

Significant Events

1. Acquisition and disposal

On 21 July 2006, the Company participated in the auction held by Luoyang Tielong Auction House in the meeting room on Floor 4 of Zhengzhou Yucai Hotel of Henan, and purchased certain production equipment and raw materials from Chenzhou Bada Glass Co., Ltd. of Hunan.

Seller and assets acquired	Date of acquisition	Consideration	Net profit contributed to the Company since date of acquisition to 31 December 2006	Whether a connected transaction (if so, state the basis of pricing)	Whether entitlement of assets concerned are completely transferred	Whether the creditors' and debtors' concerned are completely transferred
Chenzhou Bada Glass Co., Ltd.	21 July 2006	Rmb65,900,000	0	No	Yes	No

The Group had no 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

Connected party	Sale of products to connected parties		Provision of services to connected parties		Purchase of products from connected parties		Receiving services from connected parties	
	Amount of transactions	Percentage to similar types of transactions in terms of amount	Amount of transactions	Percentage to similar types of transactions in terms of amount	Amount of transactions	Percentage to similar types of transactions in terms of amount	Amount of transactions	Percentage to similar types of transactions in terms of amount
CLFG	0	0	915	4.93%	0	0	4,403	50.66%
Subsidiaries of CLFG	12,552	1.04%	17,455	93.98%	12,205	31.69%	4,288	49.34%

During the reporting period, products sold or services provided by the Company to its controlling shareholders and subsidiaries amounted to Rmb30,922,000.

II. Connected creditor rights and debts

Connected parties	Funds provided to connected party		Funds provided by connected party to the Company	
	Amount incurred	Balance at the end of the year	Amount incurred	Balance at the end of the year
CLFG	(130,814)	2,623	6,022	10,364
Subsidiaries of CLFG	(110,745)	8,275	8,947	13,602
Total	(241,559)	10,898	14,969	23,966

The amount of funds provided by the Company to its controlling shareholder and subsidiaries was Rmb241,559,000, balance of which was Rmb10,898,000.

III. Fund appropriation and repayment scheme in 2006

Balance of funds of the Company appropriated by the substantial shareholder and its subsidiaries for non-operating purposes (Rmb'000)		Total outstanding balance during the reporting period (Rmb'000)	Forms of repayment (Rmb'000)	Amount repaid	Time of repayment (Month)
At the beginning of year	At the end of year				
616,960	0	616,960	Using shares for debt discharging	616,960	December 2006

Explanation on the funds appropriated by the substantial shareholder and its subsidiaries and repayment thereof

In December 2006, the Group settled the appropriated expenses by ways of using shares for debt discharging.

IV. No additional funds appropriation during the reporting period

Significant Events *(Continued)*

4. Overdue deposits

The balance of the deposit as at 31 December 2006 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 65% 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 2006.

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 by the Company (excluding guarantee to controlling subsidiaries)

Data of occurrence (agreement Amount Guarantee 1provided execution date) of guarantee	Performance Type of term guarantee	Whether completed of guarantee	Connected party or not guarantee
Nil			
Total amount of guarantee provided by the Company			0
Balance of guarantee at the end of the reporting period			0
Guarantee provided by the Company to its controlling subsidiaries			
Total amount of guarantee provided by the Company to its controlling subsidiaries			Rmb133,900,000
Balance of guarantee provided by the Company to its controlling subsidiaries at the end of the reporting period			Rmb116,500,000
Guarantee provided by the Company (including guarantee to controlling subsidiaries)			
Total Guarantee (including guarantee granted to controlling subsidiaries)			
Total amount of guarantee			Rmb116,500,000
Total amount of guarantee as a percentage to the Company's net assets			37.14%
Guarantee in breach of regulations			
Amount of guarantee provided to shareholders, the de facto controller and its connected parties			0
Debt guarantee directly or indirectly provided to parties of gearing ratio over 70%			0
Total amount of guarantee over 50% of the net assets			0
Total amount of guarantee in breach of regulations			0

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.

Significant Events *(Continued)*

8. Performance of commitments

1. Commitments made during the share reform by the original holders of non-circulating shares and their performance

Share Reform

The share reform proposal of the Company was approved at the general meeting related to A share market held on 24 April 2006. Pursuant to the proposal, 4.2 shares of the Company's shares will be paid by the original holders of non-circulating shares of the Company to holders of circulating A shares for every 10 circulating A shares. All the original holders of non-circulating shares of the Company undertook to comply with the legal trading moratorium period and paid a total of 210,000,000 shares to the holders of circulating A shares as the consideration for the share reform, which were listed for trading on 8 June 2006. At the same date, the original non-circulating shares held by the holders of non-circulating shares of the Company were listed for trading.

Name of shareholder	Undertaking	Performance	Remarks
China Luoyang Float Glass (Group) Company Limited	<p>(1) Upon the approval of the Share Reform Plan at the Relevant Shareholders' Meeting, CLFG will resolve the issue of capital appropriated by CLFG and its connected parties in different manners within the timeframe before 31 December 2006 as required by the endorsement regarding the Opinions of Improving the Quality of Listed Companies issued by the State Council.</p> <p>(2) CLFG committed to undertake all expenses related to the Share Reform on its own.</p>	During the reporting period, China Luoyang Float Glass (Group) Company Limited has fully performed such undertakings	

Note: Undertaking refers to the commitments other than the statutory commitment made in the Share Reform.

2. Changes in the number of circulating shares subject to trading moratorium held by the holders of original non-circulating shares with more than 5% at the end of reporting period

Nil

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 publication, 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.
- The Company breached the Listing Rules of the Stock Exchange on 29 August 2006 due to the implementation of the newly built Longhao and Longhai projects. Since the Stock Exchange restarted the disciplinary procedures, Mr. Liu Baoying (Chairman of the Company), Mr. Zhang Shaojie (Executive Director and the General Manager), and Mr. Cao Mingchun (Financial Controller and Secretary to the Board) attended the disciplinary listening thereof on 28 November 2006.

Significant Events *(Continued)*

12. Material litigation and arbitration

1. Litigation

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. Arbitration

In order to recover the balance of funds and capital fee due to the Company and its subsidiaries from China Luoyang Float Glass (Group) Company Limited ("CLFG") and certain of its subsidiaries, the Company and its subsidiaries decided to apply to Luoyang Arbitration Committee for arbitration pursuant to the arbitration clause set out in the agreement on the fund appropriation confirmation entered into by CLFG and its subsidiaries with the Company on 3 November 2006. Luoyang Arbitration Committee made the final and conclusive judgement on 15 November 2006 after accepting the arbitration application from the Company.

1. The respondent CLFG shall repay Rmb224,042,197.38 and pay the interest of Rmb8,323, 727.73 , being Rmb232,365,925.11 in total, to the applicant (i.e. the Company).
2. The other respondents (i.e. the relevant associated companies of CLFG) shall repay Rmb383,334,772.86 and pay the interest of Rmb14,241,845.14, being Rmb397,576,627 in total, to the applicant (i.e. the Company).
3. The respondent CLFG shall take joint responsibilities for repayment of the amounts payable of the other respondents (i.e. its relevant associated companies).
4. The arbitration costs of this case and the relevant valuation expenses shall be born by the respondents.
5. The respondents shall pay the said amounts to the applicant within 5 days after the effective date of this decision. In case of failing to repay on time, the respondent CLFG shall use the A shares of the Company held by it in equivalent value of the debt to settle the debt, and shall get through the relevant procedures of using shares for debt discharging.

Since the respondents, China Luoyang Float Glass (Group) Company Limited ("CLFG") and its relevant associated companies did not perform their obligations under the judgments of the arbitration proceedings after they came into effect, the amount payable to the applicant (i.e. the Company) is overdue and has not yet been paid to the applicant. The Company therefore applied to the Intermediate People's Court of Luoyang for compulsory enforcement of the judgments.

Following accepting the Company's application on 22 November 2006, the Intermediate People's Court of Luoyang made the following judgment on 30 November 2006:

"199,981,758 restricted circulating A shares of the Company (Stock name: Luoyang Glass, Stock code: 600876) held by CLFG (B881086037) (Unit price per share is Rmb3.15 and the total price is Rmb629,942,542.83) will be (by way of using assets to repay debt) used to offset the debt and the interest thereof in the total sum of Rmb629,942,542.83 owed to the Company by CLFG, and the above 199,981,758 shares will be cancelled from the account of CLFG and relevant registration procedure for such cancellation will be carried out." According to the judgment (2007) [Luo Zhi Zi No.18-32] of the Intermediate People's Court of Luoyang, Henan Province, on 6 December 2006, 199,981,758 A shares of the Company held by CLFG were compulsorily cancelled. As such, the debt owed by CLFG and its relevant associated companies to the Company has been fully settled.

Details were published in China Securities Journal, Shanghai Securities News, Sing Tao Daily and The Standard (in English) dated 6 November 2006, 9 November 2006, 21 November 2006 and 7 December 2006.

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.

Significant Events *(Continued)*

14. The details of the establishment and improvement of the Company's internal control are set out in Chapter 7 of the annual report.

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 financial statements of Luoyang Glass Company Limited ("the Company") for 2006, including consolidated balance sheet and balance sheet as at 31 December 2006, as well as the consolidated income statement and income statement, consolidated cash flow statement and cash flow statement for 2006, and the notes to the financial statements. We have expressed an unqualified opinion on those financial statements in our auditors' report dated 25 April 2007 which includes an explanatory paragraph emphasizing the matters contained therein. We conducted our audit in accordance with China's Independent Auditing Standards of the Certified Public Accountants.

According to the requirements of China Securities Regulatory Commission and Shanghai Stock Exchange, 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 unrecovered losses amounting to Rmb1,122,133,000 and net current liabilities amounting to Rmb1,083,198,000 as at 31 December 2006 in its consolidated financial statements. Notwithstanding the disclosure made in note 2 to the financial statements that the above financial statements was prepared on the basis of the consumption of continuing as a going concern, there exists fundamental uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. This explanatory paragraph does not affect the audit opinion made.

Appendix: Note 2 to financial statements: Preparation basis for financial statements

Notwithstanding that the Company had accumulated unrecovered losses of Rmb1,122,133,000 and net current liabilities Rmb1,083,198,000 as show in its consolidated financial statements as at 31 December 2006, 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 having regard to the following:

- (i) agreements obtained from financial institution for renewal of loan facilities totalling approximately Rmb720,600,000 to the Company upon their expiry in 2007;
- (ii) continuing financial support received from China Luoyang Float Glass Group Company Limited ("CLFG"), the controlling shareholder company, together with the holding company of the CLFG; and
- (iii) According to the announcement made on 18 December 2006, CLFG had signed a strategic agreement with China National Building Material Group Corporation ("CNBMG"). Upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council, CNBMG will become the ultimate holding company of the group and will provide guarantees for procuring bank loans and for injecting capital contributions into the subsidiaries of the Company. (For details, please refer to the announcement)

The directors believe that the Company 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:

"We would draw the attention of the users of financial statements, as stated in note 2 to the financial statements, that the financial statements of the Company was prepared on assumption that the Company will continue as a going concern during the period from the end of the reporting period and 31 December 2007. The Company had accumulated losses amounting to Rmb1,122,133,000 and net current liabilities exceeding net assets by Rmb497,756,000 at 31 December 2006. Notwithstanding the disclosure made in note 2 to the financial statements that the above financial statements was prepared on the basis of the consumption of continuing as a going concern, there exists fundamental uncertainty which may cast significant doubt about the Company'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.

Guangdong Hengxin Delu Certified Public Accountants CO. LTD
PRC registered accountant: Li Wenzhi
PRC registered accountant: Wang Yanquan

Zhuhai, the PRC

25 April 2007

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 2005

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

We have accepted the appointment and audited the financial statements of Luoyang Glass Company Limited ("the Company") for 2006, including the Company's consolidated balance sheet and balance sheet as at 31 December 2006, as well as the consolidated income and income statement, consolidated cash flow statement and cash flow statement for 2006, and the notes to the financial statements. And we have expressed an unqualified audit opinion on those financial statements in our auditors' report dated 25 April 2007 which includes an explanatory paragraph emphasizing 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" (Zheng Jian Fa [2003] No. 56) 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 non-operating funds of Luoyang Glass Company Limited and other related parties transactions for the year ended 31 December 2006" (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 2006.

In order to have a better understanding on the use of non-operating fund of the Company and other related parties transactions for the year ended 31 December 2006, the Summary should be read in conjunction with the audited financial statements.

Appendix: Summary of the use of non-operating funds of Luoyang Glass Company Limited and other related parties transactions for the year ended 31 December 2006

Guangdong Hengxin Delu Certified Public Accountants CO. LTD
PRC registered accountant: Li Wenzhi
PRC registered accountant: Wang Yanquan

Zhuhai, the PRC

25 April 2007

Significant Events *(Continued)*

Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2006.

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)	Decrease during 2005 (Rmb)	Balance at the end of the 2005 (Rmb)	Reason for occurrence	Nature of funds used
Controlling shareholder and its subsidiaries	China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	Accounts receivable	83,931,887.78	155,700.99	—	84,087,588.77	—	Long-term delayed payment	Non-operating use of funds
	China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	Other receivables	142,564,796.14	608,678,798.85	22,565,572.87	773,809,167.86	—	Other advances and borrowings	Non-operating use of funds
	China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	Interests receivable	1,971,864.00	—	—	1,971,864.00	—	Appropriated expenses of borrowings	Non-operating use of funds
	CLFG Qingdao Taiyang Glass Industry Co., Ltd.	Under the common control of CLFG	Accounts receivable	3,215,393.10	—	—	3,215,393.10	—	Long-term delayed payment	Non-operating use of funds
	CLFG Qingdao Taiyang Glass Industry Co., Ltd.	Under the common control of CLFG	Other receivables	168,678,349.76	—	—	168,678,349.76	—	Borrowings	Non-operating use of funds
	CLFG Qingdao Taiyang Glass Industry Co., Ltd.	Under the common control of CLFG	Interests receivable	45,007,929.79	—	—	45,007,929.79	—	Appropriated expenses of borrowings	Non-operating use of funds
	CLFG Jingwei Glass Fibre Co., Ltd.	Under the common control of CLFG	Other receivables	54,896,103.18	15,381,930.60	—	70,278,033.78	—	Long-term delayed payment	Non-operating use of funds
	CLFG Jingwei Glass Fibre Co., Ltd.	Under the common control of CLFG	Bills receivable	3,560,000.00	—	—	3,560,000.00	—	Long-term delayed payment	Non-operating use of funds
	Luoyang Jingxin Ceramic Co., Ltd.	Under the common control of CLFG	Other receivables	37,176,997.85	55,120.16	—	37,232,118.01	—	Borrowings	Non-operating use of funds
	Luoyang Jingxin Ceramic Co., Ltd.	Under the common control of CLFG	Prepayments	55,120.16	—	—	55,120.16	—	Borrowings	Non-operating use of funds
	CLFG Luoyang Hoisting Machinery Co., Ltd.	Under the common control of CLFG	Other receivables	18,017,670.41	—	—	18,017,670.41	—	Borrowings and other advances	Non-operating use of funds
	CLFG Luoyang Hoisting Machinery Co., Ltd.	Under the common control of CLFG	Prepayments	237,056.82	—	—	237,056.82	—	Long-term project prepayment	Non-operating use of funds
	CLFG Luoyang Jingwei Glass Container Co., Ltd.	Under the common control of CLFG	Accounts receivable	897.00	—	—	897.00	—	Long-term delayed payment	Non-operating use of funds
	CLFG Luoyang Jingwei Glass Container Co., Ltd.	Under the common control of CLFG	Other receivables	14,435,864.61	—	—	14,435,864.61	—	Borrowings and delayed payment	Non-operating use of funds
	CLFG Luoyang Jinghua Industrial Co., Ltd.	Under the common control of CLFG	Accounts receivable	238,400.00	—	—	238,400.00	—	Long-term delayed payment	Non-operating use of funds
	CLFG Luoyang Jinghua Industrial Co., Ltd.	Under the common control of CLFG	Other receivables	12,185,850.97	—	—	12,185,850.97	—	Long-term delayed payment	Non-operating use of funds
	CLFG Mineral Products Co.	Under the common control of CLFG	Other receivables	971,226.86	—	—	971,226.86	—	Borrowings	Non-operating use of funds
	CLFG Mineral Products Co.	Under the common control of CLFG	Short-term investments	10,500,000.00	8,000,000.00	—	18,500,000.00	—	Borrowings	Non-operating use of funds
	CLFG Mineral Products Co.	Under the common control of CLFG	Prepayments	—	500,000.00	—	500,000.00	—	Long-term prepayments	Non-operating use of funds
	Luoyang Jingbao Decoration Glass Co., Ltd.	Under the common control of CLFG	Other receivables	7,389,297.24	—	—	7,389,297.24	—	Long-term delayed payment	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Other receivables	191,840.17	650,255.63	—	186,000.00	656,095.80	Long-term delayed payment (Note)	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Accounts receivable	940,904.76	288,117.24	—	114,117.24	1,114,904.76	Long-term delayed payment (Note)	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Bills receivable	3,276,861.35	—	—	3,276,861.35	—	Long-term delayed payment	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Prepayments	440,128.00	—	—	—	440,128.00	Long-term delayed payment (Note)	Non-operating use of funds
	CLFG Longman Sugang	Under the common control of CLFG	Other receivables	2,554,326.73	—	—	2,554,326.73	—	Long-term delayed payment	Non-operating use of funds
	CLFG Xinxing Co., Ltd.	Under the common control of CLFG	Other receivables	6,641.68	1,436,846.94	—	1,443,488.62	—	Long-term delayed payment	Non-operating use of funds
	CLFG New Illuminating Source Co., Ltd.	Under the common control of CLFG	Other receivables	1,178,610.99	—	—	1,178,610.99	—	Long-term delayed payment	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 2006. *(Continued)*

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
	Guangdong Nanhai Junxiong Glass Screen Co., Ltd.	Under the common control of CLFG	Accounts receivable	884,452.45	—	—	884,452.45	—	Long-term delayed payment	Non-operating use of funds
	Shenzhen Luohe Trading Company Limited	Under the common control of CLFG	accounts receivable	839,232.74	—	—	839,232.74	—	Long-term delayed payment	Non-operating use of funds
	Shenzhen Guanghua Zhongkong Glass Company Ltd.	Under the common control of CLFG	Accounts receivable	657,867.93	188,888.16	—	846,756.09	—	Long-term delayed payment	Non-operating use of funds
	Luoyang Xiangyu Industrial Co.	Under the common control of CLFG	Other receivables	555,278.95	—	—	555,278.95	—	Borrowings	Non-operating use of funds
	Luoyang Longxin Glass Company	Under the common control of CLFG	Other receivables	297,797.76	318,690.01	—	616,487.77	—	Long-term delayed payment	Non-operating use of funds
	CLFG Luoyang Jingrun Coating Glass Co., Ltd.	Under the common control of CLFG	Other receivables	56,524.00	—	—	56,524.00	—	Long-term delayed payment	Non-operating use of funds
	China Luoyang Float Glass Group Financial Company of Limited Liabilities	Under the common control of CLFG	Other receivables	7,623.54	—	—	7,623.54	—	Other advances	Non-operating use of funds
	Luoyang Lubo Hotel	Under the common control of CLFG	Other receivables	34,640.00	—	—	34,640.00	—	Long-term delayed payment	Non-operating use of funds
	Total			616,957,436.72	635,654,348.58	—	1,272,966,229.61	2,211,128.56		

Note: Balance of CLFG Processed Glass Company (the "Processed Company") at the end of 2006 amounted to Rmb2,211,128.56, being the balance of the appropriated funds of Xiangfan Luoshen Vehicle Glass Company Limited ("Luoshen"), the controlling subsidiary of the Company, by the Processed Company. Meanwhile, Luoshen had the outstanding debt of Rmb2,034,022.53 payable to the Processed Company, resulting in the difference of Rmb177,106.03 in creditor rights and debts of Luoshen due to the Processed Company.

Significant Events *(Continued)*

Appendix: Summary of the use of funds by the controlling shareholder and other related parties for the year ended 31 December 2006. *(Continued)*

Other amounts due from related parties

Other amounts due from related parties	Name of related parties	Relationship with listed company	Balance at the Account name beginning of 2006	Increase during (interest excluded)	Interest for 2006	Decrease during 2006	Balance at the end of 2006	Reason for occurrence	Nature of funds used	
Controlling shareholder and its subsidiaries	China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	Prepayments	—	74,445,700.00	—	71,822,347.71	2,623,352.29	Constructive materials prepayment	Non-operating use of funds
	CLFG Jingwei Glass Fibre Co., Ltd.	Under the common control of CLFG	Bills receivable	—	—	14,013,512.00	—	12,673,512.00	Trade receivables use of funds	Non-operating
	CLFG Luoyang Hoisting Machinery Co., Ltd.	Under the common control of CLFG	Prepayments	—	—	12,428.12	—	10,978.12	Prepayment for goods	Non-operating use of funds
	CLFG Luoyang Jinghua Industrial Co., Ltd.	Under the common control of CLFG	Other receivables	—	—	147,823.05	—	142,099.68	Trade receivables use of funds	Non-operating
	CLFG Processed Glass Company	Under the common control of CLFG	Bills receivable	—	—	8,486,850.00	—	5,723.37	Trade receivables	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Accounts receivable	—	—	668,000.00	—	7,818,850.00	Trade receivables	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Other receivables	—	—	7,441,444.00	—	5,410,729.80	Trade receivables	Non-operating use of funds
	CLFG Processed Glass Company	Under the common control of CLFG	Other receivables	—	—	13,291.46	—	2,030,714.20	Trade receivables	Non-operating use of funds
	CLFG Longman Sugang Company Ltd.	Under the common control of CLFG	Other receivables	—	—	323,654.90	—	3,106.53	Trade receivables	Non-operating use of funds
	CLFG Longman Sugang Company Ltd.	Under the common control of CLFG	Other receivables	—	—	84,611.16	—	179,829.13	Trade receivables	Non-operating use of funds
The Company's subsidiaries and their subsidiaries	China Luoyang Float Glass Group Financial Company of Limited Liabilities	Under the common control of CLFG	Other receivables	—	—	84,611.16	—	143,825.77	Trade receivables	Non-operating use of funds
	CLFG Engineering Design Company	Under the common control of CLFG	Prepayments	—	—	35,000.00	—	81,214.03	Prepayment for engineering design	Non-operating use of funds
	Luobo Group Longmen Glass Company Limited	Subsidiary	Short-term investments	142,000,000.00	154,900,000.00	10,969,575.01	141,969,575.01	35,000.00	Borrowings	Non-operating use of funds
	Luobo Group Luoyang Longhao Glass Company Limited	Subsidiary	Short-term investments	—	111,731,800.00	3,553,015.04	16,584,815.04	98,700,000.00	Borrowings	Non-operating use of funds
	Luobo Group Luoyang Longhai Electronic Glass Company Limited	Subsidiary	Short-term investments	—	70,000,000.00	1,994,560.46	1,994,560.46	70,000,000.00	Borrowings	Non-operating use of funds
	Luobo Group Longfei Glass Company Limited	Subsidiary	Borrowings	Non-operating use of funds	20,000,000.00	1,125,427.27	16,125,427.27	20,000,000.00	Borrowings	Non-operating use of funds
	Yinan Huasheng Mineral Industrial Company Limited	Subsidiary	Other receivables	31,912,771.74	—	1,287,000.00	—	33,199,771.74	Borrowings	Non-operating use of funds
	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	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		Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Total	—	—	—	188,912,771.74	461,636,114.69	18,929,577.78	274,817,044.78	394,661,419.43	—	—

(company seal)

Liu Baoying
Legal Representative
(Signature and Seal)

Ding Jianluo
General Manager
(Signature and Seal)

Dong Mingchun
Financial Controller
(Signature and Seal)

Significant Events *(Continued)*

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 2007