洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

THIRD QUARTERLY REPORT 2003

1. IMPORTANT NOTES

1.1 It is hereby confirmed by the Board of Directors of the Company that there is no false representation, material misleading information or substantial omission, contained in this report. The Board of Directors of the Company also jointly and severally accepts full responsibility for the truthfulness, accuracy and completeness of the contents of the report.

1.2 The quarterly financial statements of the Company have not been audited.

1.3 The Company's chairman Mr. Liu Baoying, Financial Director Gao Tianbao and Head of Finance Department Mr. Wang Hongtao warrant that the financial statements in the quarterly report are true and complete.

2. BASIC INFORMATION OF THE COMPANY

2.1 Basic Information of the Company

Abbreviation of the Company's shares	:	Luoyang Glass
Abbreviation prior to change (if any)	:	
Stock code	:	A Shares - 600876 H Shares - 1108
Secretary to the Board	:	Name: Mr. Wang Jie
Securities affairs representative	:	—
Contact address	:	Secretary Office of the Board of Directors of Luoyang Glass Company Limited No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipality, Henan Province, the People's Republic of China
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2.2 Financial Data

2.2.1 Major Accounting Data and Financial Indicators

	End of this reporting period	End of last year	End of this reporting period against end of the last year Increase/ decrease (%)
Total assets ('000)	2,650,572	2,835,698	(6.53)
Shareholders' funds (excluding minority interests) ('000)	1,067,950	1,218,037	(12.32)
Net assets per share (RMB)	1.53	1.74	(12.07)
Adjusted net assets per share (RMB)	0.69	0.86	(19.77)

	Reporting period	From beginning of the year to end of reporting period	This reporting period against corresponding period of last year Increase/ decrease (%)
Net cash flow arising from operating activities ('000)	24,130	65,413	
Earnings per share (RMB)	0.013	(0.21)	125
Return on net assets (%)	0.83	(14.05)	127.95
Return on net assets after deduction of non-operating items (%)	1.17	(13.74)	195.90

Note: As the Company has not prepared cash flow statement for the corresponding period in previous year, it is not possible to compare the current year's figures with those of previous year.

Non-operating items	**RMB'000**
Non-operating income	6,339
Non-operating expenses	2,994
Total	3,345

2.2.2 Income Statements

2.2.2.1 Consolidated Income Statement (Unaudited)
For the nine months ended 30 September 2003

	For the nine months ended 30 September	
	2003	**2002**
	(RMB'000)	*(RMB'000)*
Income from principal operations	668,605	587,301
Less: Cost of sales	(574,646)	(569,159)
Business tax and surcharges	(1,010)	(2,725)
Profit from principal operations	92,949	15,417
Less: Operating expenses	(26,059)	(24,195)
Administrative expenses	(193,518)	(69,371)
Financial expenses	(30,416)	(32,227)
Operating loss	(157,044)	(110,376)
Add: Investment gain/(loss)	3,317	(2,280)
Non-operating income	6,339	9,074
Less: Non-operating expenses	(2,994)	(51,992)
Total loss	(150,382)	(155,574)
Less: Income tax expenses	(145)	(200)
Minority interests	440	21,169
Net loss	(150,087)	(134,605)
Add: Accumulated deficit at the beginning of the period	(675,901)	(331,210)
Accumulated deficit	(825,988)	(465,815)

2.2.2.2 Income Statement (Unaudited)
For the nine months ended 30 September 2003

	For the nine months ended 30 September	
	2003	**2002**
	(RMB'000)	*(RMB'000)*
Income from principal operations	502,312	470,319
Less: Cost of sales	(425,387)	(450,721)
Business tax and surcharges	(608)	(1,920)
Profit from principal operations	76,317	17,678
Less: Operating expenses	(20,125)	(17,465)
Administrative expenses	(173,343)	(49,117)
Financial expenses	(20,488)	(18,020)
Operating loss	(137,639)	(66,924)
Add: Investment gain/(loss)	6,043	(52,408)
Non-operating income	6,524	477
Less: Non-operating expenses	(2,780)	(15,750)
Total loss	(127,852)	(134,605)
Less: Income tax expenses	(145)	—
Net loss	(127,997)	(134,605)
Add: Accumulated deficit at the beginning of the period	(659,097)	(320,900)
Accumulated deficit	(787,094)	(455,505)

2.2.2.3 Consolidated Income Statement (Unaudited)
For the three months from 30 June 2003 to 30 September 2003

	For the three months from 30 June 2003 to 30 September 2003 *(RMB'000)*	For the three months from 30 June 2002 to 30 September 2002 *(RMB'000)*
Income from principal operations	281,750	234,770
Less: Cost of sales	(222,970)	(234,040)
Business tax and surcharges	(661)	(1,451)
Profit/(loss) from principal operations	58,119	(721)
Less: Operating expenses	(9,059)	(9,432)
Administrative expenses	(27,446)	2,897
Financial expenses	(10,638)	(11,426)
Operating profit/(loss)	10,976	(18,682)
Add: Investment gain/(loss)	1,962	(628)
Non-operating income	(1,388)	(254)
Less: Non-operating expenses	(2,257)	(21,035)
Total profit/(loss)	9,293	(40,599)
Less: Income tax expenses	—	—
Minority interests	(406)	4,399
Net profit/(loss)	8,887	(36,200)

2.2.2.4 Income Statement (Unaudited)
For the three months from 30 June 2003 to 30 September 2003

	For the three months from 30 June 2003 to 30 September 2003 *(RMB'000)*	For the three months from 30 June 2002 to 30 September 2002 *(RMB'000)*
Income from principal operations	200,815	197,466
Less: Cost of sales	(156,955)	(196,518)
Business tax and surcharges	(456)	(1,150)
Profit/(loss) from principal operations	43,404	(204)
Less: Operating expenses	(7,149)	(6,981)
Administrative expenses	(21,479)	2,866
Financial expenses	(7,452)	(2,823)
Operating profit/(loss)	7,324	(7,142)
Add: Investment gain/(loss)	5,025	(14,442)
Non-operating income	(1,258)	(19)
Less: Non-operating expenses	(2,191)	(14,597)
Total profit/(loss)	8,900	(36,200)
Less: Income tax expenses	—	—
Net profit/(loss)	8,900	(36,200)

2.2.3 Number of Shareholders at the End of the Reporting Period

At the end of the reporting period, there was a total of 31,521 shareholders of whom 31,430 were holders of A shares and 91 were holders of H shares.

3. MANAGEMENT DISCUSSION AND ANALYSIS

A brief analysis of the overall business activities during the reporting period

During the reporting period, it was the peak season in the PRC domestic market for flat glass sheets. There has been a trend of continuous increase in selling price since June and the prices of major products had increased by 5.3% so that the Company has recorded a relatively significant increase in sale revenues. At the same time, the effectiveness of the Company's adjustment in product mix has achieved an obvious result. Sales volume of Longmen Glass Company's 1.1 mm glass reached the level of 66,800 weighted cases during the period from January to September, of which sales volume in the third quarter was 34,000 weighted cases, representing 103.66% of the sales volume in the first half of the year. Sales volume of online electroplate-layered glass achieved sales volume of 86,200 weighted cases during the period from January to September, of which sales volume in the third quarter was 58,500 weighted cases, representing 211.19% of the sales volume in the first half of the year. As a result, the overall operating results of the Company had a relatively larger improvement as compared with the previous period.

3.1.1 Principal Sector or Product which Accounts for over 10% of the Total Income or Profit from Principal Operations

☑ Applicable ☐ Not applicable

Unit: RMB'000

By sector or product	Income from principal operations	Cost of principal operations	Gross profit (%)
Flat float glass	668,605	574,646	14.05
Comprising:			
connected transactions	69,723	68,829	1.28

3.1.2 Seasonal and Cyclical Characteristics of the Company's Operations

☑ Applicable ☐ Not applicable

The third quarter was the peak season for flat glass sheets. During the period, the level of profit for flat glass sheets segment was higher than the first half of the year.

3.1.3 Profit Constituents During the Reporting Period (major changes in the percentages of profit from principal operations, profit from other operations, expenses during the period, return on investment and net non-operating income in total profit against the previous reporting period, and explanations of reasons therefor)

☑ Applicable ☐ Not applicable

Items	This Period (%)	Previous period (%)	Increase/ decrease (%)	Explanation
Profit/(loss) from principal operations	625.41	(21.81)	2,967.54	This was mainly because there has been a continuous increase in selling price since June, resulting in a relatively significant increase in sale revenues.
Other operating profit	507.30	(127.04)	499.32	This was mainly attributable to an increase in overseas sales during the period, resulting in a rise of transportation costs.
Expenses for the period	21.11	(0.85)	2,583.53	This was mainly due to the receipt of dividends.
Investment income				This was mainly due to a write-off of bad debts during the previous period, resulting in a rise in non-operating income.
Subsidy income				
Net operating income/expenses	39.22	(4.38)	995.43	

3.1.4 Major Changes in Principal Operations and Their Structure over the Previous Reporting Period and Explanations of Reasons Therefor

☐ Applicable ☑ Not applicable

3.1.5 Major Changes in Percentage of Profitability (Gross Profit) of Principal Operations over the Previous Reporting Period and Explanations of Reasons Therefor

☑ Applicable ☐ Not applicable

During the period, the gross margin of the Company's product flat float glass was 20.86%, representing an increase of 9.09% as compared with 11.77% in previous period. The major reason for the increase was due to the increase in selling prices in the flat float glass market during the period.

3.2 Significant Events and Their Effect and Explanation of Analysis of Solutions

☐ Applicable ☑ Not applicable

3.3 Changes in Accounting Policy, Accounting Estimates and Consolidation as well as Major Accounting Differences and Explanations of Reasons Therefor

☐ Applicable ☑ Not applicable

3.4 Relevant Explanations Given by the Board of Directors and Supervisory Committee upon Completion of Auditing and Issuance of Qualified Opinion

Explanations had been given by the Board of Directors in respect of the matters for qualified opinion issued by the auditors in previous year and appropriate measures had been implemented and achieved certain results. During the period, the effectiveness of better product mix of the Group gradually achieved obvious results. Gross margin of the Company's products increased and profit was recorded for these products. At the same time, there was faster collection of accounts receivable. The financial position and liquidity of the Company was improved.

3.5 Expectation of a Possible Loss or Substantial Changes in Aggregate Net Profit from Beginning of the Year to the End of Next Reporting Period over the Same Period, and Explanations of Reasons Therefor

☑ Applicable ☐ Not applicable

The Company made a provision for bad debts in the first half of the year. Due to the increase in price of heavy oil which is the Company's major fuels in production, the production cost increased. Although it was the peak seaon for the sale of flat glass sheets and profit was recorded in the third quarter, the flat glass sheets market has slowed down again in the fourth quarter of the year. The Company therefore expects that it is likely to incur loss for the whole year.

3.6 Adjustment or Rollover of the Disclosed Annual Business Plan or Budget

☐ Applicable ☑ Not applicable

Board of Directors
Luoyang Glass Company Limited

29 October 2003

Please also refer to the published version of this announcement in The Standard / Hong Kong Economic Times.