

Significant Events

1. Acquisition and disposal

The Group had no material acquisition and disposal during the reporting period.

2. Custody of fund

There was no custody of fund of the Group during the reporting period.

3. Material connected transactions

Please refer to note 34 - Related Party transactions to the financial statements prepared under PRC Accounting Rules and Regulations for details.

4. Disclosure made in compliance with document (2003) No. 56 “Notice in relation to capital flow between the Company and connected parties, and certain issues in relation to external guarantees of the Company” issued by China Securities Regulatory Commission and Practice Note 19 of the Listing Rules of the Stock Exchange

1. Advances or financial assistance to CLFG

As at 31 December 2003 and 31 December 2002, the Group provided advances and/or financial assistance of a total sum of approximately Rmb137,613,000 and approximately Rmb153,552,000 respectively to CLFG, details of which are as follows:

Nature of transaction	Interest rate	Commencing year	Terms of repayment and progress	Audited balance as at 31 December 2003 Rmb	Audited balance as at 31 December 2002 Rmb
(1) Accounts receivable relating to an advance to Baolaiwei Development Limited (a wholly owned subsidiary of the CLFG) on behalf of CLFG	6.5%	1998	Due on 31 August, 2000 (not yet repaid) & unsecured	29,358,000	31,124,000
(2) Trade receivables relating to sales of finished goods	Interest free	1998 to present	No fixed term of repayment & unsecured	63,000	29,097,000
(3) Accounts receivables relating to transfer of loans	Interest free	1995	No fixed term of repayment & unsecured	9,326,000	9,326,000
(4) Other receivables relating to loss on sales of staff quarters	Interest free	1997	No fixed term of repayment & unsecured	42,122,000	42,122,000
(5) Others	Interest free	1994 to present	No fixed term of repayment & unsecured	56,744,000	41,885,000
Total				137,613,000	153,554,000

The above figures are net amount after deducting bad debt provisions.

Reasons and impact on the Company

- The amount is the advancement bearing interest provided to Baolaiwei Development Limited through CLFG.
- The amount is the account receivable provided to customers through the sales network of CLFG in PRC by the Company. Governed by the product distribution agency agreement entered into on 24 May 1994, the Company, as listed in 1994, was granted exemption from the Stock Exchange of Hong Kong from strictly complying with the requirement of connected transactions. These amounts in sales have been stated in the account of CLFG. Accordingly, any amount has yet to pay is stated as amount due from CLFG.
- The amount is the guarantee granted by the original 洛陽玻璃廠 for the loan to 洛陽市美陶公司 from 洛陽市工商銀行 (Luoyang City Industrial and Commercial Bank) before 1994. In the beginning of 1994, 洛陽玻璃廠 (Luoyang Glass Plant) is reorganized as CLFG and founded the Company as a sole promoter. Subsequently, 洛陽市美陶公司 was unable to repay the loan, and 洛陽市工商銀行 (Luoyang City Industrial and Commercial Bank) deemed that the Company and 洛陽玻璃廠 Luoyang Glass Plant is of the same company and directly debited the said amount from the Company's account in 洛陽市工商銀行 (Luoyang City Industrial and Commercial Bank). The Company has filed a lawsuit against 洛陽市美陶公司 on 15 June 1999 for the debited amount and the court ruled in favor of the Company on 1 March 2001. Part of the land owned by 洛陽市美陶公司 has been detained. The Directors believed that upon the auction of the land, the relevant unpaid amount can be recovered.

Significant Events (Continued)

4. Disclosure made in compliance with document (2003) No. 56 “Notice in relation to capital flow between the Company and connected parties, and certain issues in relation to external guarantees of the Company” issued by China Securities Regulatory Commission and Practice Note 19 of the Listing Rules of the Stock Exchange (continued)

1. Advances or financial assistance to CLFG (continued)

4. The amount is in relation to the construction of staff quarters of the Company. Subsequently, the Group and CLFG entered into the 關於安居工程資產轉讓協議 (Agreement For Asset Assignment of Peaceful Living Construction Project) on 1 September 1997. CLFG acquired the staff quarters from the Company. However, the consideration of the acquisition has not been paid to the Group.

The abovementioned amounts due have adverse impact on the financial status of the Company.

2. Advances and/or financial assistance to fellow subsidiaries

As at 31 December 2003 and 31 December 2002, the Group provided advances and/or financial assistance of a total of approximately Rmb302,876,000 and Rmb627,220,000 respectively to the fellow subsidiaries, details of which are as follows:

Company's name	CLFG's interest in these companies	Company's interest in these companies	Nature of transaction	Interest rate	Commencing year	Repayment terms and status	Audited balance as at 31 December 2003 Rmb	Audited balance as at 31 December 2002 Rmb
(1) Qingdao Taiyang Glass Industry Co. Ltd. ("Taiyang")	55%	—	Loan	6.53% - 7.84%	1999	Due in 2004 & Secured	129,833,000	346,195,000
(2) CLFG Mineral Product Co. Ltd.	59.71%	40.29%	Short term investments per annum	4.575% - 5.03%			11,000,000	11,000,000
(3) CLFG Mineral Product Co. Ltd.	59.71%	40.29%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	971,000	834,000
(4) Luoyang Jingbao Decoration Glass Co. Ltd. ("Jingbao")	50%	10.28%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	7,936,000	7,573,000
(5) CLFG Luoyang Hoisting Machinery Co. Ltd.	63.32%	36.68%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	18,018,000	18,051,000
(6) CLFG New Illuminating Source Co. Ltd.	70.55%	29.45%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	1,151,000	1,159,000
(7) CLFG Jingwei Glass Fibre Co. Ltd.	64.1%	35.9%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	55,655,000	55,368,000
(8) CLFG Luoyang Jingjiu Glass Container Co. Ltd.	68.92%	31.08%	Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	14,376,000	14,376,000
(9) Luoyang Jingxin Ceramic Co. Ltd.		49%	Short term investments per annum	4.86% - 5.45%	2001	Due in 2004 and unsecured	34,300,000	34,300,000
(10) Others			Other receivable	Interest free	Before 1994	No fixed term of repayment & unsecured	29,636,000	138,364,000
Total							302,876,000	627,220,000

The above figures are net amount after deducting the provision for bad debt.

Significant Events (Continued)

4. Disclosure made in compliance with document (2003) No. 56 “Notice in relation to capital flow between the Company and connected parties, and certain issues in relation to external guarantees of the Company” issued by China Securities Regulatory Commission and Practice Note 19 of the Listing Rules of the Stock Exchange (continued)

2. Advances and/or financial assistance to fellow subsidiaries (continued)

Reasons and impact on the Company

1. Pursuant to the agreement entered into on 13 September 1999, the Company assigned its entire 55% equity interests in Taiyang to CLFG. The disposal has been approved at the Extraordinary General Meeting convened on 2 November 1999. Details of the disposal have been announced on 23 July 1999. The Company started to loan to Taiyang before the said disposal when the Company held 55% equity interests of the Taiyang.
2. The amounts are the account receivables due to the Company for the provision of water and electricity, heat, steam, transportation as well as raw materials by the Company to its fellow subsidiaries. The transactions constituted connected transactions under the listing requirements. Details of which have been disclosed in the explanation statement set out in prospectus of the Company dated 21 June 1994 as well as the subsequent annual report of the Company. After the listing of the shares of the Company in July 1994, the Stock Exchange of Hong Kong exempted the Company to strictly comply with the disclosure requirement of Listing Rules.
3. These companies are the non-controlling shareholding investments of the Group, which are principally engaged in production and trading activities. As the Company did not have significant shareholding interests in these companies, no interests in respect of them have been stated in accounts of the Company.

The abovementioned amounts due have adverse impact on the financial status of the Company.

5. Connected obligatory rights and debts

Related party	Amount provided to related party		Amount provided by related party to the Company	
	Amount incurred Rmb'000	Balance Rmb'000	Amount incurred Rmb'000	Balance Rmb'000
CLFG	(15,941)	137,613	(43,472)	250,087
Group companies of CLFG	(324,344)	302,876	15,434	129,204

6. Overdue deposits

The balance of the deposit as at 31 December 2003 was the amount deposited with Guangzhou International Trust & Investment Corporation (“GZITIC”), of which 75% provision was made. GZITIC is in the process of corporate restructuring. The Board of Directors considers after its assessment of the recent development that the provision of approximately 75% of the deposit was adequate. No interest has been accrued in respect of the deposit.

Save and except for the above deposit, the Company did not have any other overdue deposits as at 31 December 2003.

The Board of Directors is of the opinion that the said deposit did not impose any adverse effect on the Company’s normal production, operation and cash flow. The Company will endeavour to recover such deposit.

7. Unified income tax and cancellation of tax rebate of local government

The Company did not receive tax preferential policy for the previous years and therefore was not influenced by “Notice to correct tax rebate policy by local government” issued by State Council of the PRC.

Significant Events (Continued)

8. Material contract and its implementation

- (i) During the reporting period, the Company did not entrust, contract, lease any assets of other companies and no assets of the Company was entrusted, leased or contracted to any other companies.
- (ii) Material guarantee

Guarantee provided	Date of occurrence (agreement execution date)	Amount of guarantee Rmb million	Type of guarantee	Performance term of guarantee	Whether completed or not	Connected party guarantee
河南省龍浩實業有限公司 (Henan Longhao Industry Company Limited)	27 June 2003	6	10,000,000 shares and pledge of equity interest	27 June 2003 to 27 June 2005	Uncompleted	No
洛陽平宇工貿有限公司 (a subsidiary of Longhao Industry Company Limited mentioned above)	28 February 2003	5.5	10,000,000 shares of Longhao Industry Company Limited and pledge of equity interest	28 February 2003 to 23 February 2004	Uncompleted	No
鞏義市嶺業有限公司 (Gongyi Jianye Company Limited)	9 August 2002	3	9,000,000 shares and pledge of equity interest	9 August 2002 to 10 August 2003	Uncompleted	No
Total amount of guarantee:						Rmb14,500,000
Balance of guarantee:						Rmb14,500,000
Of which, whether any guarantee for related party:						nil
Total amount of guarantee provided by the Company for its controlling subsidiaries:						Rmb137,820,000
Total amount of guarantee in breach of regulations:						Not applicable
Total amount of guarantee as a percentage of the Company's net assets:						1.74%

9. Material contract

The Group did not have any other material contract or the Company did not have contract which was required to be performed.

10. Performance of commitments

The Company published an announcement on newspapers designated by China Securities Regulatory Commission on 3 August 2001, disclosing the guarantee by CLFG, the holding company of the Company, and its subsidiaries to pay any outstanding amount due from them to the Company as a result of ordinary connected transactions between them and the Company before 31 December 2004. As at the date of this announcement, such commitments were being performed.

11. Reform on Medical Insurance System on the Company

Pursuant to the Decree No.46 issued by Luoyang People's Municipal Government in 2000, Provisional Regulation on Basic Medical Insurance for Employees in Luoyang Municipality ("Regulation") was effective. The Company implemented a medical insurance scheme for its employees since 26 June 2000. According to the requirement of the Regulation, medical expenses of employees of the Company were incurred by the Company and employees. The Company pays the premiums, charged to the welfare payable, for such medical insurance scheme which is equivalent to 6.5% of the total salaries of all of the existing employees of the Company in the previous year. Employees pay premiums for such medical insurance scheme which is equivalent to 2% of the total salaries of all of the existing employees of the Company in the previous year. The contributions from employees are deducted from salaries of employees. This change in policy has no effect on the profit and loss account of the Company.

12. Impact of sale of staff quarter on the Company

The Company did not sell quarters to its staff during the reporting period, nor did the Company have such plan.

13. During the reporting period, China Securities Regulatory Commission ("CSRC") carried out a regular inspection on the Company. Neither the Company, the Board of Directors nor any of the directors was punished or openly criticised by CSRC or Stock Exchange.

14. Information disclosure

Except for the disclosure required by Article 62 of PRC "Security Law", Article 60 of "Temporary Regulations of Listing of Shares and Trade" and Article 17 of "Implementation Specifics of Information Disclosure of Listing Companies (Tentative)", the Company did not have any material events or events required to be disclosed during the reporting period.

Significant Events (Continued)

15. Miscellaneous

1. Non-standard opinion given by the auditors

China Securities Regulatory Commission:

Shanghai Stock Exchange:

We accepted the appointment and have audited the consolidated balance sheet and balance sheet of Luoyang Glass Company Limited ("the Company") and its subsidiaries ("the Group") at 31 December 2003, as well as the consolidated income and profit appropriation statement, income and profit appropriation statement, consolidated cash flow statement and cash flow statement for the year then ended. We have expressed an unqualified opinion on those financial statements in our auditors' report dated 22 April 2004 which includes an explanatory paragraph emphasising the matters contained therein. We conducted our audit in accordance with China's Independent Auditing Standards of the Certified Public Accountants.

According to the "Notice Regarding the Proper Preparation of 2003 Annual Reports by Listed Companies" issued by Shanghai Stock Exchange on 26 December 2003, our unqualified opinion, which includes an explanatory paragraph, to the above financial statements of the Company is explained as follows:

As disclosed in the 2003 financial statements, the Group had net loss amounted to Rmb342,513,000 for the year, accumulated losses amounted to Rmb1,018,682,000 and net current liabilities amounted to Rmb330,871,000 at 31 December 2003. As explained in note 2 on the 2003 financial statements of the Group, the Company is of the opinion that both itself and the Group are able to continue as a going concern and to meet their obligations as and when they fall due on the following basis. Accordingly, the 2003 financial statements of the Company and the Group should be prepared on a going concern basis and do not include any adjustments that would be required should the Company and the Group fail to continue as a going concern:

- (i) the Company has obtained agreements from financial institutions for renewal of loan facilities totalling approximately Rmb444,000,000 to the Company upon their expiry in 2004; and
- (ii) the Company has continued financial support received from its ultimate holding company.

The directors of the Company believe that the Company and the Group will have sufficient cash resources to satisfy its future working capital and other operating requirements.

During the course of our audit, particular attention was paid as to the reasonableness of the Company to prepare its 2003 consolidated financial statements and financial statements on a going concern basis. We are satisfied that the preparation basis is reasonable, and accordingly, the following paragraph is included after our audit opinion to draw attention to the matters that are relevant to the readers of the auditors' report:

"Besides, we would draw the attention of the users of financial statements to the disclosures made in note 2 on the financial statements, that the Group had net loss amounted to Rmb342,513,000 for the year, accumulated losses amounted to Rmb1,018,682,000 and net current liabilities amounted to Rmb330,871,000 at 31 December 2003. Notwithstanding the steps taken by the management to address this situation as set out in Note 2 on the financial statements, there exists a fundamental uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The expressed audit opinion is not affected thereby."

The matters involved in the above explanatory paragraph of the unqualified auditors' opinion do not constitute an apparent violation of accounting standards, regulations and relevant rules on information disclosures under "Information Disclosure by Companies Publicly Issuing Securities (Rule 14) - Non-standard Unqualified Auditors' Opinion and Relevant Issues" issued by China Securities Regulatory Commission on 20 December 2001.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Hu Qiong
Ling Yun

22 April 2004

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Significant Events *(Continued)*

15. Miscellaneous *(continued)*

2. Statement on the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2003

To the Board of Directors of Luoyang Glass Company Limited (the "Company"):

We have accepted the appointment and audited the Company's consolidated balance sheet and balance sheet as at 31 December 2003, and the consolidated income statement and profit appropriation statement, income statement and profit appropriation statement, consolidated cash flow statement and cash flow statement for the year then ended (the "financial statements") in accordance with China's Independent Auditing Standards of the Certified Public Accountants. We issued an auditors' report with an unqualified audit opinion with explanatory paragraph on these financial statements on 22 April 2004.

Pursuant to the requirements of the "Notice on regulating listed companies' funding transactions with related parties and guarantees provided to third parties" issued by the China Securities Regulatory Commission and the State-owned Assets Supervision and Administration Commission of the State Council, the Company has prepared the "Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2003" (the "Summary"), which is attached as an appendix to this statement.

The Company is responsible for preparing and disclosing the Summary and ensuring its truthfulness, legitimacy and completeness. We are not aware of any inconsistency, in all material respects, when comparing the information contained in the Summary with the financial information obtained in the course of our audit and with the related contents in the Company's audited financial statements for the year ended 31 December 2003. Except for the audit procedures performed in the course of our audit of the financial statements for the year ended 31 December 2003 on the Company's and its subsidiaries' related party transactions, we have not performed any additional audit or other procedures on the information contained in the Summary.

In order to have a better understanding on the use of funds by the Company's controlling shareholder and other related parties for the year ended 31 December 2003, the Summary should be read in conjunction with the audited financial statements.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Hu Qiong
Ling Yun

22 April 2004

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3. Independent directors' special statement and independent opinion on the Company's external guarantee

In accordance with the document Zheng Jan Hui Fa [2003] No. 56 "Notice in relation to regulation of cash flow between listed companies and connected parties, and external guarantees of listed companies" (the "Notice") as issued by China Securities Regulatory Commission, we are practical and realistic in carrying out cautious and responsible examination on the Company's external guarantee. Details of which are as follows:

During the reporting period, the Company has strictly monitored its external guarantee and has not provided any guarantee to its controlling shareholders and any other connected parties with shareholdings below 50%, or non-legal person units or individuals. The flow of capital between the Company and its subsidiaries and associated companies and other related parties are normal capital flows in the course of business. We are of the opinion that the Company has been in compliance with its internal control system and there exists no breaching guarantees and protected the interests of small and medium shareholders.

Dai Zhiliang
Zhong Pengrong
Xi Shengyang
Dong Chao
Independent Directors
Luoyang Glass Company Limited

22 April 2004

Significant Events (Continued)

15. Miscellaneous (continued)

4. The Board of Directors' resolutions in relation to the provision for asset impairment are as follows:

(i) *The provision of the principal of the loans of Rmb185,000,000 to Qingdao Taiyang Glass Industries Company Limited ("Taiyang")*

As of 31 December 2003, the Company's receivables from Taiyang amounted to Rmb314,000,000, which was principally the construction loan for the establishment of Taiyang. Upon the establishment of Taiyang, the Company held 55% of its equity interests. During the course of project construction after the establishment of Taiyang, the Company contributed an amount of Rmb312,000,000 by way of loan. After the completion of project construction, Taiyang started production operations. Due to the changes of supply exceeded demand in domestic glass market, which led to the continuous loss of production operation in Taiyang. The Company entered into a disposal agreement with CLFG on September 1999. Pursuant to the agreement, the Company disposed all of its 55% equity interests in Taiyang. After the disposal of Taiyang, it became the wholly owned subsidiary of CLFG. However, the disposal involved the assignment of equity interests. The Company's creditor right of Rmb314,000,000 in Taiyang has not been assigned. The Company was still the largest creditor of Taiyang. After the assignment of Taiyang to CLFG, Taiyang's production operation has not improved. In 2003, CLFG entered into co-operation intention with 法國聖戈班公司 and executed an agreement on 28 January 2004. Both parties decided to form 聖戈班韓哥拉斯洛坡有限公司 (the "New Joint Venture"). 法國聖戈班公司、法國聖戈班公司's wholly owned company in Korea 韓哥拉斯 and CLFG owns 45%, 45% and 10% in the New Joint Venture respectively. Taiyang disposed its assets to the New Joint Venture at a consideration of Rmb270,000,000. As the largest creditor, the Company will obtain a repayment of debt amounted to Rmb130,000,000. The insufficient repayment of debt led to a bad debt risk of Rmb180,000,000. Therefore, a provision of bad debt is needed to be stated in book to actually reflect the actual recoverable amount of the receivable.

(ii) *The provision of Luoyang Jingxin Ceramic Co. Ltd.'s ("Jingxin") designated loan impairment Rmb34,300,000*

As of the end of 2003, the Company's designated loan to Jingxin amounted to Rmb34,300,000. As Jingxin has ceased operations, and its assets cannot cover its debt, it is not able to repay the loan and interest due. The Company has made provision for 50% of its bad debt in the interim report. With the present situation of Jingxin, we have made additional 50% bad debt provision at year end, resulting in bad debt provision of 100% amounting to Rmb34,300,000.

(iii) *The provision of Rmb29,830,000 for bad debt receivable*

As of the end of 2003, the Company's domestic and overseas sales receivable amounted to Rmb14,542,000 in total, of which receivable within 1 year amounted to Rmb11,640,000 (domestic sales: Rmb2,046,700, overseas sales: Rmb9,595,400), receivable from 1 to 2 years amounted to Rmb1,870,000 (domestic sales: Rmb1,758,100, overseas sales: Rmb111,100), receivable from 2 to 3 years amounted to Rmb4,870,000 (domestic sales: Rmb712,700 overseas sales: Rmb4,159,300), receivable of over 3 years amounted to Rmb127,040,000 (domestic sales). In accordance with the requirement of the accounting policy of the Company, the proportions for the provision of receivable are: 1 to 2 years - 30%, 2 to 3 years 50%, above 3 years - 100%. Calculating on this bases, the provision for the bad debt by the end of the year amounted to Rmb130,030,000. Deducting the provision of Rmb103,710,000 which has already been made and adding the write off of Rmb3,510,000, the provision for the bad debt for the year amounted to Rmb29,830,000.

(iv) *The provision of Rmb13,130,000 for obsolete glass container*

The cost of container of the Company is amortized on the basis of twelve times for every 10 years. At present, due to the changes in the specification of product categories, the increase in the production of large sheet glass and the increase in the demand of wood box, the circulation of container slowed down in these two years. Besides, according to the relevant requirement of the Ministry of Railway, L-shape container has been banned in use on roads. Meanwhile, in consideration of the physical damage of container, the current amortization standard is not able to actually reflect the value of the asset. The Company's auditors have raised doubt and required the Company to seriously value the impact brought forth by these changes, and make reasonable adjustments. Therefore, we have resolved that: the provision of L-shaped container should be made. By calculating on the basis of the cost of Rmb35,830,000 of L-shaped container, after deducting the accumulated amortisation of Rmb16,180,000 and the estimated residue value of Rmb6,530,000, the provision amounted to Rmb13,130,000 in total.

(v) *Asset loss of Rmb4,860,000 for the year*

The Company's fixed assets to be declared obsolete amounted to Rmb5,170,000 in 2003. The net book value was Rmb2,640,000. The obsolete equipment were mainly used in the 6th sub-factory, the 7th sub-factory, division of storage and transportation and import and export companies. The obsolete amount of Rmb2,640,000 has been recognized by division of equipment and related divisions. In aspects of current assets to be declared losses in obsolescence, by the end of 2003, division of storage and transportation reported cumulative inventory losses of obsolescence in the previous years amounted to 34,200 weighted cases, of which warehouses' finished products inventory losses accounted for 27,400 weighted cases, mid-way's inventory damages accounted for 1,200 weighted cases and harbor's inventory losses accounted for 5,600 weighted cases. The amount is Rmb2,220,000 in total.