



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)

THIRD QUARTERLY REPORT 2004

1 IMPORTANT NOTES

- 1.1 It is hereby confirmed by the Board of Directors (the "Board") of the Company that there is no false representation, material misleading information or substantial omission, contained in this report. The Board 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 This announcement is made pursuant to Rule 13.09(2) of the Listing Rules.
- 1.3 The quarterly financial statements of the Company have not been audited.
- 1.4 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
Abbreviation prior to change (if any)	:	Luoyang Glass
Stock code	:	A Shares - 600876 H Shares - 1108
Secretary to the Board	:	Mr. Wang Jie
Securities affairs representative	:	—
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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 (RMB'000)	2,312,636	2,323,655	(0.47)
Shareholders' funds (excluding minority interests) (RMB'000)	932,153	875,920	6.42
Net asset per share (RMB)	1.33	1.25	6.4
Adjusted net asset per share (RMB)	0.85	0.61	39.34
	Reporting period (July- September)	From beginning of the year to end of reporting period (January- September)	This reporting period against corresponding period of last year Increase/ decrease (%)
Net cash flow arising from operating activities (RMB'000)	91,135	235,273	277.68
Earnings per share (RMB)	0.03	0.08	130.77
Return on net asset (%)	2.37	6.03	increased by 1.54 percentage point
Return on net asset after deduction of non-operating items (%)	1.94	4.80	increased by 0.77 percentage point
Non-operating items			Amount (RMB'000)
Non-operating income			12,380
Non-operating expenses			(901)
Total			<u>11,479</u>

2.2.2 Income Statements

2.2.2.1 Consolidated Income Statement (Unaudited)

For the nine months ended 30 September 2004

	For the nine months ended 30 September 2004 <i>(RMB'000)</i>	For the nine months ended 30 September 2003 <i>(RMB'000)</i>
Income from principal operations	846,705	668,605
Less: Cost of sales	(628,741)	(574,646)
Business tax and surcharges	(4,628)	(1,010)
Profit from principal operations	213,336	92,949
Less: Operating expenses	(22,401)	(26,059)
Administrative expenses	(98,931)	(193,518)
Financial expenses	(38,444)	(30,416)
Operating profit/(loss)	53,560	(157,044)
Add: Investment gain	1,557	3,317
Non-operating income	12,380	6,339
Less: Non-operating expenses	(901)	(2,994)
Total profit/(loss)	66,596	(150,382)
Less: Income tax expenses	(4,719)	(145)
Add: Minority interests	(5,679)	440
Net profit/(loss)	56,198	(150,087)
Add: Accumulated deficit at the beginning of the period	(1,018,682)	(675,901)
Accumulated deficit	<u>(962,484)</u>	<u>(825,988)</u>

2.2.2.2 Income Statement (Unaudited)

For the nine months ended 30 September 2004

	For the nine months ended 30 September 2004 <i>(RMB'000)</i>	For the nine months ended 30 September 2003 <i>(RMB'000)</i>
Income from principal operations	508,783	502,312
Less: Cost of sales	(386,208)	(425,387)
Business tax and surcharges	(2,275)	(608)
Profit from principal operations	120,300	76,317
Less: Operating expenses	(15,634)	(20,125)
Administrative expenses	(49,300)	(173,343)
Financial expenses	(30,462)	(20,488)
Operating profit/(loss)	24,904	(137,639)
Add: Investment gain	11,340	6,043
Non-operating income	6,493	6,524
Less: Non-operating expenses	(482)	(2,780)
Total profit/(loss)	42,255	(127,852)
Less: Income tax expenses	—	(145)
Net profit/(loss)	42,255	(127,997)
Add: Accumulated deficit at the beginning of the period	(983,443)	(659,097)
Accumulated deficit	<u>(941,188)</u>	<u>(787,094)</u>

2.2.2.3 Consolidated Income Statement (Unaudited)

For the three months period from 30 June 2004 to 30 September 2004

	For the three months period from 30 June 2004 to 30 September 2004 <i>(RMB'000)</i>	For the three months period from 30 June 2003 to 30 September 2003 <i>(RMB'000)</i>
Income from principal operations	315,676	281,750
Less: Cost of sales	(235,780)	(222,970)
Business tax and surcharges	(2,243)	(661)
Profit from principal operations	77,653	58,119
Less: Operating expenses	(7,756)	(9,059)
Administrative expenses	(37,259)	(27,446)
Financial expenses	(11,280)	(10,638)
Operating profit	21,358	10,976
Add: Investment (loss)/gain	(2,815)	1,962
Non-operating income	4,043	(1,388)
Less: Non-operating expenses	(44)	(2,257)
Total profit	22,542	9,293
Less: Income tax expenses	—	—
Minority interests	(432)	(406)
Net profit	<u>22,110</u>	<u>8,887</u>

2.2.2.4 Income Statement (Unaudited)

For the three months period from 30 June 2004 to 30 September 2004

	For the three months period from 30 June 2004 to 30 September 2004 <i>(RMB'000)</i>	For the three months period from 30 June 2003 to 30 September 2003 <i>(RMB'000)</i>
Income from principal operations	198,088	200,815
Less: Cost of sales	(154,607)	(156,955)
Business tax and surcharges	(1,154)	(456)
Profit from principal operations	42,327	43,404
Less: Operating expenses	(5,557)	(7,149)
Administrative expenses	(15,349)	(21,479)
Financial expenses	(8,560)	(7,452)
Operating profit	12,861	7,324
Add: Investment (loss)/gain	(173)	5,025
Non-operating income	2,383	(1,258)
Less: Non-operating expenses	(36)	(2,191)
Total profit	15,035	8,900
Less: Income tax expenses	—	—
Net profit	<u>15,035</u>	<u>8,900</u>

2.2.3 Number of Shareholders at the End of the Reporting Period

Total number of Shareholders at the end of the reporting period 23,283, including 23,195 holders of 'A' Shares and 88 holders of 'H' Shares.

Shareholdings of the top ten shareholders

Name of shareholders (full name)	Number of shares held at the end of the period	Type of shares (A Shares, B Shares, H Shares or others)
Hong Kong Securities Clearing Company (Nominees) Company Limited	246,912,998	H Shares
金信信託投資顧問有限公司	3,169,678	A Shares
Industrial and Commercial Bank of China — 隆元證券投資基金	1,486,478	A Shares
HSBC Nominees (Hong Kong) Limited	570,000	H Shares
Chuk Yee Men Liza	374,000	H Shares
Wen Zhenghe	313,254	A Shares
Wong Sing To	200,000	H Shares
Zheng Qinghui	197,499	A Shares
Tian Chuangwei	197,078	A Shares
Xu Erguan	192,161	A Shares

3 MANAGEMENT DISCUSSION AND ANALYSIS

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

During the reporting period, the Company speeded up optimisation and upgrade of product mix. With an active adaptation to market changes, the Company proactively grasped market opportunities, exerted greater strength in product sales by enhancing the sales volume of high value-added products. Profits from production and operational activities maintained a sound momentum in the first half of the year as a result of adopting effective strategies and measures. Specifically speaking, firstly, the Company's operation in large glass in the third quarter realised a sales volume of 900,000 heavy-load boxes, representing an average increase of nearly 20% as compared with the previous two quarters. Selling prices still maintained at steady levels with a rising trend on the basis of a relatively high level in the first half of the year. The sales volume of 1.1mm ultra-thin glass realised a nearly 17% increase as compared with the preceding two quarters, with a significant increase of more than 10% in selling price. In September, the Company successfully produced 0.7mm ultra glass and its selling price is expected to have a relatively significant increase on the basis of 1.1mm glass. The increase in the sales volume of high value-added products and the steady increase in selling prices enabled the Company to maintain a relatively improved profit level in this quarter. Secondly, the Company obtained a breakthrough in its financial management. With an emphasis on the work of capital operations which enhanced the management quality of financial budget, auditing, cost control and capital management, resulting in the lowering of the expenses of various costs and the increase in profitability. Thirdly, the Company optimised the structure of its assets by disposing part of idle assets which further augmented the profit level 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

By sector or product	Income from principal operations	Cost of principal operations	Unit:RMB'000
			Gross profit (%)
Flat float glass	315,676	235,780	25.31
Comprising:			
connected transactions	7,368	5,503	25.31

3.1.2 Seasonal and Cyclical Characteristics of the Company's Operations

Applicable Not applicable

Third quarter is the peak season for the sales of large glass. Profit level of the operation of large glass in the reporting period was higher as compared with 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	For the reporting period		For the previous reporting period		Increase/decrease %	Explanations
	Amount (RMB'000)	Percentage of total profit %	Amount (RMB'000)	Percentage of total profit %		
Profit/(loss) from principal operations	77,653	344.48	135,683	307.99	36.49	The major reasons were: (i) the sales volume increased substantially as compared with the previous reporting period, resulting in a rise in profit from principal operations (ii) An investment loss amounting to RMB2,820,000 was incurred during the reporting period (iii) An increase in expenses during the period as mentioned in (ii) and (iii) above led to a decline in total profit for the reporting period. The above reasons resulted in an increase in the percentage of profit from principal operations to total profit.
Other operating profit	—	—	—	—	—	
Expenses during the period	56,295	249.73	103,481	234.90	14.83	
Investment (loss)/gain	(2,815)	(12.49)	4,372	9.92	(22.41)	The major reason was the RMB2,970,000 attributable losses of associates recognized according to equity method during the reporting period
Subsidised income	—	—	—	—	—	
Non-operating net income and expenditure	3,999	17.74	7,480	16.98	0.76	
Total profit	22,542	100	44,054	100	—	

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

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 and Supervisory Committee upon Completion of Auditing and Issuance of “Non-standard Opinion”

Explanations had been given by the Board in respect of the matters for “non-standard 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 expects that it is likely to record cumulative net profit of the year.

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

Applicable Not applicable

Board of Directors
Luoyang Glass Company Limited

28 October 2004

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

Please also refer to the published version of this announcement in The Standard / Sing Tao Daily.