

| 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, 2009.

RESULTS

The Group's consolidated turnover for the year 2009 was approximately HK\$1,692,794,000, representing a decrease of about 13% from the approximate HK\$1,939,383,000 for 2008. Our profit after taxation stood at about HK\$26,760,000, representing a decrease of about 52% as compared with about HK\$56,305,000 for the same period of last year (profit after taxation for 2008 included a gain totaled HK\$66,933,000 arising from the compensation and disposal of land, factory premises and production workshop pursuant to the compensation contract and disposal contract signed between Wuxi Grand Tech Machinery Group Ltd., a wholly-owned subsidiary of the Group, and Wuxi Industry Development Group Co., Ltd.). For the year ended 31st December, 2009, the profit attributable to shareholders was about HK\$7,301,000, decreased by about 84% as compared with last year.

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During the period under review, along with the further spread of the international financial crisis that had resulted in sluggish global economy and unprecedented downturn of domestic and foreign markets, especially in the first half of 2009, the Group's sales of businesses decreased drastically and its overall results were hit hard, such that our interim results for the first half of the year even recorded a net loss of approximately HK\$18,147,000. Facing unheard-of crucibles and challenges, the Group changed pressures into motivations and reviewed businesses earnestly and practically other than stringent inventory control to address longer and worse rigorous adversities, which included implementing streamlined administration and optimized production process; providing training on crisis management and execution skill for management members; adhering to prudent credit term policy in stagnant and unordered market conditions; and establishing closer cooperation with suppliers. Under innovative and tenacious struggles of colleagues, the Group reduced losses in the hostile economic environment. Also, most businesses regained satisfactory growth in the second half of 2009. Certain business could even transcend the level before financial crisis and recover losses in the first half of 2009, thus retaining profit-making results for the year.

The Group's machinery business was closely linked to investment intentions of industry circles that it was heavily impacted in the global economic plight. However, abnormal predicament represents more often the motivation for reform. At the beginning of 2009, the machinery business conducted reformative integration and streamlining measures on all functional departments to enhance their efficiency and strain capacity. Amid market doldrums, we still persisted in R&D input and concentrating resources to accelerate perfecting our self-developed Se-series injection moulding machines that are of high precision and electricity saving functions with outperforming cost-performance ratio. Since its launch in the middle of 2009, customers' satisfactory reaction and better-than-expected orders are inspiring. Not only do the Se-series products provide higher profit margin but they also follow market trends of energy saving and consumption reduction, which represents premium tool of cost effectiveness for customers and new competitive edges of this business in the market.



Greenline Se 190T Servo-driven Energy Saving Injection Moulding Machine for PVC Application

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Orders for plastic products and processing business were sharply cut due to impacts of the global economic recession. Thus, besides belt-tightening to minimize losses, our member companies did their utmost to actively optimize cost management to improve productivity, add automatic equipment and adjust product mixes as well as market strategies. During the period under review, the injection molding factory located in Shenyang that had been loss-making for long was closed down. Thanks to desirable adjustment in sales strategies and price markdown of plastics, our plastic injection product business of plastic tableware and food packaging in Zhuhai attained laudable achievements. Despite the approximate decrease of 26% from last year in terms of annual results of plastic products and processing business, the series of optimization and rectification implemented have laid a solid foundation for continued expansion of this business after going through test of the crisis.

In face of depression in the export-focused industry, the trading business of industrial consumables shrank dramatically. Fortunately, the Central Government launched policies to simulate domestic demand, cultivate emerging industries and facilitate huge investment in infrastructure. Capitalizing on this situation, this business managed to timely re-deploy resources to develop the domestic demand market and exploit customers in emerging industries, thus offsetting the declining results and opening up new opportunities for long-term business development.

The printed circuit board business had been undergoing orderly adjustment in product mixes for the past few years, in which low added-value products were eliminated. Besides, it has for years insisted on a diversified market deployment, such that it recorded no dramatic drop in orders when the global electronic product industry was slack. Boosted by the management's consciousness of hardship, measurements including process reform and redundancy for efficiency improvement were proactively implemented, which, coupled with favorable factor like drop in raw material prices, resulted in gratifying profits for this business.

Shenzhen Haoningda Meters Co., Ltd., an associate company of the Group in Shenzhen, has weathered the global financial crisis, and has, under the national grid reconstruction investment plan, obtained numerous orders and achieved satisfactory growth in results by virtue of its remarkable self-independent R&D achievements. It was listed on the A-share market in Shenzhen Stock Exchange in early February, 2010 and raised proceeds of more than RMB600 million in total as the capital of future sustainable development.

Forward-looking Statement

In the aftermaths of the global financial crisis, the world economy is recovering in 2010 with the operating environment in a better position for improvement, and national policies have brought with us favorable opportunities. Nevertheless, complex uncertainties hide amid new opportunities: prices in raw materials including metal and plastics may fluctuate and exchange rates of different currencies may vary; migrant worker shortage emerged in the beginning of the year is bound to cause hike in labour costs; together with other unfavorable factor including rise of trade protectionism, all are new challenges that we must address with the consciousness of hardship.

Other than promoting policies relating to industrial upgrade and self-independent innovation, the State has issued adjustment and revival planning for the equipment manufacture industry and made energy saving and emission reduction as a long-term national policy. The Group will maintain substantial investment in R&D of the machinery business, and enhance technology reserve to maintain market competitive edges of products. Carrying on results of Se-series injection moulding machines, the Group has managed to extend the application of servo-driven core technology, capable of both energy saving and consumption reduction as well as high precision, to product lines of rubber injection machine and hydraulic punching machine. As a result, the overall product mix of machinery business is expected to make breakthrough. Upon completion and opening of the new factory in

Dongguan in the middle of 2010, its production capacity will be expanded to abate bottlenecks of the current order backlog.



Greenline Se 1000T Servo-driven Energy Saving Injection Moulding Machine

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Orders of plastic products and processing business will stabilize in 2010. Strict requirements for new orders are bound to be met by way of optimized and rectified management measures. Besides, hike in labour costs is to be offset by increased automatic investment. The business is expected to recover for growth. Meanwhile, under the State's policies to stimulate national consumption and the "Home Appliances Subsidy Policy for Rural Areas", there will be larger room for development in domestic sales market of the plastic processing business, and the Group will gradually input resources to capture opportunities in light of the expanded market.

With recovery of the global economy, China's export trade will gradually rebound and results of our trading business are expected for pick-up. Besides, the State takes initiatives in implementing new policies including domestic demand expansion, technical renovation and cultivation of strategic emerging industries, creating golden opportunities and also room for sustained development for the trading business in the next few years.

The printed circuit board business will carry on the admirable performance of last year to brace for opportunities in the revitalized market and maintain prominent results despite facing challenges in production cost increase in 2010. It is expected that the government will tighten regulations on environmental protection and pollution discharge, but the business has advanced sewage treatment reuse facilities added and installed at the factory that business expansion requirement in the next few years will be satisfied by only increasing certain investment.

Successful listing of Shenzhen Haoningda Meters Co., Ltd. on the A-share market of Shenzhen is conducive to the Group's asset optimization and growth of its results will contribute to the Group's profit.

Overall, in 2010, the domestic market will undergo greater changes, which in return generate more business opportunities that are favorable to the Group's businesses. After endurance, rectification and optimization against adversity last year, we are confident that our management team is well positioned to strive for satisfactory results and overcome new challenges ahead with stronger strength and determination in a new year, so as to maximize return for shareholders.

On behalf of the Board, I would like to extend my heartfelt gratitude to the whole personnel working in collaboration to conquer obstacles with the Group. I would also like to show my appreciation to shareholders, customers, partners and other groups concerned for your support and trust.

TANG To
Chairman

Hong Kong, 20th April, 2010