

Chairman's Statement



TO ALL SHAREHOLDERS

I am pleased to present the annual results of Zhejiang Glass Company, Limited (the "Company") for the year ended 31 December 2002.

The flat glass industry of the People's Republic of China (the "PRC") experienced a difficult year in 2002 due to oversupply. According to the State Economic & Trade Commission ("SETC") (recently reorganised to be a part of the Ministry of Commerce), the average market price of flat glass declined by about 13% to RMB55 per weight case in 2002 and the total production volume of the industry increased by over 11% to 228 million weight cases or 11.4 million tonnes.

The Company has performed reasonably well under the tough market conditions. It achieved a turnover of RMB506.4 million and a net profit of RMB86.3 million for the year ended 31 December 2002. The Company's low cost structure, flexible management strategy and high economic growth in Zhejiang Province were able to keep the Company profitable. The Company's financial conditions remained strong. As at 31 December 2002, the Company's cash and cash equivalents amounted to RMB423.8 million and the debt ratio was as low as 12%.

The Company's production volume increased by approximately 13% to 9.35 million weight cases or 467,500 tonnes. After an overhaul was completed, the first production line has increased its daily melting capacity from 400 tonnes to 450 tonnes; while the third production line, which commenced production in September 2002, has a daily melting capacity of 600 tonnes. Together with the second production line which has a melting capacity of 600 tonnes per day, the Company's total melting capacity now reaches 1,650 tonnes per day.

In early 2003, the Company launched the trial production of tempered glass, laminated glass, insulating glass and mirror glass. Commercial production will start in the second quarter of 2003. The Company plans to produce special glass products such as Low-E coated glass (低輻射鍍膜玻璃), ITO glass (導電玻璃) and curved toughened glass (彎鋼化玻璃) which are expected to have high market potential in both the PRC and the overseas market. Product diversification will be the Company's key growth strategy in the future.