

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacture and sale of refrigerators and air-conditioners.

RESULTS

Details of the results of the Group and appropriation of the Company for the year are set out in the consolidated income statement prepared under International Financial Reporting Standards (“IFRS”) on page 8 and statement of income and profit appropriation prepared under PRC Accounting Standards and Regulations (“PRC GAAP”) on page 60 and the accompanying notes to the financial statements.

SHARE CAPITAL

The details of the registered and issued share capital of the Company are set out in note 26 to the financial statements prepared under IFRS and in note 29 to the financial statements prepared under PRC GAAP.

RESERVES

The details of movements in the reserves of the Group and the Company during the year are set out in note 27 to the financial statements prepared under IFRS and in notes 30 to 32 to the financial statements prepared under PRC GAAP.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group spent approximately RMB217,000,000 on acquisition of property, plant and equipment. The details of the movements in property, plant and equipment of the Group during the year are set out in note 13 to the financial statements prepared under IFRS and in notes 14 and 15 to the financial statements prepared under PRC GAAP.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group’s five largest customers were less than 30% of total turnover.

Aggregate purchases attributable to the Group’s five largest suppliers were less than 30% of total purchases.

DIRECTORS AND SUPERVISORS

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

Executive directors:

Gu Chu Jun, Chairman

Liu Cong Meng

Li Zhen Hua

Yan You Song

Zhang Hong

Fang Zhi Guo

Independent non-executive directors:

Yu Xiaoyang	
Chan Pei Cheong, Andy	
Li Gong Min	(appointed on 29 December 2002)
Chen Wen Hui	(resigned on 29 December 2002)

Supervisors:

Jiang Bao Jun	(appointed on 18 June 2002)
He Si	(appointed on 18 June 2002)
Bai Yun Fung	(appointed on 29 December 2002)
Wang Kang Ping	(appointed on 18 June 2002 and resigned on 29 December 2002)
Li Di Qiang	(resigned on 18 June 2002)
He Zheng Guang	(resigned on 18 June 2002)
Wang Kun You	(resigned on 18 June 2002)

All directors and supervisors have entered into service contracts with the Company for a term of three years and renewable upon re-appointment or re-election.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

At 31 December 2002, the directors, supervisors and chief executive of the Company had the following beneficial interests in the Company's PRC domestic shares of RMB1 each, A shares or H shares (within the meaning of the Securities (Disclosure of Interests) Ordinance of Hong Kong ("SDI Ordinance")), as recorded in the registers maintained by the Company pursuant to Section 29 of the SDI Ordinance:

Name	Position	Nature of interest	Number of shares held
Gu Chu Jun	Director	Corporate	204,775,755 legal person shares (note a)
		Corporate	3,830,000 H shares (note b)
He Si	Supervisor	Personal/Family	50,000 A shares

Notes:

- (a) Gu Chu Jun owns 90% equity interest in Greencool Enterprise Development Company Limited ("Greencool Enterprise"), a limited liability company established in the PRC and the single largest shareholder of the Company. Greencool Enterprise owns 204,775,755 legal person shares in the Company as at 31 December 2002.
- (b) Gu Chu Jun owns approximately 62.5% of the issued share capital of Greencool Technology Holdings Limited ("Greencool Technology"), a company listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Two subsidiaries of Greencool Technology hold 3,830,000 H shares in the Company as at 31 December 2002.

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 29 of the SDI Ordinance as at 31 December 2002.

SUBSTANTIAL SHAREHOLDERS

According to the registers of substantial shareholders, maintained under Section 16(1) of the SDI Ordinance, as at 31 December 2002, the following shareholders had an interest representing 10% or more of the Company's issued share capital:

Name	Number of shares	% of issued share capital held
Greencool Enterprise	204,775,755 domestic shares	20.64%

Save as disclosed above, the Company had no notice of any interests required to be recorded under Section 16(1) of the SDI Ordinance as at 31 December 2002.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries, a party to any arrangements to enable the directors and supervisors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

The independent non-executive directors have reviewed the connected transactions (as defined under the Rules Governing the Listing of Securities on the Stock Exchange) as set out in note 30 to the financial statements prepared under IFRS, and confirmed that these transactions had been transacted on normal commercial terms and in the ordinary course of business of the Group.

Save as disclosed above, there was no other contract of significance, to which the Company or any of its subsidiaries was a party and in which a director or supervisor of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

There was no purchase, sale, redemption or cancellation of the Company's listed shares by the Company during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association.

SIGNIFICANT POST BALANCE SHEET EVENT

The details of the significant post balance sheet event are set out in note 35 to the financial statements prepared under IFRS and in note 45 to the financial statements prepared under PRC GAAP.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

AUDITORS

Messrs. Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and Messrs. Deloitte Touche Tohmatsu have acted as the auditors of the Company for the PRC and international reporting purposes respectively.

On behalf of the Board

Gu Chu Jun

CHAIRMAN

Shunde, the PRC

3 April 2003