

CHAIRMAN'S STATEMENT



Feng Guangcheng
Chairman

TO ALL SHAREHOLDERS

I am pleased to present the annual results of Zhejiang Glass Company, Limited (the "Company") and its subsidiaries (together, the "Group") for the year ended 31 December 2004.

The flat glass industry in the People's Republic of China (the "PRC" or "China") has not been materially affected by the austerity measures implemented by the PRC government in 2004. On the contrary, the rapid economic development in the PRC has stimulated the market price of flat glass to rise during the year, reaching a relatively high price level in recent years.

The Group's operations, in turn, performed satisfactorily in 2004. Increases in the production volume and the average selling price of flat glass products have boosted the Group's turnover by 48% during the year to reach RMB1,198 million. The Group's profitability was further strengthened with a net profit of RMB205 million, representing an increase of 13% as compared with 2003.

In terms of production volume, the Group achieved an increase of approximately 23% to 15.4 million weight cases or 770,000 tonnes as a result of the full-year operation by all five float glass production lines in 2004. Aggregate daily melting capacity has now increased to 2,350 tonnes.

The year 2004 saw the success of product diversification as a development strategy of the Group. The Group's product mix was diversified to offer ultra-thin flat glass. In addition, the construction of the low-emissivity coated glass ("low-E glass") production line was also completed in 2004 and was ready to commence production. Both the ultra-thin flat glass and low-E glass have higher and more stable market prices as compared with regular float glass products. The Group will continue to leverage growth opportunities created by its expanded production capacity. The value-adding diversification strategy will also be implemented to consolidate and expand the Group's income stream.

Another key strategy of the Group in recent years is the integration of its upstream operations. The Group's soda ash project has been granted approval by the National Development & Reform Commission ("NDRC") in August 2004, allowing it to expand its annual production capacity to 900,000 tonnes. Construction work of the production line for the first phase of the project has been progressing smoothly, with commercial production expected to commence on schedule at the end of June 2005.

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With strong market demand for glass products, the Group has been facing capacity constraints as its sales/production ratio constantly reached over 95% in recent years. The market also calls for more high value-added products as living standards improve. The Group has hence planned to roll out a number of expansion projects that offer tremendous prospects in capturing growth opportunities. As such, the Group will seek an A share issue, which was put forward and approved by shareholders on 12 March 2005, to provide financial resources for realising these plans, subject to approval being obtained from relevant PRC authorities including the China Securities Regulatory Commission ("CSRC").

I am confident that the current expansion strategies will continue to fuel the Group's rapid growth. The Group will endeavour to become one of the most outstanding glass manufacturing enterprises in the PRC.

APPRECIATION

On behalf of the Board of Directors, I would like to express our heartfelt gratitude to our shareholders, investors and customers for their support, and also to our staff for their diligent work in 2004.

Feng Guangcheng
Chairman

18 March 2005

