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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**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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**PROPOSALS INVOLVING  
GENERAL MANDATES TO BUY BACK SHARES  
AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS,  
ADOPTION OF NEW ARTICLES OF ASSOCIATION  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

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A notice convening the annual general meeting of the Company to be held at Ming Room II, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 21st May, 2015 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 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, 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 in person at the Annual General Meeting or any adjourned meeting thereof and, in such event, the relevant form of proxy shall be deemed to be revoked.

16th April, 2015

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## DEFINITIONS

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*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 Ming Room II, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 21st May, 2015 at 9:30 a.m.
“AGM Notice”	the notice dated 16th April, 2015 convening the AGM as set out in pages 16 to 19 of this circular
“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
“Buy-back Mandate”	a general mandate to the Directors to exercise the power of the Company to buy back Shares during the period as set out in Ordinary Resolution no. 4 up to 10% of the issued shares of the Company as at the date of passing such resolution
“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 622 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

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## DEFINITIONS

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“Existing Articles”	the existing articles of association of the Company
“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. 5 up to 20% of the issued shares of the Company as at the date of passing such resolution
“Latest Practicable Date”	9th April, 2015, 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
“New Articles”	the new articles of association of the Company to be adopted in the AGM
“Resolution(s)”	the proposed ordinary and special resolution(s) as referred to in the AGM Notice
“SFO”	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of the Company
“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)
“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.

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Tang To (*Chairman*)

Wong Yiu Ming (*Executive Vice Chairman*)

Tang Yu, Freeman (*Chief Executive Officer*)

*Registered Office:*

10/F, Billion Plaza 2

No. 10 Cheung Yue Street

Cheung Sha Wan

Kowloon

Hong Kong

*Non-Executive Directors:*

Kan Wai Wah

Qu Jinping

*Independent Non-Executive Directors:*

Yeung Shuk Fan

Cheng Tak Yin

Ho Wei Sem

Huang Zhi Wei

16th April, 2015

*To the Shareholders*

Dear Sir or Madam,

**PROPOSALS INVOLVING  
GENERAL MANDATES TO BUY BACK SHARES  
AND TO ISSUE SHARES,  
RE-ELECTION OF DIRECTORS,  
ADOPTION OF NEW ARTICLES OF ASSOCIATION  
AND  
NOTICE OF ANNUAL GENERAL MEETING**

**INTRODUCTION**

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

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## LETTER FROM THE BOARD

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### GENERAL MANDATE TO BUY BACK SHARES

At the AGM, an ordinary resolution will be proposed to grant the Buy-back Mandate to the Directors, details of which are set out in Ordinary Resolution no. 4.

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 Buy-back 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 shares 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. 5.

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 bought back under the Buy-back Mandate. Details of the extension of the Issue Mandate are set out in Ordinary Resolution no. 6.

### PROPOSED ELECTION OF DIRECTORS

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

In accordance with Article 103 of the Existing Articles Mr. Tang To, 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.

### ADOPTION OF NEW ARTICLES OF ASSOCIATION

In light of the Companies Ordinance (chapter 622 of the laws of Hong Kong) which came into force on 3rd March, 2014 (the “**Companies Ordinance**”), the Board proposed that the New Articles be adopted by way of a special resolution to substitute the Existing Articles, mainly to bring the constitution of the Company in line with the provisions of the Companies Ordinance, and at the same time to make some consequential and housekeeping changes. In accordance with the Companies Ordinance, the Company’s memorandum of association (the “**Memorandum of Association**”) has been abolished. The name clause, the registered office clause, the objects clause, the members’ limited liability clause and the share capital clause were previously contained in the Memorandum of Association before its abolishment. Under the Companies Ordinance, those clauses are regarded as being included in the Existing Articles.

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## LETTER FROM THE BOARD

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The Company's legal advisers have confirmed that the proposed amendments comply with the requirements of the Listing Rules and the Laws of Hong Kong.

An explanatory statement of the adoption of the New Articles is set out in Appendix III to this circular.

Full text of the New Articles is available in English and Chinese under the corporate governance section of the Company's website ([www.cosmel.com](http://www.cosmel.com)) and the website of Hong Kong Exchanges and Clearing Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). The Chinese translation of the New Articles is for shareholders' reference only. In case there is any inconsistency between the English version and the Chinese version, the English version shall prevail. A copy of the New Articles will also be available for inspection at the registered office of the Company during the business hours from 9:00 a.m. to 5:00 p.m. (Hong Kong time) on any business day (excluding Saturday) from the date of this circular up to and including 21st May 2015.

### **ANNUAL GENERAL MEETING**

At the AGM, Resolutions will be proposed to approve the Buy-back 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.

### **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 Existing Articles.

### **RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors consider that the granting of the Buy-back Mandate, the Issue Mandate, the extension of the Issue Mandate, the re-election of the retiring Directors and the adoption of the New Articles 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 Buy-back 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 Buy-back Mandate.

For the purpose of this Appendix I, the term “shares” shall be as defined in the Hong Kong Code on Share Buy-backs 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 239 of the Companies Ordinance.

## **1. LISTING RULES**

The Listing Rules permit companies whose primary listings are on the Stock Exchange to buy back 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 buy-backs 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 buy-backs.

### **(b) Source of Funds**

Buy-backs 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. ISSUED SHARES**

As at the Latest Practicable Date, the total number of issued shares of the Company was 716,930,692 Shares.

Subject to the passing of an ordinary resolution for approving the Buy-back Mandate at the AGM, and on the basis that no further Shares are issued or bought back prior to the AGM, the Company would be allowed under the Buy-back Mandate to buy back a maximum of 71,693,069 Shares, representing not more than 10% of the issued shares of the Company as at the Latest Practicable Date.

## **3. REASONS FOR BUY-BACK**

The Directors believe that the Buy-back Mandate is in the best interests of the Company and the Shareholders. Such buy-backs 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 buy-backs will benefit the Company and the Shareholders.

#### 4. FUNDING OF BUY-BACK

In buying back Shares, the Company may only apply funds legally available for such purpose in accordance with its articles of association and the Companies Ordinance. The Companies Ordinance provides that the amount of capital repaid in connection with a share buy-back 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 buy-back to such extent allowable under 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, 2014 in the event that the Buy-back Mandate was to be carried out in full at any time during the proposed buy-back period. However, the Directors do not propose to exercise the Buy-back 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 2014	0.580	0.510
May 2014	0.540	0.495
June 2014	0.530	0.500
July 2014	0.610	0.500
August 2014	0.640	0.520
September 2014	0.630	0.520
October 2014	0.600	0.540
November 2014	0.810	0.550
December 2014	0.690	0.550
January 2015	0.640	0.570
February 2015	0.610	0.560
March 2015	0.610	0.530
April 2015 (up to the Latest Practicable Date)	0.620	0.550

**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 buy-backs pursuant to the Buy-back 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 buy back Shares pursuant to the Buy-back 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 buy back Shares pursuant to the Buy-back 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 Buy-back 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 buy back Shares pursuant to the Buy-back 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 buy back 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 close associates (as defined in the Listing Rules) have any present intention to sell any Shares to the Company if the Buy-back Mandate is approved by the Shareholders.

No core connected persons (as defined in the Listing Rules) 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 Buy-back Mandate is approved by the Shareholders.

**7. SHARE BUY-BACKS MADE BY THE COMPANY**

The Company had not bought back 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 21st May, 2015:

**Mr. Tang To**

*Position and Experience*

Mr. Tang To, aged 66, Chairman and Executive Director of the Company, has served on the Board since the listing of the Company in 1988 and was appointed as Chairman and Executive Director of the Company in September, 1997. Mr. Tang is responsible for the overall policy making and significant investments of the Group. Mr. Tang has over 41 years of experience in manufacturing and trading businesses in Hong Kong and the PRC. Mr. Tang is a director of Suzhou Sangguang Science and Technology Co., Ltd., which is an associate of the Company with its shares listed on the National Equities Exchange and Quotations on 24th January, 2014. Mr. Tang was a director of Shenzhen Haoningda Meters Co. Ltd., which is a company with its shares listed at the Shenzhen Stock Exchange, from June, 2007 to August, 2013. Save as disclosed herewith, Mr. Tang did not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas during the last three years.

*Relationship*

Mr. Tang is the father of Mr. Tang Yu, Freeman, the Chief Executive Officer and Executive Director of the Company. Mr. Tang is a director of certain companies which are members of the Group and related to certain substantial shareholders of the Company within the meaning of Part XV of the SFO. Save as the above, Mr. Tang 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*

No service contract has been entered into between Mr. Tang and the Company and Mr. Tang 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. Tang for the year ended 31st December, 2014 was HK\$4,039,298 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. Tang was interested in the Shares as follows pursuant to Part XV of the SFO:

<b>Personal Interest</b>	<b>Family Interest</b>	<b>Number of shares held</b>		<b>Total</b>
		<b>Corporate Interest</b>	<b>Other Interest</b>	
4,970,000	2,000 <i>(Note 1)</i>	300,617,458 <i>(Note 2)</i>	224,000 <i>(Note 3)</i>	305,813,458

*Notes:*

1. As at the Latest Practicable Date, 2,000 Shares were held by the spouse of Mr. Tang.
2. As at the Latest Practicable Date, 3,460,406 Shares of those 300,617,458 Shares were held by Ginta Company Limited (“Ginta”) which is wholly owned by a company which in turn is owned as to 50% by Mr. Tang and 50% by his spouse. Mr. Tang was deemed to be interested in the remaining 297,157,052 Shares of those 300,617,458 Shares under the SFO through his deemed interests in Codo Development Limited (“Codo”).

As at Latest Practicable Date, Codo through its wholly owned subsidiaries, Cosmos Machinery (Holdings) Limited (“Cosmos Holdings”) and Tai Shing Agencies Limited (“Tai Shing”), was deemed to be interested in 297,157,052 Shares. Codo is incorporated in Hong Kong and is owned as to (i) 25.06% by Keepsound Investments Limited, a Hong Kong company controlled by Saniwell Holding Inc., a trustee of The Saniwell Trust, (ii) 8.37% by Elegant Power Enterprises Limited (“Elegant Power”); (iii) 30.25% by Friendchain Investments Limited (“Friendchain”), a Hong Kong company controlled as to 40% by Elegant Power, as to 57.42% by Saniwell Holding Inc. and as to 2.58% by Fullwin Limited; (iv) 16.09% by Yik Wan Company Limited; and (v) 20.23% by five individuals and two limited companies.

3. As at the Latest Practicable Date, 224,000 Shares were jointly held by Mr. Tang and his spouse.

Save as disclosed above, Mr. Tang 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. Tang To as an Executive Director that needs to be brought to the attention of the Shareholders. There is no information relating to Mr. Tang 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 49, Independent Non-Executive Director of the Company, has over 25 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 20 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, 2014 to 31st December, 2016 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, 2014 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 76, 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, 2013 to 29th January, 2016 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, 2014 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.



The Existing Articles will be replaced in their entirety by the New Articles. The major amendments to the Existing Articles include the following:

- migration of the mandatory clauses from the Memorandum of Association (such as the name of the Company and the limited liability of the members) to the New Articles and the New Articles do not contain the objects clause which was previously contained in the Memorandum of Association so that the Company has the capacity, rights, powers and privileges of a natural person;
- removal of references in the New Articles to authorized capital, par or nominal value of shares, unissued shares, capital redemption reserve, share premium account and related terms, following the abolition of the concept of nominal values for shares under the Companies Ordinance;
- removal of the power of the Company to issue bearer warrants;
- provision of statement of reason for refusal of registration of a transfer of shares within 28 days, if so required by the transferor or transferee of the shares;
- removal of the articles relating to conversion of shares into stock;
- requirement of holding an annual general meeting within six months of the end of the financial year end;
- amendment of minimum notice period for convening a general meeting (other than an annual general meeting) for passing a special resolution from 21 days to 14 days;
- inclusion of article allowing the Company to hold general meeting at two or more locations;
- reduction of the threshold for demanding a poll from 10% to 5% of the total voting rights;
- provision of requirement of shareholders' approval for a service contract between the Company and its Directors with guaranteed term of employment exceeding 3 years;
- deletion, for purposes of compliance with the current Listing Rules, of an exemption which had the effect of allowing a Director to vote or be counted in a quorum at a board meeting in respect of any contract or arrangement or proposal in which the Director and any of his associates are, in aggregate, beneficially interested in less than 5% of the issued shares of any class of such company or of the voting rights;
- change of wording of the term of "Secretary" to "Company Secretary";
- allowing the Company to execute a document as deed without using its common seal; and
- removal of the articles relating to subscription right reserve as the concept of nominal values for shares is abolished under the Companies Ordinance.

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## NOTICE OF ANNUAL GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that the annual general meeting of Cosmos Machinery Enterprises Limited (the “Company”) will be held at Ming Room II, 4th Floor, Sheraton Hong Kong Hotel & Towers, 20 Nathan Road, Kowloon, Hong Kong on Thursday, 21st May, 2015 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, 2014.
2. To re-elect the retiring directors, the details of whom are set out in the Company’s Circular dated 16th April, 2015, and to authorise the directors to fix directors’ fee.
3. To re-appoint Ting Ho Kwan & Chan Certified Public Accountants (practising) as auditors and to authorise the board of directors to fix their remuneration.

To consider and, if thought fit, to pass with or without amendments the following resolutions (4) to (6) as ordinary resolutions and resolution (7) as special resolution:

### **ORDINARY RESOLUTIONS**

4. **“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 buy back shares 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 number of shares of the Company to be bought back by the Company pursuant to the approval in paragraph (a) of this resolution shall not exceed 10 per cent. of the total number of issued shares of the Company as at the date of the passing of this resolution and the said approval shall be limited accordingly; and

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## NOTICE OF ANNUAL GENERAL MEETING

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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.”

5. **“THAT:**

- (a) subject to paragraph (c) 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 allot, issue and deal with additional shares 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 number of shares 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 total number of the shares 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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## NOTICE OF ANNUAL GENERAL MEETING

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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).”

6. “**THAT** subject to the passing of resolution nos. 4 and 5 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. 5 set out in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the total number of shares bought back by the Company under the authority granted pursuant to the resolution no. 4 set out in the notice convening this meeting, provided that such extended amount shall not exceed 10 per cent. of the total number of shares of the Company in issue as at the date of the passing of this resolution.”

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## NOTICE OF ANNUAL GENERAL MEETING

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### SPECIAL RESOLUTION

7. “**THAT** the new articles of association produced to the meeting marked “A” and initialled by the Chairman of the meeting for the purpose of identification, which, among other things, do not include any “objects” clause currently contained in the existing articles of association of the Company as amended by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when it came into force, be and are hereby approved and adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company, and any director or the company secretary of the Company be and is hereby authorized to do all things necessary to implement the adoption of the new articles of association.”

By order of the Board  
**TANG To**  
Chairman

Hong Kong, 16th April, 2015

*Registered Office:*

10/F, Billion Plaza 2  
No. 10 Cheung Yue Street  
Cheung Sha Wan  
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 notarially certified copy of that power or authority must be deposited at the registered office of the Company at 10/F, Billion Plaza 2, No. 10 Cheung Yue Street, Cheung Sha Wan, 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 Wednesday, 20th May, 2015 to Thursday, 21st May, 2015 (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 Level 22, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Tuesday, 19th May, 2015.
4. With regard to the proposed ordinary resolutions no. 2, 4 to 6 and the special resolution no. 7 set out in this notice, details of the proposed re-election of directors, the proposed general mandates to back buy and issue shares and the adoption of the New Articles are set out in Appendices I, II and III 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. Wong Yiu Ming (Executive Vice Chairman) and Tang Yu, Freeman (Chief Executive Officer) as executive directors, Mr. Kan Wai Wah and Mr. Qu Jinping as non-executive directors, and Ms. Yeung Shuk Fan, Mr. Cheng Tak Yin, Mr. Ho Wei Sem and Mr. Huang Zhi Wei as independent non-executive directors.