

Report of the Directors



The directors are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2001.

PRINCIPAL ACTIVITY

The Company is principally engaged in the manufacturing and selling of glass products.

DIRECTORS

The directors of the Company during the year and up to date of this report are:

Executive Directors

Mr. FENG Guangcheng
Mr. FENG Liwen
Mr. XU Haichao
Mr. HUANG Bingzhi
Mr. ZHANG Jiachao

Non-executive Directors

Mr. LIU Jianguo
Mr. DI Xiaofeng
Mr. SHI Guodong
Mr. ZHANG Yingsheng

Independent Non-executive Directors

Dr. LI Jun
Mr. WANG Yanmou

All the above directors were appointed on 26 September 2001 for a term of three years whom shall be eligible for re-election upon the expiry of their terms.

Brief biographical details of the directors are set out on pages 9 to 10.



ACCOUNTS

The audited results of the Company for the year ended 31 December 2001 are set out in the Income Statement on page 20.

The financial position of the Company as at 31 December 2001 is set out in the Balance Sheet on page 21.

The cash flows of the Company for the year ended 31 December 2001 are set out in the Cash Flow Statement on page 22.

SEGMENT INFORMATION

An analysis of the Company's segment information is set out in note 4 to the financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

For the year ended 31 December 2001, the aggregate amount of turnover attributable to the Company's five largest customers was less than 30% of the Company's total turnover. The aggregate purchases attributable to the Company's five largest suppliers during the year represented approximately 68% of the Company's total purchases and the purchases attributable to the Company's largest supplier was approximately 22% of the Company's total purchases.

At no time during the year have the directors, their associates or any shareholder of the Company who to the knowledge of the directors, own more than 5% of the Company's issued share capital, had any direct or indirect interests in the share capital of any of these major customers or suppliers of the Company.

DIVIDENDS

The directors have recommended a final dividend of RMB0.0491 per share to be payable to shareholders whose names appear on the register of members of the Company on 30 April 2002. Subject to the passing of the necessary resolution at the forthcoming Annual General Meeting, such dividend will be payable on 21 June 2002.

RESERVES

Movements in reserves during the year are set out in note 19 to the financial statements.

FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

Details of movement in fixed assets and construction-in-progress during the year are set out in note 12 to the financial statements.

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SHARE CAPITAL

Details of movement in the share capital of the Company are set out in note 18 to the financial statements.

SHARE CAPITAL STRUCTURE

As at 31 December 2001, the total number of shares issued by the Company was 578,713,000 shares. The Company's shareholders were Mr. Feng Guangcheng, Mr. Feng Liwen, Mr. Feng Guangji, Mr. Xu Haichao, Mr. Jin Jinlong and foreign holders of H shares, who held 384,000,000 domestic shares, 4,000,000 domestic shares, 4,000,000 domestic shares, 4,000,000 domestic shares, 4,000,000 domestic shares and 178,713,000 H shares, respectively, representing 66.36%, 0.69%, 0.69%, 0.69%, 0.69% and 30.88% respectively, of the entire issued share capital of the Company.

USE OF LISTING PROCEEDS

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 December 2001, with an initial public offer of 170,000,000 H shares. On 20 December 2001, 8,713,000 H shares were allotted and issued pursuant to the exercise of an over-allotment option under the underwriting and placing agreement between the Company and the underwriters dated 24 November 2001. Except for the aforementioned, the Company did not issue any new shares during the year. The net listing proceeds amounted to RMB528.8 million (equivalent to approximately HK\$499 million), after the deduction of related issuance expenses amounted to approximately RMB31.7 million (equivalent to approximately HK\$30 million).

As at 31 December 2001, the Company had not utilised any of the net listing proceeds.

NUMBER OF SHAREHOLDERS

Details of the shareholders as recorded in the register of members of the Company at 31 December 2001 are as follows:

Total number of shareholders (including nominee companies)	805
Holders of domestic shares	5
Holders of H shares	800

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, the most substantial shareholder of the Company was Mr. Feng Guangcheng, who held 384,000,000 domestic shares, representing 66.36% of the entire issued share capital of the Company.

Save as disclosed above, as at 31 December 2001, there were no shareholders who had a beneficial interest of 10% or more in the registered capital of the Company, which were required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

LISTING OF H SHARES

The Company's H shares have been listed on the Stock Exchange on 10 December 2001.

Performance of the Company's H shares in 2001:

	HK\$/H shares
Opening price on the first trading date	3.10
Closing price on the last trading date at 31 December 2001	2.875
From 10 December 2001 to 31 December 2001	
Highest traded price per H share	3.25
From 10 December 2001 to 31 December 2001	
Lowest traded price per H share	2.60
From 10 December 2001 to 31 December 2001	
Total number of H shares traded	223,458,200 shares

INTERESTS OF DIRECTORS AND SUPERVISORS IN SHARE CAPITAL

Save as disclosed above, as at 31 December 2001, none of the directors, supervisors or their respective associates had any interests in the share capital of the Company or any of its associated corporations (as defined in the SDI Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to own under Section 31 or Part I of the Schedule to that Ordinance, or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive directors and supervisors has entered into a service agreement with the Company for a period of 3 years commencing 26 September 2001 and up to the date of the Annual General Meeting of the Company to be held in the year 2004.

Each of the non-executive and independent non-executive directors has entered into a letter of appointment with the Company for a term of 3 years commencing 26 September 2001 and up the date of the Annual General Meeting of the Company to be held in the year 2004.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Company's business to which the Company was a party, and in which any of the directors, supervisors or members of the senior management of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' AND SUPERVISORS' BENEFITS FROM RIGHTS TO ACQUIRE FOR SHARES OR DEBENTURES

At no time during the year and up to the date of this report was the Company a party to any arrangements to enable the directors, supervisors or their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

HIGHEST PAID INDIVIDUALS

All of the highest paid individuals of the Company during the year were directors and members of the senior management. Details of their remuneration are set out in note 7 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchases, sales or redemptions of the Company's listed securities by the Company during the year.

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company, there is no pre-emptive right requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

None of the directors and supervisors is interested in any business which competes or is likely to compete, either directly or indirectly, with the Company's business.

CONNECTED TRANSACTIONS

The connected transactions undertaken by the Company are set out in note 3a(II) and a(III) to the financial statements.

Other than those that did not constitute disclosable connected transactions, the independent non-executive directors of the Company have reviewed the disclosable connected transaction in relation to the infrastructure and construction works of the Company's plant and buildings performed by Number Five Construction Company of Shaoxing County ("NFCC") (紹興縣第五建築工程有限公司), (the "Transaction") and have confirmed that:

- (1) the Transaction has been conducted:
 - (i) in the ordinary and usual course of the Company's business;
 - (ii) either (a) on normal commercial terms or (b) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
 - (iii) in accordance with the terms of the agreement governing such Transaction; and
 - (iv) that the amounts paid or to be paid by the Company to the connected party have not exceeded the relevant cap applicable to the Transaction for the relevant period, in relation to which the Stock Exchange granted a waiver in a letter dated 6 December 2001.

- (2) Other than those that did not constitute disclosable transactions, the auditors of the Company have reviewed the Transaction and confirmed to the directors of the Company that:
- (i) the Transaction has received the approval of the Company's Board of Directors;
 - (ii) the Transaction has been entered into in accordance with the terms of the agreements governing such Transaction; and
 - (iii) the relevant cap applicable to the Transaction has not been exceeded.

MATERIAL LITIGATION

The Company was not involved in any material litigation during the year.

RETIREMENT SCHEME

All full time employees of the Company are covered by a State-sponsored retirement plan ("the Plan"). Details of the Plan are set out in note 8 to the financial statements.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Details of bank loans, other borrowings and bank facilities of the Company are set out in notes 22 and 26 to the financial statements.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Company for the last four financial years is set out on page 3.

CODE OF BEST PRACTICE

The Company had complied throughout the year with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

SUBSEQUENT EVENTS

Details of significant events subsequent to the balance sheet date as at 31 December 2001 are set out in note 29 to the financial statements.

AUDIT COMMITTEE

During the reported period, the audit committee performed its functions as required under paragraph 14 in the Appendix 14 of the Listing Rules including the review of the financial statements of the Company for the year ended 31 December 2001.

AUDITORS

The Company's financial statements prepared in accordance with accounting principles generally accepted in Hong Kong have been audited by Arthur Andersen & Co. A resolution to re-appoint Arthur Andersen & Co as the international auditors for the year ending 31 December 2002 will be proposed at the forthcoming Annual General Meeting.

By Order of the Board
Feng Guangcheng
Chairman

15 April 2002