

# **Notes on the accounts**

*For the year ended 31 December 2000*

*(Prepared under the PRC Accounting Standards)*

## **1 COMPANY INFORMATION**

Luoyang Glass Company Limited ("the Company") was established in the People's Republic of China (the "PRC") as a joint stock limited company as part of the restructuring of a state-owned enterprise known as China Luoyang Float Glass Group Company of Limited Liability ("CLFG"). Pursuant to approvals granted by various PRC authorities including the State Restructuring Commission and the National Administrative Bureau of State-Owned Assets, CLFG underwent a corporate reorganisation whereby the Company was established on 6 April 1994 with CLFG as its sole promoter. At the time of its establishment, the Company had a registered capital of Rmb 400,000,000 divided into 400,000,000 'A' shares of Rmb 1.00 each which was paid up in kind by CLFG by way of transfer of its principal business undertakings and subsidiaries together with the relevant assets and liabilities.

On 29 June 1994, 250,000,000 'H' shares were issued at HK\$3.65 per share. The 'H' shares were listed on the Stock Exchange of Hong Kong Limited on 8 July 1994.

According to the plan disclosed in the 'H' shares prospectus and with the approval from the China Securities Regulatory Commission, the Company issued 40,000,000 ordinary 'A' shares to the public in the PRC and 10,000,000 ordinary 'A' shares to the employees of the Company on 29 September 1995 at Rmb 5.03 each. The 40,000,000 public 'A' shares and 10,000,000 internal employee 'A' shares were subsequently listed on the Shanghai Securities Exchange on 30 October 1995 and 10 May 1996 respectively.

The principal activities of the Company and its principal subsidiaries ("the Group") is the manufacturing and selling of float sheet glass and vehicles glass.

## **2 SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of the accounts, which are by reference to the "Accounting Standards for Business Enterprises", "Accounting System for Companies Limited by Shares" and its related supplementary regulations, are as follows:

### **(a) Basis of consolidation**

The consolidated accounts of the Group incorporate the accounts of the Company and all of its principal subsidiaries made up to 31 December each year. All material intra-group transactions and balances have been eliminated on consolidation.

Subsidiaries which do not principally affect the results or assets of the Group are not consolidated and are grouped under other unlisted investments in long term investments.

**(b) Financial year**

The financial year of the Group is from 1 January to 31 December of each year.

**(c) Fixed assets and intangible assets**

Fixed assets and intangible assets are stated in the balance sheet at cost or 1994 valuation (note 21) less accumulated depreciation and amortisation.

**(i) Capitalisation of fixed assets**

All direct and indirect costs relating to the acquisition or construction of plant and machinery, including borrowing costs and foreign exchange differences 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.

**Land use rights**

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

**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 value, 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.

**(d) Investments**

**(i) Subsidiaries**

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 the enterprise so as to obtain benefits from its activities.

In the Company's accounts, investments in subsidiaries that are included in the consolidated accounts are accounted for under the equity method of accounting.

**(ii) Associated companies**

In the Group's consolidated accounts and the Company's accounts, investment in associated companies is accounted for under the equity method of accounting.

An associated company are enterprises in which the Group holds, directly or indirectly, more than 20% of the voting power of the enterprise, or where the Group exercises significant influence over the enterprise, but is not subject to control by the Group.

Details of the Group's associated companies are set out in note 18.

**(iii) Other investments**

Long term investments are stated at cost less any provision for permanent diminution in value considered necessary by the Directors.

**(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. 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) Translation of foreign currencies**

Foreign currency transactions are translated into Renminbi at the foreign exchange rates quoted by the People's Bank of China and the cross rate approved by the State ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the foreign exchange rates quoted by the People's Bank of China and the cross rate approved by the State ruling at the balance sheet date.

Foreign currency translation differences relating to funds borrowed to finance the construction of fixed assets are capitalised during the construction period. All other exchange differences are dealt with in the profit and loss account.

**(g) 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.

**(h) Taxation**

**(i) Income tax**

Income tax is provided using the tax effect accounting method.

The Group is subject to a unified income tax rate of 33 per cent on assessable profits.

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

**(ii) Business taxes and surcharges**

Major business taxes and surcharges applicable to the Group are set out below:

	<b>Business Tax</b>	<b>City Development Tax</b>	<b>Education surcharge</b>
Tax rate and bases	3% on turnover	7% on business tax and VAT payable	3% on business tax and VAT payable

**(i) Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future. Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

**(j) Provision for bad and doubtful debts**

Provision for bad and doubtful debts is determined by management by reference to debtors ageing and recoverability of debtors at balance sheet date.

**(k) Repairs and maintenance expenses**

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

**(l) Research and development expenses**

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

**(m) 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 36.

**(n) Basis of accounting**

The Group's accounts have been prepared on an accrual basis and under the historical cost convention. The reporting currency is Renminbi.

**(o) Cash and cash equivalents**

Cash and cash equivalents represents short term, highly liquid investments including deposit in bank and financial institution that are readily convertible to known amounts of cash, and which are subject to an insignificant risk of changes in value, and less than 3 months maturity.

**(p) Profit distribution**

Profit distribution is made in accordance with the relevant rules and regulations set out in the Company Law of the PRC and the Articles of Association of the Company and its subsidiaries.

### **3 INCOME FROM PRINCIPAL OPERATIONS**

Income from principal operations represents the invoiced value of goods sold to customers, net of value-added tax ("VAT").

## 4 NET FINANCIAL EXPENSES

### The Group

	2000 Rmb'000	1999 Rmb'000
Interest expense	(57,185)	(82,706)
Less: Interest income	29,172	25,183
	(28,013)	(57,523)
Exchange loss	(994)	(305)
Less: Exchange income	68	1,823
	(926)	1,518
Other financial expenses	(198)	(579)
	(29,137)	(56,584)

### The Company

	2000 Rmb'000	1999 Rmb'000
Interest expense	(50,425)	(50,980)
Less: Interest income	31,132	38,443
	(19,293)	(12,537)
Exchange loss	(994)	(305)
Less: Exchange income	68	1,823
	(926)	1,518
Other financial income/(expenses)	51	(434)
	(20,168)	(11,453)

## **5 INVESTMENTS LOSS/(INCOME)**

### **The Group**

	<b>2000</b> <b>Rmb'000</b>	<b>1999</b> <b>Rmb'000</b>
Share of loss of associated companies	(3,952)	(3,479)
Profit from disposal of a subsidiary	-	44,649
Provision for diminution in value of other unlisted investments	(5,607)	(5,111)
	(9,559)	36,059

### **The Company**

	<b>2000</b> <b>Rmb'000</b>	<b>1999</b> <b>Rmb'000</b>
Share of loss of associated companies	(3,952)	(3,479)
Share of subsidiaries' profit/(loss)	33,296	(17,353)
Profit from disposal of a subsidiary	-	44,649
Provision for diminution in value of other unlisted investments	(4,884)	(1,871)
	24,460	21,946

## **6 NON-OPERATING INCOME**

### **The Group**

	<b>2000</b> <b>Rmb'000</b>	<b>1999</b> <b>Rmb'000</b>
Gain on disposal of fixed assets	9,234	8,006
Compensation from suppliers	-	8,802
Written back of provision for bad debts	-	78,540
Others	5,370	7,580
	14,604	102,928

## The Company

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Gain on disposal of fixed assets	9,098	7,769
Written back of provision for bad debts	-	78,540
Others	5,155	904
	14,253	87,213

## 7 NON-OPERATING EXPENSES

### The Group

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Loss on disposal of fixed assets	1,795	3,911
Education expenses	1,093	1,131
Others	2,508	2,779
	5,396	7,821

### The Company

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Loss on disposal of fixed assets	672	3,885
Education expenses	966	1,035
Others	849	157
	2,487	5,077

## 8 TAXATION

### (a) Taxation in the profit and loss accounts represents:

#### The Group and the Company

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 Company has a net deferred tax asset in respect of tax loss carried forward. The deferred taxation 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.



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

**(b) Taxation in the balance sheets represents:**

**The Group**

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Balance of income tax refund relating to prior years	(1,185)	(295)
Receivable of income tax refund	(1,185)	(295)
Business tax and surcharges payable	404	690
VAT payable	24,612	21,581
Others	1,215	1,485
Taxes payable	25,046	23,461

**The Company**

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Business tax and surcharges payable	298	155
VAT payable	2,955	1,557
Others	349	-
Taxes payable	3,602	1,712

**9 CASH AT BANK AND IN HAND**

**The Group**

	<b>2000</b> <b>Rmb'000</b>	1999 Rmb'000
Cash in hand	76	62
Cash at bank	97,824	100,760
Cash at non-bank financial institutions	13,038	10,225
Time deposits with bank	197,839	208,791
	308,777	319,838

## The Company

	2000 Rmb'000	1999 Rmb'000
Cash in hand	63	49
Cash at bank	95,028	95,465
Cash at non-bank financial institutions	11,372	9,136
Time deposits with bank	197,839	208,790
	304,302	313,440

As at 31 December 2000, cash at bank and in hand included US\$3,310,450 United States dollar deposits (1999: US\$742,000) and HK\$5,251,852 Hong Kong dollar deposits (1999: HK\$6,867,000) which were translated into Renminbi at 8.2793 and 1.0651 respectively.

As at 31 December 2000, Rmb160,000,000 (1999: Rmb140,000,000) time deposits were pledged to secure the Company's short term loans.

## 10 OVERDUE TIME DEPOSITS

### The Group and the Company

Included other debtors are time deposits placed with a non-bank financial institution totalling Rmb72,829,000 (1999: Rmb72,829,000). Provisions have been made against those overdue time deposits.

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

Account classification	Amount Rmb'000	Ultimate borrower	Level of provisions made %	Amount Rmb'000
Other debtors	145,657	Guangzhou International Trust & Investment Corporation ("GZITIC")	50	72,829

### Notes:

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.

## 11 TRADE DEBTORS

At 31 December, the ageing analysis of trade debtors is as follows:

### The Group

	2000			1999		
	Rmb'000	Proportion %	Provision for bad debts Rmb'000	Rmb'000	Proportion %	Provision for bad debts Rmb'000
Within one year	146,734	51	-	178,568	60	8,541
Between one and two years	47,429	16	13,769	34,170	11	10,251
Between two and three years	17,761	6	8,881	30,790	10	15,395
Over three years	78,390	27	78,390	57,459	19	57,459
	290,314	100	101,040	300,987	100	91,646

### The Company

	2000			1999		
	Rmb'000	Proportion %	Provision for bad debts Rmb'000	Rmb'000	Proportion %	Provision for bad debts Rmb'000
Within one year	125,419	48	2,547	145,842	56	3,251
Between one and two years	46,670	18	14,001	31,818	12	9,545
Between two and three years	14,994	6	7,497	27,669	11	13,835
Over three years	73,090	28	73,090	54,554	21	54,554
	260,173	100	97,135	259,883	100	81,185

The five largest trade receivables at 31 December 2000 are shown below:

Name of entity	Period of original debts	Particulars	Amount Rmb'000
China Luoyang Float Glass Group Company of Limited Liabilities	1996~2000	Sales of glasses	103,112
Dong Feng Automobile Co., Ltd	1996~2000	Sales of glasses	20,590
Guangzhou Bai Shi Xing Trading Co., Ltd	2000	Sales of glasses	4,302

Henan Province Construction Company	1996	Sales of glasses	3,682
Xiamen Shuncheng Glass Sales Company Limited	1997	Sales of glasses	3,197

## 12 ADVANCE PAYMENTS

At 31 December, the ageing analysis of advance payments is as follows:

### The Group

	2000		1999	
	Rmb'000	Proportion %	Rmb'000	Proportion %
Within one year	39,621	90	39,752	90
Between one and two years	1,088	2	923	2
Between two and three years	321	1	1,108	3
Over three years	3,049	7	2,317	5
	44,079	100	44,100	100

### The Company

	2000		1999	
	Rmb'000	Proportion %	Rmb'000	Proportion %
Within one year	35,126	94	27,356	89
Between one and two years	95	-	314	1
Between two and three years	61	-	44	-
Over three years	2,084	6	3,139	10
	37,366	100	30,853	100

The five largest advance payments at 31 December 2000 are shown below:

Name of entity	Period of payments	Particulars	Amount Rmb'000
US Soda Ash Co., Ltd	2000	Purchases of raw materials	4,103
CLFG Mineral Products Co	2000	Purchases of raw materials	2,000
Nanjing Hua Mei International Containers Co., Ltd	2000	Purchases of raw materials	1,680

Guangzhou Tianhe Hong Cheng Petroleum Supply Co., Ltd	2000	Purchases of raw materials	1,261
Hang Xing Natural Alkaline Co., Ltd	2000	Purchases of raw materials	1,148

### 13 OTHER DEBTORS

At 31 December, the ageing analysis of other debtors is as follows:

#### Current assets

##### The Group

	2000			1999		
	Rmb'000	Proportion %	Provision for bad debts Rmb'000	Rmb'000	Proportion %	Provision for bad debts Rmb'000
Within one year	91,608	16	-	3,920	1	-
Between one and two years	1,307	-	-	251,398	46	72,828
Between two and three years	222,704	40	72,828	141,641	26	-
Over three years	243,245	44	30,647	147,745	27	7,275
	558,864	100	103,475	544,704	100	80,103

##### The Company

	2000			1999		
	Rmb'000	Proportion %	Provision for bad debts Rmb'000	Rmb'000	Proportion %	Provision for bad debts Rmb'000
Within one year	88,497	15	-	25,175	4	-
Between one and two years	24,784	4	-	300,357	52	72,828
Between two and three years	219,347	38	72,828	120,814	21	-
Over three years	239,636	43	29,881	131,059	23	6,509
	572,264	100	102,709	577,405	100	79,337

## Non-current assets

### The Group

	2000		1999	
	Rmb'000	Proportion	Rmb'000	Proportion
		%		%
Within one year	149	-	32,890	11
Between one and two years	32,890	11	57,477	18
Between two and three years	57,477	18	36,247	12
Over three years	221,466	71	185,363	59
	311,982	100	311,977	100

### The Company

	2000		1999	
	Rmb'000	Proportion	Rmb'000	Proportion
		%		%
Within one year	149	-	32,890	11
Between one and two years	32,890	11	57,477	18
Between two and three years	57,477	18	36,247	12
Over three years	221,466	71	185,363	59
	311,982	100	311,977	100

Included in the current portion of other debtors, there is a receivable from GZITIC amounted to Rmb72,829,000 (1999: Rmb72,829,000). Please refer to note 10 for details. The two deposits have no fixed repayment dates.

Included in the non-current portion of other debtors, there is a receivable from a fellow subsidiary, Qingdao Taiyang Glass Industry Co. Ltd. ("Taiyang"). The principal amount is Rmb311,982,471. The Directors of the Company are of the opinion that the receivable cannot not be settled within one year. The receivable is secured by a specific charge on Taiyang's fixed assets. The balance is charged at the prevailing market interest rate.

The five largest other receivables at 31 December 2000 are shown below:

<b>Name of entity</b>	<b>Period of original debts</b>	<b>Particulars</b>	<b>Amount Rmb'000</b>
Qingdao Taiyang Glass Industries Co. Limited	1996~2000	Payment on behalf	311,982
China Luoyang Float Glass Group Company of Limited Liabilities	1997~2000	Payment on behalf	129,038
Guangdong International Trust & Investment Corporation	1997~1998	Overdue deposits	72,829
Luoyang Hoisting Machinery Company Limited	1997~2000	Payment on behalf	19,552
Luoyang Jingjiu Container Company Limited	1997~2000	Payment on behalf	15,747

#### **14 RECEIVABLES AND ADVANCE PAYMENTS**

Receivables included trade debtors, advance payments and other debtors. Included in receivables, other than the ultimate holding company, there were no balances due from any shareholder who holds more than 5% of the Company's shares. The details of amount due from the ultimate holding company are set out in note 33. Included in other debtors, there was no balance due from any shareholder who holds more than 10% of the Company's shares.

#### **15 PREPAYMENT AND DEFERRED EXPENSES**

##### **The Group**

	<b>2000 Rmb'000</b>	<b>1999 Rmb'000</b>
Deposit of land use right	49,881	49,410
Packaging racks	63,188	47,877
Others	6,574	3,362
	<b>119,643</b>	<b>100,649</b>

## The Company

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Deposit of land use right	49,881	49,410
Packaging racks	56,397	41,887
Others	6,422	3,294
	112,700	94,591

## 16 INVENTORIES

### The Group

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
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 for inventories	(10,344)	(6,665)
	198,197	135,088

### The Company

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
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 for inventories	(10,344)	(6,665)
	139,645	99,136

## 17 LONG TERM INVESTMENTS

Details of long term equity investments are as follows:



## The Group

	2000 Rmb'000	1999 Rmb'000
Interest in associated companies (note 18)	43,132	47,084
Other unlisted investments (note 20)	142,965	76,978
Total of long term equity investments	186,097	124,062

## The Company

	2000 Rmb'000	1999 Rmb'000
Interest in subsidiaries (note 19)	90,107	56,812
Interest in associated companies (note 18)	43,132	47,084
Other unlisted investments (note 20)	136,627	69,591
Total of long term equity investments	269,866	173,487

## 18 INTEREST IN ASSOCIATED COMPANIES

### The Group and the Company

	2000 Rmb'000	1999 Rmb'000
Capital contribution, at cost	60,553	60,553
Less: Share of results of the associated companies attributable under the equity method	(17,421)	(13,469)
Balance at 31 December (note 17)	43,132	47,084

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

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

## 19 INTEREST IN SUBSIDIARIES

### The Company

	2000 Rmb'000	1999 Rmb'000
Cost at 31 December	126,846	126,846
Less: Share of results of the subsidiaries attributable under the equity method	(36,739)	(70,034)
Balance at 31 December (note 17)	90,107	(56,812)

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	Legal representative/ chairman	Registered capital	Direct attributable equity interest %	Principal activities	Note
Luobo Group Longmen Glass Company	Wang Yongxin	Rmb20,000,000	79.06	Manufacture of float sheet glass	(i)
Chenzhou Bada Glass Co. Ltd	Guo Xiaohuan	Rmb120,000,000	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 Rmb64,146,000.
- (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 Rmb62,700,000.

## 20 OTHER UNLISTED INVESTMENTS

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 during the year ended 31 December 2000 is not material in relation to the profit of the Group for the said period and therefore is not equity accounted for. Additionally, other unlisted investments include non-consolidated subsidiaries that do not principally affect the results or assets of the Group and,

therefore, are not consolidated or equity accounted for. At 31 December 2000, the Group had no material commitment in respect of outstanding capital contributions in these investments.

## 21 FIXED ASSETS

### The Group

	<b>Buildings Rmb'000</b>	<b>Plant, machinery equipment Rmb'000</b>	<b>Motor vehicles Rmb'000</b>	<b>Total Rmb'000</b>
Cost:				
At 1 January 2000	360,890	928,145	22,222	1,311,257
Additions	1,317	6,185	2,517	10,019
Transfer from construction in progress (note 22)	4,107	33,121	-	37,228
Disposals	(4,079)	(18,115)	(5,937)	(28,131)
At 31 December 2000	362,235	949,336	18,802	1,330,373
Representing:				
Cost	232,086	635,350	18,802	886,238
Valuation - 1994	130,149	313,986	-	444,135
	362,235	949,336	18,802	1,330,373
Accumulated depreciation:				
At 1 January 2000	64,567	274,059	17,334	355,960
Charge for the year	11,904	53,112	1,453	66,469
Written back on disposal	(165)	(5,693)	(4,598)	(10,456)
At 31 December 2000	76,306	321,478	14,189	411,973
Net book value:				
At 31 December 2000	285,929	627,858	4,613	918,400
At 31 December 1999	296,323	654,086	4,888	955,297

## The Company

	<b>Buildings Rmb'000</b>	<b>Plant, machinery equipment Rmb'000</b>	<b>Motor vehicles Rmb'000</b>	<b>Total Rmb'000</b>
Cost:				
At 1 January 2000	211,815	727,448	5,874	945,137
Additions	-	2,833	1,472	4,305
Transfer from construction in progress (note 22)	1,798	29,242	-	31,040
Disposals	-	(18,024)	(5,126)	(23,150)
At 31 December 2000	213,613	741,499	2,220	957,332
Representing:				
Cost	108,312	489,474	2,220	600,006
Valuation - 1994	105,301	252,025	-	357,326
	213,613	741,499	2,220	957,332
Accumulated depreciation:				
At 1 January 2000	43,955	211,228	5,625	260,808
Charge for the year	7,741	40,804	205	48,750
Written back on disposal	-	(4,493)	(4,002)	(8,495)
At 31 December 2000	51,696	247,539	1,828	301,063
Net book value:				
As at 31 December 2000	161,917	493,960	392	656,269
At 31 December 1999	167,860	516,220	249	684,329

## 22 CONSTRUCTION IN PROGRESS

Construction in progress comprises expenditure incurred on the construction of buildings, plant, machinery and equipment not yet completed at 31 December 2000.

## The Group

	<b>2000 Rmb'000</b>	<b>1999 Rmb'000</b>
Balance at 1 January	3,057	8,786
Additions for the year	36,968	63,234
	40,025	72,020
Transfer to fixed assets (note 21)	(37,228)	(68,963)

Balance at 31 December	2,797	3,057
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### **The Company**

	<b>2000</b> <b>Rmb'000</b>	<b>1999</b> <b>Rmb'000</b>
Balance at 1 January	2,307	1,246
Additions for the year	31,271	51,194
	33,578	52,440
Transfer to fixed assets (note 21)	(31,040)	(50,133)
Balance at 31 December	2,538	2,307

## **23 INTANGIBLE ASSETS**

Intangible assets represent the Group's unamortised balances of cost of land use rights in the PRC. The Group was granted the rights to use the land in the PRC for periods of 23 to 60 years. The remaining useful lives ranged from 21 to 53 years.

### **The Group**

	<b>2000</b> <b>Rmb'000</b>	<b>1999</b> <b>Rmb'000</b>
Cost or valuation:		
At 1 January	152,226	194,386
Additions for the year	-	24,983
Disposal of a subsidiary	-	(67,143)
At 31 December	152,226	152,226
Representing:		
Cost	47,336	47,336
Valuation - 1994	104,890	104,890
	152,226	152,226
Accumulated amortisation:		
At 1 January	16,279	19,191
Charge for the year	2,966	4,834
Disposal of a subsidiary	-	(7,746)
At 31 December	19,245	16,279
Net book value at 31 December	132,981	135,947

## The Company

	2000 Rmb'000	1999 Rmb'000
Cost or valuation:		
At 1 January	106,949	104,890
Additions for the year	-	2,059
At 31 December	106,949	106,949
Representing:		
Cost	2,059	2,059
Valuation - 1994	104,890	104,890
	106,949	106,949
Accumulated amortisation:		
At 1 January	11,939	9,790
Charge for the year	2,186	2,149
At 31 December	14,125	11,939
Net book value at 31 December	92,824	95,010

## 24 SHORT TERM LOANS

### (a) The Group

	2000 Rmb'000	1999 Rmb'000
Bank loans	555,237	497,450
Government loans	-	486
Loans from ultimate holding company	217,500	220,400
Loans from associated company	31,000	25,000
Others (Note)	84,800	-
	888,537	743,336

Note: The loans of Rmb84,800,000 were originally borrowed by Bada, a subsidiary of the Company, from 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 ("Hua Rong"), though the repayment terms of the loans have not yet finalised as at the balance sheet date.

## The Company

	2000 Rmb'000	1999 Rmb'000
Bank loans	541,237	424,620
Government loans	-	486
Loans from ultimate holding company	217,500	220,400
Loans from associated company	26,000	16,000
	784,737	661,506

## (b) The Group's and the Company's short term loans are set out as follows:

Lending institution	Secured or guaranteed	2000 Contracted interest rate per annum	Original currency	2000 Amount Rmb'000
Bank loans				
Construction Bank of China	Guaranteed	5.85%- 6.435%	—	50,000
China Investment Bank	Rmb100,000,000 secured by deposits and Rmb80,000,000 guaranteed	5.85%- 6.435%	—	180,000
Bank of China	Guaranteed	5.85%- 6.435%	—	170,700
Bank of China	Guaranteed	2.5%- 8.3%(i)	FFr 340,000	537
Bank of Communications	Rmb60,000,000 secured by deposits and Rmb100,000,000 guaranteed	5.85%- 6.435%	—	140,000
				541,237

<b>Lending institution</b>	<b>Secured or guaranteed</b>	<b>2000 Contracted interest rate per annum</b>	<b>Original currency</b>	<b>2000 Amount Rmb'000</b>
Loans from ultimate holding company	-	5.85%- 6.435%	—	217,500
Loans from associated company	Guaranteed	6.435%- 6.534%	—	26,000
Short term loans (Company)				784,737
Bank loans				
Agricultural Development Bank of China	Guaranteed	7.02%	—	14,000
Loans from associated company	Guaranteed	7.33%	—	5,000
Other loans				19,000
Hua Rong	-	5.94%-7.56%	—	84,800
Short term loans (Group)				888,537

- (i) Interest rate will fluctuate based on prevailing interest rate of the Organisation for Economic Co-operation and Development.

## **25 PAYABLES**

Payables included trade creditors, receipt in advance, other payables and other creditors. Included in payables, except for the ultimate holding company, there were no balances due to any shareholders who hold more than 5% of the Company's shares. The details of the amount due to the ultimate holding company are set out in note 33.



## 26 ACCRUED EXPENSES

### The Group

	2000 Rmb'000	1999 Rmb'000
Repairs and maintenance	9,000	40,997
Audit fee	1,500	2,442
Interest expenses	3,348	3,085
Others	5,767	9,565
	19,615	56,089

### The Company

	2000 Rmb'000	1999 Rmb'000
Repairs and maintenance	-	30,822
Audit fee	1,500	2,443
Interest expenses	-	1,334
Others	196	4,418
	1,696	39,017

## 27 LONG TERM LOANS

### (a) Long term loans repayable within one year

#### The Group

	2000 Rmb'000	1999 Rmb'000
Bank loans	469	18,955
Loans from associated company	8,000	5,000
	8,469	23,955

#### The Company

	2000 Rmb'000	1999 Rmb'000
Bank loans	469	7,955

**(b) Long term loans with maturity over one year**

**The Group**

	2000 Rmb'000	1999 Rmb'000
Bank loans	8,193	22,980
Loans from ultimate holding company	-	39,741
Loans from associated company	4,000	3,000
	12,193	65,721

**The Company**

	2000 Rmb'000	1999 Rmb'000
Bank loans	8,193	7,980
Loans from ultimate holding company	-	39,741
	8,193	47,721

**(c) The Group's and the Company's long term loans are set out as follows:**

Lending institution	Guaranteed or secured	Maturity date	2000 Contracted interest rate per annum	Original currency	Amount with maturity within 1 year Rmb'000	Amount with maturity over 1 year Rmb'000	2000 Total amount Rmb'000
Bank loans							
Bank of China	Guaranteed	January 2001 February 2019	2.5%(i)	FFr6,617,264	469	8,193	8,662
Long term loans (Company)					469	8,193	8,662
Loans from associated Company							
China Luoyang Float Sheet Glass Group Financial Company of Limited Liabilities	Guaranteed	October 2000 - December 2001	6.53%- 6.65%(ii)	Rmb8,000,000			
China Luoyang Float Sheet Glass Group Financial Company of Limited Liabilities	Guaranteed	January 2002	6.65%- 7.02%(ii)	Rmb4,000,000	-	4,000	4,000
Long term loans (Group)					8,000	4,000	12,000

8,469                      12,193                      20,662

- (i) Interest rate will fluctuate based on prevailing interest rate of the Organisation for Economic Co-operation and Development.
- (ii) Interest rate will fluctuate based on PRC nominal interest rate for working capital loans.
- (d) The repayment of long term loans are set out as follows:

#### **The Group**

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Between one and two years	4,470	3,431
Between two and three years	469	55,172
Between three and five years	938	863
Over five years	6,316	6,255
	12,193	65,721

#### **The Company**

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Between one and two years	470	431
Between two and three years	469	40,172
Between three and five years	938	863
Over five years	6,316	6,255
	8,193	47,721

## **28 HOUSING REVOLVING FUND**

This year, the Company have not sold staff quarter to its eligible employees.

According to the requirements of Cai Cxi Zi (2000) No. 295 document "Notice of the Financial Arrangement during the Reform of Corporate Staff Quarter 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".

## 29 SHARE CAPITAL

### The Group and the Company

	2000 Rmb'000	1999 Rmb'000
Registered, issued and paid up capital:		
Non-marketable		
400,000,000 Government 'A' shares of Rmb1.00 each (Note)	400,000	400,000
Marketable		
250,000,000 'H' shares of Rmb1.00 each	250,000	250,000
550,000,000 public 'A' shares of Rmb1.00 each	50,000	50,000
	300,000	300,000
	700,000	700,000

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

## 30 SHARE PREMIUM

### The Group and the Company

	2000 Rmb'000	1999 Rmb'000
Balance at 31 December	969,988	969,988

## 31 SURPLUS RESERVES

Movements in surplus reserves  
comprise:

### The Group

	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	Discretionary surplus reserve Rmb'000	Total Rmb'000
Balance at 1 January 2000 and 31 December 2000	57,900	55,142	110,764	223,806

## The Company

	Statutory surplus reserve Rmb'000	Statutory public welfare fund Rmb'000	Discretionary surplus reserve Rmb'000	Total Rmb'000
Balance at 1 January 2000 and 31 December 2000	51,366	51,366	110,764	213,496

As the Group and the Company have accumulated losses for the year ended 31 December 2000, there were no transfers to the above reserves in 2000.

## 32 RELATED PARTY AND TRANSACTIONS

A significant portion of transactions undertaken by the Group during the year ended 31 December 2000 have been effected with such counterparties and on such terms as have been determined by ultimate holding company and the Group.

Details of ultimate holding company are as follows:

Name of enterprise	:	China Luoyang Float Glass Group Company of Limited Liabilities ("CLFG")
Economic status	:	Limited company (Solely owned by the State)
Registered capital	:	Rmb 345,220,000
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:

	<b>2000</b>	<b>1999</b>
	<b>Rmb'000</b>	<b>Rmb'000</b>
Sales	122,467	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	23,266	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 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.

Related party transactions with CLFG constitute more than 90% of the total transactions undertaken.

As the remaining related party transactions are undertaken with various LGC's fellow subsidiaries with each balance involved not material, no details of those fellow subsidiaries are disclosed.

**(ii) Other transactions**

**(a) Acquisition of investments**

On 3 March 2000, the Company acquired a 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 account 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 of 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.

### 33 AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY AND DUE FROM/TO FELLOW SUBSIDIARIES

Included in the following balance sheet captions are balances with the ultimate holding company and fellow subsidiaries:

#### The Group

	CLFG		Fellow subsidiaries	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Assets				
Trade debtors	108,073	126,830	12,878	12,843
Advance payments	-	-	2,319	-
Other debtors	123,670	147,466	429,153	441,064
Interest receivable	-	-	21,248	64,922
	231,743	274,296	465,598	518,829
Liabilities				
Short term loans	217,500	220,400	-	-
Trade creditors	61	4,008	2,622	4,809
Receipts in advance	2,759	2,228	1,082	706
Other creditors	25,179	40,081	6,954	13,177
Long term loans	-	39,741	-	-
	245,499	306,458	10,658	18,692

#### The Company

	CLFG		Fellow subsidiaries	
	2000	1999	2000	1999
	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Assets				
Trade debtors	108,010	126,534	12,886	12,189
Advance payments	-	-	2,105	-
Other debtors	129,003	140,388	427,830	440,023
Interest receivable	-	-	21,248	64,922
	237,013	266,922	464,069	517,134
Liabilities				
Short term loans	217,500	220,400	-	-
Trade creditors	61	3,883	2,497	3,914
Receipts in advance	1,631	-	73	-
Other creditors	22,311	39,991	5,833	11,865
Long term loans	-	39,741	-	-
	241,503	304,015	8,403	15,779

## 34 COMMITMENTS

### Capital commitments

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

#### The Group

	2000 Rmb'000	1999 Rmb'000
Contracted but not provided for	22,112	17,507
Authorised but not contracted for	124,242	9,394

#### The Company

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

## 35 CONTINGENT LIABILITIES

At 31 December, contingent liabilities are as follows:

	The Group		The Company	
	2000 Rmb'000	1999 Rmb'000	2000 Rmb'000	1999 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	224,770

## 36 EMPLOYEE AND RETIREMENT BENEFITS

As stipulated by the regulations of the PRC, the Group has participated in defined contribution retirement plans organised by the local authority for its employees. Under this arrangement, the Group is required to make contributions to the retirement plans at a rate of 28% (effective on 1 July 2000) (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.