

CHAIRMAN'S STATEMENT



TO ALL SHAREHOLDERS

I am pleased to announce the annual results of Zhejiang Glass Company, Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2003.

The Group's performance significantly improve in 2003. During the year, the Group achieved a net turnover of RMB809.0 million and a net profit of RMB182.2 million, representing an increase of 60% and 111%, respectively, from those in 2002. The Group's low cost structure, flexible management strategy and the strong economic growth in Yangtse River Delta contributed to the Group's performance. As at 31 December 2003, the Group's cash and cash equivalents amounted to RMB380.1 million and the debt to total assets ratio was only 30%.

In 2003, the Group's production volume increased by approximately 34% to 12.54 million weight cases or 627,000 tonnes as a result of the full-year operation of the third production line and the commencement of operation of the ultra-thin (less than 3mm) flat glass production line in the fourth quarter of 2003. The Group's aggregate daily melting capacity has now increased to 2,050 tonnes.

Product diversification will be the Group's key growth strategy in the future. In 2003, the Group commenced the production of processed glass and ultra-thin glass. The Group's plan to produce Low-E coated glass, a special glass product, is expected materialise in the second quarter of 2004. The Low-E coated glass is expected to have better market potential in both the PRC and overseas.

To move up the value chain, the Group's soda ash plant in Qinghai Province is under construction and the commercial production is scheduled to commence in the second quarter of 2005. The annual output of soda ash, which is originally planned at 600,000 tonnes, may increase to 900,000 tonnes after obtaining the government's approval in order to capitalise on the supply shortage of soda ash in the PRC.



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With further capacity expansion and diversification into different glass production and the planned move upstream to soda ash production, I am confident that the Group will further strengthen its market leading position in the PRC.

APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to our shareholders and investors for their support and also to our staff for their hard work in 2003.

Feng Guangcheng

Chairman

26 April 2004