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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
AND
NOTICE OF ANNUAL GENERAL MEETING**

A notice convening the annual general meeting of the Company to be held at Ballroom A, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 7 June 2018 at 9:30 a.m. is set out on 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 it to the Company’s share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof (i.e. on or before Wednesday, 5 June 2018 at 9:30 a.m.). 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.

4 May 2018

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DEFINITIONS

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

“Acquisition Announcement”	the announcement of the Company dated 30 April 2018 in relation to, among other things, (1) connected transaction in relation to subscription of the Subscription Shares by the Subscribers; and (2) application for whitewash waiver
“AGM”	the annual general meeting of the Company to be held at Ballroom A, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 7 June 2018 at 9:30 a.m.
“AGM Notice”	the notice dated 4 May 2018 convening the AGM as set out in pages 16 to 19 of this circular
“Articles”	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
“Auditor”	the auditor 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

DEFINITIONS

“Directors”	the directors of the Company for the time being
“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”	4 May 2018, 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
“Resolution(s)”	the proposed ordinary 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
“Subscribers”	Cosmos Machinery (Holdings) Limited and Saniwell Holding Inc.
“Subscription Shares”	a total of 145,000,000 new Shares to be allotted and issued by the Company to the Subscribers pursuant to the subscription agreement dated 30 April 2018 entered into between the Company and the Subscribers, details of which have been set out in the Acquisition Announcement
“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

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*)

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

4 May 2018

To the Shareholders

Dear Sir or Madam,

**PROPOSALS INVOLVING
GENERAL MANDATES TO BUY BACK 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 buy back Shares and to issue Shares, the proposed re-election of Directors and the AGM Notice and to seek your approval of the Resolutions relating to these matters at the AGM.

LETTER FROM THE BOARD

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 allot, issue and deal with additional Shares not exceeding 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 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.

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

Subject to passing of an ordinary resolution approving the Issue Mandate at the AGM and on the basis that no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Issue Mandate to issue a maximum of 143,386,138 Shares, representing 20% of the total issued share capital of the Company.

As set out in the Acquisition Announcement, the Company agreed to allot and issue the Subscription Shares to the Subscribers subject to certain conditions precedent as set out in the Acquisition Announcement. If the Subscription Shares are to be allotted and issued, it will increase the issued share of the Company from 716,930,692 Shares to 861,930,692 Shares. In case that the Subscription Shares are issued prior to the AGM, subject to passing of an ordinary resolution approving the Issue Mandate at the AGM and on the basis that other than the Subscription Shares, no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Issue Mandate to allot, issue and deal with a maximum of 172,386,138 Shares, representing 20% of the total issued share capital of the Company.

PROPOSED RE-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.

LETTER FROM THE BOARD

In accordance with Article 102 of the 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.

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 on 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 in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the said meeting or any adjournment thereof (i.e. on or before Tuesday, 5 June 2018 at 9:30 a.m.). 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 73 of the 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.

RECOMMENDATION

The Directors consider that the granting of the Buy-back 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 Buy-back Mandate.

LETTER FROM THE BOARD

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.

As set out in the Acquisition Announcement, the Company agreed to allot and issue the Subscription Shares to the Subscribers subject to certain conditions precedent as set out in the Acquisition Announcement. If the Subscription Shares are to be allotted and issued, it will increase the issued share of the Company from 716,930,692 Shares to 861,930,692 Shares. In case that the Subscription Shares are issued prior to the AGM, subject to passing of an ordinary resolution approving the Buy-back Mandate at the AGM and on the basis that other than the Subscription Shares, no further Shares are issued or repurchased by the Company prior to the AGM, the Company would be allowed under the Buy-back Mandate to repurchase a maximum of 86,193,069 Shares, representing 10% of the total issued share capital of the Company.

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 to 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 31 December 2017 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 HK\$	Lowest HK\$
April 2017	0.500	0.460
May 2017	0.550	0.450
June 2017	0.570	0.500
July 2017	0.560	0.520
August 2017	0.600	0.510
September 2017	0.620	0.500
October 2017	0.560	0.500
November 2017	0.540	0.475
December 2017	0.520	0.465
January 2018	0.590	0.470
February 2018	0.510	0.450
March 2018	0.510	0.465
April 2018	0.560	0.470
May 2018 (up to the Latest Practicable Date)	0.580	0.530

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 7 June 2018:

Mr. Tang To

Position and Experience

Mr. Tang To, aged 69, the 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 on 18 September, 1997. Mr. Tang is responsible for the overall policy making and significant investments of the Group. Mr. Tang has over 44 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 24 January 2014.

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 Articles. The emolument received by Mr. Tang for the year ended 31 December 2017 was HK\$ 1,957,000 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 is interested in the Shares as follows pursuant to Part XV of the SFO:

Personal Interest	Family Interest	Corporate Interest	Other Interest	Total
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:

- As at the Latest Practicable Date, 2,000 Shares were held by the spouse of Mr. Tang.
- 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 limited company incorporated in Hong Kong 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 limited company incorporated in Hong Kong 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.
- 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 52, the Independent Non-Executive Director of the Company, has over 28 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 23 years, Ms. Yeung has served as financial controller and financial manager of various private groups of companies. She was appointed as Independent Non-executive Director of the Company on 18 June 2004.

Save as disclosed herewith, Ms. Yeung 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

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 1 January 2017 to 31 December 2019 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 Articles. The emolument received by Ms. Yeung for the year ended 31 December 2017 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 does not have any interests in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, the Directors are not aware of any matters 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 of the Company, and there is no other information that should be disclosed pursuant to paragraph 13.51(2)(h) to (w) of the Listing Rules.

Mr. Cheng Tak Yin*Position and Experience*

Mr. Cheng Tak Yin, aged 79, the Independent Non-Executive Director of the Company, has over 46 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.

Save as disclosed herewith, Mr. Cheng 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. 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 30 January 2017 to 29 January 2020 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 Articles. The emolument received by Mr. Cheng for the year ended 31 December 2017 was HK\$60,000 and such amount was determined by the Board 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 1,406,000 Shares in the Company within the meaning of Part XV of the SFO.

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 30 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 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 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 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 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 options to Mr. Cheng in January 1997 and he exercised all of his options in February 1998 at an exercise price of HK\$0.575. The Company further granted him 520,000 share options in January 1998 and he exercised all of his options in January 2000 at an exercise price of HK\$0.5632. The Company had also granted 900,000 share options 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 scheme 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 Rule 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 Ballroom A, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 7 June 2018 at 9:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the Directors’ and Auditor’s reports of the Company for the year ended 31 December 2017.
2. To re-elect the retiring Directors, the details of whom are set out in the Company’s Circular dated 4 May 2018, and to authorise the Board of Directors to fix Directors’ fee.
3. To re-appoint Ting Ho Kwan & Chan Certified Public Accountants (practising) as Auditor 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.

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% 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

NOTICE OF ANNUAL GENERAL MEETING

- (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% 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

NOTICE OF ANNUAL GENERAL MEETING

(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 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.

“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% of the total number of shares 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, 4 May 2018

NOTICE OF ANNUAL GENERAL MEETING

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 Friday, 1 June 2018 to Thursday, 7 June 2018 (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 Thursday, 31 May 2018.
4. With regard to the proposed ordinary resolutions no. 2 and 4 to 6 set out in this notice, details of the proposed re-election of directors and the proposed general mandates to buy-back and issue shares are set out in Appendices I and 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. Wong Yiu Ming (Executive Vice Chairman) and Mr. 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.



大同機械企業有限公司
COSMOS MACHINERY ENTERPRISES LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 118)

Form of Proxy for use at the Annual General Meeting (or at any adjournment thereof)

I/We ^(Note 1) _____
of _____
being the registered holder(s) of ^(Note 2) _____ shares
of the abovenamed Company, HEREBY APPOINT ^(Note 3) _____
of _____
or failing him ^(Note 3) _____
of _____
or failing him, the Chairman of the meeting as my/our proxy to act for me/us at the Annual General Meeting (or at any adjournment thereof) of the Company to be held at Ballroom A, 2/F., The Langham, Hong Kong, 8 Peking Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, the 7th day of June 2018 at 9:30 a.m. and on a poll to vote on my/our behalf as directed below or if no such direction is given, as my/our proxy thinks fit.

		For ^(Note 4)	Against ^(Note 4)
1.	To receive and consider the audited financial statements and the reports of the Directors and Auditor for the year ended 31 December 2017.		
2.	(a) To re-elect Mr. Tang To as Director.		
	(b) To re-elect Ms. Yeung Shuk Fan as Director.		
	(c) To re-elect Mr. Cheng Tak Yin as Director.		
	(d) To authorise the Board of Directors to fix Directors' fee.		
3.	To re-appoint Ting Ho Kwan & Chan Certified Public Accountants (practising) as Auditor and to authorise the Board of Directors to fix their remuneration.		
4.	To grant a general mandate to the Directors for shares buy-back by the Company.		
5.	To grant a general mandate to the Directors for issue of shares.		
6.	To extend the general mandate to issue shares by addition thereto the shares bought back by the Company.		

Dated: _____

Signature ^(Note 5): _____

Notes:

1. Full name(s) and address(es) to be inserted in BLOCK CAPITALS.
2. Please insert the number of shares registered in your name(s). If no number is inserted, this form of proxy will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
3. Please insert the name and address of the proxy desired. IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.
4. IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, PLEASE PLACE A "✓" IN THE RELEVANT BOX MARKED "FOR". IF YOU WISH TO VOTE AGAINST A RESOLUTION, PLEASE PLACE A "✓" IN THE RELEVANT BOX MARKED "AGAINST". Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
5. This form of proxy must be signed by you or your attorney duly authorised in writing or, in the case of a corporation, this form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
6. If more than one of the joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members in respect of the relevant shares will alone be entitled to vote in respect of them.
7. To be valid, this proxy form together with any power of attorney or other authority (if any) under which it is signed or notarially certified copy of such power or authority must be deposited at the share registrar of the Company, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof (i.e. on or before Wednesday, 5 June 2018 at 9:30 a.m. (Hong Kong time)).
8. A proxy need not be a member of the Company but must attend the meeting in person to represent you.
9. Completion and deposit of the form of proxy will not preclude you from attending and voting at the meeting or any adjournment thereof if you so wish.
10. Any alteration made in this form should be initialled by the person who signs it.