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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)

DISCLOSEABLE AND CONNECTED TRANSACTION

The Directors announce that, on 29th June, 2005, GTPL has entered into the Agreement with WX Factory. Pursuant to the Agreement, GTPL has agreed to acquire from WX Factory its 49% equity interest in Grand Group representing registered capital of Grand Group in the amount of USD3,227,140 (equivalent to approximately HKD25,107,149) at the consideration of USD 1 (equivalent to approximately HKD7.78).

As Grand Group is a non-wholly owned subsidiary of the Company, WX Factory, being a substantial shareholder of Grand Group, is a connected person of the Company within the meaning of the Listing Rules and the Acquisition constitutes a connected transaction of the Company and is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules. As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. A circular containing, amongst other matters, details of the Acquisition will be despatched to shareholders of the Company within 21 days after publication of this announcement.

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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)

(股份代號：118)

須予披露及關連交易

董事宣布，於二零零五年六月二十九日，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集團49%資本權益，佔格蘭集團註冊資本3,227,140美元（折合約25,107,149港元），無錫廠收取之代價為1美元（折合約7.78港元）。

由於格蘭集團為本公司之非全資附屬公司，無錫廠為格蘭集團之主要股東，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。鑑於根據上市規則第十四章計算該收購適用之百分比率高於5%但低於25%，根據上市規則第十四章，該收購同時構成本公司一項須予披露的交易。一份載有，但不限於，該收購詳情之通函將於本公告刊登後二十一天內向本公司股東發送。

1. 該協議

日期：二零零五年六月二十九日

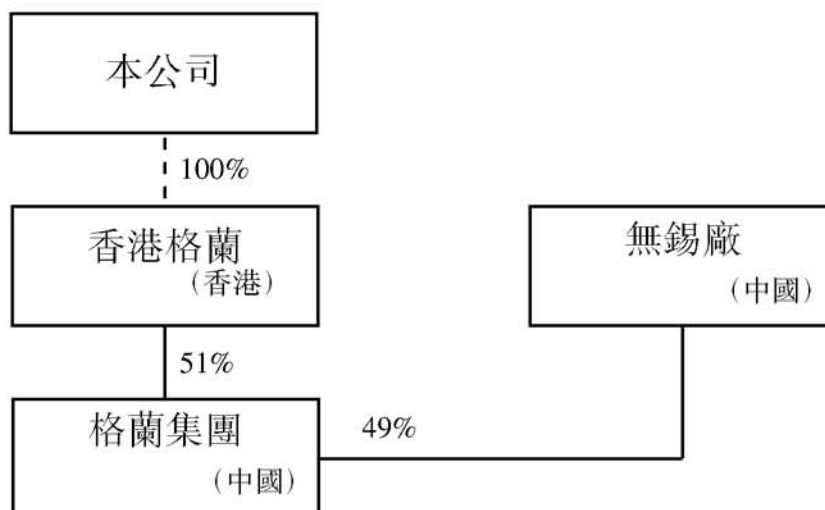
立約方：(1) 香港格蘭為買方

(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集團49%資本權益（已由無錫廠繳付），佔格蘭集團註冊資本3,227,140美元（折合約25,107,149港元），無錫廠收取之代價為1美元（折合約7.78港元）。於該協議完成時，格蘭集團將由香港格蘭擁有100%。

於該收購完成前格蘭集團的股權架構



於該收購完成後格蘭集團的股權架構



2. 收購資產之詳情

格蘭集團位於中國無錫市，乃一間於一九九二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。現由香港格蘭擁有51%及無錫廠擁有49%股權，故此，為本公司之間接非全資附屬公司。於一九九二年，香港格蘭收購格蘭集團合共51%資本權益。在該協議完成時，格蘭集團將由香港格蘭擁有100%。於二零零四年十二月三十一日，格蘭集團註冊資本總額為6,586,000美元（折合約51,239,080港元）。截至二零零三年十二月三十一日止年度，格蘭集團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2,699,333元（折合約2,546,541港元）及人民幣2,342,458元（折合約2,209,866港元）。截至二零零四年十二月三十一日止年度，格蘭集團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85,430.08元（折合約80,594港元）及人民幣85,430.08元（折合約80,594港元）。於二零零四年十二月三十一日，格蘭集團之經審核資產淨值（按照中國會計標準）為人民幣70,891,901元（折合約66,879,152港元）。格蘭集團於二零零四年六月三十日之未經審核資產淨值（按照香港會計標準）約為26,299,460港元。無錫廠購買格蘭集團49%資本權益之成本為1,470,000美元（折合約11,436,600港元）。從一九九二年格蘭集團註冊成立起，無錫廠便擁有該資本權益。格蘭集團概無任何股東貸款。

3. 代價的基準及支付條款

該協議項下之該收購代價為1美元（折合約7.78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，並參考格蘭集團截至二零零四年七月三十一日評估報告之財務表現及資產淨值後釐定。代價1美元（折合約7.78港元）乃按一家中國會計師事務所（按照中國會計標準）編製的評估報告內格蘭集團於二零零四年七月三十一日之未經審核負資產淨值（按照中國會計標準）為人民幣10,112,200元（折合約9,539,811港元）計算。根據評估報告，公証會計師採用「重置成本法」，並本著客觀、獨立及公平原則，按照中國公認的資產評估方法編製。始於去年五月，各立約方就該收購條件協商期間，香港格蘭及無錫廠均同意委任該中國會計師事務所為公証會計師編製格蘭集團的評估報告。公証會計師由無錫廠正式委任進行評估。約於去年五月，各立約方已就有關該收購進行協

商，而該收購為編製格蘭集團截至二零零四年七月三十一日之評估報告的目的。故此，雖然最近才訂立該協議，各立約方均同意採用相同的評估報告作為參考及釐定該收購代價。就本公司所知悉，該中國會計師事務所為獨立於及非為本公司之關連人士（按上市規則之涵義）。

於該收購完成時，格蘭集團將由香港格蘭擁有100%及為本公司間接全資附屬公司。

董事（包括獨立非執行董事）均認為按一家中國會計師事務所（按照中國會計標準）編製的評估報告內格蘭集團於二零零四年七月三十一日的未經審核負資產淨值（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集團之外資企業營業執照文件。

5. 該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。

由於格蘭集團為本公司之非全資附屬公司，無錫廠為格蘭集團之主要股東，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。鑑於根據上市規

則第十四章計算該收購適用之百分比率高於5%但低於25%，根據上市規則第十四章，該收購同時構成本公司一項須予披露的交易。除因擁有格蘭集團49%資本權益而為格蘭集團主要股東外，無錫廠並非本公司之其他關連人士（按照上市規則之涵義）。

一份載有，但不限於，該收購之詳情之通函將於本公告刊登後二十一天內向本公司股東發送通函。

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集團49%資本權益
「該協議」	指	指香港格蘭與無錫廠於二零零五年六月二十九日就香港格蘭向無錫廠收購格蘭集團49%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
「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，二零零五年六月二十九日

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。」

1. THE AGREEMENT

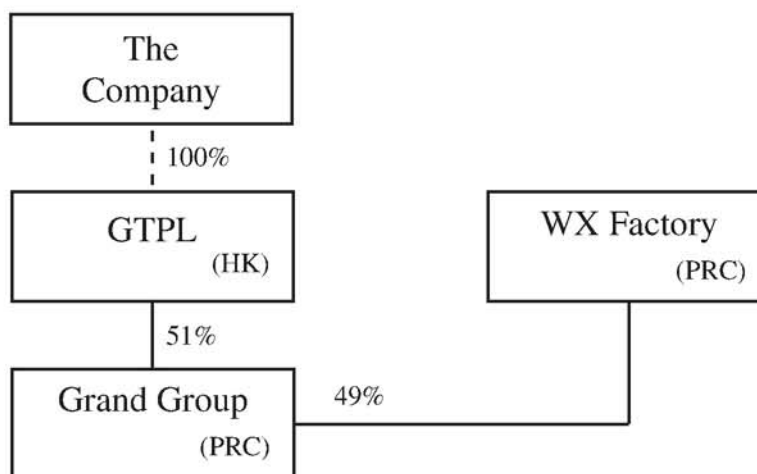
Date: 29th June, 2005

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

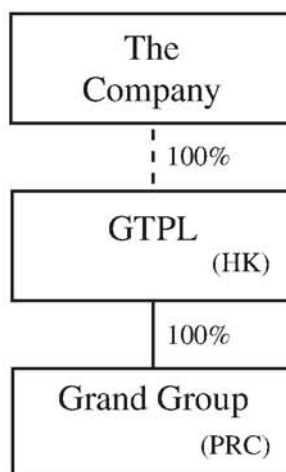
Particulars of the Agreement:

Pursuant to the Agreement, GTPL has agreed to acquire 49% equity interest in Grand Group, representing registered capital of Grand Group duly paid up by WX Factory in the amount of USD3,227,140 (equivalent to approximately HKD25,107,149) from WX Factory at the consideration of USD1 (equivalent to approximately HKD7.78). Upon completion of the Agreement, Grand Group will be owned as to 100% by GTPL.

Shareholding structure of Grand Group before completion of the Acquisition



Shareholding structure of Grand Group after completion of the Acquisition



2. PARTICULARS OF ASSET TO BE ACQUIRED

Grand Group, located in Wuxi, the PRC, was incorporated in the PRC in 1992 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 GTPL and as to 49% by WX Factory and is therefore an indirect non-wholly owned subsidiary of the Company. GTPL acquired an aggregate of 51% equity interest in Grand Group in 1992. Upon completion of the Agreement, Grand Group will be owned as to 100% by GTPL. The total registered capital of Grand Group amounted to USD6,586,000 (equivalent to approximately HKD51,239,080) as at 31st

December, 2004. The audited net profit before and after taxation (based on PRC accounting standard) of Grand Group for the year ended 31st December, 2003 amounted to RMB2,699,333 (equivalent to approximately HKD2,546,541) and RMB2,342,458 (equivalent to approximately HKD2,209,866) respectively. The audited net profit before and after taxation (based on PRC accounting standard) of Grand Group for the year ended 31st December, 2004 amounted to RMB85,430.08 (equivalent to approximately HKD80,594) and RMB85,430.08 (equivalent to approximately HKD80,594) respectively. The audited net asset value (based on PRC accounting standard) of Grand Group as at 31st December, 2004 amounted to RMB70,891,901 (equivalent to approximately HKD66,879,152). The unaudited net asset value (based on Hong Kong accounting standard) of Grand Group as at 30th June, 2004 amounted to approximately HKD26,299,460. The original purchase cost of the 49% equity interest in Grand Group by WX Factory was USD1,470,000 (equivalent to approximately HKD11,436,600) and WX Factory owns such equity interest since the incorporation of Grand Group in 1992. Grand Group does not have any shareholder's loan.

3. BASIS AND PAYMENT TERM OF THE CONSIDERATION

The consideration for the Acquisition under the Agreement is USD1 (equivalent to approximately HKD7.78). 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 the 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 Group as at 31st July, 2004 determined by a valuation report. The consideration of USD1 (equivalent to approximately HKD7.78) is decided with reference to the unaudited negative net asset value in the approximate amount of RMB10,112,200 (equivalent to approximately HKD9,539,811) as at 31st July, 2004 determined by a valuation report of Grand Group prepared by an accounting firm in the PRC (based on PRC accounting standard). According to the valuation report, the valuer had prepared the valuation based on objective, independent and fair principles and recognized asset valuation method in the PRC with the application of the "Replacement Cost Method" (重置成本法). The appointment of such PRC accounting firm as the valuer to prepare the valuation report of Grand Group was jointly agreed by GTPL and WX Factory last year during the course of their negotiation of the terms of the Acquisition which commenced in around May, 2004, and the valuer was formally appointed by WX Factory to conduct the valuation. As the parties were already in negotiation in relation to the terms of the Acquisition in around May last year and the valuation report of Grand Group as at 31st July, 2004 had already been prepared for the purpose of the Acquisition, the parties agree that the same valuation report shall be used as a reference to determine the consideration for the Acquisition although the Agreement is only entered into recently. As far as the Company is aware, such PRC accounting firm is independent of and not a connected person (as defined in the Listing Rules) of the Company.

Upon completion of the Acquisition, Grand Group will be owned as to 100% by GTPL and become an indirect wholly-owned subsidiary of the Company.

The Directors (including independent non-executive Directors) consider that the use of the unaudited negative net asset value as at 31st July, 2004 of Grand Group determined by a valuation report of Grand Group prepared by an accounting firm in the PRC (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 and Grand Group 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 Group 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 Group is a non-wholly owned subsidiary of the Company, WX Factory being a substantial shareholder of Grand Group, 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. As the applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of Acquisition exceed 5% but less than 25%, the Acquisition also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Apart from being a substantial shareholder of Grand Group by virtue of its 49% equity interest in Grand Group, WX Factory is not otherwise a connected person (as defined in the Listing Rules) of the Company.

A circular containing, amongst other matters, details of the Acquisition will be despatched to shareholders of the Company within 21 days after publication of this announcement.

7. DEFINITIONS

“Acquisition”	the acquisition of 49% equity interest in Grand Group by GTPL from WX Factory pursuant to the terms and conditions of the Agreement
“Agreement”	the transfer agreement dated 29th June, 2005 and entered into between GTPL and WX Factory in respect of the acquisition of 49% equity interest in Grand Group 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
“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, 29th June, 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.”