

Report of the Directors

The board of directors hereby submits the report of the directors and the audited financial statements of the Company and the Group for the year ended 31 December 2000 to shareholders. All directors of the Board with a view to truly protecting the maximum interests of the shareholders and the Company, performed its obligations in accordance with the PRC Company law and the Company's Articles of Associations and carried out its work with prudence, diligence and initiative

OPERATION OF THE BOARD OF DIRECTORS

During the year, eight meetings were held and the major resolutions were as follows:

- (1) A meeting of the Company's board of directors was held on 28 March 2000. The meeting elected the chairman and vice chairman, appointed general manager, company secretary and financial controller. The meeting also approved the operating target of the new management team. Details were published in China Securities Journal, Shanghai Securities Journal in the PRC and Hong Kong iMail and Wen Wei Po in Hong Kong on 29 March 2000.
- (2) A meeting of the Company's board of directors was held on 26 April 2000. The meeting approved the directors' report for the year 1999, the financial statements for the year 1999, profit appropriation plan for the year 1999, annual report for the year 1999 and results announcement for the year 1999. Details were published in China Securities Journal, Shanghai Securities Journal in the PRC and Hong Kong iMail and Wen Wei Po in Hong Kong on 27 April 2000.
- (3) A meeting of the Company's board of directors was held on 5 July 2000. The meeting approved the technological renovation project for overall improvement in "Luoyang Float Glass" equipment and technology, modification project for the production lines of thin glass for Longmen Glass Company and the agreement for exchange of land with Henan Provincial Auzhuang Group Company Limited.
- (4) A meeting of the Company's board of directors was held on 9 August 2000. The meeting discussed about the issues raised by the Company's auditors during the audit of the Company's interim results and constructive proposal for improvement was reviewed.
- (5) A meeting of the Company's board of directors was held on 14 August 2000. The meeting approved the Company's interim report for the year 2000 and the resolution not to distribute interim dividend for the year 2000. Details were published in China Securities Journal, Shanghai Securities Journal in the PRC and Hong Kong iMail and Wen Wei Po in Hong Kong on 15 August 2000.
- (6) A meeting of the company's board of directors was held on 11 September 2000. The meeting approved the new agreement for connected transactions between the Company and the ultimate holding company and its subsidiary companies.

- (7) A meeting of the Company's board of directors was held on 21 September 2000. The meeting approved the plan to invest Rmb 10,000,000 by cash into Beixin Digital Company Limited. After careful consideration of the market situation, the Company determined to abandon such plan.
- (8) A meeting of the Company's board of directors was held on 31 December 2000. The meeting approved the payment of sales network services fees to the ultimate holding company amounting to Rmb5,000,000 for the year 2000 in accordance with the ongoing connected transactions agreement as the Company's products were sold through the sales networks of the ultimate holding company.

RESULTS AND PROFIT APPROPRIATION

In accordance with the PRC Accounting Regulations, the Company's net profit amounted to Rmb65,991,000 for the year 2000. After setting off against the accumulated losses of Rmb407,069,000 brought forward, the accumulated losses amounted to Rmb341,078,000 at end of the year. In accordance with the International Accounting Standards, the Company's net profit amounted to Rmb65,991,000 for the year 2000. After setting off against the accumulated losses of Rmb407,069,000 brought forward, the accumulated losses amounted to Rmb341,078,000 at the end of the year. Pursuant to relevant regulations and the Company's Articles of Association, no transfer to statutory fund and statutory public welfare fund will be made. No final dividend for 2000 will be recommended. It is recommended that the accumulated losses will be carried forward to next year. The above profit appropriation plan will be submitted to Company's 2000 Annual General Meeting for approval.

PROFIT APPROPRIATION PLAN FOR 2001

The Company has an accumulated loss of Rmb341,078,000 as at 31 December 2000. The net profit for 2001 will totally be used to compensate for such loss.

FIXED ASSETS

Movements in the fixed assets during the year are set out in note 8 to the accounts prepared under International Accounting Standards.

RESERVES

Movement in the reserves during the year are set out in note 20 to the accounts prepared under International Accounting Standards.

BANK BORROWINGS AND OTHER BORROWINGS

The bank borrowings and other borrowings of the Group for the year ended 31 December 2000 are stated in note 21 and 26 to the accounts prepared under International Accounting Standards.

FIVE YEARS' FINANCIAL HIGHLIGHT

The results, assets and liabilities of the Group for the five years ended 31 December 2000 as prepared under International Accounting Standards are summarised below:

OPERATING RESULTS

	2000 Rmb'000	1999 Rmb'000	1998 Rmb'000	1997 Rmb'000	1996 Rmb'000
Turnover	896,169	818,000	-	593,195	599,959
Profit/(loss) before share of net loss of associated companies	93,392	46,460	(435,774)	(304,046)	29,826
Share of net loss of assoicated companies	(3,952)	(3,479)	(5,689)	(3,849)	(452)
Profit/(loss) before taxation	89,440	42,981	(441,463)	(307,895)	29,374
Taxation	—	—	(490)	—	(14,797)
Profit/(loss) after taxation	89,440	42,981	(441,953)	(307,895)	14,577
Minority Interests	(23,449)	13,180	78,592	84,450	7,042
Profit/(loss) attributable to shareholders	65,991	56,161	(363,361)	(223,445)	21,619

Assets & Liabilities

	2000 Rmb'000	1999 Rmb'000	1998 Rmb'000	1997 Rmb'000	1996 Rmb'000
Fixed Assets	1,051,381	1,091,244	1,528,418	1,115,262	721,493
Construction in progress	13,260	16,927	22,372	445,805	664,981
Interest in associated companies	111,031	79,373	43,809	46,515	50,364
Long term investments	128,984	69,485	79,421	73,559	68,155
Deferred assets	-- 40,568	46,452	-	30,968	
Trade and other receivables	333,231 -	387,756	-	-	
Cash at non-bank financial institution	72,829	72,829	-	-	
Net current (liabilities)/ asset	(95,973)	(138,609)	(118,089)	289,800	736,015
Long term					

liabilities	(17,522)	(71,224)	(158,621)	(141,278)	(117,165)
Minority interests	(44,505)	(21,056)	2,286	(76,306)	(152,925)
Shareholders' fund	1,552,716	1,486,725	1,430,564	1,793,925	2,017,370

CAPITALISATION OF INTERESTS

The amount of capitalised interests for the year is nil.

CHARITY AND OTHER DONATIONS

During the year, there is no charity and other donations made by the Group.

TRANSACTIONS WITH RELATED PARTIES

The material connected transactions of the Company for the year ended 31 December 2000 are set out in note 22 to the accounts prepared under International Accounting Standards.

MAJOR SUPPLIERS AND CUSTOMERS

The amount of purchase from the Group's top five largest suppliers were less than 30% of the Group's aggregate amount of purchase. The amount of sale to the Group's top five largest customers were less than 30% of the Group's aggregate amount of sale. During the year, none of the Company's directors, supervisors, senior management or their respective associates or the shareholders who hold more than 5% of the Company's total share capital was interested in any of the above suppliers and customers.

RETIREMENT PLAN

Particulars of the retirement plan of the Company are set out in notes 25(a) to the accounts prepared under International Accounting Standards.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SUBSCRIPTION FOR SHARES OR DEBENTURES

At no time during the year was the Company a party to any arrangement to enable the directors or supervisors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporation.

FIVE HIGHEST EMOLUMENTS

During the year, the people who received five highest emoluments were either the Company's directors, supervisors or senior management.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the directors and supervisors has entered into a service agreement with the Company. These service agreements all commenced from 28 March 2000 with a term of office for three years. Same as aforementioned, the Company or any of its subsidiaries or fellow subsidiaries has not entered into or will enter into any service agreement with any director or supervisor.

DIRECTORS AND SUPERVISORS' INTEREST IN CONTRACTS

Apart from service contracts, no contract of significance in relation to the business of the Company, to which the Company or any of its subsidiaries or fellows subsidiaries was a party and any of the directors and supervisors of the Company had a material interest, subsisting at the end of the year or at any time during the year.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

To the knowledge of the board of directors, the Company had complied throughout the year with the Code of Best Practice as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

PURCHASE, SALE AND REDEMPTION OF SECURITIES

During the year, the Company and its subsidiaries has not purchased, sold or redeemed any securities of the Company.

MAJOR SUBSIDIARIES AND ASSOCIATED COMPANY

Details of the Company's subsidiaries and associated company are set out in notes 10 and 11 to the accounts prepared under International Accounting Standards

PRE-EMPTIVE RIGHTS

In accordance with the Articles of Association of the Company and the laws of the PRC, there is no provision of pre-emptive rights requiring the Company to offer shares to the existing shareholders in proportion to their respective shareholdings.

SHARE CAPITAL STRUCTURE

Types of shares

	Number of shares at the beginning of the year	Increase /(decrease) during the year	Number of shares at the end of the year
(1) Non-circulating shares			
1. Promoter's shares including State-owned legal person shares	400,000,000	0	400,000,000
Total non-circulating shares	400,000,000	0	400,000,000
(2) Circulating shares			
1. Domestic listed Renminbi ordinary shares (A Shares)	50,000,000	0	50,000,000
2. Overseas listed foregin shares (H Shares)	250,000,000	0	250,000,000
Total circulating shares	300,000,000	0	300,000,000
(3) Total number of shares	700,000,000	0	700,000,000

NUMBER OF SHAREHOLDERS

The number of shareholders of the Company at 31 December 2000 were 32,999 of which 1 was state-owned legal person share holder, 32,809 were A share holders and 189 were H share holders.

ISSUE AND LISTING OF SHARES

The Company has not issued any shares for the three years ended 31 December 2000.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

As at 31 December 2000, the top ten shareholders of the Company were as follows:

Name of shareholders	Class	Number of shares held (shares)	Percentage to total share capital (%)	Increase/ Decrease in number of share for shareholdings more than 5%
China Luoyang Float Glass (Group) Company of Limited Liabilities	A Shares	400,000,000	57.14	remained unchange
HKSCC Nominees Limited	H Shares	241,956,998	34.57	+1,796,500
SO SUEN SING	H Shares	742,000	0.106	
WONG MING SHUN	H Shares	470,000	0.067	
CHOW HON YIN	H Shares	400,000	0.057	
CHUK YEE MEN LIZA	H Shares	374,000	0.053	
YAN TSUN WING	H Shares	350,000	0.05	
TAI TUNG PO	H Shares	300,000	0.043	
Chen Jinshou	A Shares	290,100	0.041	
HUNG CHOU SIM	H Shares	218,000	0.031	

No pledge or frozen of shares was undertaken during the period for shareholders with shareholdings more than 5% in the Company.

HKSCC Nominees Limited held the H Shares on behalf of various clients. There is no client having interest more than 10% of the total issued H share capital of the Company.

LEGAL PERSON SHAREHOLDER HOLDING MORE THAN 10% OF SHARES

China Luoyang Float Glass (Group) Company Limited holds 57.14% of the Company's shares. Its scope of business includes production of glass and related raw material, manufacturing of assembly equipment, import and export of processed glass, domestic sales, design and sub-contraction works, labour export, provision of industrial production information (excluding those under patent regulation of the State), technological service, consultation services and goods transportation.

LEGAL REPRESENTATIVE: MR. GUO XIAOHUAN

HKSCC (Nominees) Limited holds 34.31% of the Company's shares. It is a Hong Kong Central Clearing and Settlement System participant providing securities registration and deposit services for customers.

Legal representative: Mr. Stewart Shing.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Gender	Age	Term	Shareholding at end of the year	Shareholding at beginning of the year
Guo Xiaohuan	Chairman	M	57	Until 28.3.2003	2,000	2,000
Wang Yongrain	Vice-Chairman & General Manager	M	42	Until 28.3.2003	1,800	1,800
Zhu Lei Bo	Executive Director	M	38	Until 28.3.2003	2,000	2,000
Zhang Shaojie	Executive Director and standing Deputy General Manager	M	39	Until 28.3.2003	1,700	1,700
Zhu Liusin	Executive Director & Deputy General Manager	M	47	Until 28.3.2003	1,700	1,700
Jiang Hong	Executive Director & Deputy General Manager	M	38	Until 28.3.2003	1,800	1,800
Wang Jie	Executive Director and Company Secretary	M	38	Until 28.3.2003	2,000	2,000

Name	Position	Gender	Age	Term	Shareholding at end of the year	Shareholding at beginning of the year
Dai Zhiliang	Independent non-executive director	M	60	Until 28.3.2003	0	0
Zhang Gaobo	Independent non-executive director	M	35	Until 28.3.2003	0	0
Lui Baoying	Chairman of the supervisory committee	M	47	Until 28.3.2003	2,000	2,000
Cheng Zongfa	Supervisor	M	51	Until 28.3.2003	0	0
Ma Shixin	Supervisor	M	50	Until 28.3.2003	0	0
Mu Wenzheng	Supervisor	M	36	Until 28.3.2003	0	0
Gu Meifeng	Independent Supervisor	F	36	Until 28.3.2003	0	0
Wang Heping	Deputy General Manager	M	48	Until 28.3.2003	1,700	1,700
Gao Tianbao	Chief Financial Officer	M	42	Until 28.3.2003	0	0

Note: There was no change in the number of shares held by the directors, supervisors and senior management during the year. Other than stated above, no directors, supervisors and senior management had any interests, whether beneficial or non-beneficial, in the issued share capital of the Company, and other associated corporations (within the meaning of the Securities (Disclosure of Interests ("SDI") Ordinance in Hong Kong)

The salaries and fees of directors and supervisors for the year are as follows:

The remuneration paid to the directors, supervisors and senior management in 2000 was Rmb436,110, of which the non-executive independent directors did not receive any remuneration. There are 4 people in the range of Rmb40,000-30,000, 2 people in the range of Rmb30,000-20,000 and 7 people in the range of Rmb20,000-10,000.

Directors, supervisors and senior management who resigned during the year and the reasons for resignation.

Name	Position	Reason for resignation
Liu Baoying	Vice-Chairman	Re-election after expiry of the term
Sun Jigang	Executive director	Re-election after expiry of the term
Jin Baishi	Executive director	Re-election after expiry of the term
Li Jinran	Executive director	Re-election after expiry of the term
Fan Yinchao	Independent non-executive director	Re-election after expiry of the term
Meng Zhaopeng	Chairman of Supervisory committee	Re-election after expiry of the term
Duan Changzhao	Supervisor	Re-election after expiry of the term
Song Chenghua	Supervisor	Re-election after expiry of the term
Wang Yaocheng	Supervisor	Re-election after expiry of the term
Ren Puxian	Chief Financial Officer	Job rotation

EMPLOYEES

As at 31 December 2000, the Company had 5,126 employees, of which 3,350 are production workers, 433 sales personnel, 514 are technicians, 68 are financial personal, 304 are administrative personnel and 457 are other staff. Among them, 281 employees graduated from regular colleges or universities, representing 5.5% of the staff 1,139 employees graduated from professional training colleges, representing 22.22% of the staff.

AUDITORS

Approved by the Company's 1999 -Annual General Meeting, the Company reappointed KPMG Peat Marwick Huazhen and KPMG Hong Kong as the PRC and international auditors of the Company for 2000 respectively and, accordingly, have audited the accompanying financial statements.

The resolution to reappoint KPMG Peat Marwick Huazhen and KPMG Hong Kong as the PRC and international auditors of the Company respectively for 2001, is to be proposed at the forthcoming Annual General Meeting.

DESIGNATED NEWSPAPERS FOR DISCLOSURE OF THE COMPANY'S INFORMATION

Hong Kong: Hong Kong iMail, Wen Wei Po

Mainland China: China Securities Journal, Shanghai Securities Journal

MATERIAL LITIGATION AND ARBITRATION

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

By Order of the Board
Guo Xiaohuan
Chairman

17 April 2001