



截至二零零六年六月三十日止六個月半年度會計報表
(按照中華人民共和國會計準則及制度編制)
For the six months ended 30 June 2006
(Prepared under the PRC Accounting Rules and Regulations)

四、管理層討論與分析

(一) 上半年經營情況回顧

1. 市場情況及採取措施：

本公司是世界三大浮法之一「洛陽浮法」的誕生地，擁有十條浮法玻璃生產線，是中國玻璃行業較大的浮法玻璃生產商和經銷商。

今年上半年，本公司遇到了玻璃市場低迷、原燃材料漲價、運輸緊張、多條新線投產、老生產線停產及放水冷修等諸多困難，尤其是玻璃市場出現了售價與成本倒掛的嚴峻局面，報告期內，公司本部、所有子公司都出現了虧損，有的子公司虧損數額還比較大。在此不利局面下，本公司從以下幾方面着手做了大量工作：

第一，新建浮法線順利點火、投產，龍飛線圓滿完成放水冷修，本部二線按計劃放水停產。上半年，公司有四條新浮法線先後點火投產，一條線冷修改造，一條線放水，這在公司歷史上是從來沒有過的情況，本公司圓滿地完成了這些艱鉅的工作。

第二，產品結構調整取得新進展，為下半年取得良好效益創造了條件。一是龍海公司經過技術攻關，開發成功1.1mm、0.7mm、0.55mm超薄品種，產品質量逐步趨好，工藝技術不斷完善，其中1.1mm超薄玻璃實現批量商品化。二是龍吳公司生產經營走上正軌，一線實現達產達標，二線生產逐步穩定，已成功生產出8mm、11mm、12mm、15mm厚板玻璃。三是龍翔公司投產以來，生產逐步好轉，產質量指標快速提高。四是公司新上一套在線鍍膜設備工作取得重要進展，新訂購設備即將到貨安裝，該套系統採取國內最先進技術，能夠保證穩定、優質生產在線鍍膜玻璃，並且單位成本比浮法鍍膜廠鍍膜系統低得多。五是浮法鍍膜廠成功生產福特藍、洛玻藍灰顏色玻璃，使公司顏色玻璃系列更豐富。

4. MANAGEMENT DISCUSSION AND ANALYSIS

1. Review of operation in the first half of 2006

I. Market environment and measures taken:

The Company is the place of origin for one of three great float glass production methods "Luoyang Float Glass". With ten production lines of float glass, the Company is one of the largest manufacturers and distributors of float glass in glass industry in the PRC.

In the first half of 2006, the sluggish glass market, surging prices of raw materials, tight transportation, commencement of operation of new production lines, shutdown of old production lines and water discharge for cool-down maintenance, in particular, the tough situation arising from the declining selling price and increasing cost in glass industry, witnessed obstacles faced by the Company. During the Reporting Period, the Company and its subsidiaries all registered a loss and some subsidiaries even suffered a noticeable loss. Surrounded by such challenge, the Company mainly carried out the following implementations:

Firstly, when new production lines of float glass has ignited and commenced operation smoothly while production lines of Longfei Company has completed water discharge for cool-down maintenance and production line II of the Company has suspended production for water discharge as scheduled. In the first half of 2006, the Company has ignited and commenced production for the four production lines of float sheet glass, with another two lines carried out cool-down maintenance and water discharge respectively, which is unprecedented to the Company. The Company has successfully accomplished those difficult tasks.

Secondly, new progress was made in product mix restructuring, laying down a solid foundation to achieve sound effectiveness and efficiency in the second half of 2006, namely, (i) on the ground that product quality and production technology are improving due to technological renovations, enables Longhai Company to successfully develop 1.1mm, 0.7mm and 0.55mm ultra thin products, of which 1.1mm ultra thin glass was put on market in scale; (ii) The operation and production of Longhao Company has been on the right track as production line I met the production goal and production line II is achieving a stable production and successfully produced 8mm, 11mm, 12mm and 15mm thick glass; (iii) Longxiang Company is improving its production since commencement of production with its indicators of production quality raised rapidly; (iv) Significant progress on new online plating equipment was made and newly ordered equipment will deliver for installation in near future. While the system adopted the most advanced technology in the PRC, which secured a stable and quality online plating glass, the unit cost is much lower as compared with the plating system adopted in float plating plants; (v) Float plating factories successfully produced colour glass with Ford blue and Luobo blue gray, which diversified the series of colour glass of the Company.

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第三，創建節約型企業取得一定成效，各生產線員工節約意識明顯增強，一些節約舉措取得初步成效。

第四，圓滿完成股權分置改革工作，為公司下步解決大股東資金佔用奠定了基礎，也為公司今後加快推進體制、機制改革創造了條件。

2. 上半年工作中存在的問題

第一，隨著駐外子公司數量的增加，公司管理創新和轉型工作差距較大，未達到預期效果。公司對子公司資源整合不到位，導致技術力量削弱、專業管理弱化，整個公司內部運行效率偏低，各類資源利用率偏低。

第二，公司利潤中心、管理重點、品牌表現等已經轉移到子公司，但是，各子公司的管理還不到位，公司管理工作距離精細化要求相差甚遠，粗放式管理仍然是一些子公司管理的主要方式。

第三，公司地處中原，運輸成本居高不下，加上上半年原燃材料漲價，公司自身技術創新能力不強，新產品、新技術儲備不足，導致公司十多條線沒有盈利產品。

第四，新建子公司雖然已經投產，但達產達標工作仍然沒有結束，一些生產線仍然沒有實現長期優質、穩定目標，表現在一些指標未達到設計要求。

第五，高附加值產品銷售力度不大，年初確定的超薄玻璃、超厚玻璃、在線鍍膜玻璃、顏色玻璃、玻璃裸包裝銷售等目標多數未達到，造成產品銷售平均售價上不去。

3. 主要產品的市場佔有情況

本集團主導產品平板玻璃在華中地區、西南地區、華東地區、華北地區佔有較大的市場份額，國際市場僅佔本集團銷售額的7.17%左右。

Thirdly, establishment of an economical enterprise is achieved to a certain extent. Staff in all production lines is more aware of cost saving. Some measures are receiving preliminary effect.

Fourthly, the completion of Share Reform paving a way to settle the capital appropriated by major shareholders. The Company also created a platform for speeding the reform of organizational structure and reform mechanism.

II. Problems encountered in work in the first half of 2006

Firstly, with an increasing number of subsidiaries, management innovation could not cater for business transformation need and failed to achieve the expected result. Being unable to carry out effective resources integration with subsidiaries weakened the technological capability and professional management, and led to a low efficiency of internal operation of the Company as a whole. Resources utilization rate is low.

Secondly, although the Company has transferred its focus of profit and management and brands to its subsidiaries, the weak management of the subsidiaries proved that they are far from capable to meet the requirement of sophisticated management. Soft management remains the major management mode in some subsidiaries.

Thirdly, given that the Company is situated at Central China, the transportation cost stayed at high level. There were no profitable products in over 10 production lines, as driven by the surging price of raw materials, weak strength of self technological innovation and lack of new products and technological know-how.

Fourthly, despite its commencement of production, the new subsidiary has not yet reached the production goals. Some production lines remain unable to achieve a long-term goal of quality and stable production, as some indicators are failing to meet the design specification.

Fifthly, insufficient efforts were made for sales of value-added products. Since a majority of sales goals set for ultra thin glass, ultra thick glass, online plating glass, colour glass and glass packaging at the beginning of 2006 have not been met, keeping the average selling price of products low.

III. Market share of major products

The Group's leading product, float sheet glass, captures a large market share in the central, southwest, eastern and northern parts of the PRC. The global market only accounts for about 7.17% of the turnover of the Group.



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4. 流動資金及資本來源 (按照《國際財務報告準則》)

截至二零零六年六月三十日止本集團現金及現金等價物為人民幣153,047千元，其中美金存款為2,354千元 (二零零五年：美金存款為13,191千元)、港幣存款7,124千元 (二零零五年：港幣存款為7,176千元)，與二零零五年的人民幣144,655千元比較，共增加了人民幣8,392千元。籌資活動所產生的現金淨流出用來支付借款利息及投資活動的融資。

5. 借款 (按照《國際財務報告準則》)

截至二零零六年六月三十日，本集團總借款金額為人民幣997,460千元，其中人民幣7,380千元為外幣借款 (原幣為歐元726千元)，所有借款利率是根據中國法定流動資金貸款利率及經濟合作及發展組織所浮動。本集團並沒有訂立任何金融工具作對沖用途。截至二零零六年六月三十日，本集團的債務比率 (所有借款除以股東權益) 為141.07%，比二零零五年增加26.84%。

6. 資本承擔

本集團於二零零六年六月三十日有人民幣13,472千元的資本承擔，主要為本集團的建設工程款和採購設備款。

7. 本期資本負債比率為269.03%；上年資本負債比率為184.14% (按照《國際財務報告準則》)。

8. 本集團之資產抵押

於二零零六年六月三十日，本集團有價值約為人民幣129,675千元 (二零零五年十二月三十一日為：人民幣111,873千元) 的銀行存款作為應付票據、短期借款的抵押。

9. 或有負債

報告期內本公司無或有負債。

IV. Liquidity and source of capital (prepared under IFRS)

As at 30 June 2006, the Group had cash and cash equivalents of RMB153,047,000, including US dollar deposits of 2,354,000 (2005: USD13,191,000) and HK dollar deposits of 7,124,000 (2005: 7,176,000), representing an increase of RMB8,392,000 from RMB144,655,000 as at the end of 2005. Net cash outflow generated from operating activities was used to finance borrowing and investment activities.

V. Loans (prepared under IFRS)

As at 30 June 2006, the total loans due from the Group were RMB997,460,000, including a foreign currency loan of RMB7,380,000 (original amount: Euro726,000). All loans bear interest rates based on floating rates determined by Organisation for Economic Co-operation and Development and China statutory current assets loan interest rate from time to time. The Group did not contract for any financial instrument as hedging vehicle. As at 30 June 2006, debts to equity ratio of the Group was 141.07% (which is calculated by dividing total loans over total equity attributable to equity holders of the parent), up by 26.84% as compared with last year.

VI. Capital commitment

The Group's capital commitment as at 30 June 2006 was RMB13,472,000 which was mainly used to finance the Group's construction projects and for purchase of equipment.

VII. The gearing ratio for the current period was 269.03% while that of last year was 184.14%. (prepared under IFRS)

VIII. Pledge of assets of the Group

As at 30 June 2006, the Group has pledged its bank deposits of RMB129,675,000 (31 December 2005: RMB111,873,000) for bills payables and short term loans.

IX. Contingent liability

During the reporting period, the Group had no contingent liability.

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10. 主營業務分行業、產品情況表

由於本集團的營業額和經營成果主要來自浮法平板玻璃的生產和銷售，因此並沒有提供按業務類型的分部報告。

X. Principal operations by industry and product

As the Group's turnover and operating results were mainly generated from the manufacture and sales of float sheet glass, no segment report by business type was provided.

分行業 或分產品		主營 業務收入	主營 業務成本	主營業務 利潤率	主營業務 收入 比上年同期 增減 Increase / (decrease) of income from principal operations as compared with the corresponding period last year (%)	主營業務 成本 比上年同期 增減 Increase / (decrease) of cost of principal operations as compared with the corresponding period last year (%)	主營業務 利潤率 比上年同期 增減 Increase / (decrease) of profit margin as compared with the corresponding period last year (%)
By Industry or product		Income from principal operations	Cost of principal operations	Profit margin of principal operations (%)			
平板浮法玻璃	Float sheet glass	443,540	517,533	(16.72)	(13.52)	21.29	下降33.20 個百分點 Decrease of 33.20 percentage points
其中： 關聯交易	Of which: connected transactions	7,050	8,226	(16.72)	(19.23)	13.29	下降33.20 個百分點 Decrease of 33.20 percentage points

關聯交易的
定價原則

視同正常客戶按照市場
價格定價

Pricing policy for a
connected transactions

Based on market prices available for ordinary customers

關聯交易必要性、
持續性的說明

從產品鏈角度，本集團
的產品為關聯方的上游
產品，關聯交易有其
必要性及持續性

Explanation on necessity
and continuity of
connected transactions

From the perspective of product chain, these transactions
are necessary and ongoing, since products of the Company
are upstream products to connected parties.

其中：報告期內上市公司向控股股東及其子
公司銷售產品或提供勞務的關聯交易金額為
人民幣7,050千元。

Of which, during the period, the connected transaction in relation to the sale of products
and provision of services by the Company to its controlling shareholders and its
subsidiaries amounted to RMB7,050,000.



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11. 主營業務分地區情況

地區	主營業務收入	主營業務收入 比上年同期增減(%) Increase / (decrease) of income from principal operations as compared with the corresponding period last year
Region	Income from principal operations	
國內	Domestic	411,742 (8.54)
出口	Overseas	31,798 (49.30)

12. 主營業務盈利能力(毛利率)與上年相比發生重大變化的原因說明

二零零六年上半年銷售毛利率為-16.68%，較上年的16.81%下降33.49個百分點，其主要原因是國家對經濟過熱的宏觀調控，特別是對房地產業的調整，加之玻璃行業去年以來新一輪快速擴張引起的市場供需失衡，使得玻璃市場的競爭不斷加劇，表現在產品售價呈下降之勢，與之相反的是原材料主要是重油價格的大幅上漲使得公司產品成本大幅上升，導致主要產品售價與成本出現倒掛，造成主營業務盈利能力(毛利率)與上年度比大幅下降。

13. 利潤構成與上年度相比發生重大變化的原因分析

二零零六年上半年累計實現淨虧損為人民幣145,192千元，較上年的盈利人民幣3,414千元增虧了人民幣148,606千元，主要原因是由於產品售價的降低，重油價格的大幅上漲使得公司產品成本大幅上升，使得公司盈利水準大幅度下降，直接減利人民幣1.43億元。

11. Principal operations in different regions

主營業務收入	主營業務收入 比上年同期增減(%) Increase / (decrease) of income from principal operations as compared with the corresponding period last year
Income from principal operations	
Domestic	411,742 (8.54)
Overseas	31,798 (49.30)

12. Major changes in profitability (gross profit margin) of principal operations as compared with that of last year and the reasons

In the first half of 2006, the gross profit margin was -16.68%, representing a decrease of 33.49 percentage points as compared to 16.81% of previous year. The decrease was mainly due to the State's macro economy control on heated economy, particularly the adjustment on property sector and the imbalance driven by a new round of rapid expansion of glass market since last year. The imbalance has intensified the competition of the glass market. The product prices saw a downward trend while the surging prices of raw material, mainly the price of heavy oil, led to a significant increase in product cost of the Company, which in turn saw a reverse relationship in the price of principal products and their costs. As a result, the profitability (gross profit margin) of principal operations increase substantially as compared with last year.

13. Analysis of the reasons for the significant changes in the composition of profits as compared with last year

The Company recorded an accumulative net loss of RMB145,192,000 in the first half of 2006, representing a further loss of RMB148,606,000 as compared to a profit of RMB3,414,000 last year. The loss was primarily because the decline in selling price of products and price surge of heavy oil have resulted in a significant increase in the Company's product cost and a significant decrease in its profitability. As a result, the profit of the Company directly reduced by RMB143,000,000.

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14. 參股公司經營情況(適用投資收益佔淨利潤10%以上的情況)

不適用。

15. 報告期投資情況

(1) 本公司在報告期內沒有募集資金或以前募集資金的使用延續到報告期的情況。

(2) 報告期內本公司無非募集資金投資項目。

16. 預測年初至下一報告期期末的累計淨利潤可能為虧損或者與上年同期相比發生大幅度變動的警示及原因說明

由於市場競爭激烈，產品的售價有所下降，同時由於原燃料的漲價，導致成本上升較高。本公司預計年初至下一報告期期末仍將虧損。

17. 公司管理層對會計師事務所上年度「非標意見」涉及事項的變化及處理情況的說明

對會計師事務所上年度「非標意見」涉及事項，報告期內，公司董事會也採取措施，保持了本公司的持續經營能力。

18. 員工狀況

截止二零零六年六月三十日，本集團的員工數量為6,188人，其中生產人員3,329人，銷售人員169人，技術人員342人，財務人員104人，行政人員507人，其他人員1,737人，本公司員工中，本科以上學歷438人，佔員工人數的7.08%，大專1,337人，佔員工人數的21.89%。

14. Operations of investee companies (applicable to situations where investment income from which represents 10% or more of the net profit)

Nil.

15. Investment during the reporting period

(1) The Company has not raised any fund during the period, nor raised any fund in the previous period and its use subsisted in the reporting period.

(2) Non-raised fund investment project of the Company during the reporting period.

16. Warning and explanation of any estimated loss in retained profit from the beginning of the year to the end of the next reporting period or significant changes from the corresponding period last year

In view of the decreased selling prices of products as a result of fierce market competitions together with the noticeable increase in cost, the Company estimates that the retained loss remains from the beginning of the year to the end of the next period.

17. Explanation of the management of the Company on the “non-standard opinion” given by auditors which involved changes of events and its treatment in previous year

For the matters involved in the “non-standard opinion” given by auditors in previous year, the Director of the Company has adopted relevant measures by to maintain the Company’s continuous operation during the reporting period.

18. Employees

As at 30 June 2006, the Company had 6,188 employees, of which 3,329 are production workers, 169 are sales personnel, 342 are technicians, 104 are financial personnel, 507 are administrative personnel and 1,737 are other staff members. Among them, 438 employees graduated from colleges or universities, representing 7.08% of the staff 1,337 employees graduated from professional training colleges, representing 21.89% of the staff.



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(二) 公司二零零六年下半年業務展望

1. 有利因素

首先，玻璃需求總量仍呈增長態勢。一是房地產業的快速發展，拉動玻璃需求的快速穩定增長。二是節能建築的廣泛推廣應用，使國內玻璃市場需求量從理論上快速上升的可能逐步變為現實。三是汽車工業、信息產業的迅猛發展對優質浮法玻璃、超薄浮法玻璃提供了廣闊的發展空間。其次，玻璃生產企業及經銷商對穩定、提升玻璃市場價格的願望十分強烈，玻璃製造成本的居高不下，也對產品價格下跌起到重要支撐作用。玻璃企業和經銷商不僅注重新產品開發和產品結構的調整，積極開發邊緣市場、潛在市場等措施來最大限度滿足市場所需，外部則聯手維護市場環境，防止惡性競爭的發生，這對穩定和推動下半年的玻璃市場仍將起到積極的作用。

就本公司而言，有利因素體現在以下幾方面：一是新建生產線陸續投產，生產逐步趨於穩定，產品質量不斷提高，產品品種更加齊全，公司產品在市場上的競爭力將進一步增強；二是公司生產線除本部三線外，熔窯全部處於黃金生產周期，對提高產量、質量、總成品率，降低製造成本比較有利；三是產品結構更加合理，如龍昊低成本優勢更加明顯，龍海、龍玻超薄玻璃相互補充，龍飛、龍翔產品搭配銷售，從而使我公司產品更加細分，能夠滿足不同類型、層次用戶的需求；四是公司新開發了一批實力雄厚的大用戶，從而對穩定銷路和售價非常有利；五是經過人員分流，公司勞動生產率明顯提高，人工費用在產品成本中比重進一步下降。

(2) Business prospects for the second half of 2006

1. Favourable factors

(1) The total demand for glass showed an upward trend. The rapid growth of demand for glass was triggered by (i) the rapid development of property; (ii) the theoretical rapid growth of demand in the PRC glass market is realizing due to the wide application of energy-saving construction; (iii) the rapid development of automobiles and information industry provided room for development for quality float glass and ultra thin float glass. (2) Glass manufacturers and distributors have a strong desire to increase and maintain stable prices. The high rising production cost of glass offset the fall in price. Further to attaching importance on new products development and adjustment of product mix, glass manufacturers and distributors also actively explore niche markets and potential markets to satisfy the market in the largest extent. They also joined forces to maintain the market environment and prevent vicious competition. This plays an active role to stabilize and push ahead with the glass market in the second half of 2006.

So far as the Company is concerned, favorable factors can be demonstrated as follows: (1) competitiveness of products of the Company will be increased due to commencement of operation of new production lines, more stable production, improving product quality and increasing variety of products; (2) The furnaces of all production lines, except for production line III of the Company, are in their most productive stages, which help raising the output, quality and finished product ratio and lowering the production cost; (3) The product mix are optimized. The increased advantage of low cost of Longhao Company is supplementary to that of ultra thin glass of Longhai Company and Longbo. As products of Longfei Company and Longxiang Company are sold in bundled manner, products of the Company are classified into smaller categories so as to satisfy the needs of customers of from all walks of life; (4) The Company has explored a number of major customers with strong financial strength, which helps securing sales and stabilizing the selling prices; (5) Upon reclassification of the workforce, the productivity of the Company has been increased significantly and the ratio of staff salary to product cost was further lowered.

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2. 不利因素

首先，產能增速過快仍是玻璃市場的主要壓力。下半年，如果條件許可，仍會有十餘條生產線點火投產，此外還有數條在建擬建的浮法生產線也在如火如荼地進行當中。這仍會對下半年的玻璃市場產生巨大的壓力。

其次，原燃材料價格持續上漲，導致生產企業資金緊張。

第三，玻璃行業的競爭格局在不斷地發生着變化。業界兼併重組的步伐越來越快，競爭環境越來越殘酷，越來越激烈。

就本公司而言，主要存在以下幾個不利因素：一是資金緊張仍將成為下半年制約公司生產經營的首要問題；二是公司搬遷提到正式日程上，下半年有可能首先考慮二線搬遷問題，搬遷將牽涉到大量人力、物力、財力；三是根據市場和用戶反饋情況看，公司產品質量優勢在弱化。隨着龍昊兩條生產線的相繼點火投產，我公司低端產品的比例在增大，若不能保證質量將影響到公司產品形象。

總之，對二零零六年下半年的玻璃市場形勢依然嚴峻，競爭依然殘酷，仍將是機遇與挑戰同在。

2. Adverse factors

Firstly, excessive growth of production capacity remains the greatest pressure of the glass market. In the second half of 2006, there will be over 10 production lines to be put into operation under practicable circumstances. Several production lines of float glass are actively under construction or proposed to be constructed, which impose a huge pressure on the glass market in the second half of 2006.

Secondly, persistent price rise of raw materials led to a tight demand for funds of manufacturers.

Thirdly, competition in glass market is changing. Faster pace of merger and acquisition gave rise to fierce competition.

So far as the Company is concerned, unfavorable factors are as follows: (1) Lack of fund is the key problem to the Company's operation in the second half of 2006; (2) Office relocation has been put on agenda. The Company may consider relocate its second-tier premises first in the second half of 2006, which will involve a large volume of manpower, materials and financial resources; (3) The quality advantage of the Company's products is weakened as feedback from the market and customers. The share of low-end products is increased upon commencement of operation of Longhao Company's two production lines. The product image of the Company will be affected if the quality cannot be guaranteed.

In conclusion, embracing with opportunities and challenges, the environment of glass market in the second half of 2006 is still difficult with fierce competition.



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三. 擬採取的措施：

- (1) 大力推進精細化管理和創建節約型企業活動，不斷務實管理基礎，提高公司內部應對市場變化的能力。
 - (2) 加快推進產品結構調整，努力實現生產長期穩定，提高生產滿足市場能力。
1. 切實抓好新線達產達標工作，發揮新線裝備優勢，加快推進產品結構調整。一是龍海公司1.1mm超薄玻璃要長期達到STN級，滿足用戶要求，減少質量投訴；同時，通過技術質量攻關，使龍海公司0.7mm、0.55mm實現穩定批量生產，減少質量缺陷，達到商品化要求，特別是在超薄玻璃三塊大板生產、提高總成品率、穩定質量上下功夫。二是龍昊公司在提高質量、降低成本和精細化管理上下功夫，產品質量再上台階。三是龍翔公司集中精力搞好達產達標，使生產穩定下來，質量提上去，成本控制好，創造出應有的經濟效益。四是龍飛公司抓好冷修投產後的達產達標，通過使用煤氣使玻璃製造成本有較大幅度降低。五是加快龍昊公司在線鍍膜設備安裝，力爭9月份生產出質量優良的在線鍍膜玻璃。六是要加快浮法鍍膜廠原有在線鍍膜設備升級改造工作，通過技術改造提高產品質量。
 2. 抓好生產穩定工作，以穩產增效作為工作重點。一是減少事故發生率，提高各線生產穩定性。二是要科學安排品種顏色生產計劃，減少改色頻次，降低無效作業時間，減少損失，確保利潤最大化。三是要加快優質硅砂基地建設，尤其是龍海、龍玻硅砂問題必須在下半年予以解決，減少硅砂頻繁更換對生產的不利影響。四是建立將子公司納入統一管理的調度指揮體系。

3. Measures to be taken:

- (1) Efforts will be put on implementation of sophisticated management and establishment of economical enterprises. The Company will strive to lay a solid foundation of management to raise its internal adaptability to market changes.
 - (2) The Company will speed up product mix adjustment, aiming to achieve long-term stable production and raise its production ability to cater for the market.
1. The Company is committed to achieving production goals of new production lines, developing the advantage of the new production lines and speeding up product mix adjustment. (i) 1.1mm ultra thin glass of Longhai Company requires to meet STN grade and satisfy customers needs to reduce complaint on quality; (ii) by tackling key technological problems, 0.7mm, 0.55mm ultra thin glass of Longhai Company will be produced in scale so as to reduce product defect and meet the requirement of commercialization. In particular, efforts will be put to mass production of 3 types of ultra thin glass to maximize the finished products ratio and quality stabilization. (2) Longhao Company will endeavor to raise quality, control the cost and place stress on refined management; (iii) Longxiang Company will strive to meet production target in order to stabilize the production, raise the quality, control the cost for improving economic efficiency; (iv) Longfei Company will endeavor to meet production goal upon rollout of cool-down maintenance and the production cost of glass is expected to remarkably reduce as gas is used; (v) speed up installation of online plating equipment of Longhao, aiming to produce quality online plating glass by September; (vi) product quality will be improved due to by technological renovation which accelerate the upgrade of the existing equipment of online plating facilities in float glass plating plants.
 2. Emphasis will be placed on stable production and increased efficiency to ensure stable production. Accident rate will be reduced with enhanced production stability of all production lines. Further, implementing a production plan to arrange colour in scientific way will reduce the frequency of color change and inefficient operation time, which reduce the loss and maximize the profit. In addition, speed up the construction of quality silicone sand plant will, in particular, resolve problems encountered by Longhai Company and Longbo Company in the second half of 2006, so as to reduce the adverse influence on production caused by frequent replacement of silicone sand. Also, the Company will include its subsidiaries in deployment system under a unified management.

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三. 以市場為導向，發揮產品優勢，加大營銷工作力度，提高應對市場變化能力。

1. 加快應變能力，提高產品銷售主動性，擴大高附加值產品銷量。一是加大超厚、超薄、在線鍍膜等高附加值產品銷量，尤其要增強超薄玻璃銷售力量，使龍玻、龍海1.1mm超薄玻璃銷量上一個新台階，並努力打開0.7mm超薄玻璃市場局面，爭取實現一定銷量。二是採取差異化策略，擴大產品出口，增加出口品種，提高出口玻璃整體售價水平。

2. 加大物資採購控制，千方百計降低成本費用，尤其要加強對子公司招標採購的檢查。

四. 加強員工技能培訓，優化員工薪酬政策，認真做好公司整體搬遷各項前期準備工作。

五. 充分利用前所未有的外部環境，積極主動配合國家有關部門，確保年底前解決大股東資金佔用。

(3) The Company will target on market-oriented to exploit its product advantages and maximize marketing to raise the adaptability to market change.

1. The Company will improve its adaptability, increase initiative of sales of products and expand sales of value-added products. (i) increase sales of value-added products including extra thick, ultra thin and online plating glass. Efforts will be made, in particular, on sales of ultra thin glass so as to increase sales of 1.1mm ultra thin glass of Longbo Company and Longhai Company, and exploring the market of 0.7mm ultra thin glass and achieving considerable sales. (ii) adopt different strategies to expand products export, diversify the variety of exported products and improve the selling price of exported glass as a whole.

2. The Company will strengthen control on procurement to lower the cost by any means. In particular, review on tender of procurement of subsidiaries will be strengthened.

(4) The Company will enhance the skill training for staff, optimize the remuneration policy and carry out the preliminary preparation for relocation of the Company.

(5) The Company will take advantage of external environment and ensure the settlement of capital appropriated by the substantial shareholder by the end of the year with compliance to requirement of relevant governmental authorities.