
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **COSMOS MACHINERY ENTERPRISES LIMITED** (the “Company”), you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected, for transmission to the purchaser or the transferee.

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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)

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Tang I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 23rd May, 2012 at 9:30 a.m. is set out in pages 16 to 19 of this circular. Whether or not you propose to attend the meeting, you are requested to complete the form of proxy enclosed with this circular in accordance with the instructions printed thereon and return the same to the registered office of the Company at Units 1217–1223A, 12/F, Trade Square, No. 681 Cheung Sha Wan Road, Kowloon, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting or any adjourned meeting should you so desire.

20th April, 2012

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DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“AGM”	the annual general meeting of the Company to be held at Tang I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 23rd May, 2012 at 9:30 a.m.
“AGM Notice”	the notice dated 20th April, 2012 convening the AGM as set out in pages 16 to 19 of this circular
“Articles of Association”	the articles of association of the Company
“associates”	as such term is defined under the Listing Rules
“associated company”	as such term is defined under financial reporting standards approved by the Hong Kong Institute of Certified Public Accountants
“Auditors”	the auditors for the time being of the Company
“Board”	the board of directors of the Company or a duly authorised committee thereof for the time being
“Business Day”	a day (other than a Saturday or a Sunday) on which licensed banks are generally open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities
“chief executive(s)”	as such term is defined under the Listing Rules
“Company”	Cosmos Machinery Enterprises Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Stock Exchange
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“connected person(s)”	as such term is defined under the Listing Rules
“controlling shareholder(s)”	as such term is defined under the Listing Rules
“day”	calendar day
“Directors”	the directors of the Company for the time being

DEFINITIONS

“Group”	the Company and its subsidiaries and associated companies from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Issue Mandate”	a general mandate to the Directors to exercise the power of the Company to allot, issue and deal with Shares during the period as set out in Ordinary Resolution no. 6 up to 20% of the issued share capital of the Company as at the date of passing such resolution
“Latest Practicable Date”	12th April, 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“month”	calendar month
“Ordinary Resolution(s)”	the proposed ordinary resolution(s) as referred to in the AGM Notice
“Repurchase Mandate”	a general mandate to the Directors to exercise the power of the Company to repurchase Shares during the period as set out in Ordinary Resolution no. 5 up to 10% of the issued share capital of the Company as at the date of passing such resolution
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.40 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation, reclassification or reconstruction of the share capital of the Company from time to time)
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	a company which is for the time being and from time to time a subsidiary (within the meaning of the Companies Ordinance or the Listing Rules)

DEFINITIONS

“substantial shareholder”	as such term is defined under the Listing Rules
“Takeover Code”	the Hong Kong Codes on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

LETTER FROM THE BOARD



大同機械企業有限公司

COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 118)

Executive Directors:

Tang To (*Chairman*)

Jiang Wei

Wong Yiu Ming (*Chief Executive Officer*)

Tang Yu, Freeman

Registered Office:

Units 1217–1223A

12/F, Trade Square

No. 681 Cheung Sha Wan Road

Kowloon

Hong Kong

Non-Executive Directors:

Wu Ding (*Vice Chairman*)

Kan Wai Wah

Qu Jinping

Independent Non-Executive Directors:

Yeung Shuk Fan

Cheng Tak Yin

Ho Wei Sem

20th April, 2012

To the Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO REPURCHASE SHARES
AND TO ISSUE SHARES
RE-ELECTION OF DIRECTORS
AND
NOTICE OF ANNUAL GENERAL MEETING**

INTRODUCTION

The purpose of this circular is to provide you with information regarding the proposed general mandates to repurchase Shares and to issue Shares, the proposed re-election of Directors and the AGM Notice and to seek your approval of the Ordinary Resolutions relating to these matters at the AGM.

LETTER FROM THE BOARD

GENERAL MANDATE TO REPURCHASE SHARES

At the AGM, an Ordinary Resolution will be proposed to grant the Repurchase Mandate to the Directors, details of which are set out in Ordinary Resolution no. 5.

In accordance with the Listing Rules, an explanatory statement to provide the Shareholders with all the information reasonably necessary to enable them to make an informed decision on whether to vote for or against the resolution to approve the Repurchase Mandate is set out in Appendix I hereto.

GENERAL MANDATE TO ISSUE SHARES

An Ordinary Resolution will be proposed at the AGM to grant the Issue Mandate to the Directors to issue and dispose of additional Shares not exceeding 143,386,138 Shares, being 20% of the issued share capital of the Company as at the date of the resolution unconditionally until the next annual general meeting. Details of which are set out in Ordinary Resolution no. 6.

In addition, an Ordinary Resolution will be proposed to extend the Issue Mandate which would increase the limit of the Issue Mandate by adding to it the number of Shares repurchased under the Repurchase Mandate. Details of the extension of the Issue Mandate are set out in Ordinary Resolution no. 7.

PROPOSED ELECTION OF DIRECTORS

The board of directors currently consists of 10 directors, namely Mr. Tang To (Chairman), Mr. Jiang Wei, Mr. Wong Yiu Ming (Chief Executive Officer), Mr. Tang Yu, Freeman, Mr. Wu Ding (Vice Chairman), Mr. Kan Wai Wah, Mr. Qu Jinping, Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Ho Wei Sem.

In accordance with Article 103 of the Articles of Association, Mr. Wong Yiu Ming, Mr. Kan Wai Wah, Ms. Yeung Shuk Fan and Mr. Cheng Tak Yin will retire from office and, being eligible, offer themselves for re-election at the AGM. Details of the retiring Directors who are proposed to be re-elected at the AGM required to be disclosed by the Listing Rules are set out in Appendix II to this circular.

ANNUAL GENERAL MEETING

At the AGM, Ordinary Resolutions will be proposed to approve the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate and the re-election of retiring Directors. The AGM Notice is set out in pages 16 to 19 of this circular.

A form of proxy for use at the AGM is enclosed with this circular. Whether or not you are able to attend the AGM, you are requested to complete the form of proxy and return it to the registered office of the Company in accordance with the instructions printed thereon not later than 48 hours before the time fixed for holding the AGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjourned meeting if you so desire.

LETTER FROM THE BOARD

VOTING AT THE ANNUAL GENERAL MEETING

According to rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all the resolutions put to the vote at the AGM will be taken by way of poll pursuant to Article 74 of the Articles of Association.

RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

RECOMMENDATION

The Directors consider that the granting of the Repurchase Mandate, the Issue Mandate, the extension of the Issue Mandate and the re-election of the retiring Directors are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the AGM.

ADDITIONAL INFORMATION

Your attention is drawn to Appendix I hereto which is an explanatory statement as required under the Listing Rules to provide the requisite information regarding the Repurchase Mandate.

GENERAL

The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

Yours faithfully,
By order of the Board
TANG To
Chairman

The following is the explanatory statement as required by the Listing Rules, to provide requisite information to you for your consideration of the Repurchase Mandate.

For the purpose of this Appendix I, the term “shares” shall be as defined in the Hong Kong Code on Share Repurchases which mean shares of all classes and shares which carry a right to subscribe or purchase shares.

The explanatory statement also constitutes the memorandum as required under Section 49BA(3)(b) of the Companies Ordinance.

1. LISTING RULES

The Listing Rules permit companies whose primary listings are on the Stock Exchange to repurchase their fully paid-up shares on the Stock Exchange subject to certain restrictions, which include but not limited to the following:

(a) Shareholders’ Approval

The Listing Rules provide that all on-market share repurchases by a company with its primary listings on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such repurchases.

(b) Source of Funds

Repurchases must be made out of funds which are legally available for such purpose in accordance with the company’s constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established.

2. SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised 716,930,692 Shares.

Subject to the passing of an Ordinary Resolution for approving the Repurchase Mandate at the AGM, and on the basis that no further Shares are issued or repurchased prior to the AGM, the Company would be allowed under the Repurchase Mandate to repurchase a maximum of 71,693,069 Shares, representing not more than 10% of the issued share capital of the Company as at the Latest Practicable Date.

3. REASONS FOR REPURCHASE

The Directors believe that the Repurchase Mandate is in the best interests of the Company and the Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

4. FUNDING OF REPURCHASE

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share repurchase may only be paid from the distributable profits of the company and/or the proceeds of a new issue of shares made for the purpose of the repurchase to such extent allowable under the Companies Ordinance. The Companies Ordinance further provides that the amount of premium payable on repurchase may only be paid out of the distributable profits of the Company. Where the repurchased shares were issued at a premium, any premium payable on repurchase may be paid out of the proceeds of a fresh issue of shares made for the purposes of the share repurchase up to certain limits specified by the Companies Ordinance.

There might be material adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited consolidated accounts contained in the Company's annual report for the year ended 31st December, 2011 in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

5. SHARE PRICES

The highest and lowest prices at which the Shares have traded on the Stock Exchange during each of the previous 12 months before the Latest Practicable Date were as follows:

	Share Prices	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
April 2011	1.270	0.910
May 2011	1.360	1.040
June 2011	1.120	0.810
July 2011	1.110	0.840
August 2011	0.910	0.630
September 2011	0.700	0.420
October 2011	0.590	0.380
November 2011	0.640	0.500
December 2011	0.580	0.470
January 2012	0.530	0.485
February 2012	0.670	0.510
March 2012	0.640	0.530
April 2012 (up to the Latest Practicable Date)	0.560	0.480

6. GENERAL

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they would exercise the powers of the Company to make repurchases pursuant to the Repurchase Mandate only in accordance with the Listing Rules, the Companies Ordinance and other applicable laws of Hong Kong.

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeover Code. As a result, a Shareholder, or a group of Shareholders acting in concert, could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeover Code.

As at the Latest Practicable Date, Cosmos Machinery (Holdings) Limited together with its associates were beneficially interested in 297,157,052 Shares representing approximately 41.45% of the issued share capital of the Company. These 297,157,052 Shares include 170,104,452 Shares directly held by Tai Shing Agencies Limited, an indirect wholly owned subsidiary of Cosmos Machinery (Holdings) Limited, representing approximately 23.73% of the issued share capital of the Company. If these shareholdings remain the same and in the event that the Directors exercised in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding of Cosmos Machinery (Holdings) Limited together with its associates in the Company would be increased to approximately 46.05% of the issued share capital of the Company. Such increase would give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. As at the Latest Practicable Date, the Directors have no intention to exercise the Repurchase Mandate to such an extent as would trigger the obligation of mandatory offer under the Takeover Code. China Resources (Holdings) Company Limited was beneficially interested in 169,649,046 Shares representing approximately 23.66% of the issued share capital of the Company. If such shareholdings remain the same and in the event that the Directors exercised in full the power to repurchase Shares pursuant to the Repurchase Mandate, the shareholding of China Resources (Holdings) Company Limited in the Company would be increased to approximately 26.29% of the issued share capital of the Company. Such increase would not give rise to an obligation to make a mandatory offer under Rules 26 and 32 of the Takeover Code. The Company may not repurchase Shares which would result in the amount of Shares held by the public being reduced to less than 25%.

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates have any present intention to sell any Shares to the Company if the Repurchase Mandate is approved by the Shareholders.

No connected persons of the Company have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the Repurchase Mandate is approved by the Shareholders.

7. SHARE REPURCHASES MADE BY THE COMPANY

The Company had not repurchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding the Latest Practicable Date.

The following are the particulars of the Directors who will retire from office and be proposed to be elected at the AGM to be held on 23rd May, 2012:

Mr. Wong Yiu Ming

Position and Experience

Mr. Wong Yiu Ming, aged 58, Executive Director and Chief Executive Officer of the Company, has 34 years of experience in sales, marketing and corporate management. Mr. Wong joined the Group in 1978. He holds a Bachelor of Science degree in Engineering and a Master degree in Business Administration. Mr. Wong was appointed as the General Manager of the Company on 1st February, 1999 and has been re-designated as Chief Executive Officer of the Company with effect from 12th September, 2005. He is responsible for the strategic planning and general management of the Group. Mr. Wong is a director of Shenzhen Haoningda Meters Co, Ltd., which is an associate of the Company with its shares listed and commenced trading on the Shenzhen Stock Exchange on 9th February, 2010. Besides disclosed above, Mr. Wong did not hold any directorship in other listed public companies in the last three years.

Relationship

Mr. Wong does not have any other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Length of Service and Directors' Emolument

Mr. Wong is not appointed for a specific term except that he is subject to retirement by rotation and re-election in accordance with the Company's articles of association. The emolument received by Mr. Wong for the year ended 31st December, 2011 was HK\$7,759,342 and such emolument was determined by the Board and the remuneration committee of the Company with reference to his duties and responsibilities with the Company, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

Interests in Shares

As far as the Directors are aware, as at the Latest Practicable Date, Mr. Wong was interested in the Shares as follows pursuant to Part XV of the SFO:

Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
10,832,072	–	–	–	10,832,072

Interests in Share Options

Capacity	Number of options held	Number of underlying shares
Beneficial Owner	6,000,000	6,000,000

Save as disclosed above, Mr. Wong did not have or deem to have any other interests in the Shares or underlying Shares pursuant to Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any other matter relating to the re-election of Mr. Wong Yiu Ming as an Executive Director that needs to be brought to the attention of the Shareholders. There is no information relating to Mr. Wong that is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (w) of the Listing Rules.

Mr. Kan Wai Wah*Position and Experience*

Mr. Kan Wai Wah, aged 54, Non-Executive Director of the Company, is a Managing Director of 緯餘飲食顧問有限公司. He has over 30 years of experience in the management of restaurant operations. Mr. Kan holds a Higher Diploma in Accountancy. He joined the Company in May 1998. Mr. Kan did not hold any directorship in other listed public company in the last three years.

Relationship

Mr. Kan is the son of Ms. Law Kit Fong, a substantial shareholder of the Company. Mr. Kan is a director of certain companies which are related to certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Save as the above, Mr. Kan does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Length of Service and Directors' Emolument

Mr. Kan signed an appointment letter with the Company for a specific term from 1st January, 2011 to 31st December, 2013 but he 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. The emolument received by Mr. Kan for the year ended 31st December, 2011 was HK\$60,000 and such amount was determined by the Board and the remuneration committee of the Company with reference to his duties and responsibilities with the Company, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

Interests in Shares

As at the Latest Practicable Date, Mr. Kan holds personal interest of 136,400 Shares within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Kan did not have or deem to have any other interests in the Shares or underlying Shares pursuant to Part XV of the SFO.

Other Information

Pursuant to the requirement of Rule 13.51(2)(1) of the Listing Rules, it is required to be disclosed that Mr. Kan is a director of Treasure Restaurant Company Limited (敦煌酒樓有限公司) and its subsidiaries (the “Treasure Group”) which (a) are all incorporated in Hong Kong; (b) are engaged in food and beverage industry; (c) have commenced creditors’ voluntary winding up under Section 228A and 241 of the Companies Ordinance on 6th of June, 2002. The amounts of total liabilities involved was approximately HK\$1,360 million and among the Treasure Group. As at the Latest Practicable Date, all the winding up procedures of all the twenty-two companies in the Treasure Group have been completed.

Save as disclosed above, the Directors are not aware of any other matter relating to the re-election of Mr. Kan Wai Wah as a Non-Executive Director that needs to be brought to the attention of the Shareholders. There is no information relating to Mr. Kan that is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (w) of the Listing Rules.

Ms. Yeung Shuk Fan*Position and Experience*

Ms. Yeung Shuk Fan, aged 46, Independent Non-Executive Director of the Company, has over 22 years of experience in the finance sector and holds a Master degree in Business Administration. She is a member of the American Institute of Certified Public Accountants and an associate of The Institute of Chartered Secretaries and Administrators. During the past 17 years, Ms. Yeung has served as financial controller and financial manager of various private groups of companies. She joined the Company with effect from June 2004. Ms. Yeung did not hold any directorship in other listed public companies in the last three years.

Relationship

Ms. Yeung does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Length of Service and Directors’ Emolument

Ms. Yeung signed an appointment letter with the Company for a specific term from 1st January, 2011 to 31st December, 2013 but she 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. The emolument received by Ms. Yeung for the year ended 31st December, 2011 was HK\$168,000 and such amount was determined by the Board with reference to her duties and responsibilities with the Company, the Company’s performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

Interests in Shares

As at the Latest Practicable Date, Ms. Yeung did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any other matter relating to the re-election of Ms. Yeung Shuk Fan as an Independent Non-Executive Director that needs to be brought to the attention of the Shareholders. There is no information relating to Ms. Yeung that is required to be disclosed pursuant to any of the requirements of Rule 13.51(2)(h) to (w) of the Listing Rules.

Mr. Cheng Tak Yin*Position and Experience*

Mr. Cheng Tak Yin, aged 73, Independent Non-Executive Director of the Company, has over 40 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 was appointed as Independent Non-Executive Director of the Company with effect from 30th January, 2007. Mr. Cheng did not hold any directorship in other listed public companies in the last three years.

Relationship

Mr. Cheng does not have any other relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company.

Length of Service and Directors' Emolument

Mr. Cheng signed an appointment letter with the Company for a specific term from 30th January, 2010 to 29th January, 2013 but he 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. The emolument received by Mr. Cheng for the year ended 31st December, 2011 was HK\$60,000 and such amount was determined by the Board of the Company with reference to his duties and responsibilities with the Company, the Company's performance and profitability, remuneration benchmark in the industry and the prevailing market conditions.

Interests in Shares

As at the Latest Practicable Date, Mr. Cheng is interested in a total of 1,410,400 Shares in the Company within the meaning of Part XV of the SFO, of which 1,406,000 Shares are held by him personally and 4,400 Shares are held by his spouse. Save as disclosed above, Mr. Cheng did not have or deem to have any other interests in the Shares or underlying Shares pursuant to Part XV of the SFO.

Other information

Pursuant to the requirement of Rule 13.51(2)(w) of the Listing Rules, it is required to disclose that Mr. Cheng joined 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 Suppliers 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 30th January, 2007 (the “Date of his Appointment”). 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 1st September, 1989 during his appointment as a director until his resignation on 1st July, 2004 which was more than two years up to the Date of his Appointment. After his resignation as a director, he acted as an adviser for Melco Industrial and had received an adviser fee from 1st July, 2004 up to 31st 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 the Date of his Appointment. 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 30th June, 2004 when he was an employee of the Group. However, he ceased to be an employee of the Group since 1st July, 2004 when was more than two years up to the Date of his Appointment. Given that the director’s fees or year ended bonus or salary when Mr. Cheng received were in relation to his directorship or employment with the Group in past which was more than 2 years up to the Date of his Appointment and that Mr. Cheng was not engaged as a professional adviser and his advisory role had ceased for more than 2 years up to the Date of his Appointment, 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.

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.

Save as disclosed above, the Directors are not aware of any other matter relating to the re-election of Mr. Cheng Tak Yin as an Independent Non-Executive Director that needs to be brought to the attention of the Shareholders. There is no information relating to Mr. Cheng that is required to be disclosed pursuant to any of the requirements of Rules 13.51(2)(h) to (w) of the Listing Rules.

NOTICE OF ANNUAL GENERAL MEETING



大同機械企業有限公司

COSMOS MACHINERY ENTERPRISES LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 118)

NOTICE IS HEREBY GIVEN that the annual general meeting of Cosmos Machinery Enterprises Limited (the “Company”) will be held at Tang I, 3rd Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Wednesday, 23rd May, 2012 at 9:30 a.m. for the following purposes:

1. To receive and consider the financial statements and the directors’ and auditors’ reports of the Company for the year ended 31st December, 2011.
2. To declare a final dividend.
3. To re-elect the retiring directors, the details of whom are set out in the Company’s Circular dated 20th April, 2012, and to authorise the directors to fix directors’ fee.
4. To re-appoint auditors and to authorise the directors to fix their remuneration.

As special business, to consider and, if thought fit, to pass with or without amendments the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

5. **“THAT:**
 - (a) subject to paragraph (b) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares in the capital of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or on any other stock exchange on which the securities of the Company may be listed and is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

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- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or law to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.”

6. **“THAT:**

- (a) subject to paragraph (c) of this resolution and pursuant to Section 57B of the Companies Ordinance, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares of the Company to be allotted be and is hereby generally and unconditionally approved;
- (b) the approval in paragraph (a) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options (including warrants, bonds, debentures, notes and other securities which carry rights to subscribe for or are convertible into shares of the Company) which would or might require shares of the Company to be allotted after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted or issued (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a) of this resolution, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of rights of subscription or conversion under the terms of any existing warrants, bonds, debentures, notes or other securities issued by the Company which carry rights to subscribe for or are convertible into shares of the Company; or (iii) the exercise of options granted under any option scheme or similar arrangement for the time being adopted for the grant or issue of shares or rights to acquire shares in the Company; or (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

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(d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of associations of the Company or law to be held; and
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the directors of the Company by this resolution.

“Rights Issue” means an offer of shares of the Company or issue of options, warrants or other securities giving the right to subscribe for shares of the Company open for a period fixed by the directors of the Company to holders of shares whose names appear on the register of members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares of the Company (or, where appropriate, such other securities) (subject in all cases to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company).”

7. “**THAT** subject to the passing of resolution nos. 5 and 6 set out in the notice convening this meeting, the general mandate granted to the directors of the Company to exercise the powers of the Company to allot, issue and deal with additional shares in the Company pursuant to resolution no. 6 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution no. 5 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution.”

By order of the Board
TANG To
Chairman

Hong Kong, 20th April, 2012

NOTICE OF ANNUAL GENERAL MEETING

Registered Office:

Units 1217–1223A
12/F, Trade Square
No. 681 Cheung Sha Wan Road
Kowloon
Hong Kong

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed or a notorially certified copy of that power or authority must be deposited at the registered office of the Company at Units 1217–1223A, 12/F, Trade Square, No. 681 Cheung Sha Wan Road, Kowloon, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting or poll (as the case may be).
3. In order to determine the shareholders who are entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 18th May, 2012 to Wednesday, 23rd May, 2012 (both days inclusive), during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 17th May, 2012.

In order to determine the shareholders who are qualified for the final dividend, the register of members of the Company will be closed from Wednesday, 30th May, 2012 to Thursday 31st May, 2012 (both dates inclusive), during which no transfer of shares will be registered. All transfer of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 29th May, 2012.
4. With regard to the proposed ordinary resolutions no. 3, 5 to 7 set out in this notice, details of the proposed re-election of directors, the proposed general mandates to repurchase and issue shares are set out in Appendix I & II of this circular.
5. This notice will also be available for viewing on the website of each of The Stock Exchange of Hong Kong Limited at <http://www.hkexnews.hk> and of the Company at <http://www.cosmel.com>.
6. As at the date of this notice, the board of directors of the Company comprises Mr. Tang To (Chairman), Mr. Jiang Wei, Mr. Wong Yiu Ming (Chief Executive Officer) and Tang Yu, Freeman as executive directors, Mr. Wu Ding (Vice Chairman), Mr. Kan Wai Wah and Mr. Qu Jinping as non-executive directors, and Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin and Mr. Ho Wei Sem as independent non-executive directors.