

# Significant Events

## 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

### I. Related party transactions relating to day-to-day operations

Please refer to note 39 - Related Party transactions to the financial statements prepared under PRC Accounting Rules and Regulations for details.

### II. Connected transactions of joint investment by the Company and related parties

As at the meeting of the Board held by the Company on 26 May 2005, the formation of joint ventures, Long Hai and Long Hao, with controlling shareholder CLFG, was considered and passed. The relevant agreements were signed, inter alia, Long Hai will engage in the production and sale of ultra-thin glass and the processing of raw materials for the production of glass related products and Long Hao will engage in the production and sale of float glass and the provision of related consultancy and technical support services.

The registered capital of Long Hai is RMB60 million, of which RMB48 million, constituting approximately 80% thereof, will be contributed by the Company and RMB12 million, constituting approximately 20% of the registered capital thereof, will be contributed by CLFG. The total investment for Long Hai Project is currently estimated to an amount of RMB300 million.

The registered capital of Long Hao is RMB50 million, of which RMB40 million, constituting approximately 80% of the registered capital thereof, will be contributed by the Company and RMB10 million, constituting approximately 20% thereof, will be contributed by CLFG. The total investment for Long Hao Project is currently estimated to an amount RMB250 million. CLFG is the controlling shareholder of the Company and is interested in approximately 57.14% of the issued share capital of the Company. Pursuant to requirements of Rule 10.1.3 of Listing Rules of Securities of the Shanghai Listing Rules, the transactions described above constitute connected transactions for the Company under the Shanghai Listing Rules.

As the Company entered into an agreement with CLFG for the establishment of Long Hai and entered into an agreement with CLFG for the establishment of Long Hao and the transactions contemplated under those agreements exceed RMB30 million. Accordingly, the Company had to hold an Extraordinary Shareholders' Meeting and the transactions are subject to the approval of the Independent Shareholders by poll under the requirements of the Rule 10.2.5 of Listing Rules of Securities of the Shanghai Listing Rules. CLFG and its connected persons with relation of interests will abstain from voting for that resolution at the EGM. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above investments constitute major and connected transactions which are subject to the approval of shareholders of the Company. On 27 February 2006, the said transactions were approved and confirmed by independent shareholders. Relevant details have been published in China Securities Daily, Shanghai Securities Daily, Sing Tao Daily and The Standard, and posted on the website of Shanghai Securities Exchange (<http://www.sse.com.cn>) on 30 May 2006. The production line of Long Hai was put into trial production on 19 January 2006 while the two production lines of Long Hao were put into trial production on 16 November 2005 and 7 April 2006 respectively

#### Status of the above projects as at 31 December 2005

Project	Amount of the project	Progress of the project	Income from the project
CLFG Long Hai Glass Limited	254,129	80%	0
CLFG Group Long Hao Glass Limited	239,754	92%	(6,689)
Total	493,883		(6,689)

# Significant Events *(Continued)*

## 3. Material connected transactions *(continued)*

**III 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).**

### a. Advances or financial assistance to CLFG

As at 31 December 2005 and 31 December 2004, the Group provided advances and/or financial assistance of a total sum of approximately RMB129,551,000 and approximately RMB148,384,000 respectively to CLFG, details of which are as follows:

Nature of transaction	Commencing Interest rate	Terms of repayment and year	Audited balance as at 31 December progress RMB	Audited balance as at 31 December 2005 RMB	2004
(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) Accounts receivables relating to transfer of loans	Interest free	1995	No fixed term of repayment & unsecured	4,663,000	4,663,000
(3) 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
Others	Interest free	1994 to present	No fixed term of repayment & unsecured	53,408,000	72,241,000
Total				<u>129,551,000</u>	<u>148,384,000</u>

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

### Reasons and impact on the Company

- (1) The amount is the advancement bearing interest provided to Baolaiwei Development Limited through CLFG.
- (2) 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.
- (3) 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.

# Significant Events *(Continued)*

## 3. Material connected transactions *(continued)*

### III 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 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). *(continued)*

#### b. Advances and/or financial assistance to fellow subsidiaries

As at 31 December 2005 and 31 December 2004, the Group provided advances and/or financial assistance of a total sum of approximately RMB155,227,000 and approximately RMB204,020,000 respectively to fellow subsidiaries, details of which are as follows:

Name of company	CLFG's interest in the company	The Company's interest in the company	Nature of transaction	Interest rate	Commencing year (RMB)	Terms of repayment and credit (RMB)	Audited balance as at 31 December 2005	Audited balance as at 31 December 2004
(2) CLFG Mineral Products Co.	59.71%	40.29%	Short-term investment	4.575%-5.03% per annum	2005	Due in 2006 unsecured	10,500,000	11,000,000
(1) CLFG Luoyang Jingbao Decoration Glass Co., Ltd.	50%	10.28%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	6,201,000	6,248,000
(1) 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
(1) CLFG New Illuminating Source Co., Ltd.	70.55%	29.45%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	1,179,000	1,137,000
(1) CLFG Luoyang Jingwei Glass fibre Co., Ltd.	64.1%	35.9%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	54,896,000	55,685,000
(1) 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
(2) Others			Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	50,057,000	97,556,000
Total							155,227,000	204,020,000

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

#### Reasons and impact on the Company

- (1) 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.
- (2) 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.

#### c. Repayment scheme for funds appropriation

In accordance with the Notice of the State Council's Approval of CSRC' Opinion on Improvement of the Quality of Listed Companies, CLFG undertakes that it will take a number of ways to solve the problems relating to the funds appropriated by CLFG and its related parties prior to 31 December 2006. Taking the opportunity from the share reform, the Company will solve the fund appropriation by using share for debt-discharging and repayment with assets by related parties. Such repayment scheme, subject to approval by relevant authorities, will be announced in details once time is ripe.

# Significant Events *(Continued)*

## IV. Connected creditor rights and debts

Connected parties	Funds provided to connected party (RMB'000)		Funds provided by connected party to the Company(RMB'000)	
	Amount incurred	Balance at the end of the year	Amount incurred	Balance at the end of the year
CLFG	(18,833)	129,551	(2,649)	5,737
Subsidiaries of CLFG	(48,793)	155,227	(2,249)	4,571

## 4. Overdue deposits

The balance of the deposit as at 31 December 2005 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 2005.

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.

## 5. 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.

## 6. 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	Data of occurrence (agreement execution date)	Amount of guarantee	Type of guarantee	Performance term of guarantee	Whether completed or not	Connected party guarantee
<b>Guarantee provided by the Company (not including guarantee to wholly subsidiaries)</b>						
Total amount of guarantee provided by the Company						Nil
Balance of guarantee at the end of the reporting period						Nil
<b>Guarantee provided by the Company to its controlling subsidiaries</b>						
Total amount of guarantee provided by the Company for its controlling subsidiaries						RMB208,160,000
Balance of guarantee provided by the Company to its controlling subsidiaries at the end of the reporting period						RMB131,200,000
<b>Guarantee provided by the Company (including guarantee to controlling subsidiaries)</b>						
Total of guarantee						RMB131,200,000
Total amount of guarantee as a percentage to the Company's net assets						13.80%
<b>Guarantee in breach of regulations</b>						
Amount of guarantee provided to shareholders, the de facto controller and its connected parties						Nil
Debt guarantee directly or indirectly provided to parties of gearing ratio over 70%						Nil
Total amount of guarantee over 50% of the net assets						Nil
Total amount of guarantee in breach of regulations						Nil

# Significant Events *(Continued)*

## 7. Material contracts

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

## 8. Performance of commitments

### 1. Commitments relevant to the share reform

The Company published the Share Reform Proposal on 30 March 2006, which was approved by the relevant shareholders' meeting held on 24 April 2006.

### 2. Other 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.

## 9. Impact of reform on Medical Insurance System of 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.

## 10. 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.

## 11. CSRC's inspection, administrative publishment, criticism and stock exchanges' censure against the company, the board of directors and the directors during the reporting period

Since 1998, the Company has failed to report a number of connected transactions and hence breached the Listing Rules. The Stock Exchange has taken disciplinary action against the Company. At the beginning of June 2005, Mr. Liu Baoying, Chairman of the Company, Mr. Ding Jianluo, an executive director and General Manager and Mr. Wangjie, an executive director and Secretary to the Board attended the disciplinary hearing held by the Listing Committee of the Stock Exchange in relation to the herein mentioned matter. On 19 January 2006, the Listing Committee of the Stock Exchange published a newsletter on the ruling of disciplinary action against the Company and relevant existing and former directors, including censure and criticism on relevant existing and former directors. For details, please refer to the website of the Stock Exchange.

## 12. Material litigation and arbitration

### 1. Material litigation of the Group during the reporting period

On 30 December 1998 the Company placed a deposit in the sum of RMB23,000,000 with Yinji local branch of Zhengzhou branch of Guangdong Development Bank ("Local Branch", which had been upgraded to Yinji sub-branch of Zhengzhou branch of Guangdong Development Bank ("the Sub-branch") on 28 December 1999 as approved by the People's Bank of China, Jinan Branch on 28 December 1999) for a fixed term of one year commencing from 30 December 1998 to 30 December 1999 at an annual interest rate of 3.78%. The Local Branch issued an Account Opening Certificate of Fixed Deposit. Subsequently, a dispute occurred when the Company made withdrawal of such deposit upon its maturity. The Sub-branch rejected the Company's withdrawal on the ground of the defaulted repayment by Henan Yinji Property Development Company Limited ("Yinji Property") of the outstanding loan in the sum of RMB21,850,000 for which the Company provided a guarantee in favour of Shangcheng branch of Guangdong Development Bank in December 1998 and that the Company should perform its obligations as the guarantor. In 2001, the Company initiated legal proceedings in Henan High People's Court. The Company lost the case. However, the Company appealed to the People's Supreme Court during the reporting period. The Supreme Court made a ruling in February 2004 in favour of the Company, which determined the above loan guarantee as void. As the Company was not eligible to provide guarantee on the loan, the Local Branch was required to repay half of the amount of the deposit and the interests thereon by the end of April 2004; for another half of the amount of the deposit and the interests thereon, the Company shall claim the amount from Yinji Property. The Company has received a half of the amount of the deposit and the interest accrued thereon with the Local Branch. On 12 October 2005, the Company entered into an Debt Transfer Agreement with Henan Jinshan Chemical Company Limited, by which the Company transfer to Henan Jinshan Chemical Company Limited its debts from Henan Yinji Property Development Company Limited arising from disputes in the loan guarantee agreement of Henan Yinji Property Development Company Limited. The chasing for payment of another half of the deposit (interest included) are still in processing. Save for the disclosed above, the Company had no other material litigation during the reporting period.

### 2. During the reporting period, the Group had no material litigation.

# Significant Events *(Continued)*

## 13. 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.

## 14. 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 2005, 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 2006 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 on preparing 2005 annual reports of listed companies" issued by Shanghai Stock Exchange on 29 December 2005, 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 Group had accumulated losses amounted to Rmb968,937,000 and net current liabilities amounted to Rmb497,756,000 at 31 December 2005 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 Rmb861,050,000 to the Company upon their expiry in 2006; and
- (ii) continuing financial support received from the holding company and the controlling shareholder of the 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 Rmb968,937,000 and net current liabilities amounted to Rmb497,756,000 at 31 December 2005 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. The 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  
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25 April 2006

# Significant Events *(Continued)*

## 2. Statement on the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2005

### 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 2005, 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. And we have expressed an unqualified audit opinion on those financial statements in our auditors' report dated 25 April 2006 which includes an explanatory paragraph emphasising the matters contained therein.

Pursuant to the requirements of the "A notice regarding the focused resolution on funds occupied by shareholders of and improper guarantees encountered by listed companies" issued jointly 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 2005" (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, on a test basis, with the financial information obtained during the course of our audit and the related contents in the audited financial statements of the Company for the year ended 31 December 2005.

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 2005, the Summary should be read in conjunction with the audited financial statements.

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**Peng Jing**  
**Chen Yueling**  
25 April 2006

# Significant Events *(Continued)*

## Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2005.

Unit: RMB

Use of funds with non-operating purposes	Name of related parties	Relationship with listed company	Account name	Balance at the beginning of 2005 (Rmb)	Increase during 2005 (interest excluded) (Rmb)	Interest for 2005 (if any) (Rmb)	Decease during 2005 (Rmb)	Balance at the end of the 2005 (Rmb)	Reason for occurrence	Nature of funds used
Existing holding company and its subsidiaries	China Luoyang Float Glass Group Company of Limited Liabilities	Holding Company	Trade receivables	84,133,040	—	—	243,969	83,889,071	Receipt on others' behalf	Non-operating use of funds
	China Luoyang Float Glass Group Company of Limited Liabilities	Holding Company	Other receivables	29,357,649	—	—	—	29,357,649	Borrowings	Non-operating use of funds
	China Luoyang Float Glass Group Company of Limited Liabilities	Holding Company	Other receivables	128,195,946	16,654,220	—	35,486,577	109,363,589	Other advances	Non-operating use of funds
	China Luoyang Float Glass Group Company of Limited Liabilities	Holding Company	Interest receivable	1,971,864	—	—	—	1,971,864	Borrowings	Non-operating use of funds
	CLFG Luoyang Jinghua Industrial Co., Ltd	Fellow subsidiary	Other receivables	12,187,256	99,450	—	100,855	12,185,851	Other advances	Non-operating use of funds
	CLFG Qingdao Taiyang Glass Industrial Co., Ltd	Fellow subsidiary	Other receivables	184,787,676	—	—	16,109,326	168,678,350	Borrowings	Non-operating use of funds
	CLFG Qingdao Taiyang Glass Industrial Co., Ltd	Fellow subsidiary	Interest receivable	45,007,930	—	—	—	45,007,930	Borrowings	Non-operating use of funds
	CLFG Mineral Products Co.	Fellow subsidiary	Other receivables	971,227	—	—	—	971,227	Other advances	Non-operating use of funds
	CLFG Mineral Products Co.	Fellow subsidiary	Short-term investment	11,000,000	8,000,000	—	8,500,000	10,500,000	Entrusted loans	Non-operating use of funds
	CLFG Luoyang Jingjiu Glass Container Co., Ltd	Fellow subsidiary	Other receivables	14,375,864	54,000	—	54,000	14,375,864	Other advances	Non-operating use of funds
	CLFG Jingwei Glass Fibre Co., Ltd	Fellow subsidiary	Other receivables	55,684,783	13,776,804	—	14,565,484	54,896,103	Other advances	Non-operating use of funds
	CLFG New illuminating Source Co., Ltd	Fellow subsidiary	Other receivables	1,136,761	51,850	—	10,000	1,178,611	Other advances	Non-operating use of funds
	CLFG Luoyang Jingrun Coating Glass Co., Ltd	Fellow subsidiary	Other receivables	56,524	—	—	—	56,524	Other advances	Non-operating use of funds
	CLFG Luoyang Hoisting Machinery Co., Ltd	Fellow subsidiary	Other receivables	18,017,671	—	—	—	18,017,671	Other advances	Non-operating use of funds
	Luoyang Jingbao Decoration Glass Co., Ltd	Fellow subsidiary	Other receivables	7,436,254	—	—	46,957	7,389,297	Other advances	Non-operating use of funds
	CLFG Xinxing Co., Ltd	Fellow subsidiary	Other receivables	21,000	—	—	21,000	—	Other advances	Non-operating use of funds



# Significant Events *(Continued)*

## Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2005. *(continued)*

Unit: RMB

Non-operating use of funds	Name of related parties	Relationship	Account name	Balance at the beginning of the year (Rmb)	Increase during 2005 (interest excluded) (Rmb)	Interest for the year (if any) (Rmb)	Decease during the year (Rmb)	Balance at the end of the year (Rmb)	Reason	Nature
Existing holding company and its subsidiaries	CLFG Longmen Sugang Company Ltd	Fellow subsidiary	Other receivables	2,481,705	230,178	—	157,556	2,554,327	Other advances	Non-operating use of funds
	Luoyang Xiangyu Industrial Co.	Fellow subsidiary	Other receivables	555,279	—	—	—	555,279	Other advances	Non-operating use of funds
	Others	Fellow subsidiary	Other receivables	100,579	4,094,529	—	4,084,191	110,917	Other advances	Non-operating use of funds
Subtotal				597,479,008	42,961,031	—	79,379,915	561,060,124		
Former holding company and its subsidiaries	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total				597,479,008	42,961,031	—	79,379,915	561,060,124		

### Other amounts due from related parties

Existing holding company and its subsidiaries	CLFG Jingwei Glass Fibre Co., Ltd	Fellow subsidiary	Bills receivable	—	3,560,000	—	—	3,560,000	Operating funds	Operating receivables
	Guangdong Nanhai Junxiong Glass Screen Co., Ltd.	Fellow subsidiary	Trade receivables	871,682	—	—	—	871,682	Operating funds	Operating receivables
	Shenzhen Guanghua Zhongkong Glass Compny Ltd.	Fellow subsidiary	Trade receivables	657,868	231,561	—	231,561	657,868	Operating funds	Operating receivables
	CLFG Luoyang Jinghua Industrial Co., Ltd	Fellow subsidiary	Trade receivables	99,500	—	—	—	99,500	Operating funds	Operating receivables
	CLFG Qingdao Taiyang Glass Industrial Co., Ltd	Fellow subsidiary	Trade receivables	4,215,393	—	—	1,000,000	3,215,393	Operating funds	Operating receivables
	Others	Fellow subsidiary	Trade receivables	2,125,113	4,650	—	—	2,129,763	Operating funds	Operating receivables
Subtotal				7,969,556	3,796,211	—	1,231,561	10,534,206		

# Significant Events (Continued)

## Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2005. (continued)

Unit: RMB

Other amounts due from related parties	Name of related parties	Relationship	Account name	Balance at the beginning of the year (Rmb)	Increase during 2005 (interest excluded) (Rmb)	Interest for the year (if any) (Rmb)	Decease during the year (Rmb)	Balance at the end of the year (Rmb)	Reason	Nature
The Company's subsidiaries and their subsidiaries	Luoyang Jingxin Ceramic Co., Ltd.	Associated company	Short-term investment	34,300,000	—	—	34,300,000	—	Entrusted loans	Non-operating receivables
	Luoyang Jingxin Ceramic Co., Ltd.	Associated company	Other receivables	37,176,998	—	—	—	37,176,998	Other advances	Non-operating receivables
	China Luoyang Float Glass (Group) Processed Glass Company Limited.	Associated company	Bills receivable	—	2,876,861	—	—	2,876,861	Operating funds	Non-operating receivables
	China Luoyang Float Glass (Group) Processed Glass Company Limited.	Associated company	Other receivables	185,744	3,049	—	3,049	185,744	Other advances	Non-operating receivables
	China Luoyang Float Glass Group Financial Company of Limited Liabilities	Associated company	Other receivables	—	91,383	—	83,759	7,624	Other advances	Non-operating receivables
Subtotal				71,662,742	2,971,293	—	34,386,808	40,247,227		
Related individuals and legal persons controlled by them	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Other related parties and their subsidiaries	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Total				677,111,306	49,728,535	—	114,998,284	611,841,557		

**Liu Baoying**  
Legal Representative  
(Signature and Seal)

**Ding Jianluo**  
General Manager  
(Signature and Seal)

**Dong Mingchun (company seal)**  
Financial Controller  
(Signature and Seal)

### 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.

**Guo Aimin**  
**Zhang Zhanying**  
**Xi Shengyang**  
**Dong Chao**  
Independent Directors  
Luoyang Glass Company Limited

25 April 2006