



### TO ALL SHAREHOLDERS

I am pleased to present the first annual results of Zhejiang Glass Company, Limited ("Zhejiang Glass" or the "Company") since the listing of the Company's H shares on the Main Board of The Stock Exchange of Hong Kong Limited on 10 December 2001.

Year 2001 proved to be a remarkable year for Zhejiang Glass. Turnover reached RMB696 million, representing a 39% increase over that of the previous year while the net profit increased by 30% to RMB212 million.

The economic boom and social reforms have boosted the demand for float flat glass in the PRC. The total production of float flat glass also achieved an annual compound growth rate of 9% since 1990. The Company's two production lines were operating at their full capacity for the full year of 2001. Therefore, we were able to achieve the substantial increases in both turnover and net profit for the year.

Zhejiang Glass is mainly engaged in the production and sale of float flat glass products between 4mm and 12mm in thickness, together with a small amount of tinted glass products. The Company's principal customers come from nearby areas such as Shanghai, Zhejiang Province and Jiangsu Province. For the year 2001, we were able to substantially increase our sales in Fujian Province and Guangdong Province. We are now ranked as one of the five largest float flat glass manufacturers in the PRC and the largest in Zhejiang Province with a daily melting capacity of 1,000 tonnes.

Our plants, located in Zhejiang Province, are situated within a short distance from the silica sand mine, one of the major suppliers of raw materials. With an efficiency rate of 1.59 tonnes/day per employee, we are operating at a rate that is 5 times the national average.

The Company has adopted flexible management strategies and prudent financial policies to respond to the everchanging market competition. The Company was able to enjoy a healthy financial position because our "cash on delivery" sales policy minimised the chance of uncollectible debts. As at 31 December 2001, the Company's account receivable turnover day was as short as two days.

Our management flexibility, economies of scale of production, solid customer base and strategic location allow us to continue to strengthen our market leadership position in the float flat glass industry. The Company has laid a solid foundation for further market expansion. In the next few years, we will venture into the processed glass market. We are committed to bringing maximum returns to our shareholders.



### APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to all our shareholders and investors for their support since the Company's listing in December 2001 and also to all our staff for their hard work in achieving the outstanding results in 2001.

**Feng Guangcheng**  
*Chairman*

15 April 2002