

## Listed Company Information

COSMOS MACH<0118> - Announcement

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COSMOS MACHINERY ENTERPRISES LIMITED  
(Incorporated in Hong Kong with limited liability)

### CONNECTED TRANSACTION

The directors (the "Directors") of Cosmos Machinery Enterprises Limited (the "Company", together with its subsidiaries, the "Group") announce that Jackson Equities Incorporated ("Jackson Equities"), a wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement with Mr. Won Sau Yan, Mr. Wong Yiu Ming and Mr. Wan Ming Sang (the "Minority Vendors") on 30th November, 1999 (the "Agreement"). Pursuant to the Agreement, Jackson Equities has agreed to acquire an aggregate of 1,695,000 shares of HK\$1.00 each in Glory Horse Industries Limited ("Glory Horse") ("Glory Horse Shares"), representing 8.5 per cent. of the issued share capital of Glory Horse, from the Minority Vendors for a consideration of HK\$2,542,500 ("Glory Horse Shares Consideration").

As the Minority Vendors are directors of the Group, the entering into the Agreement by Jackson Equities constitutes a connected transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

#### 1. THE AGREEMENT

Date

30th November, 1999.

Parties

- i. Jackson Equities, a wholly-owned subsidiary of the Company
- ii. Minority Vendors, directors of the Group

Particular of the Agreement

Pursuant to the Agreement, Jackson Equities has agreed to acquire an aggregate of 1,695,000 shares of HK\$1.00 each in Glory Horse, representing 8.5 per cent. of the issued share capital of Glory Horse, from the Minority Vendors for the Glory Horse Shares Consideration.

Assets to be acquired

Glory Horse is a limited company incorporated on 12th April, 1990 in Hong Kong in which its principal business is the

manufacturing, assembling and designing of electronic audio products in the People's Republic of China. Glory Horse is owned as to 73.7 per cent. by the Company, as to 8.5 per cent. by the Minority Vendors, as to 1.7 per cent. by an independent third party and as to 16.1 per cent. indirectly by five directors of the Company's subsidiaries. Accordingly, after the completion of the Agreement, the Company will own 82.2 per cent. beneficial interest in Glory Horse. The board of directors of Glory Horse will not be changed and will remain controlled by the Group after the completion of the acquisition. The audited net profit before and after tax of Glory Horse for each of the two year ended 31st December, 1998 amounted to HK\$4,996,156 and HK\$7,430,383 respectively. No tax was payable by Glory Horse as the profits for these two years have been offset by tax losses brought forward from previous years. The audited net assets value of Glory Horse as at 31st December, 1998 amounted to HK\$11,432,387.

#### Consideration

The Glory Horse Shares Consideration amounted to HK\$2,542,500 payable by Jackson Equities to the Minority Vendors has been arrived at after arm's length negotiation between the parties involved and is on normal commercial terms after taking into account the financial performance of Glory Horse. It represents a four times of the price earning ratio of Glory Horse which has been arrived at with reference to current price earnings ratio of a number of listed companies engaging in similar business to Glory Horse. The Directors, including independent non-executive directors, consider using price earning ratio of Glory Horse as a basis of consideration is fair and reasonable with the view of its business nature.

A sum of HK\$762,750 representing 30 per cent. of the Glory Horse Shares Consideration shall be paid by Jackson Equities to the Minority Vendors on the date of the Completion. The balance of the Glory Horse Shares Consideration shall be paid on or before 31st March, 2000 by internal resources of the Company.

The Directors, including independent non-executive directors, consider that the terms of the Agreement are fair and reasonable so far as the shareholders of the Company are concerned.

#### Completion

Completion will take place within three business days from the date of the Agreement or such later date as the relevant parties may agree.

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

The Group is principally engaged in manufacturing and trading of machinery and industrial tools. The Group's strategy is to expand its manufacturing business, including electronic audio products. The Directors consider that the acquisition of an 8.5 per cent. interest in Glory Horse is in line with the Group's current business strategy. In addition, the Directors believe that such acquisition will further enhance the profitability of the Company. Accordingly, the directors, including 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 the shareholders of the Company are concerned.

#### 3. GENERAL

As the Minority Vendors are directors of the Group, the

entering into the Agreement by Jackson Equities constitutes a connected transaction of the Company under the Listing Rules. Pursuant to Rule 14.25 of the Listing Rules, details of the Agreement will be included in the annual report for the year ending 31st December, 1999 of the Company.

By Order of the Board  
Cosmos Machinery Enterprises Limited  
Tang To  
Chairman

Hong Kong, 30th November, 1999