洛阳玻璃股份有限公司

LUOYANG GLASS COMPANY LIMITED

(A joint stock limited company incorporated in the Peoples's Republic of China)

(Stock Code: 1108)

SUMMARY OF 2005 INTERIM REPORT

The interim report of the Company was unaudited, but the interim financial report prepared in accordance with the International Financial Reporting Standards ("IFRSs") has been reviewed by the Audit Committee of Luoyang Glass Company Limited.

This announcement is extracted from the Company's interim report (the full report will be posted on http:// www.hkex.com.hk. Inventors should read the full text of the interim report for details.

1. COMPANY PROFILE

1.1 Company's general information

Stock abbreviation	Luoyang Glass	Luoyang Glass
Stock code	600876	1108
Place of listing	Shanghai Securities Exchange	The Stock Exchange of Hong Kong Limited
	Board Secretary	**Securities affairs representative**
Name	Wang Jie	
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1.2 Major financial data and indicators (unaudited)

1.2.1 Prepared in accordance with the PRC Accounting Rules and Regulations (RMB'000)

	As at 30 June 2005	As at 31 December 2004	**Increase at the end of the reporting period compared with the beginning of the year (%)**
Current assets	963,105	890,763	8.12
Current liabilities	1,221,711	1,095,213	11.55
Total assets	2,296,221	2,184,140	5.13
Shareholders' interests (excluding minority interests)	939,873	935,562	0.46
Net assets per share (RMB)	1.34	1.34	0
Adjusted net assets per share (RMB)	0.90	0.88	2.27

	Six months ended 30 June 2005	Six months ended 30 June 2004	**Decrease in the reporting period compared with the corresponding period last year(%)**
Net profit	3,414	34,088	(89.98)
Net (loss)/profit after non-operating income and expenses	(639)	26,608	
Profit per share (note 1) (RMB)	0.005	0.049	(89.80)
Return on net assets	0.004	0.036	(3.2)
Net cash flow from operating activities	108,765	144,138	(24.54)

note 1 There was no change in the Company's share capital from the end of the reporting period to the date of this announcement.

1.2.2 Non-recurring items

	Amount
	RMB'000
Designated loan interest income	302
Subsidy income	3,789
Non-operating income	706
Non-operating expenses	(744)
Total	4,053

1.2.3 Differences between the PRC Accounting Rules and Regulations and IFRSs

Explanation on the difference

(1) Reconciliation of the net profit attributable to equity holders of the parent prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs are summarised below:

	The Group	
	For the six months ended 30 June 2005 *(RMB'000)*	For the six months ended 30 June 2004 *(RMB'000)*
Profit attributable to shareholders under PRC Accounting Rules and Regulations	**3,414**	34,088
Differences:		
— Amortisation of revaluation of land use rights (i)	**1,049**	1,049
— Gain from debts waived (ii)	**897**	35
Profit attributable to equity holders of the parent under IFRSs	**5,360**	35,172

(2) Reconciliation of the total equity attributable to equity holders of the parent prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs are summarised below:

	The Group	
	For the six months ended 30 June 2005 ***(RMB'000)***	For the six months ended 30 June 2004 *(RMB'000)*
Shareholders' fund calculated in accordance with PRC Accounting Rules and Regulations	**939,873**	935,562
Differences:		
— Revaluation of land use rights (i)	**(83,297)**	(84,346)
Total equity attributable to equity holders of the parent calculated in accordance with IFRSs	**856,576**	851,216

Other than the differences in the classification of certain financial statement assertions and the accounting treatment of the items described below, there are no material differences between the interim financial statements of the Group prepared in accordance with the PRC Accounting Rules and regulations and IFRSs. The major differences are:

(i) Effective 1 January 2002, land use rights are carried at historical cost base under IFRSs. Accordingly, the surplus on the revaluation of land use rights was reversed from shareholders' funds. Under the PRC Accounting Rules and Regulations, land use rights are carried at revalued amount.

(ii) During 2005, certain creditors have waived the debts due by the subsidiaries. Under the PRC Accounting Rules and Regulations, these waived debts are credited to capital reserves. Under IFRSs, they are included as other operating income.

2. INFORMATION ON CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

2.1 Changes in share capital

During the period, there was no change in the share capital of the Company.

2.2 Number of shareholders

As at 30 June 2005, there were 23,052 shareholders, including 22,968 holders of 'A' Shares and 84 holders of 'H' Shares.

2.3 Table of the top ten major shareholders and top ten major shareholders of circulating shares of the Company

The top ten major shareholders of the Company as at 30 June 2005 were as follows:

Name of shareholders (full name)	Increase / (decrease) during the period	Number of shares held at the end of the period	Percentage to total share (%)	Type of shares (circulating/ non-circulating)	Number of shares pledged or frozen	Nature of Shareholders (State-owned or foreign shareholders)
China Luoyang Float Glass (Group) Company Limited ("CLFG")	0	400,000,000	57.14	Non-circulating	Nil	State-owned shareholder
HKSCC (Nominees) Company Limited	Increase 134,000	247,046,998	35.29	Circulating	Unknown	Foreign shareholder (H Shares)
HSBC NOMINEES (HONG KONG) LIMITED	0	570,000	0.08	Circulating	Unknown	Foreign shareholder (H Shares)
Liang Jieyun	Increase 60,300	518,342	0.074	Circulating	Unknown	Domestic natural person shareholder
CHUK YER MEN LIZA	0	374,000	0.053	Circulating	Unknown	Foreign shareholder (H Shares)
Yu Yanwei	Increase 263,951	263,951	0.038	Circulating	Unknown	Domestic natural person shareholder
WONG MING SHUR	Increase 220,000	220,000	0.031	Circulating	Unknown	Foreign shareholder (H Shares)
Zhuang Qingping	Increase 217,500	217,500	0.031	Circulating	Unknown	Domestic natural person shareholder
Yang Yin	Increase 216,102	216,102	0.031	Circulating	Unknown	Domestic natural person shareholder

Liu Jianping	Increase 210,000	210,000	0.030	Circulating	Unknown	Domestic natural person shareholder
WONG SING TO	0	200,000	0.029	Circulating	Unknown	Foreign shareholder (H Shares)

The top ten major shareholders of circulating shares of the Company as at 30 June 2005 were as follows:

Name of shareholders (full name)	**Number of circulating shares held at the end of the reporting period**	**Class of shares (A, B, H or other)**
HKSCC (Nominees) Company Limited	247,046,998	H Shares
HSBC NOMINEES (HONG KONG) LIMITED	570,000	H Shares
Liang Jieyun	518,342	A Shares
CHUK YER MEN LIZA	374,000	H Shares
Yu Yanwei	263,951	A Shares
WONG MING SHUR	220,000	H Shares
Zhuang Qingping	217,500	A Shares
Yang Yin	216,102	A Shares
Liu Jianping	210,000	A Shares
WONG SING TO	200,000	H Shares

Remarks on connected relationship and activities in concert among the top ten major shareholders	There is no connected relationship or action in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies（上市公司股東持股變動信息披露管理辦法）among the top ten shareholders of the Company, including CLFG and other circulating shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among the shareholders of circulating shares, other shareholders of circulating shares.

Note: 1. Hong Kong Securities Clearing Company Limited held shares on behalf of its clients and the Company has not been notified by Hong Kong Securities Clearing Company Limited that there were any shareholders of H shares who held more than 5% of the total share capital in the Company.

2. Save as disclosed above, as at 30 June 2005, the Board of Directors is not aware of any person who has any interests or in short position in any shares or equity derivatives in the underlying shares of the Company or any of its associated corporation that is recorded in the register kept under section 336 of the Securities and Futures Ordinance.

3. There was no change in the Company's controlling shareholder during the period.

3. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

3.1. Shareholding of directors, supervisors and senior management

Number of A shares held in the interest of individuals

Name	Position	Gender	Age	Term of offices	Shareholding at the beginning of the year (shares)	Shareholding at the end of the year (shares)
Liu Baoying	Chairman	M	52	2003.3.28 to 2006.3.28	2,000	2,000
Zhu Leibo	Vice Chairman	M	43	2003.3.28 to 2006.3.28 (Director) 2004.4.22 to 2006.3.28 (Vice Chairman)	2,000	2,000
Ding Jianluo	Director and General Manager	M	44	2003.6.27 to 2006.3.28 (General Manager) 2004.6.10 to 2006.3.28 (Director)	0	0
Zhang Shaojie	Director	M	44	2003.3.28 to 2006.3.28	1,700	1,700
Zhu Liuxin	Director	M	52	2003.3.28 to 2006.3.28	1,700	1,700
Jiang Hong	Director	M	44	2003.3.28 to 2006.3.28	1,800	1,800
Wang Jie	Director and Board Secretary	M	43	2003.3.28 to 2006.3.28	2,000	2,000
Dai Zhiliang	Independent Director	M	65	2003.3.28 to 2006.3.28	0	0
Zhong Pengrong	Independent Director	M	51	2003.3.28 to 2006.3.28	0	0
Xi Shengyang	Independent Director	M	51	2003.3.28 to 2006.3.28	0	0
Dong Chao	Independent Director	M	39	2003.3.28 to 2006.3.28	0	0
Tao Shanwu	Chairman of the Supervisory Committee	M	52	2003.3.28 to 2006.3.28	0	0
Cheng Rongfa	Supervisor	M	56	2003.3.28 to 2006.3.28	0	0
Song Fei	Supervisor	F	42	2003.3.28 to 2006.3.28	0	0

Li Jingyi	Independent Supervisor	F	53	2003.3.28 to 2006.3.28	0	0
Gu Meifeng	Independent Supervisor	F	41	2003.3.28 to 2006.3.28	0	0
Xie Jun	Deputy General Manager	M	39	2003.6.17 to 2006.3.28	0	0
Ma Shixin	Deputy General Manager	M	55	2003.6.17 to 2006.3.28	0	0
Wang Heping	Deputy General Manager	M	53	2003.3.28 to 2006.3.28	1,700	1,700
Cao Mingchun	Financial Controller	M	42	2003.6.17 to 2006.3.28	0	0

Note: (1) Save as disclosed above, as at 30 June 2005, none of the Directors, Supervisors and senior management of the Company had any interest nor short position in the underlying shares or debentures in the shares, equity derivatives of the Company or its associated corporations (within the meaning as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Hong Kong Ordinance)) which was required to be entered in the register of interest maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance; or required to be notified to the Company or the Stock Exchange pursuant to the Model Code on Securities Transactions by Directors of Listed Issuers.

(2) As at 30 June 2005, the Company did not grant the Company's Directors, Supervisors or their spouses or children under 18 with any right to subscribe for the shares or debentures of the Company or any of its associated corporations.

3.2. Change in Directors, Supervisors and Senior Management

During the period, there was no change in directors, supervisors and senior management.

4. MANAGEMENT DISCUSSION AND ANALYSIS

Review of operations during the first half of 2005

1. Market condition and measures taken

The Company is the place of origin for one of three major float glass production methods "Luoyang Float Glass". With six production lines of float glass, it is one of the largest producers and distributors of float glass in the PRC.

During the period, the growth rate of domestic investment slowed down noticeably due to the State's macro-economic policies. Especially, a barrage of regulations including the control over the upsurging real estate prices affected the glass industry materially. The sluggish glass market was even worsened by the on-streaming of new float production lines penetrating into market with lower prices, leading to a slump in product selling prices. In contrast, prices of raw materials kept rising. Selling prices of heavy oil maintained high and is still climbing as jointly driven by the new highs of international oil price and the shrinking domestic production capability. The volatile soda price also kept high. In addition, prices of water, electricity and silicon sand rose to different extents. As a result, manufacturing cost of the Company's products increased considerably during the first half of 2005 over the corresponding period last year. In addition, we were caught in a power failure accident on 12 May during the period, which led to a one-month production suspension of float plating plants. Lines No. 1 and 2 of float glass plants were also affected. Facing such difficulties, the Company strengthened specialized management and took efforts in cost reduction for higher management efficiency. Meanwhile, the Company deepened market-oriented product restructuring to manufacture marketable products. A self-helping production programme was carried out to overcome the adverse impact from the power failure on 12 May. As such, the economic loss was recovered to the best extent. Also, the Company put more effort in rebuilding marketing system to develop new markets. Therefore, the Company maintained the developing momentum and recorded a profit of RMB10,084,000.

2. 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 12.23% of the turnover of the Group.

3. Liquidity and source of capital (prepared under IFRSs)

   As at 30 June 2005, the Group had cash and cash equivalents of RMB267,563,000, including US dollar deposits of RMB45,234,000 (as at 31 December 2004: RMB714,000) and HK dollar deposits of RMB104,000 (31 December 2004: RMB104,000), representing an increase of RMB137,524,000 from RMB130,039,000 as at the end of 2004. Net cash outflow generated from operating activities was used to finance borrowing and investment activities.

4. Loans (prepared under IFRS)

   As at 30 June 2005, total loans due from the Group were RMB887,413,000, including a foreign currency loan of RMB8,819,000, (original currency: Euro 782,000). 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 2005, debts to equity ratio of the Group was 103.6% (which is calculated by dividing total loans over total equity attributable to equity holders of the parent), down by 0.2% as compared to that as at 31 December 2004.

5. Capital commitment

   The Group's capital commitment as at 30 June 2005 was RMB186,174,000 which was mainly used to finance the Group's construction projects and for purchase of equipment.

6. The gearing ratio for the current period was 147.28% while that of last year was 138.5% (prepared in accordance with IFRSs).

7. Pledge of assets of the Group

   As at 30 June 2005, the Group has pledged its bank deposits of RMB92,121,000 (31 December 2004: RMB83,000,000) for bills payables and short term loans.

8. Contingent liability

   As at 30 June 2005, the Group had no contingent liability.

9. 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. Details on related party transactions are set out in note 38 on the interim financial report prepared under the PRC Accounting Rules and Regulations.

By Industry or products	Income from principal operations	Cost of principal operations	Gross margin ratio (%)	Increase/ (decrease) of income from principal operations as compared with with the corresponding period last year (%)	Increase/ (decrease) of cost of principal operations as compared with the corresponding period last year (%)	Increase of gross profit margin as compared with the corrresponding period last year (%)
Float sheet glass	512,903	426,698	16.81	(3.41)	8.59	(9.19)
Of which: connected transactions	8,728	7,261	16.81	(20.12)	(10.20)	(9.19)

Pricing policy for connected transactions	Based on market prices available for ordinary customers
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.

During the period, connected transactions in relation to the sale of products and provision of services by the Company to its controlling shareholders and its subsidiaries amounted to RMB8,728,000.

10. Principal operations in different regions

Region	**Income from principal operations**	**Increase/(decrease) of income from principal operations as compared with the corresponding period last year**
Domestic	450,181	(8.92)
Overseas	62,722	70.55

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

Name of investee company	Yanlian Petroleum and Chemicals Company Limited
Contribution of investment income in the period	3,600,000
Ratio of net profit of the Company	105.45%
Scope of operation	Petroleum
Net profit	RMB122,787,000

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 2005, the gross profit margin was 16.81%, representing a decrease of 9.19 percentage points, or 35.35%, when compared to the 26% of last year. This was mainly attributable to the decline in selling prices due to the introduction of series of polices including the control over the upsurging real estate price which imposed certain impact on the glass industry, coupled with the on-streaming of new float glass production lines penetrating into market with lower prices. At the same time, the rising prices of raw materials resulted in continuing increase in cost of products.

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

The accumulative net profit realized in the first half of 2005 amounted to RMB3,414,000, representing a decrease of RMB30,674,000 as compared with RMB34,088,000 last year. This was mainly attributable to (1) the decrease of 37.69% in gross profit margin of principal operations as a result of decline in selling prices of products; (2) the loss of RMB9,803,000 on investment as compared with investment income of RMB4,372,000 for last year.

14. 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 profit from the beginning of the year to the end of the next period may decrease by more than 50% as compared with the corresponding period last year.

15. Employees

    As at 30 June 2005, the Company had 4,627 employees, of which 3,099 are production workers, 244 are sales personnel, 358 are technicians, 98 are financial personnel, 698 are administrative personnel and 150 are other staff members. Among them, 370 employees graduated from colleges or universities, representing 7.9% of the staff 1,444 employees graduated from professional training colleges, representing 31.2% of the staff.

5. SIGNIFICANT EVENTS

1. Guarantees

Guarantees provided by the Company to third parties

There was no guarantee provided in or balance of guarantee at the end of the period.

Guarantees provided by the Company to its controlling subsidiaries

Total amount of guarantee granted to controlling subsidiaries during the period	RMB79,060,000(Renewed)
Balance of guarantee granted to controlling subsidiaries at the end of the period	RMB184,560,000
Total amount of guarantee provided by the Company (including guarantees provided to controlling subsidiaries)	
Total amount of guarantee	RMB184,560,000
Total amount of guarantee as a percentage to the Company's net assets	19.64%
Guarantee in breach of regulations	
Amount of guarantee provided to controlling shareholder and other connected parties with 50% or below of shares held by the Company	Nil
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70%	Nil
Whether the amount of guarantee over 50% of the net assets (Yes or No)	No
Total amount of guarantee in breach of regulations	Nil

2. Material 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 Guandong 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 with the Local Branch but the interest thereon is still outstanding. The Company is in process of claiming another half of the amount of the deposit and the interests thereon payable by Yinji Property. Save for the disclosed above, the Company had no other material litigation during the reporting period.
3. The Company did not appropriate profits in the first half of 2005, nor did it transfer any of surplus reserve to share capital.
4. KPMG Huazhen and KPMG were re-appointed as the PRC and international auditors of the Company respectively for the year 2005 as approved at the annual general meeting of 2004.

5. Disclosure made in compliance with document Zheng Jian Hui Fa (2003) No. 56 "Notice in relation to the issues of the regulation of funds transaction between Listed companies and connected parties, and external guarantees entered into by Listed companies" issued by China Securities Regulatory Commission and relevant requirements of the Listing Rules of The Stock Exchange of Hong Kong Limited.

(1) Advances or financial assistance to CLFG

As at 30 June 2005 and 31 December 2004, the Group provided advances and/or financial assistance of a total sum of approximately RMB127,703,000 and approximately RMB148,384,000 respectively to CLFG, details of which are as follows:

Nature of transaction	**Interest rate**	**Commencing year**	**Terms of repayment and progress**	**Unaudited balance as at 30 June 2005** *(RMB)*	**Audited balance as at 31 December 2004** *(RMB)*
Accounts receivable relating to an advance to Baolaiwei Development Limited (a wholly owned subsidiary of CLFG) on behalf of CLFG	6.5% per annum	1998	Due on 31 August, 2000 (not yet repaid) & unsecured	29,358,000	29,358,000
Trade receivables relating to sales of finished goods	Interest free	1998 to present	No fixed term of repayment & unsecured	—	—
Accounts receivables relating to transfer of loans	Interest free	1995	No fixed term of repayment & unsecured	4,663,000	4,663,000
Other receivables relating to loss on sales of staff quarters	Interest free	1997	No fixed term of repayment & unsecured	42,122,000	42,122,000
Others	Interest free	1994 to present	No fixed term of repayment & unsecured	51,560,000	72,241,000
Total			127,703,000	148,384,000	

The above balances are stated net of bad debt provisions.

(2) Advances and/or financial assistance to fellow subsidiaries

As at 30 June 2005 and 31 December 2004, the Company provided advances and/or financial assistance of a total of approximately RMB195,736,000 and RMB204,020,000 respectively to the fellow subsidiaries, details of which are as follows:

Name of company	**CLFG's interest in the company**	**The Company's interest in these companies**	**Nature of transaction**	**Interest rate**	**Commencing year**	**Terms of repayment and credit**	**Unaudited balance as at 30 June 2005** *(RMB)*	**Audited balance as at 31 December 2004** *(RMB)*
CLFG Qingdao Taiyang Glass Industry Co. Ltd.	55%	—	Loan	6.53% - 7.84% per annum	1999	Due in 2004 & Secured	—	—
CLFG Mineral Product Co.	59.71%	40.29%	Short term investments	4.575% -5.03% per annum	Before 1994	No fixed term of repayment & unsecured	10,500,000	11,000,000
CLFG Mineral Product Co.	59.71%	40.29%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	—	—
Luoyang Jingbao Decoration Glass Co., Ltd.	50%	10.28%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	6,201,000	6,248,000
CLFG Luoyang Hoisting Machinery Co., Ltd.	63.32%	36.68%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	18,018,000	18,018,000
CLFG New Illuminating Source Co., Ltd.	70.55%	29.45%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	1,179,000	1,137,000
CLFG Jingwei Glass Fibre Co., Ltd.	64.1%	35.9%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	55,987,000	55,685,000
CLFG Luoyang Jingjiu Glass Container Co., Ltd.	68.92%	31.08%	Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	14,376,000	14,376,000
Luoyang Jingxin Ceramic Co., Ltd.		49%	Short term investments	4.86% -5.45% per annum	2001	Due in 2004 and unsecured	—	—
Others			Other receivables	Interest free	Before 1994	No fixed term of repayment & unsecured	89,475,000	97,556,000
Total							195,736,000	204,020,000

The above balances are stated net of bad debt provisions.

6. Overdue deposits

   Other receivables in non-current assets include an overdue deposit of RMB35,655,000 due from Guangzhou International Trust & Investment Corporation ("GZITIC"). The Company had made 75% provision for the original due amount of RMB145,657,000. GZITIC is in the process of restructuring. Upon the assessment of the latest development of the restructuring, the directors believe that the restructuring plan will be finalised within the coming year and therefore, no additional provisions is considered necessary. 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 30 June 2005.

   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.

7. Unified income tax and cancellation of tax rebate of local government

   The Company did not enjoy tax preferential policy for the previous years.

8. Risks of exchange rate fluctuations

   Since the Group's assets, liabilities and transactions were principally denominated in Renminbi, exchange rate fluctuations did not have any material impact on the Group.

9. Independent Audit Committee

   A meeting of the Independent Audit Committee of the Company was held on 26 August 2005, at which the Group's financial statements and interim results for the six months ended 30 June 2005 were considered and approved.

10. Code on Corporate Governance Practice

    The Company has complied with the Code on Corporate Governance Practice set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Stock Exchange") throughout any period ended 30 June 2005, except that the Independent Audit Committee did not meet with the Company's auditors at least annually. Details on procedures in respect of compliance with the Code on Corporate Governance Practice will be disclosed in the annual report.

    The Company had not appointed a qualified accountant as required by Rule 3.24 the Listing Rules. The Company is seeking to retain a qualified accountant under Rule 3.24 the Listing Rules.

11. Purchase, sale and redemption of shares of the Company

    During the reporting period, the Company and its subsidiaries did not purchase, sell or redeem any securities of the Company.

12. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code")

    Having made enquires to all Directors and Supervisors, the Company confirmed all Directors and Supervisors have complied with the requirements set out in the Model Code for securities transactions by directors in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2005.

13. Pre-emptive rights

    In accordance with the laws of the PRC and the Articles of Association of the Company, there is no provision of pre-emptive rights applicable to the Company.

14. Announcement of detailed results on the website of the Stock Exchange of Hong Kong

    The Company's 2005 interim results announcement which sets out all information required by paragraph 46 in Appendix 16 to the Listing Rules will be published on the website of the Stock Exchange in due course.

15. Connected transactions

    As at the meeting of the Board held by the Company on 26 May 2005, the formation of joint ventures, Luoyang Long Hai Electronic Glass Limited ("Long Hai") and CLFG Group Long Hao Glass Limited ("Long Hao"), with controlling shareholder China Luoyang Float-Glass (Group) Company Limited ("CLFG"), was considered and passed. The relevant agreements were signed, inter alia, Long Hai will engage in the production and sale of ultra-thin glass and the processing of raw materials for the production of glass related products and Long Hao will engage in the production and sale of float glass and the provision of related consultancy and technical support services.

    The registered capital of Long Hai is RMB60 million, of which RMB48 million, constituting approximately 80% thereof, will be contributed by the Company and RMB12 million, constituting approximately 20% of the registered capital thereof, will be contributed by CLFG. The total investment for Long Hai Project is currently estimated to an amount of RMB300 million.

The registered capital of Long Hao is RMB50 million, of which RMB40 million, constituting approximately 80% of the registered capital thereof, will be contributed by the Company and RMB10 million, constituting approximately 20% thereof, will be contributed by CLFG. The total investment for Long Hao Project is currently estimated to an amount RMB250 million.

CLFG is the controlling shareholder of the Company and is interested in approximately 57.14% of the issued share capital of the Company. Pursuant to requirements of Rule 10.1.3 of Listing Rules of Securities of the Shanghai Listing Rules, the transactions described above constitute connected transactions for the Company under the Shanghai Listing Rules. As the Company entered into agreement ("Long Hai Agreement") with CLFG for the establishment of Long Hai and entered into agreement ("Long Hao Agreement") with CLFG for the establishment of Long Hao and the transactions contemplated under those agreements exceed RMB30 million. Accordingly, the Company had to hold an Extraordinary Shareholders' Meeting and the transactions are subject to the approval of the Independent Shareholders by poll under the requirements of the Rule 10.2.5 of Listing Rules of Securities of the Shanghai Listing Rules. CLFG and its connected persons with relation of interests will abstain from voting for that resolution at the EGM. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the above investments constitute major and connected transactions which are subject to the approval of shareholders of the Company. As at the date of this report, the required shareholders' approval has not been obtained.

The announcement has been published on the newspapers, namely, China Securities Daily, Shanghai Securities Daily, Sing Tao Daily and The Standard (English), and posted on the website of Shanghai Securities Exchange (http://www.sse.com.cn).

Besides, the Company is still in the process of applying to The Stock Exchange of Hong Kong Limited for a waiver on strict compliance with the requirements of Chapter 14A of the Listing Rules on certain of the continuing connected transactions.

7. FINANCIAL STATEMENTS

Prepared under IFRSs — Interim Financial Reporting(Unaduited)

Consolidated Income Statement (Unaudited)

For the six months ended 30 June 2005
Expressed in RMB

		Six months ended 30 June	
		2005	**2004**
	Note	*RMB'000*	*RMB'000*
Turnover	4	511,238	528,644
Cost of sales		(429,181)	(395,430)
Gross profit		82,057	133,214
Other operating income		23,246	8,386
Other operating expenses		(744)	(857)
Selling expenses		(18,778)	(14,645)
Administrative expenses		(41,533)	(58,154)
Profit from operations		44,248	67,944
Net financing costs		(21,294)	(26,866)
Investment income		3,280	3,048
Share of net (loss)/profit of associated companies		(13,385)	1,026
Profit from ordinary activities before taxation	5	12,849	45,152
Income tax	6	(3,077)	(4,719)
Profit for the period		9,772	40,433
Attributable to			
Equity holders of the parent		5,360	35,172
Minority interests		4,412	5,261
Profit for the period		9,772	40,433
Basic earnings per share (in RMB: Yuan)	7	0.008	0.050

Consolidated balance sheet (unaudited)
As at 30 June 2005
Expressed in Renminbi

	At 30 June 2005	At 31 December 2004 (audited) (Note 2)
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	824,532	865,049
Construction in progress	4,062	2,323
Intangible asset	16,818	6,005
Lease prepayments	80,218	81,138
Interest in associated companies	161,932	174,476
Investments	32,663	32,983
Other receivables	7,501	10,501
Deposits with non-bank financial institution	35,654	35,654
Total non-current assets	1,163,380	1,208,129
Current assets		
Income tax recoverable	1,739	1,739
Other receivables	393,753	323,439
Inventories	213,969	205,474
Trade and bills receivables	94,214	61,550
Deposits with banks and non-bank financial institutions	77,233	167,233
Cash and cash equivalents	267,563	130,039
Total current assets	1,048,471	889,474
Current liabilities		
Income tax payable	—	512
Trade and bills payables	174,399	110,282
Accrued expenses and other payables	196,980	181,712
Bank and other loans	862,759	812,516
Total current liabilities	1,234,138	1,105,022

Net current liabilities	(185,667)	(215,548)
Total assets less current liabilities	977,713	992,581
Non-current liabilities		
Bank and other loans	24,654	71,342
Long-term payables	2,765	2,717
Total non-current liabilities	27,419	74,059
Net assets	950,294	918,522
Capital and reserves		
Share capital	700,000	700,000
Share premium	969,988	969,988
Reserves	118,202	118,202
Accumulated losses	(931,614)	(936,974)
Total equity attributable to equity holders of the parent	856,576	851,216
Minority interests	93,718	67,306
Total equity	950,294	918,522

Notes on the unaudited interim financial report

1 Basis of preparation

This interim financial report is unaudited, but has been reviewed by the Audit Committee of Luoyang Glass Company Limited ("the Company"). It was authorised for issuance on 26 August 2005.

The interim financial report has been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34 "Interim financial reporting" adopted by the International Accounting Standards Board ("IASB").

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries ("the Group") since the 2004 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with IFRSs. IFRSs include IASs and interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2004 annual financial statements, except for the change in presentation of financial statements arising from the changes of IFRSs that is expected to be reflected in the 2005 annual financial statements. Details of the changes are set out in note 2.

The financial information relating to the financial year ended 31 December 2004 that is included in the interim financial report as previously reported information does not constitute the Group's annual financial statements for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2004 are available from the Company's registered office. The auditors have expressed an unqualified opinion with an explanatory paragraph in respect of the fundamental uncertainty about going concern assumption on those financial statements in their report dated 25 April 2005.

Notwithstanding that the Group had net liabilities at 30 June 2005, the directors of the Company are of the opinion that the Group is 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 institutions for renewal of loan facilities, of which are expected to be in one year duration, to the Group upon their expiry in 2005; and

(ii) continuing financial support received from the ultimate holding company.

The directors believe that the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, it is appropriate that these financial statements should be prepared on a going concern basis and do not include any adjustments that would be required should the Group fail to continue as a going concern.

2 New and revised IFRSs

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2005, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2005 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of revised IAS 1, Presentation of financial statements and IAS 27, Consolidated and separate financial statements has resulted in a change in presentation of minority interests in the financial statements.

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and as deduction from net assets. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with IAS 1 and IAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity holders of the parent, and minority interests in the results of the Group for the period are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between the minority interests and the equity holders of the parent.

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

3. Segment reporting

The Group's turnover and operating results are almost entirely generated from the manufacture and sales of float sheet glass. Accordingly, no business segment information is provided.

The analysis of the geographical location of the operations of the Group during the financial year is as follows:

	Six months ended 30 June	
	2005	**2004**
	RMB'000	*RMB'000*
Turnover		
China	448,516	491,867
Asia	45,667	16,081
America	3,786	10,680
Oceania	7,260	8,393
Others	6,009	1,623
	511,238	528,644

4. Turnover

Turnover represents revenue from the invoiced value of goods sold to customers, net of value-added tax and surcharges and is after deduction of any trade discounts.

5. Profit from ordinary activities before taxation

Profit from ordinary activities before taxation is arrived at after charging / (crediting):

	Six months ended 30 June	
	2005	**2004**
	RMB'000	*RMB'000*
Interest income	(4,605)	(1,635)
Interest on borrowings	24,725	27,759
Net exchange loss	67	56
Other financing charges	1,107	686
Net financing costs	21,294	26,866

Depreciation#	40,089	44,180
Amortization of intangible asset	186	186
Amortization of lease prepayments	920	927
Net gain on disposal of property, plant and equipment	(124)	(283)
Provision / (write-back of provision) for inventories	977	(61)
Cost of inventories#	429,181	395,430
Provision for other receivables	—	5,587
Dividend income	(3,600)	(3,600)
Impairment loss on unlisted investments	320	552
Investment income	(3,280)	(3,048)

\# Cost of inventories includes depreciation, which amount is also included in the respective total amount disclosed separately above.

6. Income tax expense

Income tax expense in the consolidated income statement represents:

	Six months ended 30 June	
	2005	**2004**
	RMB'000	*RMB'000*
Provision for PRC income tax for the period	2,326	4,280
Underprovision for PRC income tax in respect of prior years	751	439
	3,077	4,719

Provision for PRC income tax has been made as certain subsidiaries of the Group have made profits during the period ended 30 June 2005. The provision for PRC income tax is calculated at 33% of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC, except for a subsidiary of the Company, which is taxed at a preferential rate of 15%.

The Group did not carry on business overseas and therefore no provision has been made for overseas profits tax.

7. Earnings per share

   (a) Basic earnings per share

   The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent for the six months ended 30 June 2005 of RMB5,360,000 (2004:RMB35,172,000) and the 700,000,000 (2004: 700,000,000) shares in issue during the period.

   (b) Diluted earnings per share

   No diluted earnings per share is calculated as there are no dilutive potential shares for the period from 1 January 2004 to 30 June 2005.

8. Dividend

   The Board of Directors does not recommend the payment of an interim dividend for the six months ended 30 June 2005 (2004: Nil).

The Board of Directors
Luoyang Glass Company Limited
26 August 2005

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