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)

SUMMARY OF 2008 INTERIM REPORT AND ANNOUNCEMENT OF THE UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

1 IMPORTANT NOTICE

1.1 The board of directors ("the Board"), the Supervisory Committee, Supervisors and senior management of Luoyang Glass Company Limited ("the Company") warrant that there is no false representation or misleading statement in or material omission from this report and jointly and severally accept responsibilities for the truthfulness, accuracy and completeness of the content contained herein. This interim report summary is extracted from the interim report, the full text of which has been published on the website of the Shanghai Stock Exchange (http://www.sse.com.cn). Investors should carefully read the full text of the interim report for details.

1.2 All directors of the Company attended Board meetings.

1.3 The interim financial statements of the Company are unaudited, but have been reviewed and approved for issuance by the Audit Committee of the Company.

1.4 Mr. Gao Tianbao, the Chairman, Mr. Cao Mingchun, the General Manager, Ms. Song Fei, the Chief Financial Controller and Ms. Hai Sumin, the Head of Finance Department, warrant the authenticity and completeness of the financial statements set out in the 2008 interim report.

2 COMPANY PROFILE

2.1 Basic information

Stock abbreviation	*ST Luoyang Glass	Luoyang Glass
Stock code	600876	1108
Place of listing	Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

	Secretary to the Board	Securities affairs representative
Name	Song Fei	Zhang Kefeng
Correspondence address	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang City, Henan Province, the PRC
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2.2 Major financial data and indicators (unaudited)

2.2.1 Major accounting data and financial Indicators

1. Major accounting data and financial indicators (prepared in accordance with the PRC Accounting Standards and Regulations):

(Unit: RMB)

	As at 30 June 2008	**As at 31 December 2007**	**Increase/ (decrease) as at 30 June 2008 from the beginning of the year** *(%)*
Total assets	2,034,085,556.82	2,039,580,095.59	(0.27)
Owners' equity (or shareholders' equity)	165,326,837.23	216,372,263.57	(23.59)
Net assets per share *(RMB)*	0.331	0.433	(23.56)

	Reporting period (January-June)	Corresponding period last year	Increase/ (decrease) for this reporting period from the corresponding period last year *(%)*
Operating profit	(119,826,317.11)	(64,156,852.20)	(86.77)
Total profit	(64,732,324.09)	(61,551,557.48)	(5.17)
Net profit	(51,045,426.34)	(63,875,434.33)	20.09
Net (loss)/profit after non-recurring items	(105,923,064.81)	(66,495,920.07)	(59.29)
Earnings per Share-basic *(RMB)*	(0.102)	(0.128)	20.31
Earnings per Share-diluted *(RMB)*	(0.102)	(0.128)	20.31
Return on net assets *(%)*	(30.88)	(25.57)	Decreased by 5.31 percentage points
Net cash flow generated from operating activities	10,285,806.44	48,649,227.23	(78.86)
Net cash flow generated from operating activities per share	0.021	0.097	(78.35)

Note: From 30 June 2008 to the date of disclosure of the report, there were no changes on the share capital of the Company.

2. Non-recurring items and their amounts

Non-recurring items	Amount *RMB*
Profit (loss) from disposal of non-current assets	54,593,388.40
Government subsidies through profit and loss	989,800.00
Other non-operating income and expenses	(489,195.38)
Effect of non-recurring profit (loss) on minority interest	(216,354.55)
Total	54,877,638.47

3. Differences between the PRC Accounting Standards and International Financial Reporting Standards

Unit: RMB

	Per PRC Accounting Standards	Per International Financial Reporting Standards
Net profit	(51,045,426.34)	(36,691,788.67)
Net assets	165,326,837.23	107,125,726.86

Explanation of the differences	Please refer to the section headed "Significant differences between the financial statements of the Group prepared in accordance with the PRC Accounting Standards and Regulations and International Financial Reporting Standards ("IFRS")".

3 CHANGES IN SHARE CAPITAL AND PARTICULARS OF SHAREHOLDERS

3.1 Changes in share capital

☐ Applicable ☑ Not applicable

3.2 Particulars of the top 10 shareholders, top 10 holders of circulating shares or shares not subject to trading moratorium

Total number of shareholders	As at 30 June 2008, there were 19,892 shareholders in total, including 1 holder of state-owned legal person shares, 19,814 holders of other A shares and 78 holders of H shares.

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding Percentage	Number of shares held	Number of shares subject to trading moratorium	Number of shares pledged or frozen
China Luoyang Float Glass (Group) Company Limited	Holder of state-owned shares	35.80%	179,018,242	179,018,242	Nil
HKSCC Nominees Limited	Foreign shareholder	49.45%	247,250,998	0	Nil
Chen Dong (陳　東)	Others	0.188%	940,596	0	Nil
Sun Shuping (孫書萍)	Others	0.109%	545,900	0	Nil
Jiang Zhongshan (姜中善)	Others	0.088%	438,100	0	Nil
Liu Shengli (劉勝利)	Others	0.076%	381,800		
CHUK YEE MEN LIZA	Foreign shareholder	0.075%	374,000	0	Nil
Jin Haitai (金海泰)	Others	0.070%	350,200	0	Nil
Huang Yuanying (黃元英)	Others	0.058%	289,503	0	Nil
WONG MING SHUN	Foreign shareholder	0.056%	280,000	0	Nil

Shareholdings of the top 10 holders of shares not subject to trading moratorium

Name of shareholder	Number of shares not subject to trading moratorium held	Type of shares
HKSCC Nominees Limited	247,250,998	Overseas listed foreign shares
Chen Dong (陳　東)	940,596	Ordinary shares denominated in RMB
Sun Shuping (孫書萍)	545,900	Ordinary shares denominated in RMB
Jiang Zhongshan (姜中善)	438,100	Ordinary shares denominated in RMB
Liu Shengli (劉勝利)	381,800	Ordinary shares denominated in RMB
CHUK YEE MEN LIZA	374,000	Overseas listed foreign shares
Jin Haitai (金海泰)	350,200	Ordinary shares denominated in RMB
Huang Yuanying (黃元英)	289,503	Ordinary shares denominated in RMB
WONG MING SHUN	280,000	Overseas listed foreign shares
Guo Jiapeng (郭加朋)	251,026	Ordinary shares denominated in RMB

Explanation on connected relationship or action acting in concert among the aforesaid shareholders	There are no connected parties or persons acting 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 shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among the top ten holders of circulating shares.

Notes:

1. HKSCC Nominees Limited held shares on behalf of its clients and the Company has not been notified by HKSCC Nominees Limited that there were any shareholders of H shares who held 10% or above of the Company's total share capital.

2. Save as disclosed above, as at 30 June 2008, the Board is not aware of any person who has any interests or 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 reporting period.

3.3 Changes in controlling shareholder and ultimate shareholder of the Company

☐ Applicable ☑ Not applicable

4 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

4.1 Changes in shareholdings of directors, supervisors and senior Management

☐ Applicable ☑ Not applicable

4.2 Equity interests held by directors, chief executives, supervisors and other senior management members during the reporting period

Number of A shares held in the interest of individuals

Name	**Position**	**Number of shares held as at 1 January 2008** *(share)*	**Number of shares held as at 30 June 2008** *(share)*
Zhu Leibo	Chairman (resigned on 14 April 2008)	2,840	2,840
Zhu Liuxin	Chairman (resigned on 14 April 2008)	2,414	2,414

Notes: Save as disclosed above, as at 30 June 2008, none of the directors, supervisors, chief executives or other senior management members of the Company had any interest and, or short position in the underlying shares or debentures in the shares, equity derivatives of the Company or its associated corporations (as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Hong Kong Ordinance)) which was required to be entered into 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 and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

5 REPORT OF THE BOARD

Business Review

In the first half of 2008, the growth in the demand of glass was depressed by various factors, including the tightening monetary policy, the macro-control on real estate industry, the appreciation of Renminbi and adverse effect of exchange rate (export tax rebate decreased from 11% to 5%). The market saw an excessive growth in glass production capacity, surging raw material and fuel price and decrease in selling price and reduction in exports volume resulted from an ever decreasing performance of glass manufacturers. The majority of the participants of the industry suffered operating loss. Moreover, though several production lines of the Company have reached or even surpassed the end of expected service cycle and have had serious damages and smelting kilns, these facilities were operating during the reporting period in order to maintain the production capacity of the Company, which induced difficulties in operation control and maintenance in product quality and pass ratio. The aging of production lines also increased the cost of maintenance of smelting kilns, fuel consumption and other operating costs. The Company was also burdened with the cold maintenance of Longxin's production line No. 2 and the cease of operation of production line No. 3 of the headquarters. The Company endeavored to overcome the above difficulties and unfavorable factors by creating new management model, fostering operation harmony, adjusting product mix, strengthening marketing, discovering internal potential, increasing production, improving the quality but reducing consumption. Although each task made a considerable progress, the Company still incurred an operating loss.

5.1 Principal operations by industry and product

The major business of the Company is manufacturing of float sheet glass which contributed the majority of turnover and operating profit during the period, therefore no business segment report was provided.

(Unit: RMB)

By industry or product	Operating turnover	Operating cost	Gross profit margin *(%)*	Increase/(decrease) in operating income as compared with the corresponding period last year *(%)*	Increase/(decrease) in operating cost as compared with the corresponding period last year *(%)*	Increase/(decrease) in gross profit margin as compared with the corresponding period last year *(%)*
Float sheet glass	665,163,357.23	666,992,379.39	(0.27)	(0.09)	5.96	Decreased by 5.73 percentage points

Among the figure mentioned, during the reporting period, the connected transaction in relation to the sale of products and provision of services by the Company to its controlling shareholders and its subsidiaries amounted to approximately RMB2,370,000.

5.2 Principal operations in different regions

(Unit: RMB)

Regions	Operating turnover	Increase/(decrease) in operating turnover as compared with the corresponding period last year *(%)*
Domestic	655,701,213.30	2.05
Overseas	9,462,143.93	(59.34)

5.3 Performance of the companies with investment of the Company (applicable only to those contributing income from investment to the Company of 10% or more of net profit)

☐ Applicable ☑ Not applicable

5.4 Reasons for material changes in principal operation and its structure

☐ Applicable ☑ Not applicable

5.5 Reasons for material changes in the profitability of principal operation (gross profit margin) as compared with last year

☑ Applicable ☐ Not applicable

The cost of the product increased and the gross profit margin decreased mainly due to the substantial rise of purchasing price of raw materials as compared with the same period last year.

5.6 Analysis of the material changes in profit constituents as compared with last year

☑ Applicable ☐ Not applicable

1. The production cost rose and the gross profit margin fell mainly due to a substantial increase of purchasing price of raw materials as compared with the corresponding period last year.

2. The financial expense increased by 43.26% as compared with the same period of last year due to adjustment in interest rate.

3. The investment revenue decreased by 88.36% as compared with the same period of last year due to a gain of revenue of RMB22.0590 million over the same period last year, arising from the disposal of long-term investment.

4. An impairment loss of assets decreased by 64.39% over the same period last year due an impairment loss of fixed assets of RMB14.1443 million in the same period of last year.

5. The non-operating income increased substantially as compared with the corresponding period last year due to land income amounting to RMB54.5435 milllion arising from the sales of wholly-owned subsidiary, Logistics Company.

5.7 Use of raised proceeds

5.7.1 Utilisations of raised proceeds

☐ Applicable ☑ Not applicable

5.7.2 Modification of corresponding projects

☐ Applicable ☑ Not applicable

5.8 Amendments to the Board's business plan for the 2nd half of the year

☐ Applicable ☑ Not applicable

5.9 Warning and explanation of any estimated loss in retained profit of the current financial year or any significant changes to the corresponding period of last year

☑ Applicable ☐ Not applicable

The Company estimated loss in retained profit from the beginning of the year to the third quarter of the year mainly attributed to the substantial increase in the price of raw materials.

5.10 The explanation of the Board on the "non-standard opinion" issued by auditors during the reporting period

☐ Applicable ☑ Not applicable

5.11 The explanation of the Board on the "non-standard opinion" issued by auditors in previous year

☑ Applicable ☐ Not applicable

For the matters involved in the "non-standard opinion" given by auditors in previous year, the director of the Company has adopted relevant measures by to maintain the Company's continuous operation during the reporting period.

5.12 Liquidity and source of capital (prepared under IFRS)

As at 30 June 2008, the Group had cash and cash equivalents of RMB26,008,665.57 including US dollar deposits of 1,217,147.22 (2007: US$2,840,933.22), Euro dollar deposits of 411,396.19 (2007: Nil) and HK dollar deposits of 5,875.52 (2007: 204,774.79), representing a decrease of RMB47,815,625.31 from RMB73,824,290.88 as at the end of 2007. Net cash outflow generated from operating activities was used to finance interests of borrowings and investment activities.

5.13 Loans (prepared under IFRS)

As at 30 June 2008, the total loans due from the Group were RMB873,063,190.44, including a foreign currency loan of RMB6,736,173.32 (original amount: Euro 621,980.51). All loans bear interest rates based on China statutory current assets loan interest rate and the floating rates determined by Organization for Economic Co-operation and Development. The Group did not contract for any financial instrument as hedging vehicle. As at 30 June 2008, debt to equity ratio of the Group was 814.99% (which is calculated by dividing total loans over equity attributable to equity holders), up 140.89% as compared with 2007.

5.14 Capital commitment (prepared under IFRS)

The Group's capital commitment as at 30 June 2008 was RMB805,000.00.

5.15 The gearing ratio for the period was 1,691.59% while that of last year was 1,212.41% (prepared under IFRS)

5.16 Pledge of assets of the Group (prepared under IFRS)

As at 30 June 2008, the Group has pledged its bank deposits of RMB210,684,439.72 (31 December 2007: RMB167,301,958.33) for bills payables and short term loans.

5.17 Contingent liability (prepared under IFRS)

During the reporting period, the Group had no contingent liability.

BUSINESS OUTLOOK

1. Analysis on the glass market

Favorable factors:

(1) The glass sales will enter into the peak season of the industry in the second half of the year, driving up the sales volume and the price.

(2) The policy for preventing economic overheat and inflation in early 2008 have been adjusted to one aiming at maintaining steady growth and limiting prices within a reasonable range which resulted in some monetary easing and a decrease in oil and coal prices, showing signals of relaxed macroeconomic policies of the PRC.

(3) The depressed demand will be discharged rapidly after the Beijing Olympic Games.

(4) The state had carried out policies to enlarge the domestic demand, so as to cope with the slowdown in exports due to the declining global economic growth.

(5) Due to the rapid development of merger and restructuring and accelerating consolidation the PRC conglomentrates demanded further expansion of scale and small and medium companies also intend to join the conglomentrates . It is expected that the industry will be further consolidated in no time in the future. The Company will take advantage of the platform built by China National Building Material Group Corporation so as to restructure and integrate the glass industry.

(6) After the issuance and implementation of "Certain Opinions on Promotion of Structural Adjustment of Sheet Glass'' and "Entry Admissions of the Industry of Sheet Glass'', it is effective to avoid aimless investment and repeated construction, eliminate poor production capacity, upgrade the technology of glass and purify the glass market.

Adverse factors:

(1) The surplus production capacity of the industry leads to keen competition between participants.

Approximately 12 new production lines are expected to start operation in the later half of this year, which induced an increase in production capacity of the industry by around 10 million weighted cases which will lead to keen competition in the industry.

(2) The implementation of energy-saving and emission reduction scheme and the more demanding industrial admittance for the new entrants of the industry, for both of them, require concentrated resource utilization and waste reduction, which is going to promote the industrial restructuring greatly. However at the same time, it requires capital injection in huge amount in order to promote the environmentally friendly operation.

(3) The prices of raw materials and fuel lingered high. Though the price of petroleum and coal started to fall, the market was still unpredictable.

2. Countermeasures

(1) To strengthen self-confidence with clear mind

(1) By accurately identifying its advantages, the Company will improve its new business mode and lean management in production process, so as to hit the key point in operating, enhance efficiency and synergy effect.

(2) To reduce all kinds of non-operating cost, the Company will inform employees of the grim situation of the Company and the market with study activities to make them have the sense of crisis. Meanwhile, the Company will strengthen employees' confidence in it by sharing business vision with them.

(2) ***To renovate and upgrade the float glass production technology beyond-service-duration, develop new growth point***

(3) ***To adjust the market positioning and satisfy the customers***

To cope with the changes of product types, the Company will adjust its market positioning and product positioning, so as to establish a market-oriented mechanism which can guarantee fast production. Production department will earnestly cooperate to meet the requirement of marketing center and customers in the process, nude kit and set-loaded products.

(4) ***To strengthen brand management and enhance the brand value of "Luobo"***

The Company will make out plans for brand management according to its positioning of market and quality. Furthermore, the Company will set up fast responding mechanism of after-sales services to enhance customers' satisfaction. We will reshape our products image to enhance our brand value.

(5) ***To implement marketing innovation and expand regional markets***

(1) To speed up innovative reform in marketing system.

(2) To segment market and identify the target market.

(3) To reform marketing system and abandon the outdated modeThe Company will establish an incentive and control system to eliminate herd-behavior sales, passive sales, and sales depending on social relationship, thus eliminating sales personnel with an annual rate of no less than 5% and choosing customers in line with the rules and results.

(6) To lower procurement costs by carrying out large scale procurement, bidding procurement and risky procurement

The Company will try to achieve production stability by integrating the existing procurement channels and suppliers, optimizing and adjusting the raw materials base and increasing the reserve of raw materials and fuel. Furthermore, the Company will establish incentive and control mechanism, eliminate procurement staff and suppliers at an annual rate of 5% or above, improve the procurement system in terms of prices comparison and bidding and preclude procurement based on gratitude or social relationship.

(7) To spare no efforts in management and cut down operating cost.

The Company will reduce the ineffective operation while improving product quality; enhance the packaging quality while decrease the packaging costs; and unify and optimize the management in storage to lower storage loss with less outdoor placement. By strengthening the management in product transport and improving and speeding up the existing loading and shipping, the Company realize good product storage, fast shipment and little loss.

6 SIGNIFICANT EVENTS

6.1 Acquisition, disposal and reorganisation of assets

6.1.1 Acquisition of assets

☐ Applicable ☑ Not applicable

6.1.2 Disposal of assets

☐ Applicable ☑ Not applicable

6.1.3 *Progress and influences on operating results and financial position for the reporting period following the publishing of report of asset reorganisation or announcement of assets acquired or disposed*

☑ Applicable ☐ Not applicable

1. On 22 October 2007, the Company entered into an agreement for the transfer of 100% equity interest in Luoyang CLFG Storage and Logistics Company Limited ("Logistics Company") to China Luoyang Float Glass (Group) Company Limited. The agreement was approved by independent shareholders of the Company at the extraordinary general meeting on 18 December 2007. As the registration for the change of shareholding was not completed until 29 January 2008, the gain from transfer was confirmed in the first quarter of 2008 and was included in the consolidated financial statement.

2. On 28 December 2007, the Company entered into an agreement to sell its idle production equipment and auxiliary equipment to a purchaser for a consideration of RMB35,000,000. The purchaser made 30% of the initial payment on 29 December 2007 but in accordance to the date of the agreement, the Company did not received the remaining payment. According to the Contract, if Ruyang Welfare Factory fails to pay the consideration, the Company will be entitled to terminate the Contract. In the circumstances, the Company issued a written notice to Ruyang Welfare Factory on 6 June 2008 to terminate the Contract and in accordance with the Contract, shall obtain the overdue payment penalty of RMB808,500 by deducting the same from the consideration received from Ruyang Welfare Factory before. The Company will return the remaining sum of RMB9,691,500 to Ruyang Welfare Factory in cash. The non-completion of the Disposal of the Production Line will not have material impact on the operation of the Company. However, the expected gain on Disposal of approximately RMB24,377,500 will not be realized.

6.2 Guarantee

Guarantee provided	Date of occurrence (agreement execution date)	Amount of guarantee	Type of guarantee	Term of guarantee	Whether completed or not	Whether related party guarantee (Yes or No)
Guarantee provided by the Company (excluding guarantee to controlling subsidiaries)						
Nil						
Total amount of guarantee provided during the reporting period				0		
Balance of guarantee at the end of the reporting period (A)				0		
Guarantee provided by the Company to its controlling subsidiaries						
Total amount of guarantee provided by the Company to its controlling subsidiaries during the reporting period				108,000,000.00		
Balance of guarantee provided by the Company to its controlling subsidiaries at the end of the reporting period (B)				146,700,000.00		
Total guarantee provided by the Company (including guarantee to subsidiaries)						
Total amount of guarantee (A+B)				146,700,000.00		
Total amount of guarantee as a percentage to the Company's net assets (%)				88.73%		
Including:						
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)				0		
Debt guarantee directly or indirectly provided to parties with a gearing ratio over 70% (D)				0		
Total amount of guarantee over 50% of the net assets (E)				0		
Total amount of above 3 guarantee (C+D+F)				0		

6.3 Non-operating debts due to or from connected parties

☑ Applicable ☐ Not applicable

On 22 October 2007, the Company and China Luoyang FloatGlass (Group) Company Limited ("CLFG"), the largest shareholder, entered into agreement. The Company acquired 50% of equity of Longxin Glass Co. Ltd. from CLFG at a consideration of RMB35.00 million. The acquisition was approved by the extraordinary general meeting of the Company held on 28 October 2007.The consideration was settled in one single lump sum payment on December 2007 but the procedures for registration of transfer has not been completed.

6.4 Material litigation and arbitration

☐ Applicable ☑ Not applicable

6.5 Other significant events and analysis on their effects and solutions

☐ Applicable ☑ Not applicable

6.5.1 Securities Investment

☐ Applicable ☑ Not applicable

6.5.2 *Equity interests in non-listed financial institutions*

☑ Applicable ☐ Not applicable

Name of investee	Initial investment cost *(RMB)*	Number held of shares	Shareholding percentage in investee's equity	Book value as at 30 June 2008 *(RMB)*
China Luoyang Float Glass Group Financial Company	111,000,000.00		37	117,928,452.25
Sanmenxia City Urban Credit Company Limited (三門峽市城市信用社股份有限公司)	7,000,000.00		3.5	7,000,000.00
Yanshi Rural Credit Association	410,000.00		0.67	410,000.00
Sub-total	118,410,000.00			125,338,452.25

6.5.3 *Commitment on trading moratorium for newly acquired shares in 2008 made by shareholders with a 5% or above shareholding*

☐ Applicable ☑ Not applicable

6.6 The Company will not propose dividend for the first half of 2008 nor transfer capital reserve into share capital.

6.7 Daxin Certified Public Accountants and Daxin Liang Xuelian (HongKong) Certified Public Accountants will be appointed as PRC and international auditors of the Company respectively for year 2008 at the first EGM of 2008 to be held on 23 September 2008

6.8 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.

6.9 Independent Audit Committee

The independent audit committee, management and external auditor have reviewed the accounting principles and regulations and discussed matters relating to financial statements including reviewing the Interim Financial Report prepared under the IAS.

6.10 Code on Corporate Governance Practice

For the six months ended 30 June 2008, the directors of the Company are of view that the Group 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 throughout the reporting period.

6.11 Purchase, sale and redemption of shares

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

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

Having made enquires to all directors, the Company confirmed all directors have complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules throughout the six months ended 30 June 2008. In respect of the securities transactions by the directors of the Company, the code of conduct adopted by the Company is no less loose than the Model Code for Securities Transactions by Directors of Listed Issuers.

6.13 Resume trading of the Company's H shares

The announcement in relation to the resumption of trading of the Company's H shares was submitted to the Hong Kong Stock Exchange for review. At present, the Company endeavours to reply the inquiries from the Hong Kong Stock Exchange.

7 FINANCIAL STATEMENTS

7.1 Opinion of Auditing

Financial Report ☑ Unaudited ☐ Audited

7.2 Financial Statements (prepared in accordance with IFRS 34 "Interim Financial Reporting")

Consolidated Income Statement (Unaudited)
For the six months ended 30 June 2008
(Expressed in Renminbi)

	Note	**Six months ended 30.6.2008** ***RMB'000***	Six months ended 30.6.2007 *RMB'000*
Turnover	4	**663,744**	664,316
Cost of sales		**(674,136)**	(634,890)
Gross (loss)/profit		**(10,392)**	29,426
Other operating income	5	**87,521**	27,098
Other operating expenses		**(5,508)**	(20,088)
Selling expenses		**(23,097)**	(18,838)
Administrative expenses		**(53,246)**	(72,641)
Lost from operations		**(4,722)**	(55,043)
Net finance costs	6(a)	**(47,396)**	(33,085)
Investment income	6(b)	**—**	22,064
Share of net profit of associates		**2,583**	134
Loss before taxation	6(c)	**(49,535)**	(65,930)
Income tax expense	7	**—**	—
Loss for the period		**(49,535)**	(65,930)

Attributable to :			
Equity shareholders of the Company		**(36,693)**	(68,302)
Minority interests		**(12,842)**	2,372
Loss for the period		**(49,535)**	(65,930)
Basic loss per share *(in RMB: Yuan)*	9	**(0.073)**	(0.136)

Consolidated Balance Sheet (Unaudited)

At 30 June 2008

(Expressed in Renminbi)

	Note	**At 30.6.2008** ***RMB'000***	At 31.12.2007 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,013,987**	1,067,166
Construction in progress		**7,068**	7,113
Intangible assets		**13,011**	13,747
Lease prepayments		**34,483**	34,854
Interests in associates		**117,109**	116,922
Other investments		**7,410**	410
Investment deposit		**35,000**	35,000
Deposits with a non-bank financial institution	10	**35,000**	35,000
		1,263,068	1,310,212

CURRENT ASSETS			
Inventories		**340,279**	283,303
Trade and bills receivables	11	**77,509**	81,588
Other receivables	12	**61,488**	48,360
Income tax recoverable		**4,481**	—
Pledged deposits with banks		**210,684**	167,302
Cash and cash equivalents		**26,009**	73,824
		720,450	654,377
CURRENT LIABILITIES			
Trade and bills payables	13	**693,214**	516,013
Accrued expenses and other payables		**241,473**	252,386
Income tax payable		**—**	1,169
Bank and other loans	14	**866,901**	963,083
		1,801,588	1,732,651
NET CURRENT LIABILITIES		**(1,081,138)**	(1,078,274)
TOTAL ASSETS LESS CURRENT LIABILITIES		**181,930**	231,938

Consolidated Balance Sheet (Unaudited)

At 30 June 2008

(Expressed in Renminbi)

	Note	**At 30.6.2008**	At 31.12.2007 (Audited)
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Bank and other loans	14	**6,162**	6,405
Deferred income		**4,385**	4,615
		10,547	11,020
NET ASSETS		**171,383**	220,918
CAPITAL AND RESERVES			
Share capital	15	**500,018**	500,018
Share premium		**540,028**	540,028
Reserves	16	**(45,873)**	(45,873)
Accumulated losses	16	**(887,047)**	(850,354)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**107,126**	143,819
MINORITY INTERESTS		**64,257**	77,099
TOTAL EQUITY		**171,383**	220,918

Consolidated Statement of Changes In Equity (Unaudited)

For the six months ended 30 June 2008

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital	Share premium	Reserves	Accumulated losses	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1.1.2007	500,018	540,028	(45,873)	(750,265)	243,908	57,590	301,498
Loss for the period	—	—	—	(68,302)	(68,302)	2,372	(65,930)
At 30.6.2007	500,018	540,028	(45,873)	(818,567)	175,606	59,962	235,568
At 1.1.2008	500,018	540,028	(45,873)	(850,354)	143,819	77,099	220,918
Loss for the period	—	—	—	(36,693)	(36,693)	(12,842)	(49,535)
At 30.6.2008	500,018	540,028	(45,873)	(887,047)	107,126	64,257	171,383

Condensed Consolidated Cash Flow Statement (Unaudited)

For the six months ended 30 June 2008

(Expressed in Renminbi)

	Six months ended 30.6.2008 *RMB'000*	Six months ended 30.6.2007 *RMB'000*
Net cash inflows from operating activities	**61,203**	34,171
Net cash inflows from investing activities	**19,144**	15,359
Net cash outflows used in financing activities	**(128,162)**	(36,374)
Net (decrease)/increase in cash and cash equivalents	**(47,815)**	13,156
Cash and cash equivalents at 1 January	**73,824**	58,414
Cash and cash equivalents at 30 June	**26,009**	71,570

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 22 August 2008.

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 judgments, 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 operating results of the Company and its subsidiaries ("the Group") since 31 December 2007. 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 International Financial Reporting Standards ("IFRSs") promulgated by the FASB. IFRSs include all applicable IFRSs, IAS and related interpretations.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The financial information relating to the financial year ended 31 December 2007 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 2007 are available from the Company's registered office. The independent auditor has 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 27 March 2008.

Notwithstanding that the Group had net current liabilities at 30 June 2008, 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 followings:

(i) agreements obtained from financial institutions for renewal of loan facilities to the Group upon their expiry in 2008; and

(ii) continuing financial support received from China Luoyang Float Glass Group Company Limited ("CLFG"), the controlling shareholder, together with China National Building Material Group Corporation ("CNBMG"), the holding company of controlling shareholder.

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 the accounting period of the Group beginning on or after 1 January 2008. The Board 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 2008, 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 prepared under IFRSs for the year ending 31 December 2008 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 these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

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 period is as follows:

	Six months ended 30.6.2008	Six months ended 30.6.2007
	RMB'000	*RMB'000*
Turnover		
The People's Republic of China (the "PRC")	**646,061**	641,042
Asia	**16,534**	11,850
America	**513**	1,244
Oceania	**351**	3,179
Others	**285**	7,001
	663,744	664,316

All of the Group's assets are located in the PRC.

4. TURNOVER

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

5. OTHER OPERATING INCOME

	Six months ended 30.6.2008 *RMB'000*	Six months ended 30.6.2007 *RMB'000*
Profit on sales of raw materials	**—**	15,321
Gain on disposal of racks	**—**	257
Government grants	**990**	231
Net gain on disposal of property, plant and equipment	**50**	58
Net gain on disposal of a subsidiary	**70,486**	—
Others	**15,995**	11,231
	87,521	27,098

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	Six months ended 30.6.2008 *RMB'000*	Six months ended 30.6.2007 *RMB'000*
(a) Net finance costs:		
Interest income	**(1,707)**	(2,193)
Interest on borrowings	**40,527**	31,737
Net foreign exchange loss	**921**	571
Other financing charges	**7,655**	2,970
	47,396	33,085
(b) Investment income:		
Return of surplus assets upon winding up of an investee company	**—**	(22,059)
Others	**—**	(5)
	—	(22,064)
(c) Other items:		
Cost of inventories	**666,993**	629,446
Depreciation	**57,235**	56,774
Impairment losses on		
— trade receivables	—	5
— property, plant and equipment	**—**	14,144
— inventories	**7,143**	5,444
Reversal of impairment losses on		
— trade receivables	**(170)**	—
Amortisation of assets	**736**	736
Amortisation of lease prepayments	**341**	577
Loss on sales of raw materials	**202**	—

7. INCOME TAX EXPENSE

No provision for PRC income tax has been made as the Group has made losses for taxation purposes during the six months ended 30 June 2008.

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

8. DIVIDENDS

The Board of the Company does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2008 (2007: Nil).

9. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company for the six months ended 30 June 2008 of RMB36,693,000 (2007: RMB68,302,000) and 500,018,000 (2007: 500,018,000) shares in issue during the period.

No diluted earnings per share is calculated as there are no dilutive potential shares for the period from 1 January 2007 to 30 June 2008.

10. DEPOSITS WITH A NON-BANK FINANCIAL INSTITUTION

The balances represent the overdue time deposits at Guangzhou International Trust & Investment Corporation ("GZITIC"), after a 75% loss made. GZITIC is in the process of a corporate restructuring. A preliminary negotiation regarding the debt repayment has been undergoing between the two parties and GZITIC initially intended to repay with certain of its properties with estimated prevailing market value of not less than RMB35,000,000. No interest has been accrued in respect of the deposits.

11. TRADE AND BILLS RECEIVABLES

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Trade receivables		
— independent third parties	**70,010**	71,824
— a controlling shareholder	**2,147**	—
— a subsidiary of the controlling shareholder	**—**	165
	72,157	71,989
Less : impairment losses	**45,692**	45,862
	26,465	26,127
Bills receivable	**51,044**	55,461
	77,509	81,588

The aging analysis of trade and bills receivables, net of impairment losses on doubtful debts, is as follows:

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Within one year	**77,080**	81,398
Between one and two years	**340**	85
Between two and three years	**89**	105
	77,509	81,588

Debts are normally due within 30 days from the date of billing. The aging analysis above is prepared in accordance with invoice dates.

12. OTHER RECEIVABLES

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Advance payments, other receivables and prepayments	**118,760**	105,632
Less : impairment losses on doubtful debts	**57,272**	57,272
	61,488	48,360

13. TRADE AND BILLS PAYABLES

		At 30.6.2008	At 31.12.2007
			(Audited)
	Note	*RMB'000*	*RMB'000*
Trade payables			
— independent third parties		**413,371**	373,180
— a subsidiary of the controlling shareholder		**2,209**	1,831
		415,580	375,011
Bills payable	(a)	**277,634**	141,002
		693,214	516,013

The aging analysis of trade and bills payables is as follows:

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Due within 1 month or on demand	**693,214**	516,013

(a) As at 30 June 2008, bills payable was secured by certain pledged deposits with banks of RMB 170,684,000 (2007: RMB107,302,000).

14. BANK AND OTHER LOANS

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Unsecured bank loans	**4,000**	—
Secured bank loans	**756,233**	805,658
Secured loans from an associate	**60,500**	21,500
Unsecured loans from an associate	**—**	71,500
Secured loans from a non-bank financial institution	**52,330**	52,330
Unsecured loans from a non-bank financial institution	**—**	18,500
	873,063	969,488

RMB218,697,000 (2007: RMB242,900,000) included in secured bank loans of the Group is secured by the followings:

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Lease prepayments	**2,842**	2,878
Buildings	**5,706**	5,798
Plant and machinery	**44,694**	50,574
Pledged deposits with banks	**40,000**	60,000
Equity interest in an associate	**117,928**	118,403
	211,170	237,653

Within the remaining secured bank loans, RMB50,000,000 (2007: RMB100,000,000) was entrusted loans granted from the holding company of controlling shareholder, CNBMG and the others were guaranteed by its controlling shareholder, CLFG and other third parties.

As at 30 June 2008, certain secured bank loans of RMB1,697,000 (2007: RMB6,000,000) granted to a subsidiary of the Company was overdue.

The bank and other loans are repayable as follows:

	At 30.6.2008	At 31.12.2007
		(Audited)
	RMB'000	*RMB'000*
Within one year		
— short-term loans	**813,997**	909,200
— current portion of long term loans	**52,904**	53,883
	866,901	963,083
Between one and two years	**561**	582
Between two and five years	**1,684**	1,165
After five years	**3,917**	4,658
	6,162	6,405
	873,063	969,488

15. SHARE CAPITAL

	At 30.6.2008		At 31.12.2007 (Audited)	
	Shares (in thousand)	***RMB'000***	*Shares (in thousand)*	*RMB'000*
REGISTERED, ISSUED AND PAID-UP CAPITAL:				
STATE-OWNED LEGAL PERSON SHARES OF RMB1 EACH				
Balance at the beginning and the end of the period/year	**179,018**	**179,018**	179,018	179,018
DOMESTIC LISTED SHARES ("A SHARES") OF RMB1 EACH				
Balance at the beginning and the end of the period/year	**71,000**	**71,000**	71,000	71,000
Overseas listed shares ("H Shares") of RMB1 each				
At the beginning and the end of the period/year	**250,000**	**250,000**	250,000	250,000
	500,018	**500,018**	500,018	500,018

16. RESERVES

	Statutory surplus reserve *RMB'000*	Excess over share capital *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1.1.2007	61,076	(106,949)	(750,265)	(796,138)
Loss for the period	—	—	(68,302)	(68,302)
At 30.6.2007	61,076	(106,949)	(818,567)	(864,440)
At 1.1.2008	61,076	(106,949)	(850,354)	(896,227)
Loss for the period	—	—	(36,693)	(36,693)
At 30.6.2008	**61,076**	**(106,949)**	**(887,047)**	**(932,920)**

17. CAPITAL COMMITMENTS

At 30 June 2008, the Group had the following capital commitments:

	At 30.6.2008 ***RMB'000***	At 31.12.2007 (Audited) *RMB'000*
Contracted for		
— construction project	**805**	1,468
Authorised but not contracted for		
— construction project	**—**	—
	805	1,468

18. RELATED PARTY TRANSACTIONS

(a) Details of the related party transactions are presented in explanatory note 7 of the interim financial report prepared under PRC Accounting Rules and Regulations. The financial data presented are the same as those prepared under IFRSs.

The Company is in the process of application to the Stock Exchange of Hong Kong Limited for a waiver of strict compliance with the requirements of Chapter 14A of the Listing Rules on all of the above continuing connected transactions as reflected above.

The key management personnel remuneration are as follows:

	Six months ended 30.6.2008	Six months ended 30.6.2007
	RMB'000	*RMB'000*
Directors and supervisors	**653**	90
Senior management	**69**	108
	722	198

(b) During the six months ended 30 June 2008, the Company disposed of its entire 100% equity interests in its wholly-owned subsidiary, CLFG Warehousing & Logistics Company Limited, to its controlling shareholder, CLFG at a total consideration of RMB70,364,714.

(c) Transactions with other state-owned enterprises

The Group is a state-owned entity and operates in an economic regime currently predominated by state-owned entities. Apart from transactions with CLFG and its affiliates, the Group conducts a majority of its business activities with entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-owned entities") in the ordinary course of business. These transactions, which include sales and purchase of goods and ancillary materials, rendering and receiving services, purchase of property, plant and equipment and obtaining finance, are carried out at terms similar to those that would be entered into with non-state-owned entities and have been reflected in the financial statements. The management believes that it has provided meaningful disclosure of related party transactions as summarised above.

(d) Employee retirement benefits

As stipulated by the regulations of the PRC, the Group has participated in defined contribution retirement plans organised by the local authorities for its employees. Under this arrangement, the Group is required to make contributions to the retirement plans at an applicable rate on the basic salary, bonus and certain allowances of its employees. Each employee is entitled to an annual pension equal to a fixed proportion of his basic salary at the retirement date. The Group has no material obligation for the payment of pension benefits beyond its annual contributions.

19. POST BALANCE SHEET EVENTS

Up to the date of this report, the Group and the Company had no material post balance sheet events after the balance sheet date.

Significant differences between the financial statements of the Group prepared in accordance with the PRC Accounting Standards and Regulations and IFRSs (audited)

(1) Reconciliation of the loss attributable to the Group prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs are summarised below:

	Six months ended 30.6.2008 *RMB'000*	Six months ended 30.6.2007 *RMB'000*
Loss attributable to shareholders under the PRC Accounting Rules and Regulations	**(51,045)**	(63,875)
Differences		
— Amortisation of revaluation of land use rights	**13,819**	1,049
— Government grants	**182**	182
— Difference in accounting for reuse packing materials	**(2,644)**	(5,658)
— Others	**2,995**	—
Loss attributable to equity shareholders of the Company under IFRSs	**(36,693)**	(68,302)

Significant differences between the financial statements of the Group prepared in accordance with the PRC Accounting Standards and Regulations and IFRSs (unaudited)

(2) Reconciliation of the shareholders' funds of the Group prepared in accordance with the PRC Accounting Rules and Regulations and IFRSs are summarised below:

	At 30.6.2008	At 31.12.2007 (Audited)
	RMB'000	*RMB'000*
Shareholders' funds under the PRC Accounting Rules and Regulations	**165,328**	216,373
Differences		
— Amortisation of revaluation of land use rights	**(64,233)**	(78,052)
— Government grants	**(3,465)**	(3,647)
— Difference in accounting for consolidation	**3,653**	3,653
— Difference in accounting for reuse packing materials	**5,843**	8,487
— Others	**—**	(2,995)
Total equity attributable to equity shareholders of the Company under IFRSs	**107,126**	143,819

By order of the Board
Gao Tianbao
Chairman

Luoyang, the PRC
22 August 2008

As at the date of this announcement, the Board comprises five executive directors: Mr. Gao Tianbao, Mr. Xie Jun, Mr. Cao Mingchun, Mr. Song Jianming and Ms. Song Fei, two non-executive directors: Mr. Yang Weiping and Mr. Shen Anqin, and four independent non-executive directors: Mr. Zhang Zhanying, Mr. Guo Aimin, Mr. Xi Shengyang and Mr. Ge Tieming.