

## V. SUBSTANTIAL EVENTS

1. According to the "Proposals on Accelerating Standardized 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.
2. In accordance with the Company's Articles of Association, the board of directors does not recommend the distribution of an interim dividend and no reserve is transferred to increase the share capital of the Company.
3. No profit of the Company will be appropriated for 2000 as approved at the annual general meeting of 2000.
4. KPMG Peat Marwick Huazhen and KPMG Hong Kong were re-appointed as domestic and international auditors of the Company for the year 2001 as approved at the annual general meeting for 2000.
5. Overdue time deposits

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

GZITIC is under liquidation. Based on the assesement of the board of directors on recent developments, the board of directors is of the opinion that the existing provision of Rmb72,829,000, representing a 50% provision on the deposits, is adequate. Interest has not been accrued in respect of these deposits.

The board of directors is of the opinion that such deposits which accounted for 9.33% of the net asset of the Group as at 30 June 2001 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.

6. Connected transactions
  - (i) Ordinary transactions

The counterparties and terms for most of the transactions conducted by the Group as at 30 June 2001 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	:	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%

Transactions between the Group and CLFG and its fellow subsidiaries were as follows:

	<b>For the six months ended 30 June 2001 (Unaudited) Rmb'000</b>	<b>For the six months ended 30 June 2000 (Unaudited) Rmb'000</b>
Sales	20,578	47,692
Purchase of raw materials	19,746	15,744
Management expenses	3,000	3,900
Interest paid and payable	7,995	9,576
Interest received and receivable	10,708	11,152
Guarantee issued to suppliers in favour of the Company	30,000	7,500
Guarantee issued to banks in favour of the Company	233,800	289,724

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 related party transactions were conducted with various fellow subsidiaries of CLFG in small amounts for each transaction, no details of these fellow subsidiaries are disclosed.

(ii) Other transactions

Increase of investment in associated company

During the period, the registered capital of CLFC, an associated company of the Group, increased from Rmb100 million to Rmb300 million. The Company increased its investment in such company by Rmb71 million. The direct shareholding of the Company in such company changed from 40% to 37%.

(iii) Connected transactions and 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.

(a) Advances and/or financial assistance to CLFG

As at 30 June 2001 and 31 December 2000, the Company provided advances and/or financial assistance of a total sum of approximately Rmb200,206,000 and approximately Rmb203,744,000 respectively to CLFG, the details of which are as follows:

Nature of transaction	Interest rate	Terms of repayment	As at	As at
			30 June 2001 Rmb'000	31 December 2000 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%	Due on 31 August 2000 (not yet repaid) unsecured	26,692	26,692
Trade receivable relating to sales of finished goods	Interest free	No fixed repayment unsecured	106,025	108,073
Accounts receivable relating to transfer of loans	Interest free	No fixed repayment unsecured	9,326	9,326

Other accounts receivable	Interest free	No fixed repayment unsecured	58,163	59,653
Total			200,206	203,744

(b) Advances and/or financial assistance to the fellow subsidiaries

As at 30 June 2001 and 31 December 2000, the Company provided advances and/or financial assistance of a total sum of approximately Rmb481,518,000 and Rmb465,598,000 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 30 June 2001 Rmb'000	As at 31 December 2000 Rmb'000
Qingdao Taiyang Glass Industries Company Limited ("Taiyang")	100%	—	6.435%	Advance	Repayable from 2000 to 2004 secured (note 1)	342,926	333,231
CLFG Mineral Products Co.	59.71%	40.29%	Interest free	Other debtors (note 3)	No fixed repayment unsecured	3,303	2,000
Jingbao Co.	50%	50%	Interest free	Other debtors (note 3)	No fixed repayment unsecured	4,464	7,489
Luoyang Hoisting Machinery Co.	63.32%	36.68%	Interest free	Other debtors (note 3)	No fixed repayment unsecured	17,957	19,642
Sub-total, Balances carried forward						368,650	362,362

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 30 June 2001 Rmb'000	As at 31 December 2000 Rmb'000
Balances brought forward						368,650	362,362
New Illuminating Source Company Limited	70.55%	29.45%	Interest free	Other debtors (note 3)	No fixed repayment unsecured	1,068	1,019
Jingwei Glass Fibre Co., Limited	64.1%	35.9%	Interest free	Other debtors (note 3)	No fixed repayment	53,898	53,270

					unsecured		
Jingjiu Glass Container Co., Limited	68.92%	31.08%	Interest free	Other debtors (note 3)	No fixed repayment unsecured	14,376	16,062
Others			Interest free	Other debtors (note 3)	No fixed repayment unsecured	43,526	32,885
Total						481,518	465,598

*Notes:*

- (1) The balance is secured by fixed assets of Taiyang.
- (2) Except the advance to Taiyang, there was no other collateral and financial assistance.
- (3) 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.

(c) Guarantees in favour of CLFG and a fellow subsidiary

	As at 30 June 2001 Rmb'000	As at 31 December 2000 Rmb'000
Guarantees issued		
to banks in favour of		
- CLFG	-	6,000
- Taiyang	38,300	38,300

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

7. During the reporting period, the Group did not hold in custody, hire or lease any assets of other companies, except leased the sales network of CLFG at an annual service fee of approximately Rmb5 million. On the other hand, there was no company that hold in custody, hire or lease any assets of the Company.
8. No merger or assets reorganization was undertaken by the Company during the reporting period.
9. During the reporting period, the Company has not changed its name or its stock abbreviation.
10. During the reporting period, none of the Company or shareholders with 5% or more

shareholding has disclosed any commitments in designated newspaper and websites.

11. During the reporting period, the Group did not sell staff quarter to its staff. Neither does the Company has any such plan.
12. During the reporting period, the Group did not raise any capital, and no capital raised before the reporting period was available.
13. The Company did not guarantee for any other companies during the reporting period.
14. During the reporting period, the Company did not have any designated loans or deposits.
15. During the reporting period, the Company did not enter into any material contracts.
16. During the reporting period, the Company had no material litigation and arbitration of material importance.
17. Save as disclosed above, the Company did not have any major event or discloseable matter in accordance with Article 62 of Securities Law of the PRC and 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 reporting period.