Notes on the Accounts

(Prepared under the International Accounting Standands)

1 SIGNIFICANT ACCOUNTING POLICIES

Luoyang Glass Company Limited ("the Company") is a company incorporated in the People's Republic of China ("the PRC") as a joint stock limited company.

The significant accounting policies adopted in the preparation of the accounts are set out below:

(a) Statement of compliance

The accounts of the Company and its subsidiaries ("the Group") have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee ("IASC") and interpretations issued by the Standing Interpretations Committee of IASC and the disclosure requirements of the Hong Kong Companies Ordinance.

The Group also prepares a set of accounts which complies with the applicable PRC accounting regulations. A reconciliation of the Group's results and shareholders' funds under IAS and the applicable PRC accounting regulations is presented in Note 30.

(b) Basis of preparation

The accounts are prepared in Renminbi, rounded to the nearest thousand. They are prepared on the historical cost basis except for certain fixed assets and long-term investments, the accounting policies of which are stated in Notes 1(d) and 1(f) respectively.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated accounts include the accounts of the Company and all of its principal subsidiaries made up to 31 December each year. Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The accounts of subsidiaries are included in the consolidated accounts from the date that control effectively commences until the date that control effectively ceases.

(ii) Associated companies

Associated companies are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated accounts include the Group's share of the total recognised gains and losses of associated companies on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the carrying amount of the associated companies, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associated companies.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated accounts. Unrealised gains arising from transactions with associated companies are eliminated to the extent of the Group's interest in the enterprise against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of their separable net assets on acquisition. Goodwill is amortised on a straight line basis to the profit and loss account over its economic useful life. Negative goodwill arising on acquisition represents the excess of the fair value of the separable net assets of subsidiaries acquired over the cost of acquisition in these companies. Negative goodwill is, where material, credited to deferred income which is recognised in the profit and loss account on a systematic basis.

(d) Fixed assets and construction in progress

Fixed assets are stated in the balance sheet at cost or 1994 valuation (Note 8) less accumulated amortisation, depreciation and impairment loss.

The carrying amount of fixed assets is reviewed periodically in order to assess whether the recoverable amount has declined below the carrying amount. When such a decline has occurred, the carrying amount is reduced to the recoverable amount. The amount of the reduction is recognised as an expense in the profit and loss account. In determining the recoverable amount, expected future cash flows generated by the fixed assets have not been discounted to their present value.

(i) Capitalisation of fixed assets

All direct and indirect costs relating to the acquisition or construction of plant and machinery, including borrowing costs on related borrowed funds during the construction period, are capitalised as fixed assets.

Construction of a plant is considered to have been completed on the date when the plant is capable of producing saleable quality output in commercial quantities on an ongoing basis notwithstanding any delays in the issue of the relevant commissioning certificates by the appropriate PRC authorities.

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the profit and loss account as an expense as incurred.

(iii) Amortisation and depreciation

Land use rights

The values of land use rights are amortised on a straight line basis over the respective periods of the rights.

Fixed assets

Depreciation is provided to write off the cost or valuation of fixed assets over their anticipated useful lives on a straight line basis, after taking into account their estimated residual values, as follows:

Buildings	30 to 50 years
Plant, machinery and equipment	4 to 28 years
Motor vehicles	6 to 12 years

No depreciation is provided in respect of construction in progress.

(e) Inventories

Except for spare parts and consumables, inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Spare parts and consumables are stated at cost less any provision for diminution.

(f) Long-term investments

The Group's and the Company's policies for long term investments other than investments in subsidiaries and associated companies are as follows:

Investments represent interest in unlisted investments, and are stated at cost less any provision for permanent diminution in value considered necessary by the Directors.

(g) Impairment

The carrying amounts of the Group's assets other than inventories are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

(H) TRADE AND OTHER RECEIVABLES

Trade and other receivables are stated at their cost less impairment losses (refer to Note 1(g)).

(i) Trade and other payables

Trade and other payables are stated at their cost.

(j) Revenue recognition

In relation to the sale of goods, revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer and no significant uncertainties remain regarding the derivation of consideration, associated costs or the possible return of goods.

Interest and dividends arising from the use by others of the Group's resources are recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the revenue can be measured reliably. Interest income is recognised as it accrues unless collectibility is in doubt. Dividend income is recognised when the shareholder's right to receive payment is established.

(k) Translation of foreign currencies

Transactions in foreign currency are translated into Renminbi at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Renminbi at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to goodwill not deductible for tax purposes and the initial recognition of assets or liabilities which affect neither accounting nor taxable income. Deferred tax is calculated on the basis of the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. The effect on deferred tax of any changes in tax rates is charged to the profit and loss account.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Repairs and maintenance expenses

Repairs and maintenance expenses are charged to the profit and loss account as and when they are incurred.

(o) Research and development expenses

Research and development expenses are written off in the year in which they are incurred.

(p) Retirement scheme costs

Contributions to defined contribution pension plans are recognised as an expense in the profit and loss account. Further information is set out in Note 25(a).

(q) Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on bank deposits, foreign exchange gains and losses and bank charges.

Interest income from bank deposits is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

(r) Related parties

For the purposes of these accounts, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks and other financial institutions with an original maturity within three months.

(t) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segment.

2 REVENUE

The Group's principal activity is the manufacturing and selling of float sheet glass and processed vehicle glass.

Revenue, which represents turnover, composed of the invoiced value of goods sold to customers, net of value-added tax ("VAT"), business taxes and surcharges, after eliminating inter-company transactions.

	2000 Rmb'000	1999 Rmb'000
Revenue from sale of goods	896,169	818,000

3 PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

		2000 Rmb'000	1999 Rmb'000
(a)	Items included in administrative expense:		
	Auditors' remuneration	2,200	2,000
	Provision for bad and doubtful debts	32,767	62,036
	Research and development expenses	2,743	1,552
(b)	Net financing costs:		
	Interest on bank advances and other borrowings repayable within five years	57,185	82,706
	Interest income	(29,172)	(25,183)
	Net foreign exchange gain/(loss)	926	(1,518)
	Bank charges	198	579
	Net financing costs	29,137	56,584
(c)	Items included in investment (expenses)/income:		
	Gain on disposal of a subsidiary	-	44,649
	Provision for diminution in value of other unlisted investments	(5,607)	(5,111)

3 Profit from ordinary activities before taxation (continued)

		2000 Rmb'000	1999 Rmb'000
(d)	Items included in non-operating income:		
	Gain on disposal of fixed assets	9,234	8,006
	Write back of provisions for bad and doubtful debts		
	- advances to minority shareholders of a subsidiary	-	77,700
	- others	-	840

(e) Items included in non-operating expenses:

Loss on disposal of fixed assets	1,795	3,911

(f) Personnel expenses:

Wages and salaries #	69,034	64,945
Retirement benefit costs #	15,327	17,502
	84,361	82,447

The number of employees at the end of 2000 was 6,221 (1999: 7,044).

(g) Other items:

Cost of inventories #	611,215	679,745
Depreciation #	69,435	84,287
Amortisation of deferred assets	-	7,682
Provision for major repairs # and maintenance expenses	-	14,890

\# Cost of inventories includes personnel expenses, depreciation and repairs and maintenance expenses, the amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

4 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' remuneration is as follows:

	2000 Rmb'000	1999 Rmb'000
Salaries, allowances and benefits in kind	199	159
Retirement scheme contribution	33	33
	232	192

No remuneration has been paid to non-executive directors for the year (1999: Nil).

Supervisors' remuneration is as follows:

	2000 Rmb'000	1999 Rmb'000
Salaries, allowances and benefits in kind	75	57
Retirement scheme contribution	14	14
	89	71

The five highest paid individuals in the Group in 2000 and 1999 were all directors and supervisors, the remuneration of the directors and supervisors is within the following bands:

	No. of directors and supervisors	
	2000	1999
Rmb 0 - 1,000,000	14	14

5 TAXATION

(a) No provision for PRC income tax has been made in the accounts as the tax losses brought forward from previous years exceed the estimated assessable profits for the year.

No provision for deferred taxation has been made as the Group has a net deferred tax asset in respect of tax losses brought forward. The deferred tax asset has not been recognised in the accounts as it is not certain whether the potential taxation benefit will be realised in the foreseeable future.

A reconciliation of income tax calculated at the applicable tax rate with income tax expense is as follows:

	2000 *Rmb'000*	1999 Rmb'000
Profit before taxation	89,440	42,981
Expected PRC tax at statutory tax rate of 33%	29,515	14,184
Non-deductible expenses	16,041	29,272
Non-taxable earnings	-	(40,652)
Set off against unutilised tax losses brought forward from previous years	(45,556)	(2,804)
	-	-

The Group did not carry on business overseas and therefore no provision has been made for overseas profits tax.

(b) Taxation in the consolidated balance sheet represents:

	2000	1999
	Rmb'000	Rmb'000
PRC income tax receivable relating to prior year	1,185	295

6 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders includes a profit of Rmb36,646,000 (1999: loss of Rmb75,060,000) which has been dealt with in the accounts of the Company.

7 BASIC EARNINGS PER SHARE

(a) The calculation of basic earnings per share is based on the profit attributable to shareholders of Rmb65,991,000 (1999: earnings of Rmb56,161,000) and 700,000,000 (1999: 700,000,000) shares in issue during the year.

(b) Diluted earnings per share

No diluted earnings per share is calculated as there are no dilutive potential shares.

8 FIXED ASSETS

The Group

	Land and buildings Rmb'000	Plant, machinery and equipment Rmb'000	Motor vehicles Rmb'000	Total Rmb'000
Cost or valuation:				
At 1 January 2000	513,116	928,145	22,222	1,463,483
Additions	1,317	6,185	2,517	10,019
Transfer from construction in progress (Note 9)	4,107	33,121	-	37,228
Disposals	(4,079)	(18,115)	(5,937)	(28,131)
At 31 December 2000	514,461	949,336	18,802	1,482,599
Representing:				
Cost	279,422	635,350	18,802	933,574
Valuation - 1994	235,039	313,986	-	549,025
	514,461	949,336	18,802	1,482,599
Accumulated amortisation and depreciation:				
At 1 January 2000	80,846	274,059	17,334	372,239
Charge for the year	14,870	53,112	1,453	69,435
Written back on disposal	(165)	(5,693)	(4,598)	(10,456)
At 31 December 2000	95,551	321,478	14,189	431,218
Net book value:				
At 31 December 2000	418,910	627,858	4,613	1,051,381
At 31 December 1999	432,270	654,086	4,888	1,091,244

The Company

	Land and buildings Rmb'000	Plant, machinery and equipment Rmb'000	Motor vehicles Rmb'000	Total Rmb'000
Cost or valuation:				
At 1 January 2000	318,764	727,448	5,874	1,052,086
Additions	-	2,833	1,472	4,305
Transfer from construction in progress (Note 9)	1,798	29,242	-	31,040
Disposals	-	(18,024)	(5,126)	(23,150)
At 31 December 2000	320,562	741,499	2,220	1,064,281
Representing:				
Cost	110,371	489,474	2,220	602,065
Valuation - 1994	210,191	252,025	-	462,216
	320,562	741,499	2,220	1,064,281
Accumulated amortisation and depreciation:				
At 1 January 2000	55,894	211,228	5,625	272,747
Charge for the year	9,927	40,804	205	50,936
Written back on disposal	-	(4,493)	(4,002)	(8,495)
At 31 December 2000	65,821	247,539	1,828	315,188
Net book value:				
At 31 December 2000	254,741	493,960	392	749,093
At 31 December 1999	262,870	516,220	249	779,339

The analysis of net book value of land and buildings is as follows:

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
In Hong Kong				
- Medium-term leases	6,282	6,422	6,282	6,422
In the PRC				
- Medium-term leases	412,628	425,848	248,459	256,448
	418,910	432,270	254,741	262,870

The Company was established in the PRC on 6 April 1994 as a joint stock limited company as part of the restructuring of China Luoyang Float Glass Group Company of Limited Liability ("CLFG"). On the same date, the principal business undertakings and subsidiaries of CLFG together with the relevant assets and liabilities were taken over by the Company. As required by the relevant PRC rules and regulations, a valuation of the fixed assets to be injected into the Company was carried out as at 26 April 1994 and the fixed assets injected were reflected in the accounts on this basis. This was a one-off exercise which established the deemed cost of the fixed assets injected on the formation of the Company. As a result, the Directors consider that the requirements of International Accounting Standard 16 "Property, Plant and Equipment" with respect to carrying assets at amounts other than cost less accumulated depreciation are not applicable.

The effect of the 1994 revaluation was to increase annual depreciation charge by approximately Rmb3,993,000. Had the fixed assets of the Group and the Company been stated at cost, that is excluding the effect of the revaluation, the net book values of fixed assets of the Group and the Company as at 31 December 2000 would have been approximately Rmb925,344,000 and Rmb623,050,000 respectively (1999: Rmb961,214,000 and Rmb649,309,000).

9 CONSTRUCTION IN PROGRESS

Construction in progress comprises expenditure incurred on the construction of buildings, plant, machinery and equipment not yet completed at 31 December.

	The Group	
	2000	1999
	Rmb'000	Rmb'000
Balance at 1 January	16,927	22,372
Additions for the year	33,561	63,518
	50,488	85,890
ransfer to fixed assets (Note 8)	(37,228)	(68,963)
Balance at 31 December	13,260	16,927

	The Company	
	2000	1999
	Rmb'000	Rmb'000
Balance at 1 January	15,294	13,640
Additions for the year	28,031	51,787
	43,325	65,427
Transfer to fixed assets (Note 8)	(31,040)	(50,133)
Balance at 31 December	12,285	15,294

10 INTEREST IN SUBSIDIARIES

	2000	1999
	Rmb'000	Rmb'000
Cost at 31 December	126,846	126,846
Amounts due from subsidiaries	41,344	66,409
Balance at 31 December	168,190	193,255

Details of the Company's principal subsidiaries, all of which are established and operating in the PRC, which have significant effect on the results or assets of the Group at 31 December 2000 are as follows:

Name of company	Registered capital	Direct attributable equity interest %	Principal activities	Note
Luobo Group Longmen Glass Company	Rmb 20,000,000	79.06	Manufacture of float sheet glass	(i)
Chenzhou Bada Glass Co. Ltd ("Bada")	Rmb 120,000,000	52.25	Manufacture of float sheet glass	(ii)

Notes:

(i) The company is a collective joint enterprise. As at 31 December 2000, the Company's total investment in this subsidiary amounted to Rmb 64,146,000.

(ii) The company is a joint stock limited liabilities company set up to establish a float sheet glass production line in Chenzhou, Hunan, the PRC. It commenced production in October 1994. As at 31 December 2000, the Company's total investment in this subsidiary's registered capital amounted to Rmb 62,700,000.

11 INTEREST IN ASSOCIATED COMPANIES

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Capital contribution, at cost	-	-	60,553	60,553
Share of net assets	43,132	47,084	-	-
	43,132	47,084	60,553	60,553
Amounts due from associated companies	67,899	32,289	67,971	32,287
Balance at 31 December	111,031	79,373	128,524	92,840

Details of the associated companies as at 31 December 2000, which are incorporated in the PRC, are as follows:

Name of company	Registered capital Rmb'000	Direct attributable equity interest	Principal activity
Luoyang Jingxin Ceramic Co. Ltd	41,945	49%	Manufacture of ceramic wall tiles
China Luoyang Float Glass Group Financial Company of Limited Liabilities	100,000	40%	Provision of financial services

12 LONG-TERM INVESTMENTS

	The Group	
	2000	1999
	Rmb'000	Rmb'000
Other unlisted investments	142,965	76,978
Less: Provision for diminution in value	(13,981)	(7,493)
	128,984	69,485

	The Company	
	2000	1999
	Rmb'000	Rmb'000
Other unlisted investments	136,627	69,591
Less: Provision for diminution in value	(7,643)	(1,878)
	128,984	67,713

The Group's other unlisted investments include non-controlling equity investments in various enterprises which are mainly engaged in manufacturing or trading activities. The Group's share of results attributable to these interests for the year is not material in relation to the profit of the Group for the said period and therefore has not been equity accounted for. Additionally, other unlisted investments include non-consolidated subsidiaries that do not significantly affect the results or assets of the Group and, therefore, are not consolidated or equity accounted for. At 31 December, the Group had no material commitment in respect of outstanding capital contributions in these investments.

13 INVENTORIES

	The Group	
	2000	1999
	Rmb'000	Rmb'000
Raw materials	128,542	94,610
Work in progress	10,450	10,530
Finished goods	69,549	36,613
	208,541	141,753
Less: Provision	(10,344)	(6,665)
	198,197	135,088

	The Company	
	2000	1999
	Rmb'000	Rmb'000
Raw materials	80,895	67,742
Work in progress	8,893	8,001
Finished goods	60,201	30,058
	149,989	105,801
Less: Provision	(10,344)	(6,665)
	139,645	99,136

Included in inventories are finished goods of Rmb11,362,000 (1999: Rmb6,665,000), stated at net realisable value.

14 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Current assets				
Trade debtors	169,362	161,312	138,675	120,003
Advance payments, other debtors and prepayments	338,638	296,448	310,434	266,420
Amount due from ultimate holding company	203,744	227,979	207,642	223,048
Amounts due from fellow subsidiaries	132,367	141,931	130,838	140,235
	844,111	827,670	787,589	749,706
Provision for bad and doubtful debts	(204,515)	(171,748)	(199,845)	(160,522)
	639,596	655,922	587,744	589,184

The amounts due from the ultimate holding company and fellow subsidiaries included in current assets are unsecured, interest-free and have no fixed repayment terms. The amount expected to be collected over one year amounts to Rmb26,692,000 (1999: Rmb29,404,000).

Included in the current portion of trade and other receivables are trade debtors before general provision with the following ageing analysis:

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Within one year	103,904	88,441	82,608	53,854
Between one and two years	6,995	16,546	5,749	13,742
Between two and three years	10,980	28,695	8,205	26,191
Over three years	47,483	27,630	42,113	26,216
	169,362	161,312	138,675	120,003

Debts are normally due within 60 to 90 days from the date of billing. The ageing analysis above is prepared in accordance with invoice dates.

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Non-current assets				
Amount due from a fellow subsidiary	333,231	376,898	333,231	376,898
Other debtors	-	10,858	-	10,858
	333,231	387,756	333,231	387,756

The amount due from a fellow subsidiary represents the receivable from Qingdao Taiyang Glass Industries Company Limited ("Taiyang") which is secured by a specific charge on Taiyang's fixed assets. The balance is charged at the prevailing market interest rate.

15 CASH AT BANK AND OTHER NON-BANK FINANCIAL INSTITUTION

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash at bank and non-bank financial institution	308,701	319,776	304,239	313,391
Less: Balances with bank and non-bank financial institution with an original maturity date within three months (Note 16)	(111,701)	(111,777)	(107,239)	(105,391)
	197,000	207,999	197,000	208,000

16 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Cash in hand	76	62	63	49
Balances with bank and other non-bank financial institution with an original maturity date within three months (Note 15)	111,701	111,777	107,239	105,391
Cash and cash equivalents	111,777	111,839	107,302	105,440

17 OVERDUE TIME DEPOSITS

The Group and the Company

Cash at non-bank financial institution represents overdue time deposits.

Details of the overdue time deposits are set out as follows:

Account classification	Amount	Ultimate borrower	Level of provisions made	Amount
	Rmb'000		%	Rmb'000
Cash at non-bank financial institution	145,657	Guangzhou International Trust & Investment Corporation ("GZITIC")	50	72,829

Note:

(i) GZITIC is in the process of 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. No interest has been accrued in respect of these deposits.

The Directors confirm that the above deposits have no unfavourable impact on the normal production and operations of the Group.

18 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Trade creditors	125,255	189,318	86,495	130,243
Amounts due to fellow subsidiaries	10,658	18,692	8,403	15,779
Other creditors and accruals	210,809	274,451	124,307	172,223
	346,722	482,461	219,205	318,245

All amounts due to fellow subsidiaries are unsecured, have no fixed terms of repayment and interest free.

Included in trade and other payables are trade creditors with the following ageing analysis:

	The Group		The Company	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Due within 1 month or on demand	44,757	81,407	20,112	45,585
Due after 1 month but within 3 months	48,328	88,979	37,286	69,334
Due after 3 months but within 6 months	32,170	18,932	29,097	15,324
	125,255	189,318	86,495	130,243

19 SHARE CAPITAL

	The Group and the Company	
	2000	**1999**
	Rmb'000	**Rmb'000**
Registered, issued and paid up capital:		
450,000,000 'A' shares of Rmb 1.00 each	450,000	450,000
250,000,000 'H' shares of Rmb 1.00 each	250,000	250,000
	700,000	700,000

All 'A' and 'H' shares rank pari passu in all material respects.

20 RESERVES

Movements in reserves comprise:

	The Group		**The Company**	
	2000	**1999**	**2000**	**1999**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Share premium				
Balance at 1 January and at 31 December	969,988	969,988	969,988	969,988

Statutory surplus reserve (Note (a))				
Balance at 1 January and 31 December	57,900	57,900	51,366	51,366
Statutory public welfare fund (Note (b))				
Balance at 1 January and 31 December	55,142	55,142	51,366	51,366
Discretionary surplus reserve (Note (c))				
Balance at 1 January and 31 December	110,764	110,764	110,764	110,764
	1,193,794	1,193,794	1,183,484	1,183,484
Accumulated deficit (Note (e))	(341,078)	(407,069)	(276,610)	(313,256)
Balance at 31 December	852,716	786,725	906,874	870,228

Notes:

(a) According to the PRC Companies Law and the Company's and its subsidiaries' articles of association, the Company and its subsidiaries are required to transfer 10% of their respective profit after taxation, as determined under PRC accounting regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issue provided that the balance after such issue is not less than 25% of the registered capital. In addition, under special circumstances and subject to approval by special resolution at shareholders' meeting, the statutory surplus reserve can be used to pay dividends or bonuses at a rate not exceeding 6% of the par value of the shares provided that the amount of such reserve remaining after such distribution shall not be less than 25% of the registered capital.

(b) According to the PRC Companies Law and the Company's and its subsidiaries' articles of association, the Company and its subsidiaries are required to transfer a certain percentage of their respective profit after taxation, as determined under PRC accounting regulations, to the statutory public welfare fund. The statutory public welfare fund is non-distributable other than in liquidation and can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. The fund forms part of the shareholders' equity as individual employees can only use these facilities, the titles of which will remain with the Company. The transfer to this reserve must be made before the distribution of a dividend to shareholders.

(c) The transfer to this reserve from the profit and loss account is at the discretion of the Company's directors.

(d) No transfers were made to the above reserves in 2000 as accumulated deficit brought forward from the previous year exceed profit for the year.

(e) According to the Company's articles of association, the reserve available for distribution is the lower of the amount determined under PRC accounting regulations and the amount determined under International Accounting Standards. As at 31 December 2000, there was no reserve available for distribution (1999: Nil).

21 INTEREST-BEARING BANK AND OTHER LOANS

	The Group	
	2000	**1999**
	Rmb'000	**Rmb'000**
Loans from banks and financial institutions	563,899	539,385
Government loans	-	486
Loans from ultimate holding company	217,500	260,141
Loan from associated company	43,000	33,000
Others (Note)	84,800	-
	909,199	833,012

Note: The loans of Rmb84,800,000 were originally borrowed by Bada, a subsidiary of the Company, from a bank. Included in these loans were overdue loans of Rmb69,800,000. The entire balance has been transferred to a stated-owned asset management company, China Hua Rong Assets Management Company, though the repayment terms of the loans have not yet been finalised as at the balance sheet date.

	The Company	
	2000	**1999**
	Rmb'000	**Rmb'000**
Loans from banks and financial institutions	549,899	440,555
Government loans	-	
	486	
Loans from ultimate holding company	217,500	260,141
Loans from associated company	26,000	16,000
	793,399	717,182

Included in loans from banks and financial institutions are loans amounting to Rmb160,000,000 (1999: Rmb174,300,000) which are secured by time deposits of the same amount. The remaining balances are unsecured and carry interest at the prevailing market rates.

21 Interest-bearing bank and other loans (continued)

The interest-bearing bank and other loans are repayable as follows:

	The Group	
	2000	**1999**
	Rmb'000	**Rmb'000**
After five years	6,317	6,255
Between two and five years	1,407	56,035
Between one and two years	4,469	3,431
	12,193	65,721
Within one year		
- Current portion of long term bank and other loans (Note 26(a))	8,469	23,955
- Short term loans	888,537	743,336
	897,006	767,291
	909,199	833,012

	The Company	
	2000	**1999**
	Rmb'000	**Rmb'000**
After five years	6,317	6,255
Between two and five years	1,407	41,035
Between one and two years	469	431
	8,193	47,721
Within one year		
- Current portion of long term bank and other loans (Note 26(a))	469	7,955
- Short term loans	784,737	661,506
	785,206	669,461
	793,399	717,182

22 RELATED PARTY TRANSACTIONS

(i) Ordinary transactions

A significant portion of ordinary transactions undertaken by the Group during the year have been effected with such counterparties and on such terms as have been determined by the ultimate holding company and the Group.

Ordinary transactions between the Group and the ultimate holding company and its group companies were as follows:

	2000	1999
	Rmb'000	*Rmb'000*
Sales	122,647	165,889
Purchase 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	23,265	2,627
Guarantee issued to the suppliers in favour of the Company	5,000	28,200
Guarantees 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 on normal commercial terms and were entered into in the ordinary and usual course of business, and this has been confirmed by the non-executive directors.

Amounts due from ultimate holding company, due from/(to) fellow subsidiaries and loans from ultimate holding company and associated company are disclosed in Notes 14, 18 and 21 respectively.

(ii) Other transactions

(a) Acquisitions of investments

On 3 March 2000, the Company acquired 40.29% equity interest in CLFG Mineral Products Co., 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 interest in Yinan Mineral Products Co., ("Yinan") held by Taiyang at a consideration of Rmb14,560,000, which was settled by setting off against the unsecured accounts receivable owed to the Company by Taiyang.

(b) Transfer of receivable from Taiyang

Taiyang transferred a receivable from Yinan of Rmb41,295,000 to partly settle the amount due to the Company on 1 April 2000.

23 COMMITMENTS

Capital commitments

At 31 December, the Group and the Company had the following capital commitments:

	The Group	
	2000	**1999**
	Rmb'000	**Rmb'000**
Contracted but not provided for	22,112	17,507
Authorised but not contracted for	124,242	9,394
	146,354	26,901

	The Company	
	2000	1999
	Rmb'000	Rmb'000
but not provided for	2,367	17,507
Authorised but not contracted for	817	9,394
	3,184	26,901

24 CONTINGENT LIABILITIES

At 31 December, contingent liabilities were as follows:

The Group The Company				
	2000	**1999**	**2000**	**1999**
	Rmb'000	**Rmb'000**	**Rmb'000**	**Rmb'000**
Guarantees issued to banks in favour of				
- ultimate holding company	6,000	41,000	6,000	41,000
- subsidiaries	-	-	69,770	69,770
- fellow subsidiary	38,300	114,000	38,300	114,000
	44,300	155,000	114,070	224,77

25 EMPLOYEE AND RETIREMENT BENEFITS

(a) Retirement benefits scheme

As stipulated by the regulations of the PRC, the Group has participated in defined contribution retirement plans organised by the local authorities for its employees. Under this arrangement, the Group is required to make contributions to the retirement plans at a rate of 28% (1999: 24.5%) on the basic salary, bonus and certain allowances of its employees. Each employee is entitled to an annual pension equal to a fixed proportion of his basic salary at the retirement date. The Group has no material obligation for the payment of pension benefits beyond its annual contributions.

(b) Housing reform

According to the requirements of Cai Qi Zi (2000) No.295 document "Notice of the Financial Arrangement during the Reform of Corporate Staff Quarters System" and Cai Kui Zi (2001) No.5 document "Notice of the Accounting Treatment during the Reform of Corporate Staff Quarters System" issued by the Ministry of Finance, the Group will cancel the "Housing Revolving Fund" control system on 1 January 2001. The remaining balance of the housing revolving fund of Rmb1,090,000 will be reclassified as "other payables".

26 DETAILS OF BANK AND OTHER LOANS

The interest rates and terms of repayment for bank and other loans of the Group and the Company are as follows:

(a) Long term bank and other loans

Repayment terms and last payment date	Contracted interest rate p.a.	Interest type	The Group 2000 Rmb'000	The Group 1999 Rmb'000	The Company 2000 Rmb'000	The Company 1999 Rmb'000
French Francs denominated:						
Bank loans						
Payable semi-annually in 2000	8.3% (i)	Floating	-	1,312	-	1,312
Payable semi-annually in 2001	2.5% (i)	Floating	469	431	469	431
Payable semi-annually from 2002 through 2019	2.5% (i)	Floating	8,193	7,980	8,193	7,980
US Dollar denominated:						
Bank loans	Due in 2000 6 months best lending rate less 0.5%	Floating	-	6,212	-	6,212
Loans from ultimate holding company						
One-off payable in 2002	6 months best lending rate	Floating	-	39,741	-	39,741
			8,662	55,676	8,662	55,676

Renminbi denominated:

Bank loans					
Due in 2000	10.98% (ii)Floating	-	4,000	-	-
Due in 2000	9.36% (ii)Floating	-	7,000	-	-
Due in 2001	7.11% (ii)Floating	-	7,000	-	-
Due in 2001	7.02% (ii)Floating	-	8,000	-	-
		-	26,000	-	-

Repayment terms and last payment date	Contracted interest rate p.a.	Interest type	The Group 2000 Rmb'000	The Group 1999 Rmb'000	The Company 2000 Rmb'000	The Company 1999 Rmb'000
Loan from associated company						
Due in 2000	7.33%(ii)	Floating	-	5,000	-	-
Due in 2001	6.53%-6.65%(ii)	Fixed	8,000	3,000	-	-
Due in 2002	6.65%-7.02%(ii)	Fixed	4,000	-	-	-
			12,000	8,000	-	-
Less: Current portion repayable within one year (Note 21)			(8,469)	(23,955)	(469)	(7,955)
Long term bank and other loans			12,193	65,721	8,193	47,721

(i) The interest rate fluctuates based on the prevailing interest rate of the Organisation for Economic Co-operation and Development.

(ii) The interest rate fluctuates based on the prevailing PRC nominal interest rate for working capital loans.

(b) Short term bank and other loans

Short term bank and other loans with carrying value of Rmb160,000,000 (1999: Rmb174,300,000) are secured and the remaining short term bank and other loans are unsecured loans. They are repayable in full when due. The weighted average short term interest rate for the Group was 6.20% (1999: 6.92%) at the balance sheet date.

27 FINANCIAL INSTRUMENTS

Financial assets of the Group and the Company include cash at bank and in hand, cash placed with non-bank financial institutions, investments, trade debtors, advance payments, other debtors, prepayments, amounts due from ultimate holding company and fellow subsidiaries. Financial liabilities of the Group and the Company include bank and other loans, trade creditors, other creditors and amounts due to fellow subsidiaries. The Group and the Company do not hold or issue financial instruments for trading purposes.

(a) Interest rate risk

The interest rates and terms of repayment of loans of the Group and the Company are disclosed in Note 26.

(b) Credit risk

The Group's and the Company's financial assets do not represent a concentration of credit risk because the Group and the Company deal with a variety of major financial institutions. Credit risk on debtors is limited as debtors are shown net of provision for bad and doubtful debts.

(c) Fair value

Investments are primarily equity interests in joint ventures. There is no quoted market price for such interests in the PRC, and accordingly a reasonable estimate of fair value could not be made without incurring excessive costs. Details pertinent to the valuation of these interests are disclosed in Notes 1(f), 11 and 12.

The fair values of cash, trade debtors, deposits, other debtors, trade creditors, other creditors and amounts due from ultimate holding company, amounts due to/from fellow subsidiaries and bank and other loans are not materially different from their carrying amounts.

28 Segment reporting

The Group's profits are almost entirely attributable to its sales and manufacture of float sheet glass and processed vehicle glass in the PRC. Accordingly, no segmental analysis is provided.

29 Ultimate holding company

The directors of the Company consider the ultimate holding company to be China Luoyang Float Glass Group Company of Limited Liabilities, a state-owned enterprise established in the PRC.

30 Differences in accounts prepared under PRC accounting regulations and International Accounting Standards

The Company also prepared a set of accounts which complied with PRC accounting regulations. There are no material differences between the Group's consolidated accounts for the year prepared in accordance with PRC accounting regulations and International Accounting Standards.

	2000 Rmb'000	1999 Rmb'000
Shareholders' funds under IAS	1,552,716	1,486,725
Shareholders' funds under PRC accounting regulations	1,552,716	1,486,725
Net profit under IAS	65,991	56,161
Adjustment:		
Staff housing scheme deficit of a disposed subsidiary	-	(4,014)
Net profit attributable to shareholders under PRC accounting regulations	65,991	52,147