



Two Platen Series

I am pleased to present to shareholders the annual report of Cosmos Machinery Enterprises Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended 31st December, 2003.

RESULTS

The Group’s consolidated turnover for the year of 2003 was approximately HK\$1,393,628,000, representing an increase of approximately 6% as compared to that of approximately HK\$1,313,484,000 in 2002. During the year, the profit before taxation amounting to approximately HK\$52,167,000, whereas the profit before taxation for the year of 2002 amounted to approximately HK\$56,350,000. For the year ended 31st December, 2003, profit attributable to the shareholders was approximately HK\$20,528,000.

DIVIDEND

The Board proposes that the profit for the period be retained and do not recommend the payment of any dividend for the year ended 31st December, 2003 (2002: Nil).

CHAIRMAN STATEMENT

The unexpected outbreak of serious atypical respiratory syndrome (“SARS”) in 2003 was a major challenge for the Group. In addition to hygiene and safety issues, the flow of business and goods within provinces and cities in China and customers overseas all suffered to various degrees of severity. In response to this challenge, the Group’s management implemented measures aimed at minimizing loss under the premise of hygiene and safety. At the same time, we also put in place initiatives designed to promote our business and improve our management. Ultimately, our team learned from and was strengthened as a result of this experience. Market conditions quickly returned to a vibrant level after the epidemic ended. Despite the twin pressures of unfavourable foreign exchange rates and raw material prices, the Group’s consolidated results continued to remain in profit thanks to the unstinting efforts of its colleagues.

CHAIRMAN'S STATEMENT



The machinery manufacturing business was hard hit by the SARS epidemic and did not recover until the second half of the year. Nevertheless, the turnover for this business showed an increase of approximately 17% over last year. This was largely due to the hard work of colleagues. That said, as a result of the rising cost of raw materials in the fourth quarter last year, profit for this business dropped in comparison with the corresponding period last year. Our industrial competency in mechanical design, electronic control and hydraulics combined with experience in plastic processing, an alliance with technologically advanced foreign companies and recent addition

and expansion of new facilities and plant ensure our current injection moulding machines will become increasingly competitive. A new generation of products, including other plastic processing machinery such as blow-moulding, extrusion and rubber injection machines will all be introduced over the course of the next two years. There is a growing demand for plastic processing machinery in the maturing China market. Coupled with the solid marketing, the prospects for growth in this area look favorable.

High Speed Recovery Direct Clamping Injection Machine

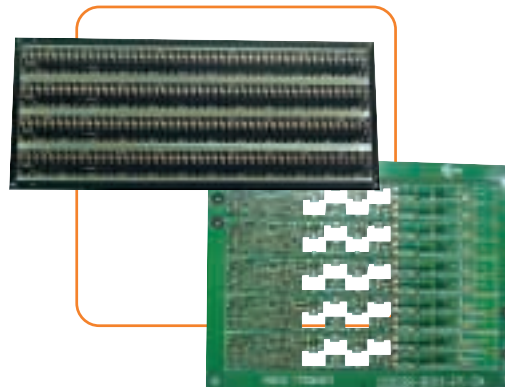


During the SARS crisis, many domestic customers became affected by stringent control of the flow of their goods. As a result, the supply of parts was disrupted and production came close to a standstill. This damaged the Group's plastic processing business. In the face of such difficulties, our fellow colleagues implemented a major initiative aimed at securing new customers. As a result, by the conclusion of the SARS crisis, we had a more wide-ranging and growing customer network and turnover had increased by 16% over the previous year. Unfortunately, fluctuations in plastic material prices meant this business recorded undesirable results and profit dropped. That said, the Group remains optimistic about the prospect of this business returning to profit in 2004.

The SARS epidemic led to a tightening of hygiene standards by food manufacturers in China. This was reflected in the increase of our customer base for plastic hygienic food containers. The production plant which suffered a delay in construction during 2003 is scheduled to commence operation this year. Consequently, the outlook for this business during 2004 remains good.

Our printed circuit board business was largely unaffected by SARS. Previously initiated market developments also began to deliver results during the year under review. As a result, sales revenue increased by 26%. In particular, orders for multi-layer printed circuit boards exceeded our

production capacity and the business was forced to outsource in order to satisfy demand. The period under review also saw the smooth development of printed circuit boards made of copper and aluminum. In view of the limited competition the business faces, market prospects in this area look favorable.

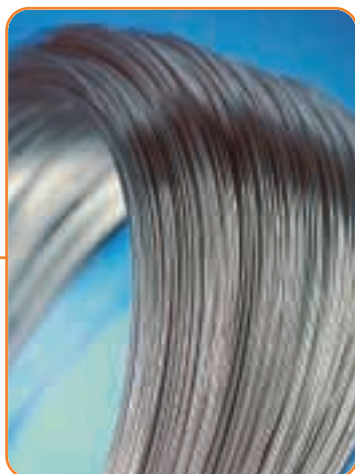


Printed Circuit Board

2003 saw the implementation of further cost retrenchment measures for audio products. The SARS epidemic caused the flow of customers visiting China from overseas come to a halt, seriously hampering the business' ability to promote new products. The resultant shortage of orders meant that this business' considerable loss persisted. The situation is expected to return to normal this year as retrenchment measures ensure the business achieve break-even.

CHAIRMAN'S STATEMENT

Despite the effects of the SARS crisis and the disruption caused by fluctuations in the exchange rates for the Euro and Yen, our trading business still managed to record a growth of approximately 19% in turnover during the year under review. The level of profit was maintained. The development of this business will continue on a stable basis and will be supported by our strong sales network and continued emphasis on recruitment and training. The Group remains confident that profits for its trading business will again show growth during 2004.



Spring Steel Wires

China is becoming the world's premier manufacturing centre. Foreign investment and the development of private enterprises have both reached new thresholds. Strong exports have triggered an accompanying boom within the domestic market. This growth represents an excellent business opportunity for the Group. Like all emerging markets, China will inevitably undergo certain stages of adjustments which our colleagues must watch very closely. Maintaining stability, focusing on investment in China and the active development of the China and overseas markets will remain the Group's core strategies.

The 2004 market looks set to be a vibrant one. All member companies had more orders on hand during the first quarter of 2004 than they did during the same period last year. Major management and marketing challenges facing the Group during the year ahead will include price wars, increases in material prices, power shortages in China and the decrease in exports tax refunds. Each challenge will be a new test of the Group's ability to turn adversities into opportunities. Ultimately, the Group firmly believes in a people-oriented principle in which the training and recruitment of manpower will all be the strategic development. At the end of the day, I firmly believe that our new board of directors will deliver better results in the development of the Group's business.

APPRECIATION

I am grateful that all our staff attained advancement as a result of the challenges we faced last year. On behalf of the Group's board of directors and shareholders, I would like to extend my sincere thanks to every one of our staff for all their efforts and hard work.

TANG To
Chairman

Hong Kong, 26th April, 2004