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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 under the Companies Ordinance)

(Stock Code : 118)

Executive Directors:

Tang To (Chairman)
Zhao Zhuoying
Wong Yiu Ming
Yan Wing Fai, Richard
Li Tin Loi

Registered Office:

8/F., Tai Tung Industrial Building
29-33 Tsing Yi Road
Tsing Yi Island
New Territories
Hong Kong

Non-Executive Directors:

Tang Kwan (Honorary Chairman)
He Zhiqi (Vice Chairman)
Kan Wai Wah

Independent Non-Executive Directors:

Liang Shangli
Yip Jeffery
Yeung Shuk Fan

6th June, 2005

To the shareholders,

Dear Sir or Madam,

FINAL DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER, 2004

INTRODUCTION

On 26th April, 2005, the Board of Directors of Cosmos Machinery Enterprises Limited (the "Company") announced their recommendation of a final dividend for the year ended 31st December, 2004 (the "Final Dividend") in scrip form to shareholders whose names appear on the register of members of the Company on 30th May, 2005 (the "Record Date") equivalent to HK\$0.01 per ordinary share of HK\$0.40 of the Company (the "Share") with an alternative to the shareholders of the Company (the "Shareholders") to elect to receive the Final Dividend in cash in lieu of all or part of their scrip dividend entitlements (the "Scrip Dividend Scheme"). At the annual general meeting held on 30th May, 2005, the Final Dividend was approved.

The purpose of this document is to set out the procedures which apply in relation to the Scrip Dividend Scheme and the action which should be taken by Shareholders in relation thereto.

DETAILS OF THE SCRIP DIVIDEND SCHEME

Under the Scrip Dividend Scheme, each Shareholder has the choice of receiving:

- (a) an allotment of new Shares with a nominal value of \$0.40 each ("New Shares") credited as fully paid and having an aggregate market value (as defined below) equal to, save for adjustment for fractions, the total amount of Final Dividend which such shareholder could elect to receive in cash in respect of HK\$0.01 per Share; or
- (b) cash of HK\$0.01 per Share; or
- (c) partly cash and partly New Shares.

For the purpose of calculating the number of New Shares to be allotted, the market value of a New Share will be calculated as an amount equal to the average closing price of one Share on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") for the five trading days (on which such price is available) up to and including 13th June, 2005 (the "Average Closing Price"). Consequently, it will not be possible to determine until the close of business on 13th June, 2005, the exact number of New Shares to which those Shareholders electing to receive New Shares will be entitled. Accordingly, the number of New Shares which Shareholders will receive, in respect of the existing Shares registered in their names as at 30th May, 2005 will be calculated as follows:

$$\begin{array}{l} \text{Number of New} \\ \text{Shares to be} \\ \text{received} \end{array} = \begin{array}{l} \text{Number of existing Shares} \\ \text{held on the Record Date for} \\ \text{which cash election is not} \\ \text{made} \end{array} \times \frac{\text{HK\$0.01}}{\text{Average Closing Price}}$$

A press announcement setting out the basis of allotment of the New Shares will be published in newspapers on 14th June, 2005. **The last day and time on which Shareholders will be entitled to elect their desired form of Final Dividend is 4:00 p.m. on Monday, 27th June, 2005.** The number of New Shares to be received will be rounded down to the nearest whole number of the New Shares. Fractional entitlements to New Shares in respect of alternatives (a) and (c) above will be aggregated and sold and the benefit thereof will accrue to the Company. The New Shares to be issued pursuant to the Scrip Dividend Scheme will rank pari passu in all respects with the existing Shares except that they shall not rank for the Final Dividend.

ADVANTAGES OF THE SCRIP DIVIDEND SCHEME

The Scrip Dividend Scheme will give Shareholders the opportunity to increase their investment in the Company without incurring brokerage fee, stamp duty or dealing costs. The Scrip Dividend Scheme will also be to the advantage of the Company because, to the extent that the Shareholders do not elect to receive cash in lieu of New Shares, in whole or in part, such cash as would otherwise have been paid to Shareholders will be retained for use as working capital by the Company.

EFFECT OF THE SCRIP DIVIDEND SCHEME

If all Shareholders elect to receive cash, the total cash dividend payable by the Company would be HK\$7,062,288.57, on the basis of 706,228,857 Shares in issue as at the Record Date.

Shareholders should note that the New Shares to be issued pursuant to the Scrip Dividend Scheme may give rise to notification requirements under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) for those Shareholders who may have notifiable interests (under the SFO, 5% or more interest in the issued share capital) in the Company. **Shareholders who are in any doubt as to how these provisions may affect them as a result of the New Shares arising from the Scrip Dividend Scheme are recommended to seek their own professional advice.**

FORM OF ELECTION

A Form of Election is enclosed with this document for use by Shareholders who wish to receive the Final Dividend wholly in cash or partly in cash and partly by the issue of New Shares.

If you elect to receive the Final Dividend wholly in the form of New Shares, you should not complete the Form of Election.

If you elect to receive wholly in cash, or partly cash and partly New Shares, you must use the enclosed Form of Election. If you complete the Form of Election but do not specify the number of Shares in respect of which you wish to receive cash under the Scrip Dividend Scheme, or if you elect to receive cash in respect of a greater number of Shares than your registered shareholding on the Record Date, you will be deemed to have exercised your election to receive cash in respect of all the Shares of which you were then registered as the holder.

Form of Election should be completed in accordance with the instructions printed thereon and return them to the Company’s Share Registrars, Secretaries Limited at G/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 27th June, 2005. No acknowledgment of receipt of the Form of Election will be issued.

OVERSEAS SHAREHOLDERS

As at the Record Date, there was a shareholder whose registered address appearing on the register of members of the Company situated outside Hong Kong (in Singapore). After making enquiries with legal advisers in Singapore regarding any relevant legal restrictions and regulatory requirements, the Company understands that the Scrip Dividend Scheme is not an offer to the public under Singapore securities law and that such legal advisers are not aware of any prohibitions or restrictions under Singapore securities law relating to the despatch of this circular together with the attached election form to the shareholder in Singapore.

None of this document, the form of election nor the New Shares will be registered in Hong Kong or any other legal jurisdiction.

All Shareholders with a registered address outside Hong Kong or otherwise resident outside Hong Kong should consult their professional advisers as to whether or not they are permitted to receive the Final Dividend in scrip form or if any governmental or other consent is required or other formalities need to be observed. No person resident in any territory outside Hong Kong and no person receiving in any territory outside Hong Kong a copy of this document and/or a form of election may treat the same as an invitation to him to subscribe shares unless in the relevant territory such invitation could lawfully be made to him without having to comply with any unfulfilled registration or other legal requirements.

LISTING AND DEALINGS

Application will be made to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the New Shares to be issued pursuant to the Scrip Dividend Scheme. Subject to the said application being granted by the Stock Exchange, it is expected that share certificates for the New Shares and/or cheques for cash dividend will be posted by ordinary mail to those entitled thereto at their own risk on or around Thursday, 7th July, 2005. Dealings of the New Shares on the Stock Exchange are expected to commence on 8th July, 2005 after despatch to Shareholders of the certificates for the New Shares.

The primary listing of the existing Shares is on the Stock Exchange, and there is no official secondary listing of the existing Shares on any other stock exchange. No listing of, or permission to deal in, any of the existing Shares and/or New Shares on any stock exchange other than the Stock Exchange is being or is proposed to be sought.

Dealings in the New Shares may be settled through the Central Clearing and Settlement System and you should seek the advice of your stockbroker or other professional adviser for details of these settlement arrangements and how such settlement arrangements will affect your rights and interests.

RECOMMENDATION AND ADVICE

Whether or not it is to the Shareholders' advantages to receive New Shares or cash, in whole or in part, depends upon their own individual circumstances. The effect on the tax position of any Shareholder will depend on that Shareholder's particular circumstances. If you are in any doubt as to what to do, you should consult your professional advisers. Shareholders who are trustees are recommended to take professional advice as to whether the choice to receive cash or New Shares is within their powers and as to its effect having regard to the terms of the relevant trust instrument.

EXPECTED TIMETABLE

| | |
|---|---|
| Fix the market value of a New Share (5 trading days average) | Tuesday, 7th June, 2005 to Monday, 13th June, 2005 |
| Press announcement setting out the basis of allotment of the New Shares | Tuesday, 14th June, 2005 |
| Latest time and date for receiving the Form of Election | 4:00 p.m. on Monday, 27th June, 2005 |
| Despatch of share certificates for the New Shares and/or cheques for cash dividend | on or around Thursday, 7th July, 2005 |
| Commencement of dealings in the New Shares | Friday, 8th July, 2005 |

Yours faithfully,
TANG To
Chairman

此乃要件 請即處理

閣下如對本文件任何方面或應採取之行動有任何疑問，應諮詢閣下之股票經紀或其他註冊證券商、銀行經理、律師、專業會計師或其他專業顧問。

香港聯合交易所有限公司對本文件之內容概不負責，對其準確性或完整性亦不發表任何聲明，並明確表示概不會就本文件全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。



COSMOS MACHINERY ENTERPRISES LIMITED

大同機械企業有限公司

(根據公司條例於香港註冊成立之有限公司)

(股份代號：118)

執行董事：

鄧燾 (主席)

趙卓英

黃耀明

甄榮輝

李天來

註冊辦事處：

香港

新界

青衣島

青衣路29-33號

大同工業大廈8字樓

非執行董事：

鄧焜 (榮譽主席)

何志奇 (副主席)

簡衛華

獨立非執行董事：

梁尚立

葉慶輝

楊淑芬

敬啟者：

截至二零零四年十二月三十一日止年度之末期股息

緒言

於二零零五年四月二十六日，大同機械企業有限公司（「本公司」）董事會公佈，其建議向二零零五年五月三十日（「記錄日期」）名列本公司股東名冊之股東，派發截至二零零四年十二月三十一日止年度之末期股息（「末期股息」）。末期股息為每股面值0.40港元之本公司普通股（「股份」）0.01港元，將以代息股份方式支付。本公司股東（「股東」）亦可選擇收取現金末期股息代替全數或部份代息股份（「以股代息計劃」）。於二零零五年五月三十日舉行之股東週年大會上，末期股息已獲批准派發。

本文件旨在載列以股代息計劃之相關程序，以及股東就此須採取之行動。

以股代息計劃之詳情

根據以股代息計劃，各股東可選擇以下任何一種方式收取末期股息：

- (a) 獲配發每股面值0.40港元並入賬列作繳足之新股份（「新股份」），新股份之總市值（定義見下文），除按零碎股份作出調整外，相等於有關股東選擇以現金方式收取每股0.01港元之總額；或
- (b) 每股股份收取0.01港元現金；或
- (c) 部份現金及部份新股份。

就計算將予配發之新股份數目而言，每股新股份之市值乃指股份於截至二零零五年六月十三日（包括該日）止五個交易日（可提供收市價之日）在香港聯合交易所有限公司（「聯交所」）錄得之平均收市價（「平均收市價」）。有鑑於此，本公司未能於二零零五年六月十三日營業時間結束前釐定選擇收取新股份之股東將可獲得之新股份確實數目。因此，以二零零五年五月三十日已登記於其名下之現有股份數目為本，股東應收取之新股份數目可按下列公式計算：

$$\text{將收取之新股份數目} = \frac{\text{於記錄日期所持有且不予選擇收取現金之現有股份數目}}{\text{平均收市價}} \times 0.01 \text{港元}$$

本公司將於二零零五年六月十四日在報章刊發公佈，詳列新股份之配發基準。股東選擇末期股息收取方式之最後限期及時限為二零零五年六月二十七日（星期一）下午四時正。將收取之新股份數目將調減至最接近之新股份單位整數。因選擇上述第(a)及(c)項所產生之新股份零碎股份將會彙集出售，所得收益歸本公司所有。根據以股代息計劃將予發行之新股份，除了未能享有末期股息外，與現有股份在所有方面均享有同等權益。

以股代息計劃之好處

以股代息計劃，在毋須支付經紀佣金、印花稅及交易費之情況下，給予股東增加對本公司投資之機會。此外，以股代息計劃亦對本公司有好處，因為如股東不予選擇收取現金代替新股份（不論全部或部份），則上述原擬支付予股東之現金將會留作本公司之營運資金。

以股代息計劃之影響

如所有股東均選擇收取現金，則按記錄日期已發行股份706,228,857股計算，本公司須支付之現金股息總額將為7,062,288.57港元。

股東務須注意，根據以股代息計劃發行新股份一事或會導致本公司須根據香港法例第571章證券及期貨條例（「證券及期貨條例」）之規定遵行申報規定，因為有關股東或會因而在本公司中持有須予申報之權益（根據證券及期貨條例之規定，指佔已發行股本5%或以上之權益）。股東如因以股代息計劃產生之新股份而對該等條款對其構成之影響存有疑問，應尋求專業意見。

選擇表格

本文件隨附選擇表格，以供有意以現金方式收取全部末期股息或部份以現金方式及部份以發行新股份方式收取末期股息之股東使用。

如閣下選擇以新股份方式收取全部末期股息，則毋須填寫選擇表格。

如閣下選擇全數以現金方式或以部份現金及部份新股份方式收取末期股息，則必須填寫隨附之選擇表格。如閣下並未在已填妥之選擇表格上列明在以股代息計劃下閣下有意收取現金之股份數目，又或閣下選擇收取現金之股份數目超逾閣下於記錄日期已登記於名下之股份數目，屆時閣下將被視為已就當時登記於名下之所有股份選擇收取現金。

請按照選擇表格上所印列之指示填妥選擇表格，並於二零零五年六月二十七日（星期一）下午四時正前，交回本公司之股份過戶登記處秘書商業服務有限公司，地址為香港灣仔告士打道56號東亞銀行港灣中心地下。本公司不會就選擇表格寄發認收通知書。

海外股東

於記錄日期，按本公司股東名冊所示，共有1名股東之登記地址乃位於香港以外地區（新加坡）。經諮詢新加坡法律顧問有關相關法律限制及規管規定之意見後，本公司得悉根據新加坡證券法律，以股代息計劃並非公開發售，以及據上述法律顧問所知，就刊發本通函連同隨附之選擇表格予新加坡股東而言，新加坡證券法律並無任何禁止或限制規定。

本文件、選擇表格及新股份均不會於香港或任何其他法定司法權區登記。

所有登記地址位於香港以外地區或居於香港以外地區之股東應諮詢彼等之專業顧問，以確定彼等是否獲准收取末期股息之代息股份或是否必須取得任何政府或其他同意或是否有需要遵從任何手續。任何居於香港以外地區之人士及任何人士如於香港以外地區接獲本文件及／或選擇表格，概不應將之視作向其作出之認購股份邀請，但如該項邀請可在有關地區向其合法地作出且毋須符合任何未辦理之登記手續或其他法律規定則除外。

上市及買賣

本公司將向聯交所上市委員會申請批准根據以股代息計劃將予發行之新股份上市及買賣。倘上述申請獲聯交所批准，預期有關新股份之股票及／或現金股息支票將於二零零五年七月七日（星期四）或前後以普通郵遞方式寄發予應得人士，郵誤風險概由彼等自行承擔。預期新股份將於寄發新股份之股票予股東後自二零零五年七月八日起於聯交所開始買賣。

現有股份之第一上市地為聯交所；而現有股份並無在任何其他證券交易所正式辦理第二上市手續。本公司現時並無，亦不擬向聯交所以外之任何證券交易所申請批准現有股份及／或新股份上市或買賣。

新股份可透過中央結算系統交收買賣。閣下如對此等交收安排詳情及其對閣下之權利及權益之影響程度有任何疑問，應諮詢閣下之股票經紀或其他專業顧問。

推薦意見及建議

全數或部份收取新股份或現金是否對股東有利，乃視乎股東個人情況而定，而各股東所受到之稅務影響將視乎其個別情況而定。閣下如對應採取之行動有任何疑問，應諮詢閣下之專業顧問。股東如為受託人，應尋求專業意見，以確定根據有關信託文件之條款是否有權選擇收取現金或新股份以及其影響。

預期時間表

| | |
|-----------------------------|------------------------------------|
| 訂定新股份市值（5個交易日之平均價）之日期 | 二零零五年六月七日（星期二）至 二零零五年六月十三日（星期一） |
| 刊發報章公佈，載列新股份之配發基準 | 二零零五年六月十四日（星期二） |
| 收取選擇表格之最後時限及期限 | 二零零五年六月二十七日（星期一） 下午四時正 |
| 新股份之股票及／或現金股息支票之寄發日期 | 二零零五年七月七日（星期四）或前後 |
| 新股份開始買賣日期 | 二零零五年七月八日（星期五） |

此致

列位股東 台照

主席
鄧燾
謹啟

二零零五年六月六日