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)

(Stock Code: 1108)

FIRST QUARTERLY REPORT 2004

IMPORTANT

The Board of Directors of the Company hereby confirms that there are no false representations, misleading statements or material omissions contained in this report. The financial report of the Company for this quarter has not been audited. This quarterly report is prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies by the China Securities Regulatory Commission. The information in this Report is the same as that published by the Shanghai Stock Exchange, and this Report is published simultaneously in Shanghai and Hong Kong. All financial information set out in this quarterly report has been prepared in accordance with PRC accounting Rules and Regulations. Shareholders of the Company and public investors should be aware of the risks of investment when trading in shares.

This announcement is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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. This quarterly report is prepared in accordance with the regulations on Disclosure of Information in Quarterly Reports for Listed Companies by the China Securities Regulatory Commission.

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

2. GENERAL INFORMATION REGARDING THE COMPANY

2.1 General Information Regarding the Company

Abbreviation of the Company's shares	:	*ST Luobo	
Before change of abbreviation (if any)	:	洛陽玻璃	
Abbreviation prior to change (if any)	:		
Stock code	:	A shares - 600876	H shares - 1108
Secretary to the Board	:	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

Unit: RMB

	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)	**2,368,735**	2,323,655	1.94
Shareholders' funds (excluding minority interests) ('000)	**905,327**	875,920	3.36
Net assets per share	**1.29**	1.25	3.2
Adjusted net assets per share	**0.65**	0.61	6.56

Unit: RMB

	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)	10,450	10,450	150.72
Earnings per share	0.042	0.042	400
Return on net assets (%)	3.24	3.24	403
Return on net assets after deduction of non-operating items (%)	3.51	3.51	444

Non-operating items	**Amount** *(RMB'000)*
Non-operating income	699
Non-operating expenses	371
Total	328

2.2.2 Income Statements

Prepared by Luoyang Glass Company Limited

Income Statements and Profit Appropriation Statements
(Prepared under the PRC accounting Rules and Regulations)

Unit: RMB'000

Items	the Group **This period**	 Previous period	the Company **This period**	 Previous period
Income from principal operations	**251,098**	191,452	**141,766**	151,139
Less: Cost of sales	**(175,881)**	(171,568)	**(98,865)**	(133,194)
Business tax and surcharges	**(1,222)**	(65)	**(410)**	
Profit/(loss) from principal operations	**73,995**	19,819	**42,491**	17,945
Add: Profit/(loss) from other operations	**—**	—	**—**	—
Less: Operating expenses	**(6,646)**	(7,851)	**(4,769)**	(5,785)
Administrative expenses	**(21,760)**	(16,072)	**(14,774)**	(11,040)
Financial expenses	**(13,987)**	(10,294)	**(11,073)**	(7,147)
Operating profit/(loss)	**31,602**	(14,398)	**11,875**	(6,027)
Add: Investment gain/(loss)	**147**	362	**6,000**	(1,334)
Subsidy income	**—**	—	**—**	—
Non-operating income	**699**	1,685	**757**	1,429
Less: Non-operating expenses	**(371)**	(13)	**(346)**	(11)
Total profit/(loss)	**32,077**	(12,364)	**18,286**	(5,943)
Less: Income tax expenses	**1,370**	—	**—**	—
Minority interests	**(4,076)**	2,874	**—**	—
Net profit/(loss)	**29,371**	(9,490)	**18,286**	(5,943)
Add: Undistributed profit/(loss) at the beginning of the period	**(1,018,682)**	(675,901)	**(983,443)**	(659,097)
Other transfer	**—**	—	**—**	—

2.3 Number of Shareholders at the End of the Reporting Period

At the end of the reporting period, there was a total of 27,705 shareholders of whom 27,617 were holders of A shares and 88 were holders of H shares.

3. MANAGEMENT DISCUSSION AND ANALYSIS

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

During the year, the focus of the Company was to keep abreast with market demands and grasp market opportunities. Externally, the Company's strategy in sales and marketing was keeping close touch with the market and refining its product lines. Besides, the Company responded quickly to market needs and made flexibly follow-up in order to enhance product marketability. Internally, the Company targeted at steady, quality and high capacity production. The Company accelerated the pace of adjustment on product structure, and unlocked potentials in enhancing management efficiency. With repetitive evaluations and improvement on the production of on-line plating glass and ultra-thin sheet glass, the productions of quality grade and A grade products increased significantly, with prominent improvement in maintaining stable quality of production. In addition, market development achieved a breakthrough progress, and sales and production of high value-added products flourished. The Company's production in the first quarter was steady. It has produced 3,510,800 weighted cases of float glass with a wide variety of product types, colors and specifications. Further, selling price of products increased. The major products of the Company increased 30.95% as compared with the corresponding period last year. The gross profit margin in sales for the first quarter was 29.96%, representing an increase of 19.57% as compared with the corresponding period last year, with principal business realized a profit of RMB74,000,000, representing an increase of over RMB54,180,000 as compared with the corresponding period last year, which laid a foundation for the profit of the Company.

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	251,098	175,881	29.96
Comprising:			
connected transactions	4,415	3,092	29.96

3.1.2 Seasonal and Cyclical Characteristics of the Company's Operations

☑ Applicable ☐ Not applicable

For the Company, the first quarter was a sales off season.

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			
	Amount *(RMB'000)*	Percentage of total profit %	Amount *(RMB'000)*	Percentage of total profit %	Increase/ decrease %	Explanation
Profit from principal operations	73,995	230.68	19,819	(160.30)	390.98	Selling prices increased substantially
Expenses during the period	42,393	132.16	34,217	(276.75)	408.91	Substantial loss reduction in total profit against corresponding period last year

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

Please see the section on Management Discussion and Analysis.

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 Unqualified Opinion

☐ Applicable ☑ Not applicable

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 (Second Quarter of 2003) over the Same Period, and Explanations of Reasons Therefor

☑ Applicable ☐ Not applicable

The Company expects that it is likely to record profit for the six months ending 30 June 2004.

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

☐ Applicable ☑ Not applicable

The Board of Directors of the Company consists of Messrs. Liu Baoying, Wang Yongxin, Zhu Leibo, Zhang Shaojie, Zhu Liuxin, Jiang Hong, Wang Jie, Dai Zhiliang, Zong Pengrong, Xi Shengyang and Dong Chao.

Board of Directors
Luoyang Glass Company Limited

26 April 2004

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