

Substantial Events

1. The Company together with the directors, supervisors and senior management of the Company was not subject to any disciplinary actions by the supervisory department.
2. An extraordinary general meeting of the Company was held on 16 March 2000. Messrs Guo Xiaohuan, Wang Yongxin, Zhu Leibo, Zhang Shaojie, Zhu Liuxin, Jiang Hong, Wang Jie, Dai Zhiliang and Zhang Gaobo were elected as the Company's directors for the third board of directors. Mr Liu Baoying, Mr Cheng Rongfa and Ms Gu Meifeng were elected as the Company's supervisors for the third Supervisory Committee. Messrs Ma Shixin and Wu Wenzheng were elected by the labour representatives as the supervisors. The term of the above directors and supervisors is three years with effect from 28 March 2000. There was no change in the Company's general manager and company secretary.
3. According to the 《Proposals on Accelerating Standardised Operation of Companies Listed Overseas and Deepening Their Reforms》 jointly issued by the State Economic and Trade Commission and the China Securities Regulatory Commission, the Company has been independent in terms of the assets and financial management to the ultimate holding company. Due to the current management system of cadre, certain senior management of the Company have part-time administrative positions in the holding company. However, such part-time administrative positions are only entitled to political treatment. They have not participated in the daily operations of the holding company. They have spent all their efforts on the Company's works. Certain senior management having part-time position have not received any remunerations from the holding company.
4. The Board of Directors of the Company held a meeting on 17 April 2001. Mr Zhang Shaojie was appointed as an Executive Deputy General Manager of the Company, Messrs Zhu Liuxin, Jiang Hong, Li Jinrang and Wang Heping as Deputy General Manager of the Company and Mr Gao Tianbao was appointed as the Chief Financial Officer of the Company.
5. If the PRC successfully joins WTO in 2001, it will reduce the number of procedures and intermediary agents for the efforts of the Group's products. This will facilitate the Group to export its products to the developing countries. On the other hand, the imports of foreign goods into the PRC will not materially affect the Group because the current glass market in the PRC has been saturated, the product structure is becoming reasonable, and the domestic high-class glass has already satisfied domestic demand. In addition, the demand for low and middle class glass has higher demand. Accordingly, foreign products do not have any competitive advantage in the PRC.
6. In accordance with the Company's Articles of Association, the board of directors does not recommend the distribution of a final dividend. The proposal will be submitted to the forthcoming annual general meeting for consideration.

7. KPMG Peat Marwick Huazhen and KPMG Hong Kong were re-appointed as domestic and international auditors of the Company for the year 2000, as approved at the annual general meeting for the year 1999.

8. Overdue time deposits

Type of deposit	Account classification	Amount Rmb'000	Ultimate Borrower	Provisions made %	Amount Rmb'000
Overdue time deposits	Other debtors	145,657	Guangzhou International Trust & Investment Corporation ("GZITIC")	50	72,823

Note:

GZITIC is under liquidation. Based on the Directors' assessment of recent developments, the Directors are of the opinion that the existing provision of Rmb72,828,000, representing a 50% provision on the deposits, is adequate. Interest has been accrued in respect of these deposits.

Save as stated above, the Company did not have any overdue deposits at 31 December 2000.

The Board of Directors is of the opinion that such deposits totalling Rmb145,657,000, which accounted for 9.38% of the net asset of the Group as at 31 December 2000, did not have any unfavourable impact on the normal operation and cash flow of the Company. The Company will recover such deposits as soon as possible.

9. Connected Transactions

The counterparties and terms for most of the transactions undertaken by the Group during the year ended 31 December 2000 were determined by the ultimate holding company and the Group.

Details of the ultimate holding company are as follows:

Name of enterprise	:	China Luoyang Float Glass Group Company of Limited Liabilities ("CLFG")
Legal Status	:	Limited company (Solely owned by the State)
Registered capital	:	RMB345,220,000
Legal representative	:	Guo Xiaohuan
Relationship with the Group	:	Ultimate holding company
Principal activities	:	Production of glass, related raw materials and equipment, import, export and domestic sales of glass, processing technology, design and sub-contracting of engineering works, labour export, provision of industrial production material (excluding those under control of the State), technological service, consultation service and goods transportation
Equity interest in the Company	:	57.14%

(i) Ordinary transactions

Transactions between the Group and CLFG and its Group companies were as follows:

	2000 Rmb'000	1999 Rmb'000
Sales	122,467	165,889
Purchases of raw materials	45,939	12,986
Management expenses	14,704	7,310
Interest paid and payable	17,422	22,468
Interest received and receivable	23,266	2,627
Guarantee issued to suppliers in favour of the Company	5,000	28,200
Guarantee issued to banks in favour of the Company	122,000	240,410

The directors of the Company are of the opinion that the above transactions were based on normal commercial terms and were entered into in the ordinary course of business, and has been confirmed by the non-executive directors.

Transactions with CLFG constitute more than 90% of the above connected transactions.

As the remaining connected transactions were undertaken with various fellow subsidiaries of CLFG in small amounts for each transaction, no details of these fellow subsidiaries are disclosed.

(ii) Other transactions

(a) Acquisition of long-term equity investments

On 3 March 2000, the Company acquired 40.29% equity interests in CLFG Mineral Products Co., Ltd., a wholly owned subsidiary of CLFG, at a consideration of Rmb12,475,000, which was settled by setting off against the unsecured accounts receivable owed to the Company by CLFG.

The Company acquired 52% equity interests in Yinan Mineral Products Co., Ltd., a company held by Qingdao Taiyang Glass Industry Co. Ltd. ("Taiyang") at a consideration of Rmb14,560,000 which was settled by settling off against the accounts receivable owed to the Company by Taiyang.

Details of the above connected transactions were published in China Securities Journal, Shanghai Securities Journal in the PRC and Hong Kong iMail and Wen Wei Po in Hong Kong on 6 March 2000.

(b) Transfer of loan receivable

On 1 April 2000, Taiyang transferred its loan receivable from Yinan Mineral Products Co., Ltd. of Rmb41,295,000 to the Group as the partial repayment of the money owed by Taiyang to the Group.

(c) Practice Note 19 disclosure

Pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the advances, financial assistance and guarantees to CLFG and the fellow subsidiaries constituted connected transactions for the Company and also gave rise to a disclosure obligation under paragraphs 3.2.1 and 3.3 of the Practice Note 19 of the Listing Rules. The details were published on 28 December 2000 in the China Securities Journal and the Shanghai Securities Journal of the PRC, and Hong Kong iMail and Wen Wei Po of Hong Kong.

Advances and/or financial assistance to CLFG

As at 31 December 2000 and 31 December 1999, the Company provided advances and/or financial assistance of a total sum of approximately RMB203,744,000 and approximately RMB227,979,000 respectively to CLFG, the details of which are as follows:

Nature of transaction	Interest rate	Terms of repayment	As at 31 December 2000 (RMB'000)	As at 31 December 1999 (RMB'000)
Accounts receivable relating to an advance to Baolaiwei Development Limited (a wholly owned subsidiary of the CLFG) on behalf of CLFG	6.5% per annum	Due on 31st August, 2000 (not yet repaid) Unsecured	26,692,000	26,692,000
Trade receivable relating to sales of finished goods	Interest free	No fixed repayment Unsecured	108,073,000	127,735,000
Accounts receivable relating to transfer of loans	Interest free	No fixed repayment Unsecured	-	2,000,000
Accounts receivable relating to transfer of loans	Interest free	No fixed repayment Unsecured	9,326,000	9,326,000

Nature of transaction	Interest rate	Terms of repayment	As at 31 December 2000 (Audited) (RMB'000)	As at 31 December 1999 (Audited) (RMB'000)
Other accounts receivable mainly relating to loss of sales of staff quarters	Interest free	No fixed repayment Unsecured	59,653,000	62,226,000
			203,744,000	227,979,000

There was no collateral for all the above advances and financial assistance.

ADVANCES AND/OR FINANCIAL ASSISTANCE TO FELLOW SUBSIDIARIES

As at 31 December 2000 and 31 December 1999, the Company provided advances and/or financial assistance of a total sum of approximately RMB465,598,000 and RMB518,829,000 respectively to the fellow subsidiaries, the details of which are as follows:

Fellow subsidiaries	CLFG's interest in the fellow subsidiaries	Company's interest in the fellow subsidiaries	interest rate	Nature of transaction	Repayment terms	As at 31 December 2000 (RMB'000)	As at 31 December 1999 (RMB'000)
Taiyang	55%	-	6.435%	Advance	Repayable from 2000 to 2004	333,231,000	376,898,000
CLFG Mineral Products Co.	59.71%	40.29%	Interest free	Other debtors	No fixed repayment Unsecured	2,000,000	11,595,000
Jingbao Co.	50%	50%	Interest free	Other debtors	No fixed repayment Unsecured	7,489,000	6,140,000
Hoisting Machinery Co.	63.32%	36.68%	Interest free	Other debtors	No fixed repayment Unsecured	19,642,000	19,552,000
Fellow subsidiaries	CLFG's interest in the fellow subsidiaries	Company's interest in the fellow subsidiaries	interest rate	Nature of transaction	Repayment terms	As at 31 December 2000 (RMB'000)	As at 31 December 1999 (RMB'000)
New Illuminating Source Company Limited	70.55%	29.45%	Interest free	Other debtors	No fixed repayment Unsecured	1,019,000	621,000
Jingwei Glass Fiber Co. Ltd.	64.1%	35.9%	Interest free	Other debtors	No fixed repayment Unsecured	53,270,000	50,281,000
Jingjiu Glass Container Co. Ltd.	68.92%	31.08%	Interest free	Other debtors	No fixed repayment Unsecured	16,062,000	16,115,000
Others			Interest free	Other debtors	No fixed repayment Unsecured	32,885,000	37,627,000
Total						465,598,000	518,829,000

Except the advance to Taiyang, there was no collateral for other financial assistance.

The balances of the advances and/or financial assistance provided by the Company to the fellow subsidiaries represent the trade receivables due from the fellow subsidiaries resulting from supply of water, electricity, heat, steam services, transportation services and raw materials to those companies.

GUARANTEES IN FAVOUR OF CLFG AND A FELLOW SUBSIDIARY - TAIYANG

	As at 31 December 2000 (RMB'000)	As at 31 December 1999 (RMB'000)
Guarantees issued to banks in favour of		
CLFG	6,000,000	41,000,000
Fellow subsidiary - Taiyang	38,300,000	114,000,000

The above banking facilities have been fully utilized by CLFG and Taiyang. At the time when the Group commenced to provide guarantees, Taiyang was a 55% subsidiary of the Company.

The banking facilities are unsecured with interest rate ranging from approximately 6.435% to 6.534% per annum.

10. The Company did not enjoy any tax rebate policy in previous years. Accordingly, the "Notice in relation to the Correction of Local Tax Rebate Policy" issued by the State Council was not applicable to the Company.
11. During the year, the Company did not hold in custody, hire or lease any assets, and there was no company that hold in custody, hire or lease any assets for the Company.
12. During the year, the Company has not changed its name. The abbreviation of the Company's A shares has been changed from "ST Luoyang Glass" to "Luoyang Glass" since 28 April 2000.
13. The Company did not engage in any material litigation and arbitration during the year.

14. Sale of staff quarters

During the year, the Group did not sell staff quarters to its staff. Neither does the Group has any such plan.

15. During the year, the Company did not raise any capital, and no capital raised in previous years was available.

16. Save as disclosed above, the Company did no have any major event, or discloseable matter referred to in Article 62 of Security Law of the PRC and in Article 60 of the Provisional Regulations of Administration of the Issuing and Trading of Shares of the PRC and Article 17 of Disclosure of Information by Public Listing Companies (the Trial Implementation Rule) during the year.