

1. Acquisition and disposal

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

2. Designated financial management

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

3. Material connected transactions

Please refer to note 39 - 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 relevant requirements of the Listing Rules of the Stock Exchange.

1. Advances or financial assistance to CLFG

As at 31 December 2004 and 31 December 2003, the Group provided advances and/or financial assistance of a total sum of approximately RMB148.38 million and approximately RMB137.61 million 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 2004 RMB | Audited balance as at 31 December 2003 RMB |
|---|----------------|-----------------|---|---|---|
| (1) Accounts receivable relating to an advance to Baolaiwei Development Limited (a wholly owned subsidiary of CLFG) on behalf of CLFG | 6.5% per annum | 1998 | Due on 31 August, 2000 (not yet repaid) & unsecured | 29,358,000 | 29,358,000 |
| (2) Trade receivables relating to sales of finished goods | Interest free | 1998 to present | No fixed term of repayment & unsecured | — | 63,000 |
| (3) Accounts receivables relating to transfer of loans | Interest free | 1995 | No fixed term of repayment & unsecured | 4,663,000 | 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 | 72,241,000 | 56,744,000 |
| Total | | | | <u>148,384,000</u> | <u>137,613,000</u> |

The above figures are net amounts 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.

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 relevant requirements of the Listing Rules of the Stock Exchange. (continued)

1. Advances or financial assistance to CLFG (continued)

Reasons and impact on the Company (continued)

- 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.
- 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 above mentioned amounts due have adverse impact on the financial status of the Company.

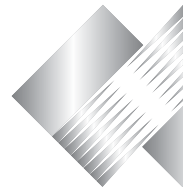
2. Advances and/or financial assistance to fellow subsidiaries

As at 31 December 2004 and 31 December 2003, the Company provided advances and/or financial assistance of a total of approximately RMB204.02 million and RMB302.88 million respectively to the fellow subsidiaries, details of which are as follows:

| Name of company | CLFG's interest in the company | The Company's interest in these companies | Nature of transaction | Interest rate | Commencing year | Terms of repayment and progress RMB | Audited balance as at 31 December 2004 RMB | Audited balance as at 31 December 2003 |
|---|--------------------------------|---|------------------------|--------------------------|-----------------|--|--|--|
| (1) CLFG Qingdao Taiyang Glass Industry Co., Ltd. ("Taiyang") | 55% | — | Loan | 6.53% - 7.84% per annum | 1999 | Due in 2004 & Secured | — | 129,833,000 |
| (2) CLFG Mineral Product Co. | 59.71% | 40.29% | Short term investments | 4.575% - 5.03% per annum | | Due in 2005 & unsecured | 11,000,000 | 11,000,000 |
| (3) CLFG Mineral Product Co. | 59.71% | 40.29% | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | — | 971,000 |
| (4) Luoyang Jingbao Decoration Glass Co., Ltd. ("Jingbao") | 50% | 10.28% | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | 6,248,000 | 7,936,000 |
| (5) CLFG Luoyang Hoisting Machinery Co., Ltd. | 63.32% | 36.68% | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | 18,018,000 | 18,018,000 |
| (6) CLFG New Illuminating Source Co., Ltd. | 70.55% | 29.45% | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | 1,137,000 | 1,151,000 |
| (7) CLFG Jingwei Glass Fibre Co., Ltd. | 64.1% | 35.9% | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | 55,685,000 | 55,655,000 |
| (8) CLFG Luoyang Jingjiu Glass Container Co., Ltd. | 68.92% | 31.08% | Other receivables | 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 | 4.86% - 5.45% per annum | 2001 | Due in 2004 and unsecured | — | 34,300,000 |
| (10) Others | | | Other receivables | Interest free | Before 1994 | No fixed term of repayment & unsecured | 97,556,000 | 29,636,000 |
| Total | | | | | | | 204,020,000 | 302,876,000 |

The above balances are stated net of bad debt provisions.

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 relevant requirements 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 sale and purchase

| Connected parties | Sales of products to connected parties | | Provision of series to connected parties | | Purchase of products from connected parties | | Receiving services from connected parties | |
|----------------------|--|--|--|--|---|--|---|--|
| | Amount of transaction RMB'000 | Percentage to similar types of transactions in terms of amount % | Amount of transaction RMB'000 | Percentage to similar types of transactions in terms of amount % | Amount of transaction RMB'000 | Percentage to similar types of transactions in terms of amount % | Amount of transaction RMB'000 | Percentage to similar types of transactions in terms of amount % |
| CLFG | — | — | 674 | 5.05 | — | — | 11,845 | 67.04 |
| Subsidiaries of CLFG | 23,308 | 2.06 | 12,450 | 93.31 | 46,875 | 17.99 | 5,823 | 32.96 |

6. Connected creditor rights and debts

| Connected parties | Funds provided to connected party | | Funds provided by connected party to the Company | |
|----------------------|-----------------------------------|---|--|---|
| | Amount incurred RMB'000 | Balance at the end of the year RMB'000 | Amount incurred RMB'000 | Balance at the end of the year RMB'000 |
| CLFG | 12,514 | 148,384 | (321) | 8,386 |
| Subsidiaries of CLFG | (94,317) | 204,020 | (4,383) | 6,820 |
| Total | <u>(81,803)</u> | <u>352,404</u> | <u>(4,704)</u> | <u>15,206</u> |

Including: Capital provided by the Company to controlling shareholders and its subsidiaries during the reporting period decreased by RMB81.80 million. Balance amounted to RMB352.40 million.

7. Overdue deposits

The balance of the deposit as at 31 December 2004 of RMB35.66 million was deposit with Guangzhou International Trust & Investment Corporation (“GZITIC”), of which 75% provision was made in prior years. 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 2004.

The Board 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.

Significant Events *(Continued)*

8. 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.

9. Material contract and its implementation

- (1) 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.
- (2) Material guarantees

| Guarantee provided | Guarantee provided by the Company (excluding guarantee to controlling subsidiaries) | | | Performance term of guarantee | Whether completed or not | Connected party guarantee |
|---|---|---------------------|-------------------|-------------------------------|--------------------------|----------------------------|
| | Date of occurrence (agreement execution date) | Amount of guarantee | Type of guarantee | | | |
| Total amount of guarantee granted to controlling subsidiaries during the reporting period | | | | | | RMB138.15million |
| Balance of guarantee at granted to controlling subsidiaries the end of the reporting period | | | | | | RMB191.65 million |
| Total amount of guarantee provided by the Company for its controlling subsidiaries: | | | | | | |
| Total amount of guarantee (including guarantee to controlling subsidiaries) | | | | | | |
| Total amount of guarantee as a percentage to the Company's net assets | | | | | | RMB191.65 million 20.5% |
| Total amount of guarantee in breach of regulations | | | | | | |
| Amount of guarantee provided to other connected parties with 50% or below of shares held by the Company or the controlling shareholders | | | | | | Nil |
| Debt guarantee directly or indirectly provided to parties of gearing ratio over 70% | | | | | | Nil |
| Whether the amount of guarantee over 50% of the net assets (Yes or No) | | | | | | No |
| Total amount of guarantee in breach of regulations of material contract | | | | | | Nil |

10. Material contract

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

11. 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 have been performing.

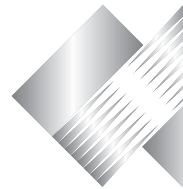
12. Impact of reform on Medical Insurance System on the Company

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 6.50% 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 2.00% 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.

13. 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.

14. During the reporting period, 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.



15. 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.

16. 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 2004, 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 25 April 2005 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 "Listing rules of Shanghai Stock Exchange (2004 revised)" issued by Shanghai Stock Exchange on 29 November 2004, our unqualified opinion, which includes an explanatory paragraph, to the above financial statements of the Company is explained as follows:

As disclosed in the financial statements, the Company had accumulated losses amounted to RMB973,657,000 and net current liabilities amounted to RMB204,450,000 at 31 December 2004 in its consolidated financial statements. As explained in note 2 on the financial statements, the Directors of the Company are of the opinion that the Company 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 financial statements of the Company and the Group are 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) agreements obtained from financial institutions for renewal of loan facilities totalling approximately RMB525,000,000 to the Company upon their expiry in 2005; and
- (ii) continuing financial support received from the ultimate holding company.

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

During the course of our audit, particular attention was paid as to the reasonableness of the Company to prepare its 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 Company had accumulated losses amounted to RMB973,657,000 and net current liabilities amounted to RMB204,450,000 at 31 December 2004 in its consolidated financial statements. Notwithstanding the measures taken by the Company's 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. This explanatory paragraph does not affect the audit opinion made."

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

25 April 2005

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Oriental Plaza
1, East Chang An Avenue
Beijing, The People's Republic of China
Post Code: 100738

Significant Events (Continued)

16. Miscellaneous (continued)

2. Statement on the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2004

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 2004, and 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 (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 25 April 2005.

Pursuant to the requirements of the "Notice on listed companies' issues relating to regulating the 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 2004" (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 verified in the course of our audit and the related contents in the audited financial statements of the Company for the year ended 31 December 2004. Except for the audit procedures performed in the course of our audit of the financial statements for the year ended 31 December 2004 on the Company's related party transactions, we have not performed any additional audit and 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 2004, 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

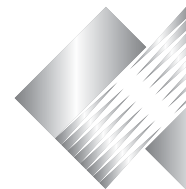
25 April 2005

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Post Code 100738

Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2004.

| Nature of the use of funds | Name of related parties | Relationship | Account name | Balance as at the beginning of the year RMB | Increase during the year RMB | Decrease during the year RMB | Balance as at the end of the year RMB | Remarks |
|--|--|--------------------------|-----------------------|--|---------------------------------|---------------------------------|--|---------|
| Borrowings | China Luoyang Float Glass Group Company of Limited Liabilities | Ultimate holding company | Other receivables | 29,357,649 | — | — | 29,357,649 | |
| | China Luoyang Float Glass Group Company of Limited Liabilities | Ultimate holding company | Interest receivables | 1,971,864 | — | — | 1,971,864 | |
| | CLFG Qingdao Taiyang Glass Industrial Co., Ltd. | Fellow subsidiary | Other receivables | 314,608,373 | 179,303 | 130,000,000 | 184,787,676 | |
| | CLFG Qingdao Taiyang Glass Industrial Co., Ltd. | Fellow subsidiary | Interest receivables | 45,007,930 | — | — | 45,007,930 | |
| | Total borrowings | | | <u>390,945,816</u> | <u>179,303</u> | <u>130,000,000</u> | <u>261,125,119</u> | |
| Entrusted loans | Luoyang Jingxin Ceramic Co., Ltd. | Associated company | Short-term investment | 34,300,000 | — | — | 34,300,000 | |
| | CLFG Mineral Products Co. | Fellow subsidiary | Short-term investment | 11,000,000 | — | — | 11,000,000 | |
| | Total short-term investments | | | <u>45,300,000</u> | <u>—</u> | <u>—</u> | <u>45,300,000</u> | |
| Entrusted investments | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| Issuing commercial bills without genuine business transactions | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |
| Settlement of liabilities on behalf of connected parties | N/A | N/A | N/A | N/A | N/A | N/A | N/A | |

Significant Events (Continued)



16. Miscellaneous (continued)

| Nature of the use of funds | Name of related parties | Relationship | Account name | Balance as at the beginning of the year RMB | Increase during the year RMB | Decrease during the year RMB | Balance as at the end of the year RMB | Remarks |
|----------------------------|--|--------------------------|-------------------|--|---------------------------------|---------------------------------|--|---------|
| Operating funds | China Luoyang Float Glass Group Company of Limited Liabilities | Ultimate holding company | Trade receivables | 84,786,074 | — | 653,034 | 84,133,040 | |
| | Guangdong Nanhai Junxiong Glass Screen Co., Ltd. | Fellow subsidiary | Trade receivables | 871,682 | — | — | 871,682 | |
| | Shenzhen Guanghua Zhongkong Glass Company Ltd. | Fellow subsidiary | Trade receivables | 227,176 | 434,208 | 3,516 | 657,868 | |
| | CLFG New Era Export Limited Liability Co., Ltd. | Fellow subsidiary | Trade receivables | 582,514 | 754,573 | 1,337,087 | — | |
| | CLFG Luoyang Jinghua Industrial Co., Ltd. | Fellow subsidiary | Trade receivables | 175,340 | — | 75,840 | 99,500 | |
| | CLFG Qingdao Taiyang Glass Industrial Co., Ltd. | Fellow subsidiary | Trade receivables | 6,194,281 | 3,233,112 | 5,212,000 | 4,215,393 | |
| | China Luoyang Float Glass (Group) Processed Glass Company | Associated company | Trade receivables | 1,024,338 | 20,301,779 | 21,326,117 | — | |
| | Others | Fellow subsidiary | Trade receivables | 1,936,271 | 1,103,267 | 914,425 | 2,125,113 | |
| | Total trade receivables | | | <u>95,797,676</u> | <u>25,826,939</u> | <u>29,522,019</u> | <u>92,102,596</u> | |
| Other advances | China Luoyang Float Glass Group Company of Limited Liabilities | Ultimate holding company | Other receivables | 115,029,121 | 108,752,634 | 95,585,809 | 128,195,946 | |
| | CLFG Mineral Products Co. | Fellow subsidiary | Other receivables | 971,227 | — | — | 971,227 | |
| | CLFG Luoyang Jingjiu Glass Container Co., Ltd. | Fellow subsidiary | Other receivables | 14,375,864 | — | — | 14,375,864 | |
| | CLFG Jingwei Glass Fibre Co., Ltd. | Fellow subsidiary | Other receivables | 55,654,636 | 10,674,922 | 10,644,775 | 55,684,783 | |
| | CLFG New Illuminating Source Co., Ltd. | Fellow subsidiary | Other receivables | 1,151,013 | 126,144 | 140,396 | 1,136,761 | |
| | CLFG Luoyang Jingrun Coating Glass Co., Ltd. | Fellow subsidiary | Other receivables | 346,345 | — | 289,821 | 56,524 | |
| | CLFG Luoyang Hoisting Machinery Co., Ltd. | Fellow subsidiary | Other receivables | 18,017,671 | — | — | 18,017,671 | |
| | Luoyang Jingbao Decoration Glass Co., Ltd. | Fellow subsidiary | Other receivables | 7,936,056 | 198 | 500,000 | 7,436,254 | |
| | CLFG Xinxing Co., Ltd. | Fellow subsidiary | Other receivables | 2,269,794 | — | 2,248,794 | 21,000 | |
| | CLFG Luoyang Jinghua Industrial Co., Ltd. | Fellow subsidiary | Other receivables | 12,182,045 | 120,293 | 115,082 | 12,187,256 | |
| | CLFG Longman Sugang Company Ltd. | Fellow subsidiary | Other receivables | 2,292,452 | 254,253 | 65,000 | 2,481,705 | |
| | Luoyang Xiangyu Industrial Co. | Fellow subsidiary | Other receivables | — | 555,279 | — | 555,279 | |
| | China Luoyang Float Glass (Group) Processed Glass Company Limited | Associated company | Other receivables | 13,452,660 | 11,745 | 13,278,661 | 185,744 | |
| | Luoyang Jingxin Ceramic Co., Ltd. | Associated company | Other receivables | 37,176,998 | — | — | 37,176,998 | |
| | China Luoyang Float Glass Group Financial Company of Limited Liabilities | Associated company | Other receivables | — | 84,096 | 84,096 | — | |
| | Others | Fellow subsidiary | Other receivables | — | 3,458,142 | 3,357,563 | 100,579 | |
| | Total other receivables | | | <u>280,855,882</u> | <u>124,037,706</u> | <u>126,309,997</u> | <u>278,583,591</u> | |

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 on listed companies' issues relating to regulating the funding transactions with related parties and guarantees provided to third parties" (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

25 April 2005