



CHEN HSONG HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 0057)

CONNECTED TRANSACTION

On 8 July 2005, Parker as assignor, Pointeam as assignee and Intra-Italy entered into a conditional Assignment Agreement, whereby (i) Parker agreed to sell and assign to Pointeam and Pointeam agreed to purchase from Parker the Equity Interest and (ii) Parker agreed to grant to Pointeam, Intra-Italy and their respective affiliates a Licence, for use in the PRC, of the Technology Know-how for an aggregate cash consideration of RMB8,812,238.00 (equivalent to approximately HK\$8,313,465.33) payable in US dollars. The Consideration was satisfied in cash from internal resources of the Company. The Consideration was arrived at after arm's length negotiations between the parties. The parties further agreed that Intra-Italy would distribute dividends for an aggregate amount of RMB36,625,872.00 to its investors, namely Parker and Pointeam.

Pointeam is a wholly-owned subsidiary of the Company. The equity interest in Intra-Italy has been owned as to 70% by Pointeam and 30% by Parker since 2001. Since Parker is a substantial shareholder of Intra-Italy, which is a subsidiary of the Company, Parker is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Assignment Agreement constitutes a connected transaction under the Listing Rules. As each of the appropriate percentage ratios defined under the Listing Rules is less than 2.5%, the Assignment Agreement is discloseable under Rule 14A.32(1) of the Listing Rules and is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules. Details of the Assignment Agreement will also be included in the Company's next published annual report in accordance with Rule 14A.45 of the Listing Rules.

THE ASSIGNMENT AGREEMENT

Parties

Assignor: Parker
Assignee: Pointeam
Subject company: Intra-Italy

Date

8 July 2005

Subject Matter

Parker has agreed to, amongst others, (i) sell and assign to Pointeam and Pointeam has agreed to purchase from Parker the Equity Interest together with all rights and interests attaching thereto with effect from the Approval Date and (ii) grant to Pointeam, Intra-Italy and their respective affiliates (the "Licensees") a Licence, for use in the PRC, of the Technology Know-how. The right to use the Technology Know-how by the Licensees will commence on the Approval Date and remain effective until it has been terminated by mutual agreement between Parker and the Licensees or if the Licensees breach the confidentiality obligations under the Assignment Agreement in bad faith. Save for the rights granted to the Licensees under the Licence, the Licensees recognise Parker's rightful ownership of all rights, title and interest in and relating to the Technology Know-how.

Under the Assignment Agreement, Parker and Pointeam will procure the formal approval for the distribution by Intra-Italy of dividends in the aggregate amount of RMB36,625,872.00 (the "Dividends"), as to RMB10,987,762.00 to Parker and RMB25,638,110.00 to Pointeam. The Dividends will be payable in US dollars by Intra-Italy within 14 working days from the Approval Date or within 120 days from the date of the Assignment Agreement, whichever is the earlier.

Conditions

The assignment of the Equity Interest contemplated under the Assignment Agreement is conditional upon the issuance to Intra-Italy of a new "Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC" or such other analogous formal approval certificates of similar nature by the relevant PRC authority approving and evidencing the assignment of the Equity Interest.

If Intra-Italy fails or is unable to obtain the requisite consent or approval from the relevant PRC authority within 9 months from the date of the Assignment Agreement (the "Long Stop Date"), then, amongst others, Parker is obliged, within 30 days from the Long Stop Date, to refund to Pointeam the Consideration already paid by Pointeam without any interest and compensation and the assignment of the Equity Interest will be of no effect and the status quo of the parties will remain as it was prior to the execution of the Assignment Agreement.

Consideration

The Consideration for the Equity Interest and the Licence is RMB8,812,238.00 (equivalent to approximately HK\$8,313,465.33) payable in US dollars by Pointeam to Parker. The Consideration is inclusive of and thereby in satisfaction of any dividends payable by Intra-Italy in respect of the period from 1 January 2005 up to the Approval Date. Hence, profits generated during such period are not required to be apportioned between Pointeam and Parker. The Consideration was paid in cash in full on 8 July 2005.

The Consideration was determined after arm's length negotiations between the parties by reference to the net asset value of Intra-Italy as reflected in its audited accounts (which were prepared in accordance with the generally accepted accounting principles in the PRC) as at 31 December 2004 after deduction of the Dividends to be paid by Intra-Italy. The audited net assets values of Intra-Italy, as at 31 December 2004, were RMB67,844,328.20 before distribution of the Dividends and RMB31,218,456.20 after distribution of the Dividends. The Consideration was satisfied in cash by the Company from its internal resources and is not subject to any deduction on account of the Dividends.

GENERAL

As at the date of the Assignment Agreement, the equity interest in Intra-Italy is owned as to 70% by Pointeam and 30% by Parker. The registered capital of Intra-Italy has been paid in full and neither Parker nor Pointeam has any outstanding obligation to contribute to the registered capital of Intra-Italy. Intra-Italy will become a wholly-owned subsidiary of the Company upon completion of the Assignment Agreement. Except for the resignation of 2 directors who were nominated by Parker, there will not be any change in the composition of the board of directors of Intra-Italy.

Parker is a company incorporated in Italy and is principally engaged in design and production of oil-pressure motors, spare parts and accessories, machines for general use and other mechanical materials.

Intra-Italy is principally engaged in the manufacture and sale of hydraulic motors in the PRC. Intra-Italy was established pursuant to a joint venture contract and articles of association executed by, amongst others, Parker and Pointeam on 26 September 1995. The initial capital contribution made by Parker was US\$900,000 representing 30% of the total registered capital of Intra-Italy.

The audited net profit before taxation of Intra-Italy for the financial years ended 31 December 2003 and 31 December 2004 were RMB15,400,238.12 and RMB14,531,413.08 respectively. The audited net profits after taxation of Intra-Italy for the financial years ended 31 December 2003 and 31 December 2004 were RMB13,362,465.55 and RMB13,061,326.56 respectively.

REASONS FOR ENTERING INTO THE ASSIGNMENT AGREEMENT

The principal business of the Group is the manufacturing and sale of plastic injection moulding machines and related products. The Directors, having considered, amongst others, the satisfactory past performance of Intra-Italy, believe that the acquisition will strengthen the Group's existing business in that Intra-Italy will become a wholly-owned subsidiary of the Company.

The Assignment Agreement was negotiated on an arm's length basis on normal commercial terms. The board of Directors (including the independent non-executive Directors) are of the view that the terms of the Assignment Agreement are fair, reasonable and in the interests of the Company and its shareholders as a whole and that it is beneficial to the Company for Pointeam and Intra-Italy to enter into the Assignment Agreement.

CONNECTED TRANSACTION

Pointeam is a wholly-owned subsidiary of the Company. The equity interest in Intra-Italy has been owned as to 70% by Pointeam and 30% by Parker since 2001. Since Parker is a substantial shareholder of Intra-Italy, which is a subsidiary of the Company, Parker is a connected person of the Company under the Listing Rules. Therefore, the entering into of the Assignment Agreement constitutes a connected transaction under the Listing Rules. As each of the appropriate percentage ratios defined under the Listing Rules is less than 2.5%, the Assignment Agreement is discloseable under Rule 14A.32(1) of the Listing Rules and is exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules. Details of the Assignment Agreement will also be included in the Company's next published annual report in accordance with Rule 14A.45 of the Listing Rules.

DEFINITIONS

Unless otherwise defined, terms used in this announcement shall have the meanings set out below:

"Approval Date"	the date on which the Ministry of Commerce of the PRC or its local delegated branches or any other competent authorities officially approves the assignment of the Equity Interest as stated on the relevant "Certificate of Approval for Establishment of Enterprises with Foreign Investment in the PRC" or such other analogous formal approval certificate issued by the relevant authority
"Assignment Agreement"	the agreement relating to the assignment of the Equity Interest and the distribution of dividends in Intra-Italy dated 8 July 2005 entered into between Parker, Pointeam and Intra-Italy
"Company"	Chen Hsong Holdings Limited
"Consideration"	the aggregate consideration of RMB8,812,238.00 (equivalent to approximately HK\$8,313,465.33) payable in US dollars by Pointeam to Parker in accordance with the terms of the Assignment Agreement
"Directors"	the directors of the Company
"Equity Interest"	the 30% registered capital in Intra-Italy together with all related rights, liabilities and obligations currently possessed by Parker, including, without limitation, all existing or future rights in respect of such portion of the registered capital of Intra-Italy
"Group"	the Company and its subsidiaries (including Intra-Italy)
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Intra-Italy"	佛山市順德區中意液壓有限公司(Intra-Italy Hydraulics (Foshan Shunde) Co., Ltd.), a wholly foreign owned enterprise established in the PRC and a 70% indirectly owned subsidiary of the Company
"Licence"	a personal, non-transferable, non-assignable, indivisible and non-exclusive right to use the Technology Know-how granted by Parker to Pointeam, Intra-Italy and their respective affiliates pursuant to the terms of the Assignment Agreement
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"Parker"	Parker Calzoni S.r.l., a corporation incorporated in Italy
"Pointeam"	Pointeam Development Limited, a corporation incorporated in Hong Kong and a wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the PRC
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Technology Know-how"	all know-how, technology, knowledge, information, experience, software, intellectual property rights and proprietary information lawfully owned by Parker (other than trademarks, trade names and services marks) relating to the manufacturing of low speed high torque radial piston hydraulic motors up to 1.2 litre displacement type MRC and MRCN as well as their parts and sub-assemblies
"US"	the United States of America

(The exchange rate of RMB to HK\$ quoted in this announcement adopts a reference rate of RMB1 to HK\$0.9434.)

By Order of the Board
CHIANG CHEN
Chairman

Hong Kong, 12 July 2005

As at the date of this announcement, the executive Directors are Dr. CHIANG Chen, Ms. CHIANG Lai Yuen, Mr. CHIANG Chi Kin, Mr. CHUNG Hau Leung, Stephen and Mr. NG Hon Wah, Sam and the independent non-executive Directors are Mr. TAN Chin Kwang, Johnson, Mr. Anish LALVANI and Mr. Bernard Charn-wut CHAN.

This announcement can also be accessed through the Internet on the Company's website www.chenhsong.com.hk