全資附屬公司，並為新公司29.4%資本權益之認購人
「上市規則」	指	聯交所證券上市規則
「柯先生」	指	柯良節先生，擁有漢橋20%、銀駿50%權益之股東，並為漢橋、深圳浩寧達、銀駿及銀成之董事
「王先生」	指	王榮安先生，擁有漢橋20%、銀駿50%權益之股東，並為深圳浩寧達及銀駿之董事
「新公司」	指	南京浩寧達電能儀表製造有限公司，將在中國成立之中外合資企業，並為本公司聯營公司
「中國」	指	中華人民共和國
「深圳浩寧達」	指	深圳浩寧達電能儀表製造有限公司，在中國成立之中外合資企業，為本公司聯營公司，並為新公司30.0%資本權益之認購人
「銀駿」	指	銀駿國際投資有限公司，在香港註冊成立之有限公司，並為新公司12.6%資本權益之認購人
「聯交所」	指	香港聯合交易所有限公司
「銀成」	指	銀成發展有限公司，在香港註冊成立之有限公司，並為新公司10.0%資本權益之認購人
「美元」	指	美元，美國所採用之法定貨幣

除特別註明，美元乃按1.00美元兌7.80港元之概約匯率換算成港元。

承董事會命
大同機械企業有限公司
主席
鄧燕

香港，二零零四年六月四日

於本公布發表日期，本公司董事會由七位董事組成；其中鄧燕先生、趙卓英先生、黃耀明先生、鄭榮輝先生及李天來先生五位為執行董事；鄧燕先生、何志奇先生、簡國華先生三位為非執行董事；而梁尚立先生及葉慶輝先生兩位則為獨立非執行董事。