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大同機械企業有限公司

**COSMOS MACHINERY ENTERPRISES LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 118)**

## **CHANGE OF DIRECTORSHIP**

Mr. Liang Shangli resigned as an independent non-executive director of the Company with effect from 30 January 2007. On the same date, Mr. Cheng Tak Yin was appointed as an independent non-executive director of the Company.

The board of directors (the “**Board**”) of Cosmos Machinery Enterprises Limited (the “**Company**”) announces that due to personal reasons, Mr. Liang Shangli (“**Mr. Liang**”) resigned as an independent non-executive director of the Company with effect from 30 January 2007. He also resigned as member of the Audit Committee and Remuneration Committee of the Company. Mr. Liang has confirmed that he has no disagreement with the Board and he is not aware of any matter regarding his resignation that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its gratitude for Mr. Liang’s dedication to the Company.

The Board is pleased to announce that Mr. Cheng Tak Yin (“**Mr. Cheng**”) has been appointed as an independent non-executive director and member of the Audit Committee and Remuneration Committee of the Company with effect from 30 January 2007.

Mr. Cheng, aged 67, has over 35 years of experience in business management. Currently, he is the Vice-Chairman and director of Hong Kong and Kowloon Machinery and Instrument Merchants Association Limited. He joined the Company’s group (the “**Group**”) in 1989 and had acted as director of certain subsidiaries of the Company in the past, namely, Catec Industrial Limited, Cosmos Trading Investment Limited, Oriental Machinery Limited, Melco International Trading (Shanghai) Co., Ltd., Guangzhou Melco Industrial Supplies Co., Ltd, GZ Great Melco Trading Co., Limited (“**GZ Great Melco**”), Beijing Melco Technology Co., Ltd., Melco Industrial Supplies Company Limited (formerly known as Melco Trading Company Limited), Cosmos Machinery International Limited, Hong Kong Precision Screws Manufacturing Limited, Hackman Investment Limited, Vika Limited and Welltec Resources Limited. Save for Mr. Cheng’s directorship with GZ Great Melco which ceased in August 2005, Mr. Cheng’s directorships in all the other subsidiaries mentioned above had ceased for more than two years up to now. During the two years immediately prior to the date of his appointment as an independent non-executive director of the Company, he was not and had not been an executive or director of the Company, or of its holding company, or any of their respective subsidiaries or of any connected persons of the Company, except that he remained as a director of GZ Great Melco until its de-registration in August 2005 but did not perform any executive or management function in GZ Great Melco since it had ceased to operate and became dormant in August 2004. After careful assessment, the Board considers the fact that Mr. Cheng remained as a director of GZ Great Melco until its de-registration in August 2005, should not have any negative bearing or influence on Mr. Cheng’s independence in the course of his performance of duties as an independent non-executive director of the Company.

Mr. Cheng had received director's fee and director's year ended bonus of a total amount of HK\$22,000 per year from a subsidiary of the Company, namely, Melco Trading Company Ltd. (now renamed as Melco Industrial Supplies Company Limited ("**Melco Industrial**")) since 1 September 1989 during his appointment as a director until his resignation on 1 July 2004 which was more than two years up to now. After his resignation as a director, he acted as an adviser for Melco Industrial and had received an adviser fee from 1 July 2004 up to 31 December 2004 (the "**Period**"). Being an adviser during the Period, he had no executive or management role in any member of the Group and he was only required to give advice to the then newly appointed General Manager of Melco Industrial. Mr. Cheng's advisory role had ceased for more than two years up to now. Prior to September 1989 when Melco Industrial was not yet a subsidiary of the Company, he acted as a director and had received year ended director's fees from Melco Industrial. He had received salary from the Group prior to 30 June 2004 when he was an employee of the Group. However, he ceased to be an employee of the Group since 1 July 2004 which was more than two years up to now. Given that the director's fees or year ended bonus or salary which Mr. Cheng received were in relation to his directorship or employment with the Group in the past which was more than 2 years up to now and that Mr. Cheng was not engaged as a professional adviser and his advisory role had ceased for more than 2 years up to now, the Company considers that the requirements under Rules 3.13(3), 3.13(7) and 3.13(8) of the Listing Rules have been complied with.

Save as disclosed above, Mr. Cheng did not hold any directorship in other listed public company in the last three years. Mr. Cheng is not connected with any director, senior management, substantial shareholder or controlling shareholder of the Company. As at the date of this announcement, he is interested in a total of 1,720,400 shares in the Company within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong, of which 1,716,000 shares are held by him personally and 4,400 shares are held by his spouse. Since the 1,720,400 shares represent less than 1% of the issued share capital of the Company, the requirement under Rule 3.13(1) of the Listing Rules has been complied with.

The Company had granted 1,250,000 share option to Mr. Cheng in January 1997 and he exercised all of his option in February 1998 at an exercise price of HK\$0.575. The Company further granted him 520,000 share option in January 1998 and he exercised all of his option in January 2000 at an exercise price of HK\$0.5632. The Company had also granted 900,000 share option with an exercise price of HK\$0.41 to him in June 2001 which was not exercised and had lapsed in July 2003. All such share options were granted to Mr. Cheng pursuant to share option schemes established in accordance with Chapter 17 of the Listing Rules. According to Rule 3.13(2) of the Listing Rules, Mr. Cheng will still be considered independent if he received interest in securities of the Company pursuant to a share option scheme established in accordance with Chapter 17 of the Listing Rules.

Mr. Cheng has signed an appointment letter with the Company. He has been appointed for a specific term of three years with effect from 30 January 2007, but is subject to early termination by either party serving not less than one month's prior written notice and retirement by rotation and re-election in accordance with the Company's articles of association. Mr. Cheng is entitled to a fixed remuneration of HK\$40,000 per annum, such amount has been determined by the Board with reference to his duties and responsibilities in the Company, the Company's performance and the prevailing market rate for independent non-executive directors of listed companies in Hong Kong.

Save as disclosed herein, there is no other information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules (particularly in relation to sub-paragraphs (h) to (w) therein) nor are there other matters relating to Mr. Cheng's appointment that need to be brought to the attention of the shareholders of the Company.

The Board would like to welcome Mr. Cheng to join the Board.

By order of the Board  
**COSMOS MACHINERY ENTERPRISES LIMITED**  
**TANG To**  
*Chairman*

Hong Kong, 30 January 2007

*As at the date hereof, the board of directors of the Company is comprised of twelve 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 four are non-executive directors, namely Mr. Tang Kwan, Mr. He Zhiqi, Mr. Kan Wai Wah and Mr. Qu Jinping and three are independent non-executive directors, namely Mr. Yip Jeffery, Miss Yeung Shuk Fan and Mr. Cheng Tak Yin.*

“Please also refer to the published version of this announcement in The Standard”