

LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE



19 May 2018

*To the Independent Shareholders*

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION IN RELATION TO  
SUBSCRIPTION OF NEW SHARES BY CONNECTED PERSONS;  
AND  
(2) APPLICATION FOR WHITEWASH WAIVER**

**INTRODUCTION**

We refer to the circular dated 19 May 2018 issued by the Company (the “Circular”), of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

Pursuant to the Takeovers Code, we have been appointed to form the Code Independent Board Committee to consider the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver, to advise the Independent Shareholders as to whether, in our opinion the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and to recommend how the Independent Shareholders should vote regarding the relevant proposed resolution(s) at the EGM.

Challenge Capital Management Limited has been appointed as the Independent Financial Adviser of the Company to advise the Code Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.

We, being the members of the Code Independent Board Committee, have no direct or indirect interest in the Whitewash Waiver other than Mr. Cheng Tak Yin who is interested in 1,406,000 Shares, representing approximately 0.20% of the entire issued share capital of the Company as at the Latest Practicable Date. Save for the aforesaid interest of Mr. Cheng Tak Yin in the Shares, we do not have any conflict of interest in respect of the Whitewash Waiver, and are therefore independent and able to consider the terms of the Whitewash Waiver and make recommendation to the Independent Shareholders.

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### RECOMMENDATION

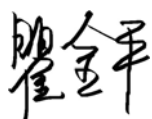
We wish to draw your attention to the letter from the Board set out on pages 5 to 19 of the Circular which contains, among others, information on the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver as well as the letter from the Independent Financial Adviser set out on pages 24 to 55 of the Circular which contains its advice in respect of the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.

Having considered the principal factors and reasons and the advice of the Independent Financial Adviser as set out in the letter from the Independent Financial Adviser, we are of the view that the Subscription reflects the confidence and commitment of the controlling shareholders of the Company towards the long-term and sustainable growth of the Group, and that the continuing support of the controlling shareholders of the Company would be beneficial to the long-term business development of the Group. We consider that the terms of the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, and have been entered into on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the EGM in respect of the Subscription Agreement, the transactions contemplated thereunder (including the Specific Mandate) and the Whitewash Waiver.

**LETTER FROM THE CODE INDEPENDENT BOARD COMMITTEE**

Yours faithfully,  
For and on behalf of the Code Independent Board Committee of  
**Cosmos Machinery Enterprises Limited**



**Mr. Qu  
Jinping**  
*Non-  
executive  
Director*

**Ms. Yeung Shuk  
Fan**  
*Independent  
non-executive  
Director*

**Mr. Cheng Tak Yin**  
*Independent  
non-executive  
Director*

**Mr. Ho Wei Sem**  
*Independent  
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**Mr. Huang Zhi  
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