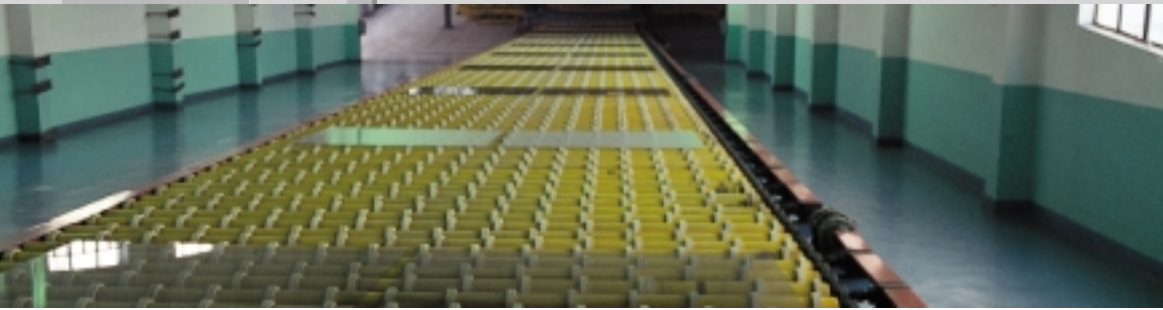


Report of the Directors



The directors submit their report together with the audited accounts for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

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

An analysis of the Company's performance for the year by business segment and geographical segment is set out in note 3 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Company for the year are set out in the profit and loss account on page 25.

The directors recommend a final dividend of RMB0.0426 per share to be payable to shareholders whose names appear on the register of members of the Company on 6 June 2003. Subject to the passing of the necessary resolution at the forthcoming Annual General Meeting, such dividend will be payable on or about 27 June 2003.

RESERVES

Movements in the reserves of the Company during the year are set out in note 21 to the accounts.

FIXED ASSETS AND CONSTRUCTION-IN-PROGRESS

Details of the movements in fixed assets and construction-in-progress of the Company are set out in note 10 to the accounts.

Report of the Directors

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 20 to the accounts.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company at 31 December 2002, calculated according to the Company Law of the People's Republic of China (the "PRC"), amounted to RMB93,300,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and there was no restriction against such rights under the laws of the PRC.

FIVE YEAR FINANCIAL SUMMARY

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

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not purchased, sold or redeemed any of its shares during the year.

SHARE CAPITAL STRUCTURE

As at 31 December 2002, 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 holders of overseas listed foreign shares ("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.

Report of the Directors

NUMBER OF SHAREHOLDERS

Details of the shareholders as recorded in the register of members of the Company at 31 December 2002 are as follows:

Total number of shareholders (including nominee companies)	628
Holders of domestic shares	5
Holders of H shares	623

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2002, 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 2002, there were no shareholders who had a beneficial interest of 10% or more in any class of shares in the registered capital of the Company, which were required to be disclosed pursuant to the then prevailing Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

LISTING OF H SHARES

The Company's H shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 10 December 2001. The Company did not issue any new shares during the year.

Performance of the Company's H shares in 2002:

	HK\$/H share
Closing price per H share at 31 December 2002	0.83
From 1 January 2002 to 31 December 2002	
Highest traded price per H share	3.10
From 1 January 2002 to 31 December 2002	
Lowest traded price per H share	0.75
From 1 January 2002 to 31 December 2002	
Total number of H shares traded	310,234,000 shares

Report of the Directors

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS

The directors of the Company during the year were:

Executive Directors

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

Non-executive Directors

Mr. DI Xiaofeng
Mr. LIU Jianguo
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 who shall be eligible for re-election upon the expiry of their terms.

Report of the Directors

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive directors and supervisors has entered into a service agreement with the Company for a term 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.

DIRECTORS' AND SUPERVISORS' INTERESTS 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 and supervisors 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.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Brief biographical details of the directors, supervisors and senior management are set out on pages 11 to 14.

DIRECTORS', CHIEF EXECUTIVES' AND SUPERVISORS' INTERESTS IN EQUITY OR DEBT SECURITIES

Save as disclosed above, at no time during the year, did the directors, chief executives and supervisors have any personal, family, corporate or other interests in the shares of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) pursuant to section 28 of the SDI Ordinance (including interests in which they are taken or deemed to have under section 31 of, or Part I of the Schedule to, the SDI Ordinance) or which are required pursuant to section 29 of the SDI Ordinance to be entered in the register referred to therein to be notified to the Company and the Stock Exchange.

At no time during the year was the Company a party to any arrangement 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.

Report of the Directors

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of purchases and sales for the year attributable to the Company's major suppliers and customers are as follows:

Purchases	
– the largest supplier	23%
– five largest suppliers combined	58%
Sales	
– the largest customer	12%
– five largest customers combined	29%

None of the directors, supervisors, their associates or any shareholder (which to the knowledge of the directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above.

CONNECTED TRANSACTIONS

During the year, the Company leased office space from a related company and incurred rental expense of RMB332,000.

In the opinion of the independent non-executive directors of the Company, the above transaction was conducted in the ordinary and usual course of business of the Company on normal commercial terms and was fair and reasonable as far as the shareholders of the Company are concerned.

COMPLIANCE WITH THE CODE OF BEST PRACTICE OF THE LISTING RULES

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

Report of the Directors

The Audit Committee serves as an important link between the Board and the Company's auditors in matters within the scope of the audit. It also monitors the effectiveness of both the external and internal audit and is responsible for reviewing the mechanism of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Dr. Li Jun and Mr. Wang Yanmou. Two meetings were held during the financial year of 2002.

DIRECTORS' AND SUPERVISORS' INTEREST 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.

SUBSEQUENT EVENTS

Details of significant events subsequent to the balance sheet date as at 31 December 2002 are set out in note 29 to the accounts.

CHANGE OF THE USE OF LISTING PROCEEDS AND DISSOLUTION OF A JOINT VENTURE ARRANGEMENT

On 17 May 2002, an announcement was made in respect of the Board's intention to change the use of proceeds from the Company's H share offer. At the Company's 2001 Annual General Meeting, a resolution was passed to approve the change of use of proceeds from the original intended investment in patterned glass and wired glass production facilities through a joint venture to a direct investment in a third production line for producing ultra-thick flat glass. The joint venture was terminated as a result. On 20 April 2002, the parties to the joint venture entered into a termination agreement pursuant to which the joint venture contract was terminated with effect from the date of the termination agreement. Both parties agreed that their respective rights and obligations in respect of the joint venture were released, with no claim against nor compensation payable to each other.

EMPLOYEES

As at 31 December 2002, the Company had 1,142 employees. The pay levels of the employees are commensurate with their responsibilities, performance and contribution.

MATERIAL LITIGATION

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

Report of the Directors

EMPLOYEE RETIREMENT BENEFITS

All full time employees of the Company are covered by either a State-sponsored retirement plan in the PRC or a defined contribution retirement scheme in Hong Kong. Details of the employee retirement benefits are set out in note 22 to the accounts.

EMPLOYEE BASIC MEDICAL INSURANCE

The employee basic medical insurance scheme currently implemented in Shaoxing County, Zhejiang Province where the Company is located is only applicable to large county enterprises and state enterprises in the County. As the Company does not belong to these types of enterprises, it is not yet subject to such medical insurance scheme at present. The Company will provide medical insurance to its employees by complying with the local regulations when it becomes applicable to the Company.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans, other borrowings and bank facilities of the Company are set out in notes 18 and 25 to the accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers (having previously been appointed by the Board to fill the casual vacancy arising from the resignation of Arthur Andersen & Co in July 2002) who will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Feng Guangcheng

Chairman

15 April 2003