

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

## **PRINCIPAL ACTIVITIES**

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

## **RESULTS AND APPROPRIATIONS**

Details of the results of the Group for the year are set out in the consolidated income statement on page 8.

The directors do not recommend the payment of a dividend.

## **PROPERTY, PLANT AND EQUIPMENT**

During the year, the Group spent approximately RMB289 million 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.

## **DIRECTORS AND SUPERVISORS**

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

### **Executive directors:**

Gu Chu Jun, Chairman  
Liu Cong Meng  
Li Zhen Hua  
Yan You Song  
Zhang Hong  
Fang Zhi Guo

### **Independent non-executive directors:**

Chan Pei Cheong, Andy  
Li Gong Min  
Xu Xiao Lu (appointed on 18 May 2003)  
Yu Xiao Yang (resigned on 18 May 2003)

### **Supervisors:**

Jiang Bao Jun  
He Si  
Bai Yun Fung

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

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

At 31 December 2003, the interests and short positions of the directors, supervisors and the chief executive and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

<b>Name</b>	<b>Capacity</b>	<b>Number of issued ordinary shares held</b>	<b>Percentage of the relevant class of issued share capital of the Company</b>	<b>Percentage of the total issued share capital of the Company</b>
Gu Chu Jun	Held by controlled corporation	204,775,755 legal person shares (note a)	60.60%	20.64%
	Held by controlled corporation	3,830,000 H shares (note b)	0.83%	0.39%
He Si	Beneficial owner	50,000 A shares	0.03%	0.01%

Notes:

- (a) Gu Chu Jun owns 90% equity interest in Greencool Enterprise Development Company Limited ("Greencool Enterprise"), a limited liability company established in the People's Republic of China (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 2003.
- (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. Two subsidiaries of Greencool Technology hold 3,830,000 H shares in the Company as at 31 December 2003.

Other than as disclosed above, none of the directors, supervisors, chief executive nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31 December 2003.

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests and short positions in the issued share capital of the Company:

Name	Capacity	Number of issued ordinary shares held	Percentage of the relevant class of issued share capital of the Company	Percentage of the total issued share capital of the Company
Greencool Enterprise	Beneficial owner	204,775,755 legal person shares	60.60%	20.64%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 31 December 2003.

## 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, 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.

## 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.

## 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.

## **CORPORATE GOVERNANCE**

The Company has complied throughout the year ended 31 December 2003 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 for the two years ended 31 December 2003. Messers Arthur Anderson & Co. and Arthur Anderson • Hua Qiang acted as auditors of the Company for the year ended 31 December 2001.

On behalf of the Board

**Gu Chu Jun**  
*CHAIRMAN*

Shunde, the PRC  
19 April 2004