

CHAIRMAN'S STATEMENT

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, 2004.

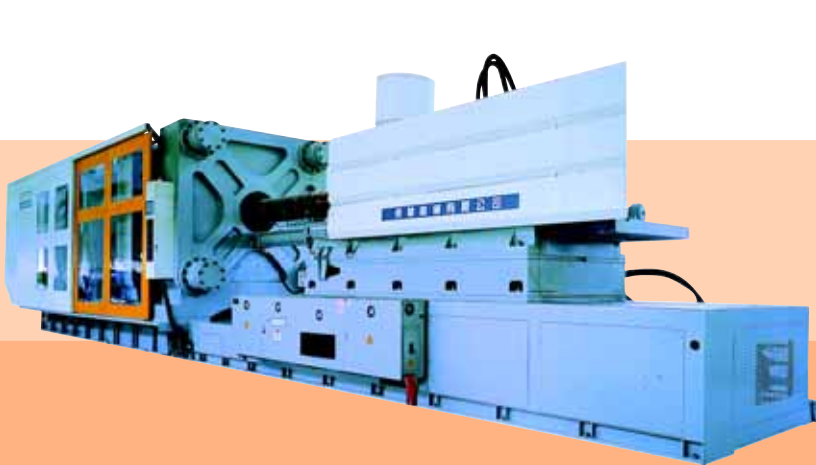
RESULTS

The Group's consolidated turnover for the year 2004 was approximately HK\$1,656,303,000, or about 19% higher than the approximate figure of HK\$1,393,628,000 for 2003. Our profit before taxation amounted to approximately HK\$70,282,000, increasing by about 35% over the approximate figure of HK\$52,167,000 for the previous year. For the year ended 31st December 2004, profit attributable to the shareholders was approximately HK\$41,849,000, representing an increase of 104% over that for the previous year.

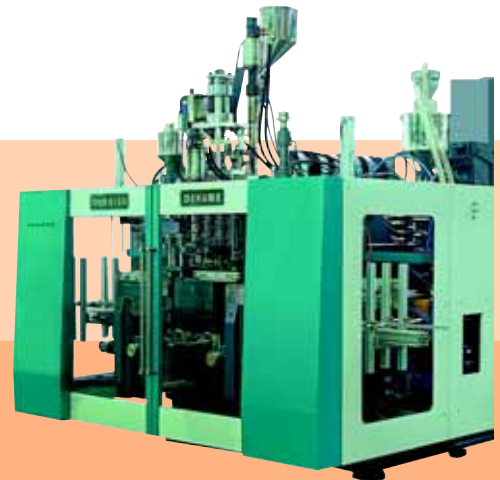
Among our various businesses, plastic processing registered the most remarkable growth with a one-fold increase in profit. Achieving a profit of HK\$36,172,000, the machinery business continued to perform satisfactorily. Sales of audio products have picked up, substantially narrowing down last year's huge losses. Less desirable results were witnessed by the printed circuit board business which suffered a loss of approximately HK\$2,888,000 owing to the surge in the costs of raw materials.

CHAIRMAN STATEMENT

We were faced with quite some challenges in the year 2004. The spiraling material prices, the fluctuating and appreciating foreign currencies, the power shortages and economic macro adjustments on the Mainland have put the Group under a lot of pressure. Fortunately, having weathered the adversities of 2003, our management team has emerged to be more sophisticated and has succeeded in improving the Group's performance.



The First 2500 Ton Large Injection Moulding Machine built in China



Blow Moulding Machine

Chairman's Statement

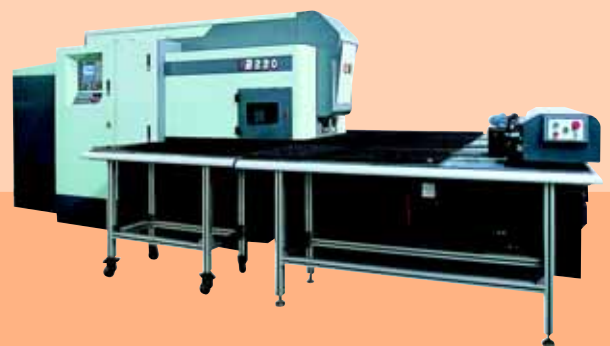
To establish the Group as a key player in the industrial sector, the guiding principles of "industry-based, people-oriented, pragmatic and aggressive, and continuous learning" were put forward at our 2004 forum on overall strategies as our blueprint for management and development. Affirming the manufacturing of machinery as our core business to be supplemented by plastic processing and trading of industrial products, the Group aims to bond together our investments in other related industries in order to maintain our firm footing in the industrial sector. Mutual advancement will be sought through collaboration in the form of business exchanges and experience sharing among our various operations.

Machinery manufacturing being our focus, the Group dedicated more resources to the business in 2004 to expand our existing production plant and to acquire additional state-of-the-art processing facilities in anticipation of the phased launching of our new machinery products. As for the development of technology, to maintain our leading position in the fields of mechanical design, hydraulics and electronic control, the Group has recruited professionals both at home and abroad from countries like Germany and Switzerland to enhance our capability in producing machinery and applying technology so that advanced and quality service can be made available to meet the demands of both the market and our customers. We firmly believe that while injection moulding machines remain to be our primary products, new products like blow moulding machine, extrusion machine and CNC turret punching machine will constitute the new growth areas for the Group's profit.

In a bid to redefine machinery manufacturing as our core business, member companies engaging in such operations have been restructured so that production bases in various parts of the mainland and related products and brands can be centrally managed for maximizing resources and making room for expanding our machinery business.



Plastic Injection Moulding Machine (Food Container)



CNC Turret Punch Press

Chairman's Statement

Committed to our "people-oriented" principle, the Group firmly believes that our success hinges more on a professional, well-trained and crises-wise team than on expanded plants and additional facilities. It is such a team who loses no time in leading the Group out of plights with prompt actions in times of crises and who takes advantage of the good times to bring about drastic advances. As such, we set great store by staff training whilst recruiting talents. The vision is to ensure their advancement through continuous learning and growth through work so that they can make greater contribution towards a brighter future for the Group.

APPRECIATION

Last but not the least, I would like to congratulate and thank all our staff for their hard work and advancement and our shareholders and directors for their valuable support.

TANG To

Chairman

Hong Kong, 26th April, 2005



Heat Moulding Press



High Speed, High Precision Series Injection Moulding Machine