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)

2009 Annual Report

Contents

Important Notice

The board of directors (the "Board") and supervisory committee ("Supervisory Committee") of Luoyang Glass Company Limited (the "Company") and its directors (the "Directors"), supervisors and senior management warrant that there are no false representation and 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.

All directors attended the Board meeting.

The financial statements were prepared in accordance with the People's Republic of China ("PRC") Accounting Rules and Regulations and International Financial Reporting Standards ("IFRSs") and audited by Daxin Certified Public Accountants Co., Ltd. and PKF Certified Public Accountants respectively. The auditors have issued auditors' reports with explanatory paragraphs and non-qualified opinions. Detailed explanations were also given by the Board and the Supervisory Committee of the Company in this annual report; investors are advised to take note in reading this report.

Mr. Song Jianming, the Chairman, Ms. Song Fei, the Chief Financial Controller and Ms. Chen Jing, the Head of Finance Department, warrant the authenticity and completeness of the financial statements set out in the annual report.

Company profile

1.	Registered company name in Chinese: Company's Short Name: Registered company name in English:	洛陽玻璃股份有限公司 Luoyang Glass Luoyang Glass Company Limited (Abbreviation: LYG)
2.	Legal representative:	Song Jianming
3.	Secretary to the Board: Correspondence address: Telephone: Fax: Email: Securities representative: Correspondence address: Telephone: Fax: Email:	Song Fei Secretary office of the Board of Luoyang Glass Company Limited No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC 86-379-63908588, 63908507 86-379-63251984 lbjtsf@163.com Zhang Kefeng Secretary Office of the Board of Luoyang Glass Company Limited No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the PRC 86-379-63908629 86-379-63251984 lyzkf@163.com
4.	Registered address and office address: Postal code: Internet website: Corporate email:	No.9, Tang Gong Zhong Lu, Xigong District Luoyang Municipal, Henan Province, the People's Republic of China (the "PRC") 471009 http://www.zhglb.com/ gfbgs@clfg.com
5.	Newspapers for information disclosure: The website for publishing the annual report: Company's annual report available at:	China Securities Journal, Shanghai Securities News http://www.sse.com.cn, http://www.hkexnews.hk Secretary Office of the Board of Luoyang Glass Company Limited
6.	A Shares - Place of Listing: Stock Code: Stock Name: H Shares - Place of Listing: Stock Code: Stock Name:	Shanghai Stock Exchange 600876 ST Luoyang Glass The Stock Exchange of Hong Kong Limited 1108 Luoyang Glass
7.	Date of the First Registration of the Company: Place of the Registration of the Company:	6 April 1994 Luoyang Administration for Industry and Commerce
8.	Date and Place of Registration of Change of the Company:	19 April 1995 at the Luoyang Administration for Industry and Commerce 9 August 1996 at Luoyang Administration for Industry and Commerce (Approved by the State Administration for Industry and Commerce).

9.	Legal Person Business Registration Number of the Company:	Qi Ye Yu Luo Zong Zi 000327
10.	Taxation Registration Number of the Company:	410303001001000027
11.	Enterprise Code Certificate:	61480889-9
12.	Accountants the Company appointed	
	The PRC:	Daxin Certified Public Accountants 7-8/F Blk. A-B, Golden Resources World Centre,1166 Zhongshan Ave, Wuhan, the PRC
	International:	PKF Certified Public Accountants 26/F., Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
13.	Legal Advisors	
	Legal advisor of the PRC:	Henan Jiudu Law Office （河南九都律師事務所）
	Address:	4F, Zhongyuan Building, 550 Zhongzhou East Road, Luoyang, Henan, the PRC
	Legal advisor of Hong Kong:	Li & Partners Solicitors
	Address:	21/F, World Wide House, Central, Hong Kong
14.	Custodian for the Company's Non-circulating Shares:	GUOSEN SECURITIES CO., LTD.
15.	Share Registrars and Transfer Office for H Shares:	Hong Kong Registrars Limited Rooms 1901-5, Hopewell Centre, 19th Floor, 183 Queen's Road East, Wanchai, Hong Kong

Summary of accounting and business data

(Unless specific illustration, the following data disclosed in (1) to (4) are based on Accounting standards for Enterprises issued by The People's Republic of China Ministry of Finance (prepared under the "PRC Accounting Standards"))

(1) Major financial data in the reporting period

Items	Amount *(RMB)*
Operating income	972,949,859.17
Total loss	(171,666,551.34)
Net loss attributable to shareholders of the Company	(167,456,263.00)
Net loss after non-recurring items attributable to shareholders of the Company	(154,617,713.88)
Net cash flow from operating activities	(82,566,656.61)

(2) Net profit after non-recurring items

Non-recurring items	Amount *(RMB)*
Loss on disposal of non-current assets	(16,355,415.70)
Government subsidies through profit or loss for the reporting period	—
Gain from reorganization of debt	3,523,212.52
Other non-operating income and expenses	(4,822.07)
One-off adjustment to current profit or loss (in accordance with laws and regulations of tax and accounting)	—
Effect of non-recurring profit or loss on income tax	(16,033.81)
Effect of non-recurring profit or loss on minority interest	14,509.94
Total	(12,838,549.12)

(3) Differences between IFRSs and the PRC Accounting Standards

Unit: RMB

	PRC accounting standards	IFRSs
Net loss attributable to equity shareholders of the listed company	(167,456,263.00)	(166,225,000.00)
Equity attributable to equity shareholders of the parent company	34,678,917.62	2,811,000.00
Explanations for difference	Significant differences between the annual financial reports of the Group for the year prepared under the PRC Accounting Standards and IFRSs are set out in the financial report of this report.	

(4) Principal accounting data and financial indicators in the previous three years as at the end of the reporting period

Unit: RMB

Principal financial indicators	2009	2008	Increase/decrease as compared with last year (%)	2007
Operating income	**972,949,859.17**	1,322,532,854.82	(26.43)	1,508,756,180.44
Total loss	**(171,666,551.34)**	(37,209,125.73)	361.36	(73,009,423.96)
Net (loss)/profit attributable to shareholders of the listed company	**(167,456,263.00)**	12,783,782.14	N/A	(95,343,480.67)
Net loss after extraordinary (loss)/profit attributable to equity shareholders of the listed company	**(154,617,713.88)**	(245,984,788.36)	(37.14)	(110,186,360.07)
Net cash flow from operating activities	**(82,566,656.61)**	(47,722,300.79)	(73.01)	(10,720,925.72)
Total assets	**1,485,214,615.77**	2,003,149,707.07	(25.86)	2,039,580,095.59
Equity attributable to shareholders of the parent company	**34,678,917.62**	229,156,045.71	(84.87)	216,372,263.57
Basic (loss)/earnings per share	**(0.335)**	0.026	N/A	(0.191)
Diluted (loss)/earnings per share	**(0.335)**	0.026	N/A	(0.191)
Basic loss per share after extraordinary items	**(0.309)**	(0.49)	(37.14)	(0.220)
(Loss)/return on net assets (fully diluted) *(%)*	**(482.88)**	5.58	N/A	(44.065)
Weighted average (loss)/return on net assets *(%)*	**(115.15)**	5.74	N/A	(36.11)
Loss on net assets after non-recurring items (fully diluted) *(%)*	**(445.86)**	(107.34)	Increased by 338.52 percentage points	(50.92)
Weighted average loss on net assets after non-recurring items *(%)*	**(106.32)**	(110.42)	Decreased by 4.1 percentage points	(41.73)
Net cash flow per share from operating activities	**(0.165)**	(0.095)	(73.01)	(0.02)
Net assets per share attributable to shareholders of the listed company	**0.069**	0.458	(84.93)	0.433

Change in share capital and particulars of shareholders

(I) Changes in share capital

Unit: Share

Items	Before change: Number	Before change: Percentage	Change (+/-): Issue of new share	Change (+/-): Bonus issue	Change (+/-): Shares converted from public reserve	Change (+/-): Others	Change (+/-): Sub-total	After change: Number	After change: Percentage
I. Share subject to trading moratorium	179,018,242	35.80%	—	—	—	—	—	179,018,242	35.80%
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	179,018,242	35.80%	—	—	—	—	—	179,018,242	35.80%
3. Other domestic shares									
Including: Shares held by domestic legal persons	—	—	—	—	—	—	—	—	—
Shares held by domestic natural persons	—	—	—	—	—	—	—	—	—
4. Foreign invested shares									
Including: Shares held by overseas legal persons									
Shares held by overseas natural persons	—	—	—	—	—	—	—	—	—
II. Circulating shares not subject to trading moratorium	321,000,000	64.20%	—	—	—	—	—	321,000,000	64.20%
1. Ordinary shares denominated in RMB	71,000,000	14.20%	—	—	—	—	—	71,000,000	14.20%
2. Domestic listed foreign invested shares	—	—	—	—	—	—	—	—	—
3. Overseas listed foreign invested shares	250,000,000	50%	—	—	—	—	—	250,000,000	50%
4. Others									
III. Total number of shares	500,018,242	100%	—	—	—	—	—	500,018,242	100%

Changes in shares subject to trading moratorium

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the year	Number of shares with trading moratorium released in the year	Number of additional shares subject to trading moratorium in the year	Numbers of shares subject to trading moratorium at the end of the year	Reason for trading moratorium	Expiry date of trading moratorium
China Luoyang Float Glass (Group) Company Limited	179,018,242	—	—	179,018,242	Share reform undertaking	Nil

(II) Issuance and Listing of Securities

1. For the three years before the end of the reporting period, the Company has not issued stocks, convertible corporate bond, bonds with warrants, corporate bonds and other derivative securities.

2. There is no change in the total number of shares and shareholding structure of the Company during the reporting period.

3. There is no internal employee's share during the reporting period.

(III) Shareholders and de facto controlling shareholder

1. Numbers and shareholding of shareholders

Unit: Share

Total number of shareholders	As at 31 December 2009, there were 12,986 shareholders, including 1 state-owned legal person shareholder, 12,915 shareholders of A shares and 70 shareholders of H shares.

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held	Number of shares subject to trading moratorium held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	49.53%	247,652,998	0	Nil
China Luoyang Float Glass (Group) Company Limited	Holder of state-owned shares	35.80%	179,018,242	179,018,242	179,018,242
Yan Meiyin	Individual shareholder	0.301%	1,506,378	0	Nil
Chen Zhongjian	Individual shareholder	0.290%	1,452,476	0	Nil
China Investment New Asian-Pacific (Henan) Investment Management Co., Ltd. (中投新亞太(河南)投資管理有限公司)	Corporate shareholder	0.262%	1,310,293	0	Nil
Zhu Yuefang	Individual shareholder	0.226%	1,131,800	0	Nil
Guo Donglin	Individual shareholder	0.218%	1,090,523	0	Nil
China Investment New Asian-Pacific (Shanghai) Investment Management Co., Ltd. (中投新亞太(上海)投資管理有限公司)	Corporate shareholder	0.144%	720,644	0	Nil
Zhu Yu	Individual shareholder	0.138%	690,800	0	Nil
Zhang Jinyi	Individual shareholder	0.120%	600,400	0	Nil

(III) Shareholders and de facto controlling shareholder *(Continued)*

1. Numbers and shareholding of shareholders *(Continued)*

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

Name of shareholder	Number of shares held not subject to trading moratorium	Type of shares
HKSCC Nominees Limited	247,652,998	Overseas listed foreign shares
Yan Meiyin	1,506,378	Ordinary shares denominated in RMB
Chen Zhongjian	1,452,476	Ordinary shares denominated in RMB
China Investment New Asian-Pacific (Henan) Investment Management Co., Ltd. (中投新亞太（河南）投資管理有限公司)	1,310,293	Ordinary shares denominated in RMB
Zhu Yuefang	1,131,800	Ordinary shares denominated in RMB
Guo Donglin	1,090,523	Ordinary shares denominated in RMB
China Investment New Asian-Pacific (Shanghai) Investment Management Co., Ltd. (中投新亞太（上海）投資管理有限公司)	720,644	Ordinary shares denominated in RMB
Zhu Yu	690,800	Ordinary shares denominated in RMB
Zhang Jinyi	600,400	Ordinary shares denominated in RMB
Zeng Kaifa	567,184	Ordinary shares denominated in RMB

Explanation of relationship or action acting in concert among the aforesaid shareholders	There are no related 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》）published by the Shanghai Stock Exchange among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any relationship among other holders of circulating shares.

Note: Nature of shareholder includes sate-owned shareholder, foreign shareholder and others. Type of shares includes ordinary shares denominated in RMB, domestic listed foreign shares, overseas listed foreign shares and others.

2. Particulars of controlling shareholder

Name of Controlling Shareholder:	China Luoyang Float Glass (Group) Company Limited
Legal Representative:	Mr. Zhu Leibo
Registered Capital:	RMB1,286,740,000
Date of Establishment:	April 1991
Principal Activities:	Production and sales of float glass; imports and exports of processing technology of glass and internal business, design and subcontracting of engineering works, labour export and other businesses.

Apart from China Luoyang Float Glass (Group) Company Limited, no other legal person shareholder (excluding HKSCC Nominees Limited) holds 10% or more shares of the Company.

(III) Shareholders and de facto controlling shareholder *(Continued)*

3. Information on the de facto controller of the Company

Name of the de facto controller:	China National Building Material Group Corporation
Legal Representative:	Mr. Song Zhiping
Registered Capital:	RMB3,723,038,000
Date of Establishment:	1984
Principal Activities:	The Company is principally engaged in the research and development, wholesale and retail of construction material (including steel products and wood products, but only purchased by and supplied to those enterprises which are directly under and supplied by the system), raw materials and productive technology equipment as well as the supply of sedan in the plan of the system; undertaking designs and construction of housing, factory and decoration involving new construction materials, real estate operations with new materials and technology consultancy and information service in relation to principal and ancillary activities.

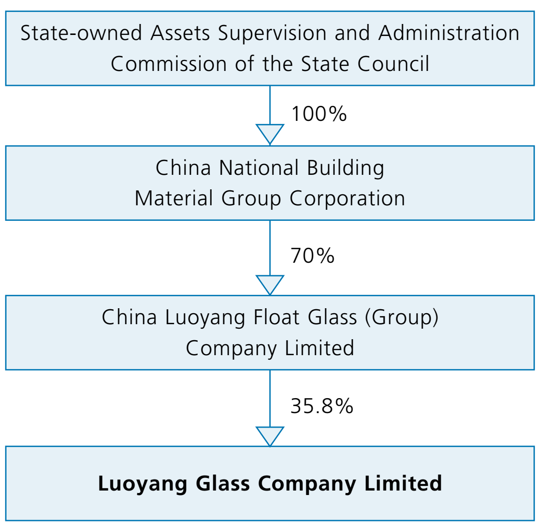
CLFG's other shareholders are as follows:

Name of shareholders	Shareholdings
China National Building Material Group Corporation	70%
Luoyang Assets Management Company	10.27%
China Hua Rong Assets Management Company	8.55%
China Changcheng Assets Management Company	5.44%
China Dongfang Assets Management Company	3.10%
China Xinda Assets Management Company	1.94%
China Xinxing Construction Material (Group) Company	0.7%

4. Change in de facto controlling shareholder

There was no change during the reporting period

5. Illustration of shareholding and controlling relationship between the Company and its de facto controller



Directors, supervisors, senior management and employees

1. General information, changes in shareholding for the year and remuneration of Directors, Supervisors and Senior Management

Number of A shares held in the interest of individuals

Name	Position	Sex	Age	Commencing date of term of office	Ceasing date of term of office	Shareholding at the beginning of the year *(share)*	Shareholding at the end of the year *(share)*	Reason for change	Total remuneration received from the Company during the reporting period *(RMB0'000)*	Whether received remuneration from corporate shareholders or other connected parties
Gao Tianbao	Former Chairman	M	50	2007-09-10 *(Director)*	2009-08-13	0	0	Nil	17.76	No
Cao Mingchun	Former Executive Director General Manager	M	46	2007-09-10 *(Director)* 2008-04-14 *(General Manager)*	2009-08-13	0	0	Nil	14.51	Yes
Xie Jun	Former Executive Director Deputy General Manager	M	43	2007-09-10 *(Director)* 2007-07-24 *(Deputy General Manager)*	2009-08-13	0	0	Nil	14.51	Yes
Song Jianming	Chairman	M	53	2008-06-30 *(Director)* 2009-05-27 *(Chairman)*	2012-05-18	0	0	Nil	19.37	No
Ni Zhisen	Executive Director General Manager	M	38	2009-05-27 *(General Manager)* 2009-09-28 *(Director)*	2012-05-18	0	0	Nil	8.8	No
Song Fei	Executive Director Chief Financial Controller Secretary to the Board	F	46	2008-04-14 *(Chief Financial Controller)* 2008-06-30 *(Director)* 2008-12-11 *(Secretary to the Board)*	2012-05-18	0	0	Nil	14.68	No
Cheng Zonghui	Executive Director Deputy General Manager	M	47	2007-07-24 *(Deputy General Manager)* 2009-9-28 *(Director)*	2012-05-18	0	0	Nil	12.97	No
Shen Anqin	Non-executive Director	M	60	2007-09-10	2012-05-18	0	0	Nil	4	Yes
Bao Wenchun	Non-executive Director	M	55	2009-05-18	2012-05-18	0	0	Nil	2.67	Yes
Guo Yimin	Non-executive Director	M	45	2009-09-28	2012-05-18	0	0	Nil	1	Yes
Xi Shengyang	Former independent Director	M	55	2006-04-10	2009-05-18	0	0	Nil	2	No
Guo Aimin	Independent Director	M	55	2006-04-10	2012-05-18	0	0	Nil	4	No
Zhang Zhanying	Independent Director	M	52	2006-04-10	2012-05-18	0	0	Nil	4	No
Huang Ping	Independent Director	M	41	2009-05-18	2012-05-18	0	0	Nil	2.67	No
Dong Jiachun	Independent Director	M	53	2009-09-28	2012-05-18	0	0	Nil	1	No
Ge Tieming	Former independent Director	M	64	2007-09-10	2009-05-18	0	0	Nil	4	No
Ren Zhenduo	Chairman of the Supervisory Committee	M	45	2007-09-10 *(Supervisor)* 2007-09-12 *(Chairman of the Supervisory Committee)*	2012-05-18	0	0	Nil	2	Yes
Li Jingyi	Former independent Supervisor	F	56	2006-04-10	2009-05-18	0	0	Nil	1	No
He Baofeng	Independent Supervisor	M	39	2007-09-10	2012-05-18	0	0	Nil	2	No
Yao Wenjun	Supervisor	F	41	2007-09-10	2012-05-18	0	0	Nil	2	Yes
Guo Hao	Independent Supervisor	M	52	2009-05-18	2012-05-18	0	0	Nil	1.33	No
Lu Junfeng	Employee Supervisor	M	41	2007-09-10	2012-05-18	0	0	Nil	5.09	No
Ip Pui Sum	Company Secretary	M	50	2008-08-06	2012-05-18	0	0	Nil	HK$120,000	No
To Wai Kum	Former Qualified Accountant	F		2008-08-06	2009-05-18	0	0	Nil	HK$52,000	No

1. General information, changes in shareholding for the year and remuneration of Directors, Supervisors and Senior Management *(Continued)*

Number of A shares held in the interest of individuals *(Continued)*

Note:

(1) Save as disclosed above, as at 31 December 2009, 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 Laws of Hong Kong)) which was required to be entered in the register of interest kept 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the "Model Code for Securities Transactions by Directors of Listed Companies".

(2) As of 31 December 2009, none of the Directors, supervisors or their spouses or children under the age of eighteen was granted right to purchase shares or debentures of the Company or any of its respective associated companies.

(3) Total remuneration above amounted to approximately RMB1.58 million.

2. Major work experience of Directors, Supervisors and Senior Management in past five years

Directors:

Mr. Gao Tianbao, aged 50, a senior accountant with a bachelor's degree, former Executive Director and Chairman of the Company. He resigned from his position as the Company's Director on 13 August 2009. He had served as Financial Controller of the Company, Financial Controller of the Parent and General Manager of the Company.

Mr. Xie Jun, aged 43, Doctor, Professor-level Senior Engineer, former Executive Director and Deputy General Manager of the Company. From June 2003 to December 2005, he served as party secretary and deputy general manager of the Company. He served as deputy general manager and Director of the Company for the second time in July 2007 and September 2007 respectively. He resigned from his position as the Company's Director on 13 August 2009. He is currently a standing member of Party Committee and deputy general manager of CLFG.

Mr. Cao Mingchun, aged 46, Postgraduate, former Executive Director and General Manager of the Company. He resigned from his position as the Company's Director on 13 August 2009. He had successively served as Financial Controller, Secretary to the Board, deputy general manager and general manager of the Company.

Mr. Song Jianming, aged 53, is a senior engineer with a bachelor's degree. He is currently the Chairman of the Company. He had successively been the manager of the import and export company, the manager of the sales company, the general manager of Longhai Company and deputy general manager of the Company.

Mr. Ni Zhisen, aged 38, a senior engineer with bachelor's degree. He is an Executive Director and General Manager of the Company. Mr. Ni had served as deputy general manager and general secretary of Longmen Glass and Longhai Company. He has served as the General Manager and Director of the Company since May 2009 and September 2009 respectively.

Ms. Song Fei, aged 46, a senior accountant and a senior certified consultant with a postgraduate qualification, is currently an Executive Director, financial controller and Secretary to the Board of the Company. She had successively served as financial controller of the processing company, head of planning and financial department of CLFG and assistant financial controller of CLFG.

2. Major work experience of Directors, Supervisors and Senior Management in past five years *(Continued)*

Directors *(Continued)***:**

Mr. Cheng Zonghui, aged 47, senior engineer with a bachelor's degree. He is currently an Executive Director and Deputy General Manager of the Company. Mr. Cheng had served as head of the float glass plant and the assistant to general manager of the Company.

Mr. Shen Anqin, aged 60, a senior accountant with a bachelor's degree, Non-executive director of the Company. He is currently the deputy general manager and chief accountant of China National Building Material Group Corporation. From August 1998 he served as Vice President of China National Building Material Group Corporation and from September 2003 he served as chief accountant of China National Building Material Group Corporation.

Mr. Bao Wenchun, aged 55, is a certified public accountant and a Non-executive Director of the Company. He is currently the secretary-general and executive deputy general manager of Beijing New Building Material (Group) Company Limited. Mr. Bao has successively served as the manager of the finance department of the finance department and deputy general manager, general manager, director and Chairman of Beijing New Building Material (Group) Company Limited. He has been acting as the supervisor of China National Building Material Company Limited since May 2005.

Mr. Guo Yimin, aged 45, a senior economist with bachelor's degree, is a Non-executive Director of the Company. He presently serves as CFO and head of Investment Department of CLFG. Mr. Guo had served as deputy general manager of CLFG Financial Company, head of Investment Department of CLFG, and assistant CFO of CLFG.

Mr. Xi Shengyang, aged 55, doctor degree, professor, former Independent Director of the Company. He is currently Dean of Economic and Management Faculty of Henan Science University, director of MBA training center, head of China Enterprise Science Academy, graduate tutor for management science and engineering and enterprise management.

Mr. Guo Aimin, aged 55, doctor degree, Independent Director of the Company. He is currently vice chancellor of Henan University of Finance and Economics. Mr. Guo has worked in Henan University of Finance and Economics since 1988, and served as head of Teaching Research Office, department head and vice dean. He was responsible for science research, international communication and cooperation, academic subject construction and Postgraduate Education of the academy.

Mr. Zhang Zhanying, aged 52, doctor degree, professor, Independent Director of the Company. Mr. Zhang had served as head of Teaching Research Office, director of science research department, head of material engineer department of Luoyang Institute of Science and vice chancellor of Luoyang Technology College. Since August 2007, he has served as vice chancellor of Henan Polytechnic University.

Mr. Ge Tieming, aged 64, Senior economist and Senior Engineer with a bachelor's degree, former Independent Director of the Company. He is currently an external director of CITS Group Corporation and an external director of Panzhihua Iron & Steel (Group) Company Limited. Mr. Ge had served as director of Shenyang Glass Factory, head of Shenyang building material bureau, general manager of Shenyang Xingguang Building Material Group Co., Ltd., general manager of China New Building Material Group Corporation and party secretary of China New Building Material Group Corporation.

Mr. Huang Ping, aged 41, is a security specialized accountant and an Independent Director of the Company. He is currently the deputy head of Luoyang China Certified Public Accountants. Mr. Huang had served as the department head of the finance department of Luoyang Yutong Automobile Company Limited. He has worked in Luoyang China Certified Public Accountants in since 1997.

2. Major work experience of Directors, Supervisors and Senior Management in past five years *(Continued)*

Directors *(Continued)***:**

Mr. Dong Jiachun, aged 53, master of engineering and senior engineer. Mr. Dong is an Independent Director of the Company. He served in YTO Group Corporation from January 1982 to April 2001, as chief engineer and technical director. He engaged in industry research in Luoyang Securities Company from May 2001 to April 2003. Mr. Dong has served in Central China Securities Holdings Co. Ltd. since April 2003.

Supervisors

Mr. Ren Zhenduo, aged 45, holder of bachelor's degree. He is chairman of supervisory committee of the Company. He is also the deputy party secretary and director of CLFG. He successively served as general manager of Longmen Glass Company Limited (a subsidiary of the Company), Director of No.2 Float Glass Plant, Secretary of Party Committee to No.3 Float Glass Plant and general manager of Luoyang Longxin Glass Co. Ltd. which is a subsidiary of the Group. He has served as the deputy secretary-general of the Party Committee and director of CLFG since June 2009 and September 2009 respectively.

Ms. Li Jingyi, aged 56, a senior accountant with a bachelor's degree, a former Independent supervisor of the Company. She is currently vice director of state-owned large and medium enterprise department of SASAC of Henan province. Ms. Li had served as vice director of financial auditor division of Henan Metallurgy & Building Materials industry department, manager of financial department of Henan Metallurgy & Building Enterprise, director of economic financial division of Henan Metallurgy & Building Materials industry department.

Mr. He Baofeng, aged 38, is a PRC public certified accountant and a PRC certified tax agent with a bachelor's degree and Supervisor of the Company. He is currently the director and vice head of Luoyang Topchina CPA Ltd. and head of Luoyang Topchina tax agent.

Ms. Yao Wenjun, aged 40, is a senior accountant with a bachelor's degree. She is currently the supervisor of the Company and general manager of Audit Department of China National Building Material Group Corporation. From February 2007, She served as general manager of auditor department of China National Building Material Group Corporation.

Mr. Lu Junfeng, aged 39, is a technician of float glass and Supervisor from staff members of the Company with a college degree. He is head of float melting department of CLFG Luoyang Longhao Glass Company Limited. Mr. Lu had successively served as chief of smelting department of No.2 Float Grass Plant, head of float melting department of CLFG Luoyang Longhao Glass Company Limited, the holding subsidiary of the Company.

Mr. Guo Hao, aged 52, has a master's degree and is an associate professor and the PRC certified public accountant. He is a Supervisor of the Company. He is currently the deputy dean of Economic and Management Faculty of Henan Science University and the deputy head of MBA Education Center of Henan Science University.

Senior Management

Mr. Ip Pui Sum, aged 50, graduated from the Hong Kong Polytechnic University in 1982 with a MBA degree, is currently the Company Secretary. Mr. Ip is a certified public accountant in Hong Kong, a fellow member of the Institute of Chartered Accountants in England and Wales, and a member of the Hong Kong Institute of Certified Public Accountants, Chartered Institute of Management Accountants, ICSA and The Hong Kong Institute of Chartered Secretaries. Mr. Ip has served as the Company Secretary of several Hong Kong listed companies.

Ms. To Wai Kum, is the former qualified accountant of the Company. She graduated from the Hong Kong Polytechnic University in 1987 with a diploma in Accounting. She obtained a master's degree in Accounting & Finance from Lancaster University in 1991. Currently, she is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Accountants in England and Wales.

The above information was updated at 31 December 2009.

3. Remunerations of Directors, Supervisors and Senior Management

(1) Decision-making procedures for remunerations of Directors, Supervisors and Senior Management

After considering other listed companies' remuneration level in the same sector and economic growth in the region, the Remuneration and Review Committee of the Board submit the proposal for the remuneration of the Directors and Supervisors, which shall become effective upon consideration and approval by the Board and the general meetings. The proposal for remuneration of the managers is determined by Remuneration and Review Committee of the Board.

(2) Daily management

The senior management will be paid one twelfth of their basic salaries every month as determined according to the remuneration proposal by the Human Resources Department ("HR Department").

Remuneration of external directors and supervisors will be paid by the Board secretariat in one lump sum.

(3) Payment of the remuneration

Based on the proposal for remuneration of Directors and Supervisors and the proposal for remuneration of the managers determined by the Board (Remuneration and Review Committee), HR Department will submit a payment proposal (draft), which shall be implemented upon the approval by the Remuneration and Review Committee of Board.

The total remuneration of Directors, Supervisors and senior management members is RMB1,580,000.

4. Particulars of Directors and Supervisors holding positions in the Company's shareholders

Name	Name of shareholders who hold positions in	Position held in entity shareholder	Term of appointment	Whether receiving remuneration and allowance in entity shareholder or not (Yes / No)
Shen Anqin	China Luoyang Float Glass (Group) Company Limited	Vice Chairman	From August 2007 to present	No
Ren Zhenduo	China Luoyang Float Glass (Group) Company Limited	Deputy secretary to the Party Committee and Director	From June 2009 to present and September 2009 to present	Yes
Guo Yimin	China Luoyang Float Glass (Group) Company Limited	Chief Accountant and the Manager of the Investment Department	August 2007 *(Head of Investment Department)* to present January 2010 *(Chief Accountant)* to present	Yes
Song Jianming	China Luoyang Float Glass (Group) Company Limited	Standing member of the Party Committee	From May 2009 to present	No
Ni Zhisen	China Luoyang Float Glass (Group) Company Limited	Standing member of the Party Committee	From January 2010 to present	No

5. Changes in Directors, supervisors and senior management during the reporting period

The 2008 Annual General Meeting was held on 18 May 2009, at which Mr. Song Jianming, Mr. Gao Tianbao, Mr. Cao Mingchun, Mr. Xie Jun, Ms. Song Fei, Mr. Shen Anqin, Mr. Bao Wenchun, Mr. Guo Aimin, Mr. Zhang Zhanying and Mr. Huang Ping were elected as members of the Sixth Board, with Mr. Guo Aimin, Mr. Zhang Zhanying and Mr. Huang Ping as independent Directors; Mr. Ren Zhenduo, Ms. Yao Wenjun, Mr. He Baofeng, and Mr. Guo Hao were elected as members of the sixth Supervisory Committee, with Mr. Lu Junfeng as a supervisor from staff members; Mr. Ge Tieming was not appointed as a member of the Sixth Board since he resigned from his candidacy for the independent non-executive Drector of the Sixth Board on 16 May 2009.

Mr. Xi Shengyang and Ms. Li Jingyi ceased to be the independent Director and supervisor due to the expiry of terms of office.

The 1st meeting of the Sixth Board of the Company was held on 27 May 2009, at which Mr. Song Jianming was elected as Chairman; Mr. Ni Zhisen, Mr. Cheng Zonghui and Ms. Song Fei were appointed as the General Manager, Vice General Manager and Chief Financial Controller, respectively; Ms. Song Fei, Mr. Zhang Kefeng and Mr. Ip Pui Sum were appointed as the secretary to the Board, representative for securities affairs and company secretary (Hong Kong), respectively.

On 13 August 2009, Mr. Gao Tianbao, Mr. Cao Mingchun and Mr. Xie Jun resigned from their respective positions as Directors due to work rearrangement.

At the Third Extraordinary General Meeting held on 28 September 2009, Mr. Ni Zhisen, Mr. Cheng Zonghui, Mr. Guo Yimin and Mr. Dong Jiachun were elected as additional Directors, with Mr. Dong Jiachun as Independent Director.

6. Employees

As at 31 December 2009, the Company had 3,080 employees, including 2,369 production workers, 54 sales personnel, 129 engineering technicians, 57 financial personnel, 293 administrative personnel and 178 other staff members. Among them, 289 employees graduated from universities, representing 9.38% of the staff and 797 employees graduated from professional training colleges, representing 25.88% of the staff. The Company provided pensions to 2,033 retired employees.

We offer a comprehensive remuneration policy, which is reviewed by the management and the remuneration committee on a regular basis.

Corporate governance structure

1. Improvement of Corporate Governance

The Company strictly abides by the Company Law, the China Securities Law, the Rules Governing the Listing of Securities on Shanghai Stock Exchange in the People's Republic of China to establish and continuously improve corporate governance structure, standardize its operations and strengthen information disclosure, which comply with the relevant requirements on the corporate governance standards for listed companies issued by China Securities Regulatory Commission. At present, regulatory documents of corporate governance of the Company includes, but not limited to the following documents:

(1) Articles of Association of Luoyang Glass Company Limited ("Articles of Association")

(2) Rules of Procedures for the Board of Director's Meeting of Luoyang Glass Company Limited

(3) Rules of Procedures for the Supervisory Committee's Meeting of Luoyang Glass Company Limited

(4) Rules of Procedures for the Annual General Meeting of Luoyang Glass Company Limited

(5) Work System for Independent Directors of Luoyang Glass Company Limited

(6) Rules of Duties for Secretary of the Board of Directors of Luoyang Glass Company Limited

(7) Implementation Rules of the Strategic Committee under the Board of Directors of Luoyang Glass Company Limited

(8) Implementation Rules of the Nomination Committee under the Board of Directors of Luoyang Glass Company Limited

(9) Implementation Rules of the Audit or Review Committee under the Board of Directors of Luoyang Glass Company Limited

(10) Implementation Rules of the Remuneration and Review Committee under the Board of Directors of Luoyang Glass Company Limited

(11) Implementation Rules of the Compliance Committee under the Board of Directors of Luoyang Glass Company Limited

(12) Management Methods on Information Disclosure of Luoyang Glass Company Limited

(13) Regulations for Financial Management of Luoyang Glass Company Limited

(14) Internal Control System of Luoyang Glass Company Limited

(15) Internal Audit System of Luoyang Glass Company Limited

(16) Significant Information Internal Report System of Luoyang Glass Company Limited

2. Performance of Duties by Independent Directors

During the reporting period, all Independent directors performed their duties with due diligence, played an active role to keep informed of the Company's material decision-making, made use of their working experience and expertise, gave independent opinions on significant events of the Company, performed their duties faithfully, thus protected the legal interests of the Company and shareholders and facilitated the Company's standard operations.

Attendance of Independent Directors in Board meetings in the reporting period.

Name of independent director	Required attendance to the Board meetings during the year	Attendance in person (times)	Attendance by proxy (times)	Absence (times)
Guo Aimin	11	11	0	0
Xi Shengyang	6	6	0	0
Zhang Zhanying	11	11	0	0
Ge Tieming	6	6	0	0
Huang Ping	5	5	0	0
Dong Jiachun	2	2	0	0

3. Independence of the Company from the Controlling Shareholder

(1) With respect to business, the Company independently carries out operations with a complete business structure, and has no competition with the Controlling Shareholder with independent operation ability. The operation of Company is not dependant on the Controlling Shareholder and its associated companies.

(2) With respect to personnel, the Company has independent organization structure and relevant employees. The Company's labor, staff and salary management is completely independent.

(3) With respect to assets, there is a clear delineation in property title between the Company and the Controlling Shareholder. The Company has independent production facilities and ancillaries. The assets of the Company are completely separated from the Controlling Shareholder.

(4) With respect to organization, the Board, Supervisory Committee and other organizations operate separately. The Controlling Shareholder and its function departments have no impact in any form on the independence of the Company and subsidiaries in establishing and managing organization. The Company has established an organization structure which is completely independent from controlling shareholders and has independent function management department.

(5) With respect to finance, the Company has its independent financial department and established an independent accounting and auditing system and financial management system. It has independent bank accounts and is an independent tax payer with separate tax registration.

4. Establishment and Improvement of Internal Control System

Since 2007, Shine Wing (HK) CPA Limited ("Shine Wing") was appointed as independent adviser of the Company. By adopting COSO model, it conducted reviews on the internal control system (including compliance with internal control system under the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules of the Company and its subsidiaries, and made recommendations for improvement. Shine Wing confirmed the rectification on internal control system of the Company, and H Shares of the Company was resumed trading on 31 July 2009.

5. Corporate Governance Report

(1) In Compliance with the Code on Corporate Governance

The Group used its best endeavour to comply with the provisions of Code on Corporate Governance Practice throughout 2009.

(2) Securities Transactions of the Directors and Supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the"Model Code") set out in Appendix 10 to the Listing Rules, which requires the securities transactions of the Directors to be conducted in accordance with the Model Code. The Model Code also applies to the senior management of the Company. Having made specific enquiry, all directors have confirmed that they had fully complied with the Model Code throughout the year of 2009.

(3) The Board of Directors

During the reporting period, the Board of the Company convened 11 meetings.

Please refer to the Report of Directors in this annual report for composition of the Board and attendance of directors at regular Board meetings.

There is no financial, business, family relations or other significant relations among members of the Board and between Chairman and Chief Executive Officer.

(4) Operation of the Board

The Board of the Company is elected by and is responsible for general meeting. It is the highest decision making body exercising authority during the period when the general meeting is not in session. Its basic duty is giving strategic guide to the Company and effective supervision over the management in order to ensure the interests of the Company as well its responsibility for the shareholders. Certain significant matters are decided by the Board, including: strategic scheme and medium and long term planning; annual operating and investment plan; Annual financial budget scheme; annual performance assessment indicators of the members of executive organization of the Company and annual remuneration scheme; interim and annual financial report; interim and annual preliminary proposal of profit distribution; material events involving development, acquisition and organization restructuring of the Company. Directors and the Board take initiatives in corporation governance, and elect directors in strict compliance with procedures of director election under the Articles of Association; All directors can earnestly attend the Board meetings and implement their duties with due diligence, as well as determine the significant decisions including appointment, dismissal and supervision of the members of the executive organization of the Company, communication with shareholders and self-improvement.

5. Corporate Governance Report *(Continued)*

(4) Operation of the Board *(Continued)*

The Company has established the independent director system. There are four independent non-executive directors in members of the Board, which is in compliance with requirement for minimum number of independent non-executive directors under the Listing Rules of the Hong Kong Stock Exchange. The Company has received the confirmation on independence from four independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company is in opinion that the four independent non-executive directors are completely independent from the Company and its substantial shareholders and connected persons, which is in full compliance with requirement for independent non-executive director under the Listing Rules. Huang Ping, an independent non-executive director of the Company, processes professional qualifications in accounting and financial management, which complies with the requirements under Rule 3.10 of the Listing Rules. For biographical detail of Mr. Huang Ping, please refer to biographical details of directors in Information on Directors, Supervisors, Senior Management and Staff Members in this annual report. The four independent non-executive directors have no other position in the Company and have strictly performed their duties required by relevant laws and regulations and the Articles of Association.

The Board has established strategic committee, audit committee, nomination committee, remuneration and review committee and compliance committee. The major duty of above committees is to support the Board to make decisions. The directors appointed in special committee focus on problems in a certain aspect according to division of work in order to provide suggestion on management improvement of the Company.

(5) Chairman and Chief Executive Officer

The Chairman of the Company is Mr. Song Jianming and the Chief Executive Officer is Mr. Ni Zhisen. The Chairman and the Chief Executive Officer are two definitely different positions, and the Chairman shall not concurrently hold the position of the latter, and their duties shall be clearly separated and defined in written form. Under the Articles of Association, the main duties of the Chairman are: presiding over general meeting, convening and presiding over the Board meetings; examining implementation of resolution of the Board; signing securities issued by the Company; and other duties and power under the Articles of Association and authorised by the Board. The principal duties of Chief Executive Officer are: presiding over production, operation and management of the Company as well as organizing to implement the resolutions of the Board; organizing to implement annual operating plan and investment scheme of the Company as well as drafting the internal management organisation setup of the Company; drafting the basic management system of the Company; formulating the specific regulations of the Company; proposing to the Board for appointment or dismissal of senior vice president, chief financial officer and other senior management of the Company, as well as appointment or dismissal of the management members except those supposed to be appointed or dismissed by the Board; and other duties and rights authorised by Articles of Association and the Board.

(6) Directors' term of office

Pursuant to the Articles of Association, all directors (including non-executive directors) are elected at the general meeting with a term of office of 3 years. The directors are eligible for re-election upon expiry.

5. Corporate Governance Report *(Continued)*

(7) Remuneration of directors

The Review and Remuneration Committee of the Company consists of 3 directors, 2 of whom are independent non-executive directors, namely Mr. Dong Jiachun (the chief member), Mr. Bao Wenchun (member) and Mr. Zhang Zhanying (member), which is in compliance with provisions of the Code on Corporate Governance. Its duty and work rules are specified by Implementation Rules on Remuneration and Review Committee, which are available on the Company's website: http://www.zhglb.com/.

The principal duties of the Review and Remuneration Committee of the Company are: making remuneration plan or scheme according to main scope, duties and importance of positions held by directors and senior management as well as remuneration level of other relevant positions in other relevant enterprises; the remuneration plan or scheme principally includes, but not limited to, standards and procedures of performance assessment and key assessment system as well as major scheme and system of prize and punishment;reviewing the duty performance of the directors (non-independent directors) and senior management and making annual performance assessment on them; responsibilities for supervising implementation of the remuneration determined; and other matters authorised by the Board.

For details of the working status and research of the Review and Remuneration Committee during the reporting period, please refer to the section headed "Report of the Directors" in this annual report.

(8) Nomination of directors

In accordance with the Articles of Association, the election and change of Directors are subject to consideration at shareholders' general meeting. Shareholders representing more than 5% (including 5%) shares carrying voting rights shall have proposal right. In light of the nominees of Nomination Committee, the final list of the nominees shall be summarized by the Chairman after thorough consideration and review by the Nomination Committee, and Secretariat of the Board shall be required to prepare relevant procedure documents with relevant departments, including but not limited to letter of invitation, letter of confirmation for the Directors, biographies of the candidates and resignation. Secretariat of the Board is responsible for reporting to the Chairman and the shareholders with proposal right and despatching the letter of invitation to the director candidates, who shall execute the letter of confirmation. Meanwhile, the Directors to resign shall execute their resignation. As specified by the Articles of Association, the Company shall dispatch a 45-day prior notice in written before shareholders' general meeting and also dispatch a circular to shareholders. Under Rule 13.51(2) of the Listing Rules, the list, biographies and relevant remuneration of the director candidates shall be set out in the circular for shareholders' voting at their discretion. New directors shall be elected with votes representing more than half of total shares carrying voting rights held by shareholders or their authorised proxies present at the relevant shareholders' general meeting.

The major duties of the Nomination Committee include: to make suggestions on the scale and composition of the Board according to corporate operating activities, scale of assets and shareholding structure; to study the selection standard and procedure of the directors and managers, and to make suggestions to the Board; to extensively identify qualified director candidates and managers; to review and make suggestions on director candidates and managers; to review and make suggestions on other senior management members which are appointed subject to approval by the Board; and other matters authorised by the Board.

Duties and work rules for the committee are clearly specified by Implementation Rules on the Nomination Committee, and are available on the Company's website: http://www.zhglb.com/.

Please refer to the Report of the Directors of this annual report for details of work of the Nomination Committee during the reporting period.

5. Corporate Governance Report *(Continued)*

(9) Audit Committee

The Company's Audit Committee comprises three Independent Non-executive Directors. According to the Company's Implementation Rules of Audit Committee, the chief member of the committee shall be an Independent Director and all the committee's resolutions must be put to a vote of the Independent Directors for approval. The Audit committee's terms of reference are available on the website of the Company: http://www.zhglb.com/.

Major duties of the Company's Audit Committee include: to submit proposals regarding appointment and change of external auditor (review institution); to supervise and implement internal audit (review) system; to take charge of the communication between the internal audit (review) and the external audit (review); to review the internal financial information and its disclosure; to review the Company's internal control and audit (review) major connected transactions; and to deal with other matters authorised by the Board.

As for details of its work during the reporting period, please refer to of the Report of the Directors in this annual report.

(10) Shareholders and General Meetings

For details of the shareholders and the general meetings, please refer to the Brief notes on general meetings in this annual report.

The Board and the senior management of the Company are well aware that they shall work for the interests of shareholders as a whole, and therefore shall regard maximizing shareholders' interests as their primary task. The Company always attaches importance to maintaining good communication with the shareholders. The Company has established major communication channels such as general meetings, website, e-mail, and fax and telephone of the Secretary Office to the Board, so as to facilitate shareholders' expressing their views or exercising their rights. For relevant procedures of general meetings and voting of shareholders and proxies, please refer to the Company's Articles of Association published on the website of Shanghai Stock Exchange.

(11) Supervisors and Supervisory Committee

The Supervisory Committee reports to the general meeting and comprises, one Supervisor elected by staff representatives and two Independent Supervisors. Following the Articles of Association, Supervisors have conscientiously performed their duties, attended all Board meetings and duly reported them to the general meetings, and submitted the report of the Supervisory Committee and relevant proposals. Guided by the principle of being responsible to shareholders, the Supervisory Committee has watched over the Company's finance; supervised the compliance of duty performance of Directors, Chief Executive Officer and other senior management; and actively participated in and made good recommendations on the Company's significant events such as production, operation and investment projects.

(12) Directors' responsibility of preparing financial statements

Directors are responsible for reviewing the Company's financial statements prepared for every financial year with the support of the Accounting Department, and shall ensure the adoption of appropriate accounting policies in the preparation of the financial statements in accordance with the IFRSs and Accounting Standards for Business Enterprises of the PRC, so as to give a true and fair view of the affairs of the Company.

(13) Operation as a going concern

The Board is of the view that the Company has adequate resources for operation as a going concern in the foreseeable future. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

Brief notes on general meetings

1. The 2009 First Extraordinary General Meeting of the Company

The 2009 First Extraordinary General Meeting was held at the Conference Room of the Company on 1st Floor, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the People's Republic of China (the "PRC") on 30 March 2009 at 9:00 a.m, and was attended by 1 shareholders and proxy. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve and confirm the acquisition agreement entered into among the Company, CLFG, Zhenglong Coal and Yongcheng Coal, and terms and conditions thereof and the transaction contemplated thereunder and its performance.

(2) To approve, ratify and confirm that any of the Directors be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering all such documents and deeds, to do or authorise doing all such acts, matters and things as they may in their discretion consider necessary, expedient or desirable to give effect to and implement the Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Agreement as they may in their discretion consider to be desirable and in the interests of the Company, and all the Directors' acts as aforesaid.

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News on 31 March 2009.

2. 2008 Annual General Meeting of the Company

The 2008 Annual General Meeting was held at the Conference Room of the Company on 1st Floor, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the People's Republic of China (the "PRC") on 18 May 2009, and was attended by 4 shareholders and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) the report of the Board of Directors of the Company for the year 2008;

(2) the report of the Supervisory Committee of the Company for the year 2008;

(3) the financial report of the Company for the year 2008;

(4) the Company's profit distribution plan for the year 2008;

(5) The resolutions regarding the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2009 respectively, and authorisation to the Board to determine their remunerations;

(6) The resolution regarding the election of the directors of the sixth Board of the Company;

Gao Tianbao, Xie Jun, Cao Mingchun, Song Jianming and Song Fei were elected as executive Directors of the sixth Board, Shen Anqin and Bao Wenchun as non-executive Directors, and Guo Aimin, Zhang Zhanying and Huang Ping as independent non-executive Directors.

2. 2008 Annual General Meeting of the Company *(Continued)*

(7) The resolution regarding the election of shareholder representative supervisors of the sixth Supervisory Committee of the Company:

Ren Zhenduo, Yao Wenjun, He Baofeng and Guo Hao were elected as the shareholder representative supervisors of the sixth Supervisory Committee of the Company.

The "Proposed Amendments to Certain Articles of the Articles of Association of the Company" were considered and approved by way of special resolutions at the general meeting.

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News in Mainland China on 19 May 2009.

3. The 2009 Second Extraordinary General Meeting of the Company

The 2009 Second Extraordinary General Meeting was held at the Conference Room of the Company on 1st Floor, Xigong District, Luoyang Municipal, Henan Province, the People's Republic of China (the "PRC") at 9:00 a.m. on 13 July 2009, and was attended by 1 shareholder and proxy. At the meeting, resolutions on 24 continuing connected transaction agreements were considered and approved by way of ordinary resolutions:

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News on 14 July 2009.

4. The 2009 Third Extraordinary General Meeting of the Company

The 2009 Third Extraordinary General Meeting was held at the Conference Room of the Company on 1st Floor, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang Municipal, Henan Province, the People's Republic of China (the "PRC") on 28 September 2009, and was attended by 2 shareholders and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) Appointment of Mr. Ni Zhisen as an executive Director of the sixth Board of the Company;

(2) Appointment of Mr. Cheng Zonghui as an executive Director of the sixth Board of the Company;

(3) Appointment of Mr. Guo Yimin as non-executive Director of the sixth Board of the Company;

(4) Appointment of Mr. Dong Jiachun as an independent non-executive Director of the sixth Board of the Company.

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News on 29 September 2009.

Report of the directors

Management Discussion and Analysis

(I) Business Review

1. Position and major products of the Company in the industry

The Company is the place of origin for one of three major float glass manufacturing methods - “Luoyang Float Glass”. The Company is one of the largest manufacturers and distributors of float glass in glass industry in the PRC. The Company is mainly engaged in the manufacturing and sales of float sheet glass. Capable of producing float glass of 0.55mm - 25mm, the Company holds a leading position in terms of the production technology of ultra-thin and ultra-thick glass in China.

2. Overall operation of the Company during the reporting period

In 2009, the Company managed to achieve gradual improvement in its operation through a series of measures which effectively minimized the adverse effect from the global financial crisis on its production and operation. The Company adjusted its operating approach and strengthened internal management to reduce costs, while putting more efforts on technological reform. The Company also made great efforts in market development while optimizing its marketing mechanism. As a result, the Company, for the first time after successive 19 months of loss-making, recorded a profit on consolidated basis in August of 2009, and maintained a steady performance thereafter.

According to the PRC Accounting Standards, in 2009, the operating revenue of the Group was RMB972,949,900, representing a decrease of 26.43% from the corresponding period last year. Loss before tax totalled RMB171,666,600, representing an increase of loss of 361.36% over the corresponding period last year. Net loss attributable to shareholders of the Company was RMB167,456,300, and the net profit attributable to shareholders of the Company was RMB12,783,800 for the corresponding period last year. Basic loss per share was RMB0.34. According to the IFRSs, the loss before tax of the Group totalled RMB170,435,000 in 2009, while the Group recorded a profit before tax of RMB3,142,000 last year. Net loss attributable to shareholders of the Company was RMB166,225,000, while the Group recorded a net profit attributable to the shareholder amounted to RMB54,040,000 last year. Basic loss per share attributable to shareholders of the Company in 2009 was RMB0.33.

The Board does not recommend the distribution of any final dividend or the transfer of capital reserve to share capital.

In 2009, major measures taken by the Company include: (1) carrying out the education on situation and task and strengthening work style construction to restore staff confidence; (2) placing emphasis on regulatory governance, enhancing risk-prevention and implementing management consolidation; (3) enhancing market forecast and clarifying market positioning so as to make rapid responses and improve the overall selling price of products; (4) promoting refined management and further exploring in-depth potential, with an aim to stabilising production and reducing cost; (5) strengthening production safety and implementing energy saving and emission reduction to improve economic and social benefits; (6) reinforcing external coordination and actively raising funds to enhance “hematopoietic” capacity and safeguard the capital chain; and (7) strengthening the fostering and reserve of talents and optimizing talent appointment and incentives schemes.

(I) Business Review (Continued)

3. Principal operations and operating status

Principal operations by products

According to the PRC Accounting Standards

	Operating revenue (RMB)	Operation costs (RMB)	Profit margin of operations (%)	Decrease of operating revenue as compared to last year (%)	Decrease of operating costs as compared to last year (%)	Increase/decrease of operating profit margin as compared to last year (%)
Float glass	790,010,280.89	679,671,987.29	13.97	(30.09)	(40.96)	Increased by 15.83 percentage points
Others	182,939,578.28	171,523,609.60	6.24	(4.94)	(4.90)	Decreased by 0.04 percentage points

According to the IFRSs

	Income for the year (RMB'000)	Increase/(decrease) as compared to last year (%)
1. Float glass	953,372	(25.99)
2. Silica sand	19,040	(28.70)

Principal operations by regions

	According to the PRC Accounting Standards	
Regions	Operating revenue (RMB)	Decrease of operating revenue as compared to last year (%)
Domestic	960,519,092.61	(25.78)
Exports	12,430,766.56	(56.24)

(I) Business Review *(Continued)*

3. Principal operations and operating status *(Continued)*

According to the IFRSs

Regions	Operating revenue *(RMB)*	Decrease of operating revenue as compared to last year *(%)*
Domestic	961,550,000.00	(25.26)
Exports	10,862,000.00	(61.76)

Top 5 Suppliers and Top 5 Customers

Total purchase from top 5 suppliers *(RMB)*	176,778,877.87	Percentage in total purchase	37.11%

One of the biggest supplier of the proportion of 10.87%

Total sales to the top 5 customers *(RMB)*	294,888,296.70	Percentage in total sales	30.31%

One of the biggest customer of the proportion of 14.34%

Save as disclosed above, none of the Company's directors, supervisors and their respective associates and any shareholders (whom as far as the directors are aware holds 5% or more of equity interests in the Company's share capital) had any interest of the aforesaid suppliers and customers.

4. Analysis on items of accounts with movements over 30% (According to the PRC Accounting Standards)

(1) Bills receivables as at the end of the reporting period increased by 792.65% from the beginning of the reporting period, mainly due to significant increase in bank acceptance notes received from sales of products as a result of an upturn in glass market condition in the second half of 2009.

(2) Accounts receivable as at the end of the reporting period decreased by 62.44% from the beginning of the reporting period, mainly due to the increase in collected products sales proceeds.

(3) Prepayment as at the end of the reporting period increased by 99.05% from the beginning of the reporting period, mainly due to the increase in prepayment for materials.

(4) Other receivables as at the end of the reporting period decreased by 74.34% from the beginning of the reporting period, mainly due to the receipt of the remaining RMB120,000,000 due from Luoyang Land Reserves Coordination Centre in respect of the disposal of land and buildings erected thereon.

(I) Business Review *(Continued)*

4. Analysis on items of accounts with movements over 30% (According to the PRC Accounting Standards) *(Continued)*

(5) Inventories as at the end of the reporting period decreased by 37.71% from the beginning of the reporting period, mainly due to the decrease in inventory as result of sales increased promotion activities in the second half of 2009.

(6) Long-term equity investment as at the end of the reporting period decreased by 94.24% from the beginning of the reporting period, mainly due to disposal of the equity interests in CLFG Finance Company Limited(中國洛陽浮法玻璃集團財務有限責任公司)("Finance Company"), a associate of the Company.

(7) Taxes payable as at the end of the reporting period increased by 181.08% from the beginning of the reporting period, mainly due to the auditing and adjustment of matters across periods, as well as the arrangement to increase operating income and retrospective provision for value added tax.

(8) Contingent liabilities as at the end of the reporting period decreased by 100% from the beginning of the reporting period, mainly due to the transfer of 72.65% equity interests in Hunan Chenzhou Bada Glass Co. Ltd.(郴州八達玻璃股份有限公司)held by the Company.

(9) Equity attributable to shareholders of the Company as at the end of the reporting period decreased by 84.87% from the beginning of the reporting period, mainly due to a loss incurred by the Company during the reporting period.

(10) Minority interests as at the end of the reporting period decreased by 87.41% from the beginning of the reporting period, mainly due to the decrease in shareholding.

(11) Revenue from principal operations for the period decreased by 30.09% from previous period, mainly due to decrease in sales volume as a result of reduced production capacity resulting from suspension of certain production lines.

(12) Cost of principal operations for the period decreased by 40.96% from previous period, mainly due to the decrease in sales volume and decrease in product cost as a result of a drop in raw material prices.

(13) Tax and surcharge of principal operations for the period increased by 57.73% over the previous period, mainly due to the increase in the relevant surcharges as a result of increase in the value-added tax paid in the period.

(14) Administrative expenses for the period increased by 36.57% over the previous period, mainly attributable to losses on scraping of inventory and the wages and depreciation expenses being included in the management cost subsequent to suspension of certain production lines during this period.

(15) Asset impairment loss for period decreased by 59.84% from the previous period, primarily due to the fact that cost of most inventories were found to be lower than their net realizable value after conducting impairment tests as a result of a rise in selling prices of glass products under the recovering macro economy.

(16) Investment gains for the period increased by 252.72% over the previous period, mainly due to the gains from disposal of equity interest in Xiangfang Luoshen Auto Glass Company Limited（襄樊洛神汽車玻璃有限公司）and in CLFG Finance Company Limited in the period.

(I) Business Review *(Continued)*

4. Analysis on items of accounts with movements over 30% (According to the PRC Accounting Standards) *(Continued)*

(17) Profit from operations for the period increased by 54.86% over the previous period, mainly due to the decrease in profit from principal operations and in investment income and the decline in asset impairment loss in the period.

(18) Non-operating income for the period decreased by 98.44% from the previous period, mainly due to income from the disposal of land and government subsidies received during previous year.

(19) Non-operating expenses for the period increased by 3,625.46% over the previous period, mainly due to the scrapping of certain assets during the period.

(20) Total profit for the period decreased by 361.36% from the previous period, mainly attributable to the decrease in non-operating income and increase in non-operating expenses.

(21) Income tax for the period increased by 167.17% over the previous period, mainly due to the income tax accrued for subsidiaries of the Company as a result of a profit recorded by the subsidiaries.

(22) Net profit for the period decreased by 401.91% from the previous period, mainly due to the decrease in non-operating income and increase in administrative expenses , non-operating expenses and income tax during the period.

5. Composition of cash flows

According to the PRC Accounting Standards, the Company's net cash flow from operating activities amounted to RMB(82,566,656.61) for the year, representing a decrease of 73.01% from the corresponding period last year (According to IFRSs, net cash flow from operating activities was RMB(82,998,000), representing a decrease of 9,796.03% from the corresponding period last year), mainly attributable to the decrease in cash received from sales of product due to decrease in sales volume and an increase in other current accounts payments in 2009. The Company's net cash inflow from investment activities amounted to RMB139,749,811.66 for the year, representing a decrease of 20.22% from the corresponding period last year (According to IFRSs, net cash inflow from investment activities was RMB131,620,000, representing a decrease of 22.54% from the corresponding period last year), mainly attributable to the fact that the proceeds from disposal of fixed assets and intangible assets in this year was less than that of last year and proceeds from disposal of equity interest of CLFG Longxin Glass Ltd. ("Longxin Company") in this year was less than proceeds received from disposal of equity interest of Luoyang CLFG Storage and Logistics Co. Ltd ("Logistics Company") last year. The Company's net cash flow from financing activities amounted to RMB(88,566,720.26) for the year, representing an increase of 35.49% from the corresponding period last year (According to IFRSs, net cash outflow from financing activities was RMB79,731,000, representing an increase of 55.71% from the corresponding period last year), mainly attributable to different repayment method for certain borrowings in this year. Net decrease of cash and cash equivalents was RMB31,389,225.96, representing an increase of 239.52% from the same period last year. (According to IFRSs, net decrease of cash and cash equivalents was RMB31,389,000, representing an increase of 239.49% from the corresponding period last year).

(I) Business Review *(Continued)*

6. Change in equipment and principal technicians of the Company

Five float glass production lines of the Company stopped production in February 2006, June 2008, July 2008 and August 2008 due to expiry of operation or overtime operation and requirement of cold repair (cold repair is a procedure, in which the float glass production line stops production periodically for the renovation and redevelopment of equipment and materials and thereafter resumes production). However, since three production lines are located at the Sui Tang ancient relic protection areas of Luoyang City, according to environment protection policy of Luoyang government and relic protection needs, the production line shall not resume production after its cold repair at the original place. Therefore, the equipment of the production line and the relevant assets have been idle. The Company is considering relocating or disposal of such assets. The other two production lines are to be undergone technology renovation to produce high value added new products.

During the reporting period, there were no changes in principal technicians of the Company.

7. Analysis of the operation results of the major subsidiaries and investee companies

			According to the PRC Accounting Standards			
Company name	Nature of business	Major products	Registered capital *(RMB)*	Total assets *(RMB)*	Net assets/ (liabilities) *(RMB)*	Net profit/(loss) *(RMB)*
CLFG Lougmen Glass Company Limited	Production and sales	Ultra thin glass	20,000,000.00	124,053,867.91	(179,383,258.68)	(51,927,686.07)
CLFG Luoyang Longhai Electric Glass Company Limited	Production and sales	Ultra thin glass	60,000,000.00	238,651,851.41	23,843,057.25	4,894,007.84
CLFG Luoyang Longhao Glass Company Limited	Production and sales	Float glass	50,000,000.00	321,983,500.64	49,883,707.37	12,645,233.90
CLFG Longfei Glass Company Limited	Production and sales	Float glass	74,080,000.00	146,215,411.59	(27,153,488.72)	(43,604,551.24)
CLFG Luoyang Longxiang Glass Company Limited	Production and sales	Float glass	50,000,000.00	139,391,983.43	25,424,212.04	6,898,341.77
Yinan Mineral Products Co., Ltd.	Production and sales	Silica sand raw materials	28,000,000.00	41,395,165.52	5,728,697.83	(1,888,238.58)
Luoyang Luobo Industrial Co., Ltd.	Sales of products	Glass and raw materials and fuel	5,000,000.00	27,250,259.23	4,154,172.43	(264,983.57)
Dengfeng CLFG Silicon Company Limited	Production and sales	Silica sand raw materials	3,000,000.00	6,011,647.41	2,281,647.41	(413,426.30)
CLFG Processed Glass Company Limited	Production and sales	Processing glass	181,495,607.50	175,566,407.76	(112,420,827.25)	(61,188,930.82)
Luoyang Jingxin Ceramic Co., Ltd.	Production and sales	Inner wall tile	41,945,000.00	127,308,794.38	(54,869,947.51)	(1,796,164.87)
CLFG Minerals Products Co., Ltd.	Production and sales	Silica sand raw materials	30,960,055.81	29,344,062.52	(11,784,340.47)	(3,035,128.83)

(I) Business Review *(Continued)*

8. Investment during the report period

(1) The Company has not raised any fund during the reporting period, nor raised any fund in the previous period and its use subsisted in the reporting period;

(2) The Company has no major projects financed by non-raised fund during the reporting period.

9. The Board's explanation for non-standard opinion given by the auditors

Daxin Certified Public Accountants Co., Ltd. presented their auditors' reports with an explanatory paragraph but without qualifying for the 2009 financial statements of the Company. Particulars of the explanatory paragraph are as follows:

"Besides, we would like to draw the attention of the users of financial statements, as stated in note 2 to the financial statements, that the financial statements of the Group and the Company were prepared on assumption that the Group and Company would continue as a going concern during the period from the end of the reporting period to 31 December 2010. The Group had accumulated losses amounting to RMB1,414,213,763.32, with current liabilities exceeding current assets by RMB881,188,055.56 as at 31 December 2009. Notwithstanding the Company's management has justified the going concern basis in preparing the above financial statements as set out in note 2 to the financial statements, there exists fundamental uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. This explanatory paragraph does not affect the audit opinion made."

Appendix: Note 2 to financial statements: Preparation basis for financial statements

Notwithstanding that the Group had accumulated losses of RMB1,414,213,763.32, with current liabilities exceeding current assets by RMB881,188,055.56 at 31 December 2009, the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to meet their obligations, as and when they fall due, having regard to the following:

(1) continuing financial support will be obtained from its holding company - CLFG and the holding company's parent - CNBMG.

(2) Banks are to continue capital support for the Company. As at 31 December 2009, credit facilities of approximately RMB645,795,000 were granted by banks to the Group. As such loans will fall due within one year after the balance sheet date, the Directors are negotiating with banks for their continual support.

The directors believe that the Company and the Group will have sufficient cash resources to satisfy its future working capital and other operating needs. Accordingly, the financial statements have been prepared on a going concern basis.

In respect of the above explanatory paragraph in the auditors' report, the Company believes that the net current liabilities are mainly attributable to operating loss incurred by the Company during the year. The loss was mainly due to the following factors: i) the Company's products were sold at prices lower than cost in certain months due to the gloomy glass market in the first half of the year as affected by the financial crisis;although the glass market warmed up in the second half of 2009, the Company's production capacity had decreased since part of its production lines has either operated beyond the running time of kilns or had been suspended for cold-repair, resulting in deterioration in profitability; ii) provisions was made for assets impairment in accordance with relevant provisions of accounting policies; and iii) certain assets were retired.

In the opinion of the Board, cash inflow status will be improved with the execution of optimisation of the Group's product mix, which will in turn significantly reduce the reliance on bank loans for its operation. Furthermore, the Company may obtain financial support, if necessary, from its controlling company and other financial institutions to cope with the potential financing difficulties.

(I) Business Review *(Continued)*

10. Cashflow, income and expenses

The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Group and the notes thereto prepared in accordance with IFRSs set out in other sections of this report.

Turnover

The turnover decreased as compared with the corresponding period last year, mainly attributable to lower sales volume as a result of decreased production capacity.

Operating expenditures

Operating expenditures increased as compared with the corresponding period last year, mainly due to an increase in other current accounts payments.

Staff remuneration cost

Staff remuneration cost decreased as compared with same period last year, mainly due to lower salary of the staff after suspension of production of certain production lines.

Depreciation, impairment and amortisation

As compared with the corresponding period last year, depreciation, impairment and amortisation decreased mainly due to the sales of certain fixed assets.

Selling and administrative expenses

Selling expenses decreased as compared with same period last year, mainly due to decreased sales volume and less expenses in transportation and cargo handling accordingly.

Administrative expenses increased over same period last year, mainly due to losses on scrapping of inventory and expenses from suspension of certain production lines during the period.

Taxation other than income tax

Auditing and adjustment of matters across periods, as well as the arrangement to increase operating income and retrospective provision for value added tax and other taxes.

Operating profit

Although gross profit was achieved for the products, the asset scrapping loss was included. Meanwhile, net gains on disposal of lease prepayments and fixed assets were included in the amount for last year. Therefore, operating profit decreased as compared with same period last year.

Net foreign exchange loss

Net foreign exchange loss dropped as compared with the corresponding period last year, mainly attributable to the less foreign exchange transaction as a result of shrinking product export.

(I) Business Review *(Continued)*

10. Cashflow, income and expenses *(Continued)*

Net interest expenditures

Net interest expenditures decreased as compared with the corresponding period last year, mainly due to decrease in principal of bank borrowings and lower loan interest rate.

Profit before taxation

Profit before taxation decreased as compared the corresponding period last year, mainly due to operating loss and less investment income.

Taxation

Taxation recorded a year-on-year increase mainly due to income tax accrued for subsidiaries of the Company for the year as a result of a profit recorded by the subsidiaries.

Net profit

Net profit decreased as compared with the corresponding period last year, mainly due to the inclusion of asset disposal income and government subsidies into net profit for last year.

11. Five-year financial highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2009 as prepared under IFRSs are summarised below:

Operating results

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**972,412**	1,314,946	1,444,535	1,195,193	1,028,976
Profit/(loss) of attributable to associated companies	**1,552**	5,868	2,194	(38,419)	(20,751)
(Loss)/profit before taxation	**(170,435)**	3,142	(77,658)	(42,902)	8,592
Taxation	**1,781**	(2,651)	3,412	—	1,950
(Loss)/profit after taxation	**(172,216)**	5,793	(81,070)	(42,902)	6,642
(Loss)/profit attributable to minority interests	**(5,991)**	(48,247)	19,019	(55,893)	(3,022)
(Loss)/profit attributable to shareholders of the Company	**(166,225)**	54,040	(100,089)	12,991	9,664

(I) Business Review *(Continued)*

11. Five-year financial highlight *(Continued)*

Assets and liabilities

	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fixed assets	**792,490**	923,256	1,067,166	1,174,616	959,352
Construction in progress	**17,723**	11,761	7,113	5,550	265,271
Interest in associates	**1,128**	120,906	116,922	111,105	154,919
Other investments	**7,410**	7,410	410	32,000	32,297
Non-current assets	**898,540**	1,185,137	1,310,212	1,430,288	1,569,852
Net current liabilities	**883,344**	949,016	1,078,274	1,063,686	530,657
Non-current liabilities	**8,516**	9,410	11,020	65,104	95,163
Shareholders' equity	**2,811**	197,859	143,819	243,908	862,366
Minority interests	**3,869**	28,852	77,099	57,590	81,666

12. Others

Bank and other loans

Details of the bank and other loans of the Group for the year ended 31 December 2009 are set out in notes to the consolidated financial statements of this annual report prepared under IFRSs.

Capitalisation of interests

There was no capitalisation of interests of the Group as at 31 December 2009.

Fixed assets

Movements in the fixed assets of the Group during the reporting period are set out in notes to the consolidated financial statements of this annual report prepared under IFRSs.

Land appreciation tax

During the year, there is no land appreciation tax to be paid by the Group.

Reserves

Movements in the reserves of the Group for the year ended 31 December 2009 are set out in notes to the consolidated financial statements of this annual report prepared under IFRSs.

Accumulated losses

As at 31 December 2009, the accumulated losses of the Group was RMB989,466,000 under IFRSs.

(I) Business Review *(Continued)*

12. Others *(Continued)*

Statutory surplus reserve

Details of the nature, application, movement and basis of calculation (including the percentage used and amount of profits for calculation) are set out in notes to the consolidated financial statements of this annual report prepared under IFRSs.

Charity and other donations

During the year, there was no charity and other donations made by the Group.

Transactions with related parties

The material related party transactions of the Group for the year ended 31 December 2009 are set out in notes to the consolidated financial statements prepared under IFRSs.

Working capital and financial resources

As at 31 December 2009, the Group recorded net current liabilities amounted to RMB883 million (2008: RMB949 million) which is calculated by current assets minus current liabilities under IFRSs.

Capital structure

Under IFRSs, as at 31 December 2009, total equity of the Group was RMB6,680,000 (2008: RMB226,711,000). Debt ratio, being the ratio of total liabilities divided by total assets, was 0.99 as at 31 December 2009 (2008: 0.89). All the borrowings and cash and cash equivalents of the Group are denominated in Renminbi.

Contingent liabilities

Details of the contingent liabilities are set out in note 38 to the consolidated financial statements prepared under IFRSs.

Foreign currency exposure

The Directors consider that the Group has limited foreign currency exposure because our operations are mainly conducted in the PRC. Sales and purchases are mainly denominated in Renminbi and the foreign currency risk associated with export sales is not material. In view of the minimal foreign currency exchange risk, we monitored the exchange rate closely instead of entering into any foreign exchange hedge arrangement.

(II) Future Development Prospect

1. Environment analysis

Year 2010 presents both opportunities and challenges to the Company. In this crucial year, the building and development of CNBMG's glass business platform will render a historical opportunity for the Company to rebuild its glory. However, the macro control and fallout of the financial crisis still bring uncertainties to the glass market in 2010. Further analysis is stated as follows:

Positive factors

(1) The steadily growing market demand cements a foundation for the smooth operation of the glass market.

Real estate sector: New home sales hit historical high in 2009, and properties sold are 30% more than the completed ones in terms of area. Therefore, clusters of developers are required to deliver properties and replenish their stock of properties in 2010. Meanwhile, the newly commenced areas increased by 12.5% in 2009 as compared with same period last year. In addition, the "bringing building materials to rural area" policy is to effectively stimulate demand for glass in rural markets. Therefore, demand for glass from real estate industry is to see stable growth in 2010.

With mandatory regulations for construction industry being launched by the government, more glass for construction purpose will be required for further processing, which will result in increasing use of insulating glass. Moreover, as glass is applied in more areas such as solar energy and subway, demand for glass is expected to grow.

Automobile sector: Last year, output and sales of domestic automobiles hit record high. As China's macro economy is growing at sustainable and fast pace, and living standard of Chinese is steadily improving, the huge potentials of purchasing power therefrom has engined rapid growth of China's automobile industry. Output of China's automobile is expected to increase by 15% year on year in 2010.

Export market: As global economy recovers, glass export, especially for enhanced processing glass, will see significant increase.

Judging from the trend in 2010, the above three sectors which affect the demand for glass are not likely to encounter major negative factors. Especially, it is almost be certain that the demand of automobile industry and export market will gradually stabilize. Therefore, the stability of glass market is expected in 2010.

(II) Future Development Prospect *(Continued)*

1. Environment analysis *(Continued)*

Positive factors *(Continued)*

(2) Glass capacity growth is likely to be curbed

Adjustment of relevant policies and implementation of new national standards are to contain the scale of new capacity in the future, thus facilitating the healthy and stable development of the industry. According to the "Opinion on Containment of Excessive Capacity and Repeated Construction for Leading Plate Glass Industry to Healthy Development"(《關於抑制產能過剩和重複建設引導平板玻璃行業健康發展的意見》) issued by Ministry of Industry and Information Technology("MIIT"), all projects that fail to comply with the "Threshold of Plate Glass Industry"(《平板玻璃行業准入條件》) shall be terminated. Meanwhile, MIIT required local authorities to sort out all projects under construction or to be built as soon as practicable. Construction of projects that violate laws and regulations must be stopped unconditionally, and no new capacity expansion project shall be approved during the sorting out period. With the implementation of new national standard on 1 March 2010, higher requirements were posed to quality of plate glass. The market threshold will also apply considerable containment on the existing glass capacity.

Negative factors

(1) Difficulties in cost control

As China's economy recovers rapidly, raw material price has been on the rise since the fourth quarter last year, and is expected to stay at high levels during the year, which brings tremendous pressure on glass producers. The profitability of the industry is still fragile.

(2) Other negative factors for glass market are not negligible, which brings more uncertainties for the market in 2010.

Firstly, as the aftermath of the financial crisis is hard to determine, the general recovery of global economy is inconclusive.

Secondly, an array of macro control policies on real estate market is to pose negative influence on glass demand.

Thirdly, the policy adjustment on industries with overcapacity by the government is to intensify the integration of industry. Some glass producers are to be culled while competition is to be aggravated temporarily, which adds to price instability in the market.

2. Business Targets in 2010

Consolidated revenue: RMB1,099.9192 million

Production-sales ratio: 115.61%

Costs as a percentage to sales revenue: 96.12%

(II) Future Development Prospect *(Continued)*

3. Countermeasures

(1) Identify targets, improve working style and strengthen team building

By building a stronger management team, the Company advocates the improvement of working style of its staff, so as to form a working environment in which leaders focus on general operation, department on speciality, subsidiary on details. With the associated and coordinated operation, we are to establish a responsibility system for capital, for value creation and for results of decisions.

(2) Put more efforts in market survey to innovate marketing mode

The Company will closely follow up and judge through in-depth analysis on the international and domestic economic changes to make various countermeasures and precautions in place in advance. The Company will also enhance analysis on price trend of bulk raw materials and fuel and products to capture profitable business opportunities with more flexible pricing strategy. While putting continuous efforts in market survey, adjusting marketing in a timely manner and innovating marketing mode, the Company will intensively cultivate traditional market and by every possible means open up emerging markets. In a word, the Company will take market development as its paramount task to ensure a "going-concern" and development of the Company.

(1) Ordinary float glass: We will continue with the differentiated product strategy. For colourless glass, we will consolidate our market share based on Henan, north-western China and adjacent regions. For coloured glass, we will focus on traditional coloured glass markets such as central China, eastern China and southern China.

(2) Ultra thin glass: The Company will further expand market shares by measures such as improving quality of products and increasing efforts in market development.

(3) The Company will take proactive measures to build up marketing team with an aim to improving loyalty and efficiency of marketing staff. In the meantime, the Company is to strengthen internal supervision and control, and further optimize assessment and dismissal mechanism.

(4) The Company plans to broaden its supply channel with proportion of direct procurement to be increased gradually. The Company also aims to reduce procurement cost and achieve best price-to-performance ratio through more purchasing by public bidding and more efforts in price comparison. Meanwhile, we will optimize supplier assessment mechanism and in particular we will establish a sorting mechanism for suppliers.

(3) Stabilize production, improve quality while reducing consumption, push ahead energy saving and emission reduction and strengthen safety responsibility

(1) The Company will further implement the guideline of "taking safety as first priority and precaution as basic means with comprehensive management" to ensure the company carries out its production and operation in a safe, stable and orderly manner in all aspects.

(II) Future Development Prospect *(Continued)*

3. Countermeasures *(Continued)*

(3) Stabilize production, improve quality while reducing consumption, push ahead energy saving and emission reduction and strengthen safety responsibility *(Continued)*

(2) Strengthen production management. First, the Company is to further improve production target mechanism with an aim to establishing a target system covering from top level to bottom level with each level charged with pressure and responsibility. Second, the Company will establish production and operation management systems with focus on abnormal analysis. The production and operation management departments at various levels shall follow up and analysis abnormal conditions occurred in production, find out reason and work out countermeasures to timely solve problems. Third, the Company will enhance experience sharing by establishing the inheriting mechanism of the primary-level production and management experience in order to popularize such effective management experiences among the Company, the results of which is to be assessed.

(3) Strengthen energy consumption management for electricity, water and gas, etc. to push forward the implementation of energy saving projects.

(4) Refine management, tamp foundation, enhance internal strength and control risks

(1) Strengthen internal management, enhance normalized governance and improve risk prevention. Corporate governance is to be further standardised to bring comprehensive risk management and internal control into every aspect of production operation and project development as well as the entire process of every task.

(2) Implement all-around refined management. A warning system on cost discrepancy data is to be set up with the design compliance, the historical best level, the segment best level and the industrial advanced levels at home and abroad as benchmarks. Based on such data discrepancy, the cost management units will be further subdivided to set the targets for product cost, special cost and various expenses. The target costs thus will be broken down to specific position and all the staff and a performance based assessment system be set up accordingly so as to build a closed loop management of target cost. Through layer-by-layer analysis, we are to "make thorough investigations until getting the best solutions" so that we can identify measures to reduce cost and put them into practices.

(3) Enhanced financial management. A capital settlement platform is to be built to improve the efficiency of capital operation. Through the capital platform, we will realize connection with subsidiaries' accounts and banks, which will enable us to optimize the management of capital flows process, strengthen the operation continuity of subsidiaries and reduce operating cost and debt-related risk as well as capital risks. Moreover, a benchmarking system for economic operation will be established to realise the benchmarking management for economic units and propel the adoption of the optimal management method.

(4) Streamline management process. We are not only to streamline the workflow in aspects such as personnel, funds, materials, production, supply and sale, but also to identify, check, dig and rectify the weak links in the management in 2009, aiming at gradually realizing the procedure-guided workflow and refining management. We are also to improve information-based management to realize a high integration and unification among logistics, capital stream, information steam and workflow

(II) Future Development Prospect *(Continued)*

3. Countermeasures *(Continued)*

(5) Speed up project progress to enhance market competitiveness

(1) Due efforts will be put in the application for entry into the flat glass industry. The application for entry into the flat glass industry concerns our financing environment and further development, every department therefore should place high importance on and make full preparation for it so that our existing operating production lines, production lines under cold repair and modification, relocated production lines and idle production lines could, all at once, pass the approval and be included in the first announced list.

(2) We will continue to promote the implementation of glass online powder spray, powder coal solidification and replacement of fuel oil by petroleum coke so as to reduce energy consumption.

(3) We will accelerate the progress of cold repair work at Longfei Company so as to put the production line into production as early as possible.

(4) We are to speed up the feasibility studies on certain projects to meet the demands for high-end raw float glass sheets, so as to rebuild the brand image of Luoyang Glass.

(6) Speed up the disposal of idle assets

(7) Place emphasis on the training and fostering of talents to improve talent development mechanism

To identify, foster, attract, utilize and retain talents is an important task for the Company. Through exploration and innovation in mechanism, content and methods, the Company aims to build a rigorous employment mechanism and a scientific evaluation index system. This will bring a distinct orientation to candidate selection and manpower utilization and enable the Company to gradually realize the rational proportion of various talents, the regular communications of similar talents, an echelon distribution of talent reserves and an appropriate selection mechanism, providing solid foundation for the Company to grow and expand in future.

4. All risk factors which may pose adverse impact on the realisation of future development strategies and operational targets

During the production and operation, the Group proactively adopts various measures to avoid all kinds of risks. However, in actual circumstances, the operation is still exposed to various risks and uncertainties.

(1) Risks arising from macro policies: Though the State will continue to implement a proactive fiscal policy and moderately easy monetary policy, the structural adjustment (adjustment to the real estate industry) would cause sharp fluctuations in downstream demand. Meanwhile, the State's control on glass industry, a sub-sector of industries with overcapacity, would have a direct impact on the growth of supply of production capacity and ultimately affect the supply and demand of products, thus resulting in the fluctuation of price.

(2) Market risks: Due to the tight supply in the flat glass market in 2009, product prices had been surging while inventory kept decreasing. However, with the release of substantial new production capacity, relationship between supply and demand would vary with oversupply re-emerging again, which will pose a downside risk to prices.

(II) Future Development Prospect *(Continued)*

4. All risk factors which may pose adverse impact on the realisation of future development strategies and operational targets *(Continued)*

(3) Financial Risks:

(1) The irrational capital structure, low net assets and a high gearing ratio of 97% (which exceeds the warning level) would bring a substantial adverse impact to the financing exercise of the Company.

(2) With a high gearing ratio and net current liabilities of RMB881,188,000, the Company has heavy financial pressure and weak solvency, thus being exposed to debt risks.

(4) Technological risks: "Float Glass Technology of Luoyang Glass" is one of the top three float glass technologies in the world. The manufacturing technology of ultra thin glass attained the State Scientific and Technological Award (Level 1) (國家科學技術進步一等獎). The Company boasts advanced production technology, but in-between the stage of melting furnace operation of certain production lines and post-production become more difficult to control. Production management should be reinforced to ensure stable production and high efficiency.

(5) Exchange rate risks: As foreign exchange transactions of the Group gradually decreased in the year, exchange rate fluctuations would not have material impact on the Group.

(III) Daily work of the Board

1. Board meetings held and the resolutions passed:

(1) The Company held the 28th meeting of the fifth Board on 21 January 2009. Given that gains from the disposal of 洛陽洛玻物流有限公司(Luoyang CLFG Logistics Company Limited*) in 2007 was recognized in the first quarter of the reporting period and gains received from the disposal of certain lands and other assets by the Company during the reporting period, and as discussed with auditors, the Company was approved to release the announcement on the estimated earnings in the results of the Company for 2008 as it had satisfied relevant conditions.

The announcement on the estimated earnings in the results of the Company for 2009 was published on China Securities Journal and Shanghai Securities News on 23 January 2009.

(2) The Company held the 29th meeting of the fifth Board on 22 January 2009, at which the disposal of 37% equity interest in China Luoyang Float Glass Group Finance Company (CLFG Finance Company) at a consideration of RMB140,111,937.64 in cash by the Company to Zhenglong Coal Company Limited (Zhenglong Coal) which agreed to conditionally purchase such equity, was considered and approved. Chairman Gao Tianbao was authorised to sign relevant sale contract and the transaction constituted a connected transaction.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 23 January 2009.

(III) Daily work of the Board *(Continued)*

1. Board meetings held and the resolutions passed: *(Continued)*

(3) The Company held the 30th meeting of the fifth Board on 26 March 2009, at which the following resolutions were considered and approved:

Work Report of the Board of Directors of the Company for 2008; Work Report of General Manger for 2008; Financial Report of the Company for the year 2008; Annual Report for 2008 and its summary; The Financial Budget Report of the Company for the year 2009; The Company's profit distribution plan for the year 2008; The reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2009 respectively, and proposed authorisation to the Board by the general meeting to determine their remunerations; Self-assessment Report on Internal Control for the year 2008; Report of Corporate Social Responsibility for the year 2008; The Board's explanation for non-standard opinion given by the auditors; continuing connected transactions for the year 2008; the proposed amendments to certain articles of the Articles of Association; Management Method on Connected Transactions of the Company; the proposed amendments to Management Methods on Information Disclosure and Significant Information Reporting System; the proposal on renewal election of the Board.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 27 March 2009.

(4) The Company held the 31st meeting of the fifth Board on 24 April 2009, at which considered the continuing connected transactions and connected transactions between the Company and its subsidiaries and its controlling shareholder, China Luoyang Float Glass (Group) Company Limited and its subsidiaries, and matters subject to approval of the Board and independent shareholders (if necessary) under relevant listing rules. The announcements on the continuing connected transactions were published on China Securities Journal and Shanghai Securities News on 25 April 2009.

(5) The Company held the 32nd meeting of the fifth Board on 27 April 2009, at which the First Quarterly Report for 2009 was considered and approved. The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 28 April 2009.

(6) The Company held the 33rd meeting of the fifth Board on 28 April 2009, at which matters regarding questions No.1 and No. 3 brought by the Stock Exchange of Hong Kong Limited in response to the letter regarding resumption of trading of the Company dated 8 April 2009 were considered.

(7) The Company held the 1st meeting of the sixth Board on 27 May 2009, at which the following resolutions were considered and approved:

(1) To elect Mr. Song Jianming as Chairman of the Company;

(2) To appoint Mr. Ni Zhisen as general manager of the Company for a term of office the same as that of the current Board;

(3) To appoint Mr. Cheng Zonghui as deputy general manager of the Company and Ms. Song Fei as the chief financial controller of the Company for a term of office the same as that of the current Board;

(III) Daily work of the Board *(Continued)*

1. Board meetings held and the resolutions passed: *(Continued)*

(7) The Company held the 1st meeting of the sixth Board on 27 May 2009, at which the following resolutions were considered and approved: *(Continued)*

(4) To appoint Ms. Song Fei as the secretary to the Board for a term of office the same as that of the current Board;

(5) To appoint Mr. Zhang Kefeng as the securities representative of the Company for a term of office the same as that of the current Board;

(6) To appoint Mr. Ip Pui Sum as the Company Secretary in Hong Kong for a term of office the same as that of the current Board.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 28 May 2009.

(8) The Company held the 2nd meeting of the sixth Board on 13 August 2009, at which the following resolutions were considered and approved:

(1) To accept the resignations of Mr. Gao Tianbao, Mr. Cao Mingchun and Mr. Xie Jun from their respective positions as executive Directors of the Company due to work rearrangement. Mr. Gao, Mr. Cao and Mr. Xie have confirmed that each of them has no disagreement with the Board and there are no other matters which need to be brought to the attention of the shareholders of the Company.

(2) Having reviewed the candidates for the position of the Directors nominated by China Luoyang Float Glass (Group) Company Limited ("CLFG''), the largest shareholder of the Company, the Company has considered them meeting the requirements for the said positions and agreed the nomination of Mr. Ni Zhisen and Mr. Cheng Zonghui as the executive Directors, Mr. Guo Yimin as the non-executive Director and Mr. Dong Jiachun as the independent non-executive Director. Their appointments will be submitted to the general meeting (the "General Meeting'') to be held on 28 September 2009 for consideration.

(3) As Mr. Gao Tianbao and Mr. Cao Mingchun resigned from the positions of executive Directors on that day, their qualifications as the authorized representatives were terminated. The Chairman, Mr. Song Jianming, and executive Director, Ms. Song Fei, were appointed as the authorized representatives of the Company.

(4) Except for the limit of rights as stipulated under the laws and regulations, the Articles of Association of the Company and the Listing Rules, to authorize executive Director, Mr. Song Jianming, to execute on behalf of the Company any contracts or agreements on one -off external investment, purchase or sale or contracting with an amount below RMB50 million during his term of office, all economic and legal liabilities arising from which shall be borne by the Company.

(5) Except for the limit of rights as stipulated under the laws and regulations, the Articles of Association of the Company and the Listing Rules, to authorize the General Manager, Mr. Ni Zhisen, to execute on behalf of the Company any contracts or agreements on one-off external investment, purchase or sale or contracting with an amount below RMB30 million during his term of office, all economic and legal liabilities arising from which shall be borne by the Company.

(III) Daily work of the Board (Continued)

1. Board meetings held and the resolutions passed: (Continued)

(8) *The Company held the 2nd meeting of the sixth Board on 13 August 2009, at which the following resolutions were considered and approved:* (Continued)

(6) Except for the limit of rights as stipulated under the laws and regulations, the Articles of Association of the Company and the Listing Rules, to authorize the Chief Financial Controller, Ms. Song Fei, to execute on behalf of the Company any contracts or agreements on one-off external investment, purchase or sale or contracting with an amount below RMB20 million during her term of office, all economic and legal liabilities arising from which shall be borne by the Company.

(7) To consider and approve the Comprehensive Risk Management Measures and Internal Management Measures of the Company.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 14 August 2009.

(9) *The Company held the 3rd meeting of the sixth Board on 27 August 2009, at which the 2009 Interim Report of the Company and its Summary was considered and approved; The intention of the Company to form a joint venture with Xinjiang Shawan County State-owned Assets Operation Company*（新疆沙灣縣國有資產經營公司）to establish a production line of multi-purposes float glass（多功能浮法玻璃）with a production capacity of 350 tonnes/ day in the Jingou River Industrial Park in Shawan County, Xinjiang（新疆沙灣縣金溝河工業園區）was approved.*

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 28 August 2009.

(10) *The Company held the 4th meeting of the sixth Board on 27 October 2009, at which the Third Quarterly Report for 2009 was considered and approved. The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 28 October 2009.*

(11) *The Company held the 5th meeting of the sixth Board on 16 December 2009, at which the following resolutions were considered and approved:*

(1) The resolution in relation to the amendments to Implementation Rules of the Compliance Committee of the Board;

(2) The resolution in relation to the adjustment to the special committees of the Board;

(3) The resolution in relation to the Recording and Management System for Those Possessing Insider Information;

(4) The resolution in relation to the acquisition of 20% equity interest in Longhao Company from CLFG;

(5) The resolution in relation to the acquisition of 20% equity interest in Longhai Company from CLFG;

(III) Daily work of the Board *(Continued)*

1. Board meetings held and the resolutions passed: *(Continued)*

(11) The Company held the 5th meeting of the sixth Board on 16 December 2009, at which the following resolutions were considered and approved: *(Continued)*

(6) The resolution in relation to the acquisition of 10% equity interest in Longfei Company from CLFG;

(7) The resolution in relation to the disposal of 49.09% equity interest in Luoyang Processed Glass to CLFG by the Company.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 17 December 2009.

In 2009, the Board of the Company held 11 meetings, of which 6 meetings were convened by the fifth Board and 5 meetings were convened by the sixth Board. Details of attendance of each of the Directors are as follows:

Number of meetings 9

Name	Attendance	Attendance by proxy
Gao Tianbao	8	0
Xie Jun	8	0
Cao Mingchun	8	0
Song Jianming	11	0
Song Fei	11	0
Ni Zhisen	2	0
Cheng Zonghui	2	0
Shen Anqin	11	0
Bao Wenchun	5	0
Guo Yimin	2	0
Guo Aimin	11	0
Xi Shengyang	6	0
Zhang Zhanying	11	0
Ge Tieming	6	0
Huang Ping	5	0
Dong Jiachun	2	0

2. The Board's implementation of resolutions passed at general meetings

In the reporting period, the Company abided by the Company Law, the China Securities Law and relevant requirements of the Articles of Association in the People's Republic of China to carefully fulfil the duties and strictly implement the resolutions of general meetings. All resolutions were wholly carried out within the time limit.

(III) Daily work of the Board *(Continued)*

3. Fulfillment of duties of the Board's Special Committee

(1) Strategic Committee

The Strategic Committee of the Company held one special meeting during the reporting period, 1)at which the proposal in relation to disposal of 37% equity interest in Finance Company to Zhenglong Coal Company Limited ("Zhenglong Coal") was discussed on 19 January 2009, concluding that the disposal of Finance Company would help the Company focus on its principal on 19 January 2009 business, and most importantly, increase the cash flow of the Company. As CLFG, the controlling shareholder of the Company, sold its 63% equity interest in Finance Company to Yongcheng Coal and Electricity Holdings Group Company Limited ("Yongcheng Coal") at the same time, the transaction constituted a connected transaction. The Strategic Committee suggested the Company to proceed with the transaction according to procedure as soon as possible.

Attendance of individual members in 2009 Strategic Committee meetings

Number of meetings 1

Name	Attendance	Attendance by proxy
Shen Anqin	1	0
Gao Tianbao	1	0
Xie Jun	1	0
Cao Mingchun	1	0
Zhang Zhanying	1	0

(2) Audit Committee

The Audit Committee of the Company carefully fulfilled their duties during the reporting period. The committee performed auditing on the Company's operating status through listening to reports from relevant departments, checking financial statements, consulting relevant personnel, etc. Four meetings were held by the Audit Committee altogether to perform audit on 2008 annual report,2009 first quarterly report, 2009 interim report and 2009 third quarterly report. It should be noted that during the auditing on the 2008 annual report, the Audit Committee performed the following duties in accordance with "CSRC announcement [2008] No. 48" "Shanghai Stock Exchange Notice on Proper Preparation of Annual Reports for the Year 2008 and Related Works by Listed Companies" and "Rule No.15 on Information Disclosure and Financial Records of Companies Publicly Issuing Securities-General Provisions on Financial Reports" by China Securities Regulatory Commission:

(1) Carefully read the Company's financial statements and communicate with the licensed accountants of accounting firms before the auditing personnel initiated the auditing in order to ensure the time arrangement;

(2) Communicated on the problems arising from the auditing process and date of report submission upon the start of corporate auditing;

(III) Daily work of the Board (Continued)

3. Fulfillment of duties of the Board's Special Committee (Continued)

(2) *Audit Committee* (Continued)

(3) Carefully read the Company's financial statements and communicate with the licensed accountants and senior management personnel before the licensed accountants stated their initial auditing opinions;

(4) Considered, after the licensed accountants issued the official financial statements and upon calling the Audit Committee to perform auditing, that the Company had strictly complied with the laws and regulations; the financial information in the financial statements disclosed by the Company was objective, comprehensive and realistically reflected the actual status of the Company; the auditing personnel of Daxin Certified Public Accountants Co., Ltd. and PKF Certified Public Accountants followed the professional principles of independence, objectiveness and fairness. The 2008 annual report truly, accurately and comprehensively reflects the financial and operating conditions of the Company and shareholders' equity interest.

Attendance of individual members in 2009 Audit Committee meetings

Number of meetings 4

Name	Attendance	Attendance by proxy
Guo Aimin	4	0
Zhang Zhanying	4	0
Xi Shengyang	2	0

(3) *Remuneration and Review Committee*

The Remuneration Committee and Supervisory Committee of the Company convened one special meeting during the reporting period for discussing the remuneration of Directors of the Company and managers' remuneration plan in 2009, so as to provide feasible solutions to be considered and passed by the Board. The Remuneration Committee investigated the remuneration of Directors, supervisors and senior management personnel to be disclosed in 2009 annual report, and believed that the remuneration they received have been examined strictly in compliance with the economic accountability system of the Company. The Remuneration Committee believed the amount disclosed is coherent with the actual situation.

The Remuneration and Review Committee shall submit relevant proposals based on Director's work performance, emolument levels in other listed companies in the industry and development level of local economy, and upon its approval by the Board and at general meeting, shall determine emolument of directors. In addition, the Remuneration and Review Committee carries out annual performance appraisal of senior management and determines their emolument according to appraisal results.

(III) Daily work of the Board *(Continued)*

3. Fulfillment of duties of the Board's Special Committee *(Continued)*

(3) Remuneration and Review Committee (Continued)

The Company has not established any share incentive mechanisms at present.

Attendance of individual members in Remuneration and Review Committee meetings in 2009

Number of meetings		1
Name	**Attendance**	**Attendance by proxy**
Xi Shengyang	1	0
Ge Tieming	1	0
Song Fei	1	0

(4) Compliance Committee

The Compliance Committee of the Company carefully performed its duties during the reporting period and convened two special meetings: (1)On 20 January 2009, the Compliance Committee discussed the agreement content and operation procedures for disposal of 37% equity interest in Finance Company and submitted feasible plans to the Board. (2)On 20 April 2009, the Compliance Committee considered the content of the continuing connected transaction of the Company and urged the Company to carry out the relevant procedures as soon as practicable.

Attendance of individual members in Compliance Committee meetings in 2009

Number of meetings		2
Name	**Attendance**	**Attendance by proxy**
Xi Shengyang	2	0
Lo Wai Keung, Eric	2	0
Ip Pui Sum	2	0
To Wai Kum	2	0

(III) Daily work of the Board (Continued)

3. Fulfillment of duties of the Board's Special Committee (Continued)

(5) Nomination Committee

The Nomination Committee carefully performed its duties during the reporting period and convened one special meeting, at which the committee considered the eligibility of the director candidates for the sixth Board, and submitted its opinion to the Board in respect of their eligibility.

Attendance of individual members in Nomination Committee meetings in 2009

Number of meetings		1
Name	**Attendance**	**Attendance by proxy**
Gao Tianbao	1	0
Guo Aimin	1	0
Ge Tieming	1	0

Service Contracts of Directors and Supervisors

No Directors or Supervisors have entered into any service contract with the Company.

Profit Distribution Plan and Transfer of Capital Reserve to Share Capital for 2009

According to IFRSs, net loss attributable to shareholders of the Company for 2009 was RMB166,230,000. Taking into account the loss of RMB796,310,000 at the beginning of the year and other increase of RMB26,930,000 in the period, the accumulated loss amounted to RMB989,470,000. As a result, the Company does not recommend profit distribution for 2009 or any transfer of capital reserve to share capital.

According to the PRC Accounting Standards, net loss attributable to shareholders of the Company was RMB167,460,000 for 2009. Taking into account the loss of RMB1,249,970,000 in the beginning of the year and other decrease of RMB3,210,000 in the period, the accumulated loss amounted to RMB1,414,220,000. As a result, the Company does not recommend profit distribution for 2009 or any transfer of capital reserve to share capital.

Management Contract

No contracts were entered into or at all by the Company in respect of the management and administration of the overall business or other important business in the reporting period.

Repurchase, sale and redemption of shares

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

Overdue deposits

The balances at 31 December 2009 represent the overdue time deposits at Guangzhou International Trust & Investment Corporation ("GZITIC"), after a 75% (2008: 75%) impairment being made. During the year of 2008, an independent third party signed a letter of intent to purchase the rights and interests of the overdue time deposits at a total amount of approximately RMB40,000,000. Hence, in the opinion of directors, no impairment was required to be made for the year. No interest revenue was recognised attributable to these deposits.

Pre-emptive Rights

Neither the Articles of Association of the Company nor the relevant laws of the PRC has listed terms on pre-emptive rights.

Public Float

Based on public information and the information available for the Company, to the best knowledge of Directors, the Company has maintained a public float in compliance with the Listing Rules and such public float has been approved by the Stock Exchange as at the date of this report.

Compliance with the Code on Corporate Governance Practices

The Group has complied throughout the reporting period with the Code on Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

The Board of Directors
Luoyang Glass Company Limited
Chairman
Song Jianming

30 March 2010

Report of the supervisory committee

(I) Work of the Supervisory Committee

1. The Supervisory Committee of the Company held the 2009 first meeting on 26 March 2009, at which the 2008 Annual Report and its summary, qualification of the members of the sixth session of the Supervisory Committee, remuneration proposal for the sixth session of the Supervisory Committee and Supervisory Committee's explanations on unqualified auditors' report with an explanatory paragraph issued by Daxin Certified Public Accountants on the Company's 2008 annual operating results were considered and approved.

2. The Supervisory Committee of the Company held the 2009 second meeting on 27 April 2009, at which the First Quarterly Report for 2009 was reviewed and analysed.

3. The Supervisory Committee of the Company held the 2009 third meeting on 27 May 2009, at which Mr. Ren Zhenduo was elected as the Chairman of the sixth session of the Supervisory Committee.

4. The Supervisory Committee of the Company held the 2009 fourth meeting on 27 August 2009, at which the 2009 Interim Report and its summary were reviewed and analysed.

5. The Supervisory Committee of the Company held the 2009 fifth meeting on 27 October 2009, at which the Third Quarterly Report for 2009 was reviewed and analysed.

The Supervisory Committee attended the Board meetings and general meetings as non-voting participants and exercised effective supervision over the compliance of such meetings and whether they were in the interest of shareholders.

(II) The Supervisory Committee provided independent opinions on the following issues:

1. Opinions of the Supervisory Committee on the Company's compliance of relevant laws and regulations

During the reporting period, the Supervisory Committee, following the laws and regulations, supervised the convening procedures of general meetings and board meetings, resolutions, the Board's implementation of the general meeting's resolutions, senior management's performance of their duties and the Company's internal control. The Supervisory Committee is of the opinion that the Board of Directors has standardized operation in accordance with the PRC Company Law, Articles of Associations of the Company and relevant laws and regulations. Directors and senior management executed their duties within their terms of reference. No violation of any laws, regulations and the Articles of Association of the Company or action detrimental to the Company's interests were found.

2. Opinions of the Supervisory Committee on the Company's financial status

The Supervisory Committee concurs with auditors' reports issued by Daxin Certified Public Accountants Co., Ltd. and PKF Certified Public Accountants prepared under the PRC Accounting Standards and Regulations and IFRSs respectively. The Supervisory Committee is of opinion that the auditors' reports are objective and fair, and the Company's financial statements give a true, objective, complete and accurate view of the financial position and operating results of the Company.

3. Opinions of the Supervisory Committee on actual utilisation of the latest raised proceeds

Not applicable for the Company as to utilisation of raised proceeds during the reporting period.

(II) The Supervisory Committee provided independent opinions on the following issues: *(Continued)*

4. Opinions of the Supervisory Committee on the Company's assets acquisition and disposal

During the reporting period, the transaction consideration for assets acquisition and disposal of the Company were reasonable. No inside trading, indication of damage of shareholders' rights and interests or runoff of the Company's assets has been found.

5. Opinion of the Supervisory Committee on connected transaction

The Supervisory Committee is of the opinion that relevant connected transactions were arrived at on normal commercial terms and had no adverse impact on the interests of the Company.

6. Opinions of the Supervisory Committee on non-standard auditors' report issued by auditors

Daxin Certified Public Accountants Co., Ltd. presented their auditors' reports with an explanatory paragraph but without qualifying for the 2009 financial statements of the Company. Particulars of the explanatory paragraph are as follows:

"Besides, we would like to draw the attention of the users of financial statements, as stated in note 2 to the financial statements, that the financial statements of the Group and the Company were prepared on assumption that the Group and Company would continue as a going concern during the period from the end of the reporting period to 31 December 2010. The Group had accumulated losses amounting to RMB1,414,213,763.32, with current liabilities exceeding current assets by RMB881,188,055.56 as at 31 December 2009. Notwithstanding the Company's management has justified the going concern basis in preparing the above financial statements as set out in note 2 to the financial statements, there exists fundamental uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. This explanatory paragraph does not affect the audit opinion made."

Appendix: Note 2 to financial statements: Preparation basis for financial statements

Notwithstanding that the Company had accumulated losses of RMB1,414,213,763.32 with current liabilities exceeding current assets by RMB881,188,055.56 as shown in its consolidated financial statements as at 31 December 2009, the directors of the Company are of the opinion that the Company and the Group are able to continue as a going concern and to perform their obligations as and when they fall due, having regard to the following:

(1) Continuing financial supports will be received from its holding company-China Luoyang Float Glass (Group) Company Limited ("CLFG") and the holding company's parent-China National Building Material Group Corporation ("CNBMG").

(2) Continuing financial supports will be received from banks. As at 31 December 2009, credit facilities of approximately RMB645,795,000 had been granted by banks to the Group. As such loans will fall due within one year after the balance sheet date, the Directors are negotiating with banks for their continual support.

(II) The Supervisory Committee provided independent opinions on the following issues: *(Continued)*

6. Opinions of the Supervisory Committee on non-standard auditors' report issued by auditors *(Continued)*

The directors believe that the Company and the Group will have sufficient cash resources to satisfy its future working capital and other operating needs. Accordingly, the financial statements have been prepared on a going concern basis.

In respect of the above explanatory paragraph in the auditors' report, the Company believes that the net current liabilities are mainly attributable to operating loss incurred by the Company during the year. The loss was mainly due to the following factors: i) the Company's products were sold at prices lower than cost in certain months due to the gloomy glass market in the first half of the year as affected by the financial crisis; although the glass market warmed up in the second half of the year, the Company's production capacity had decreased since part of its production lines has either operated beyond the running time of kilns or had been suspended for cold-repair, resulting in deterioration in profitability ii) provisions was made for assets impairment in accordance with relevant provisions of accounting policies and iii) certain assets were retired.

However, in the opinion of the Supervisory Committee of the Company, cash inflow status will be improved with the gradual effect from optimisation of the Group's product mix, which will in turn significantly reduce the reliance on bank loans for its operation. Furthermore, the Company may obtain financial support, if necessary, from its controlling company, the de facto controller and other financial institutions to cope with the potential financing difficulties.

(I) Material litigation and arbitration

The Company was not involved in any litigation and arbitration of material importance.

(II) Equity interest in other companies held by the Company

1. Equity interest in other listed companies held by the Company

During the reporting period, the Company did not hold shareholding interest in other listed companies.

2. The Company's equity investment in financial enterprises such as commercial banks, securities companies, insurance companies, trust companies, futures companies and etc.

Name of investee	Initial investment cost *(RMB)*	Shareholding Percentage *(%)*	Book value at the end of the period *(RMB)*	Revenue of the period *(RMB)*	Accounting item	Source of share
Yanshi Credit and Cooperatives (偃師市信用合作聯社)	410,000.00	0.67	410,000.00	—	—	Original Investment
Sanmenxia Urban Credit and Cooperatives (三門峽市城市信用合作社)	7,000,000.00	4.99	7,000,000.00	—	—	Original Investment
CLFG Finance Company Limited	111,000,000.00	37.00	—	1,552,278.90	Investment income	Original Investment

(III) Acquisition and disposal of assets and merger during the reporting period

1. Non-connected Transactions concerning Disposal of Assets (According to the PRC Accounting Standards)

Unit: RMB

Counterparty	Assets disposed	Date of disposal	Consideration	Net profit contributed by the asset to the Company since the beginning of the year to the date of disposal	Profit (loss) from the disposal	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
Valley County Bada Mining Co., Ltd	66.67% equity interests in Luoshen Company	2009.2.19	4,500,000.00	—	(716,361.48)	No	Yes	Yes
Chenzhou Xinbada Glass Co.,Ltd.	72.65% equity interests in Chenzhou Bada Glass Co., Ltd.	2009.5.21	1,000,000.00	—	1,000,000.00	No	Yes	Yes

(III) Acquisition and disposal of assets and merger during the reporting period *(Continued)*

2. Acquisition of assets (According to the PRC Accounting Standards)

Unit: RMB

Parties to the transaction or final controller	Assets acquired	Date of acquisition	Price of the asset acquisition	Net profit contributed to the listed company from the date of acquisition to the end of the year	Net profit contributed by the asset to the Company from the beginning of the year to the end of the year (applicable to business combination involving enterprises under common control)	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
China Luoyang Float Glass (Group) Company Limited	10% equity interest in CLFG Longfei Glass Co., Ltd	2009.12.31	—	0		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhai Electronic Glass Co., Ltd	2009.12.31	941,425.28	0		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhao Glass Co., Ltd	2009.12.31	7,300,356.93	0		Yes (appraised value)	Yes	Yes

(IV) Implementation of share incentive schemes during the reporting period

As at the date hereof, the Company has not implemented any share incentive schemes during the reporting period.

(V) Material related party transactions occurred during the reporting period (According to the definition of Rules Governing the Listing of Stocks on Shanghai Stock Exchange)

1. Related party transactions relating to day-to-day operations

Unit: RMB

Related parties	Sale of products to related parties		Provision of services to related parties		Purchase of products from related parties		Receiving services from related parties	
	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*
CLFG (comprehensive services, water, electricity, gas)	—	—	594,147.16	4.78	—	—	4,081,688.29	42.72
Subsidiaries of CLFG (comprehensive services, water, electricity, gas)	—	—	11,030,022.14	88.75	—	—	5,473,500.00	57.28
Subsidiaries of CLFG (glass)	8,559,393.31	1.08	—	—	58,934,907.92	10.23	—	—
Subsidiaries of CLFG (raw materials)	139,434,097.33	29.22	—	—	—	—	—	—
CLFG (Use of assets)	—	—	1,423,573.26	100	—	—	—	—
Subsidiaries of CLFG (technical service)	—	—	3,611,392.80	33.55	—	—	—	—
Subsidiaries of CLFG (cargo handling)	—	—	18,360.00	14.74	—	—	—	—
Subsidiaries of CLFG (lease)	—	—	470,800.00	44.83	—	—	2,650,000.00	100
Subsidiaries of CLFG (interest expenses)	—	—	—	—	—	—	1,370,766.19	2.29
Subsidiaries of CLFG (Interest income)	—	—	1,181.39	0.03	—	—	—	—
Other related parties (glass)	32,645,228.83	4.13	—	—	—	—	—	—

(V) Material related party transactions occurred during the reporting period *(Continued)*

2. Related Party transactions relating to assets acquisition and disposal (According to Rules Governing the Listing of Stocks on Shanghai Stock Exchange)

Unit: RMB

Parties to the transaction or final controller	Assets acquired	Date of acquisition	Price of the asset acquisition	Net profit contributed to the listed company from the date of acquisition to the end of the year	Net profit contributed by the asset to the Company from the beginning of the year to the end of the year (applicable to business combination involving enterprises under common control)	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
China Luoyang Float Glass (Group) Company Limited	10% equity interest in CLFG Longfei Glass Co., Ltd	2009.12.31	—	0		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhai Electronic Glass Co., Ltd	2009.12.31	941,425.28	0		Yes (appraised value)	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	20% equity interest in CLFG Luoyang Longhao Glass Co., Ltd	2009.12.31	7,300,356.93	0		Yes (appraised value)	Yes	Yes

Counterparty	Assets disposed	Date of disposal	Consideration	Net profit contributed by the asset to the Company since the beginning of the year to the date of disposal	Profit (loss) from the disposal	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
Zhenglong Coal Company Limited	37% equity interests in CLFG Finance Company	2009.3.30	140,111,937.64	1,552,278.90	18,899,058.16	Yes (appraised value)	Yes	Yes

(V) Material related party transactions occurred during the reporting period *(Continued)*

3. Related Party transactions arising from the joint investment by the Company and related parties

During the reporting period, there was no related party transaction arising from the joint investment by the Company and related parties.

4. Creditor rights and debts between the Company and related parties

There were no creditor rights and debts between the Company and related parties during the reporting period.

(VI) Material contract and its implementation under Rules Governing the Listing of Stocks on Shanghai Stock Exchange

(1) During the reporting period, the Company did not have any event of trusting, contracting or leasing assets of other companies that contributed 10% or more to the Company's total profit for the year.

(2) Material guarantees

Unit: RMB

Guarantees provided	Date of occurrence (agreement execution date)	Amount of guarantee	Type of guarantee	Performance term of guarantee	Whether completed or not	Whether related party guarantee
Guarantees provided by the Company (excluding guarantee to controlling subsidiaries)						
Nil						
Total amount of guarantee provided during the reporting period						
Balance of guarantee at the end of the reporting period						
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						55,000,000.00
Balance of guarantee provided by the Company to its controlling subsidiaries at the end of the reporting period						55,000,000.00
Total guarantees provided by the Company (including guarantees to controlling subsidiaries)						
Total amount of guarantee						55,000,000.00
Total amount of guaranties as a percentage to the Company's net assets (%)						158.60
Including:						
Amount of guarantee provided to shareholders, the de facto controller and its related parties						0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70%						55,000,000.00
Total amount of guarantee over 50% of the net assets						37,660,541.19
Total amount of above 3 guarantees						55,000,000.00

(VI) Material contract and its implementation under Rules Governing the Listing of Stocks on Shanghai Stock Exchange *(Continued)*

(3) The Company did not have any cash asset mandate managed by other party which occurred in or subsisted to the reporting period.

(4) Other material contract

Save as otherwise disclosed in this report, the Company had no other discloseable material contract under Rules Governing the Listing of Stocks on Shanghai Stock Exchange during the reporting period.

(VII) Performance of undertakings

1. China Luoyang Float Glass Group Co., Ltd ("CLFG") undertook when the Company conducted the Share Reform in 2006: the shares in the Company held by CLFG shall be subject to a moratorium for trading within 12 months since they are eligible for listing; upon expiration of undertaking period, the ratio of the original non-circulating shares trading in the stock exchange in the total shares of the Company shall not exceed 5% within 12 months, and shall not exceed 10% within 24 months; It has complied with its undertaking during the reporting period.

2. In the reporting period, China National Building Material Group Corporation, the de facto controller of the Company has complied with the undertaking set out in the Acquisition Report on Luoyang Glass Company Limited to " avoid competition among the industry and reduce and restrict connected transactions".

(VIII) Appointment or dismissal of certified public accountants

At the 30th meeting of the Fifth Board on 26 March 2009, the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2009 respectively was considered and approved.

Annual auditing expenses paid to Daxin Certified Public Accountants and PKF Certified Public Accountants by the Company during the reporting period are as follows:

	Daxin Certified Public Accountants	PKF Certified Public Accountants
Auditing expenses for 2009	RMB1,000,000	RMB1,100,000
Travel expenses	Undertaken by the Company	Undertaken by the Company

By the end of the reporting period, Daxin Certified Public Accountants and PKF Certified Public Accountants had provided auditing service for the Company for 2 years. (HengXin Delu Certified Accountants Company Limited and Ting Ho Kwan & Chan were auditors of the Company for financial years ended 31 December 2007)

(IX) Sanction imposed on the Company, Directors, Supervisors, senior management members, shareholder, de facto controller or the acquisition party and the rectification

During the reporting period, there was no inspection or sanction or prohibition on access to securities market as carried out or imposed by CSRC on the Company, Directors, Supervisors, senior management members, shareholder, de facto controller or the acquisition party, nor sanction imposed by other authorities or stock exchanges' censure for being deemed as inappropriate candidates to their posts.

(X) Other significant events

Resumption of trading of the Company's H shares

On 31 July, the Company published an announcement regarding resumption of trading in the Company's H shares. The trading in H shares of the Company was resumed on the Stock Exchange after nearly three years of suspension of trading.

(XI) Interest of Substantial Shareholders' and other Shareholders

As at the latest practicable date, save as disclosed, so far as is known to the Directors or chief executive of the Company, no other person has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were required to be notified to the Company and the Stock Exchange pursuant to section 324 of the SFO, or, who is, directly or indirectly, interested in 10 per cent. (10%) or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

Long position in the shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of total issued share capital of the Company *(%)*
CLFG	Beneficial owner	179,018,242	35.80
CNBMG *(Note 1)*	Interest of controlled corporation	179,018,242	35.80

Note:

1. These 179,018,242 Shares are registered and owned by CLFG. The substantial shareholder of CLFG is CNBMG which owns 70% of the registered capital in CLFG. CNBMG is therefore deemed to be interested in 179,018,242 Shares held by CLFG under the SFO.

(XII) Contracts of significance

There was no contract of significance subsisting during the year in which the directors and supervisors of the Company was materially interested, either directly or indirectly.

Saved for the transactions disclosed in the section headed "Connected Transactions" of this report, there are no contracts of significance between the Company, or one of its subsidiary, and the controlling shareholder or any of its subsidiaries.

(XIII) Pledge of Shares by the Controlling Shareholder

On 16 October 2008, CLFG and China National Building Material Group Corporation (CNBMG) who is the controlling shareholder of CLFG and the ultimate controlling person of the Company signed a share pledge contract. According to the contract, CLFG agreed that 179,018,242 shares (state-owned legal person shares) of the Company were pledged to CNBMG, and CNBMG provided guarantees to the total loans of Rmb690,000,000 borrowed by CLFG, its controlled enterprises and the Company.

(XIV) Details of material acquisition and disposal of subsidiaries and associates

Material acquisition and disposal of subsidiaries

On 16 December 2009 (after trading hours of the Stock Exchange), the Company and CLFG, a controlling shareholder of the Company, entered into (i) the Longhao Glass Share Transfer Agreement, pursuant to which CLFG agreed to dispose of and the Company agreed to acquire 20% equity interests in Longhao Glass at a cash consideration of RMB7,300,356.93 (equivalent to approximately HK$8,279,335); (ii) the Longhai Glass Share Transfer Agreement, pursuant to which CLFG agreed to dispose of and the Company agreed to acquire 20% equity interests in Longhai Glass at a cash consideration of RMB941,425.28 (equivalent to approximately HK$1,067,670) and (iii) the Longfei Glass Share Transfer Agreement, pursuant to which CLFG agreed to dispose of and the Company agreed to acquire 10% equity interests in Longfei Glass at nil consideration. On the same day, the Company entered into the Luoyang Processed Glass Share Transfer Agreement with CLFG, pursuant to which the Company agreed to dispose of and CLFG agreed to acquire 49.09% equity interests in Luoyang Processed Glass at RMB1.00 consideration.

On 22 January, 2009, the Company and CLFG entered into a contract with Zhenglong Coal and Yongcheng Coal, which were both independent third parties to the Company and CLFG, whereby the Company agreed to sell and Zhenglong Coal agreed to purchase a 37% equity interest in CLFG Finance Company for a cash consideration of RMB140,111,937.64 (or approximately HK$159,027,049.22). Under this contract, CLFG, the controlling shareholder of the Company, also agreed to sell and Yongcheng Coal agreed to purchase the remaining 63% equity interest in CLFG Finance Company for a cash consideration of RMB238,568,974.91 (or approximately HK$270,775,786.52).

The transaction contemplated under this contract constitutes a connected transaction of the Company under Rule 14A.13 (1)(b)(i) of the Listing Rules. Accordingly, this disposal will be subject to, amongst other things, the independent Shareholders' approval. In addition, as the relevant percentage ratios are more than 25% but less than 75%, this disposal contemplated under this contract also constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules. The independent Shareholders' approval have been obtained and the transaction was completed during the year.

As the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) of these four transactions on an aggregated basis are more than 5% but less than 25%, these four transactions constitute discloseable transactions for the purposes of, and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules. Furthermore, these four transactions also constitute connected transactions of the Company under Chapter 14A of the Listing Rules, and the acquisitions have been aggregated for the purpose of Rule 14A.26 of the Listing Rules. As each of the applicable percentage ratios (other than the profits ratio) of these four transactions is on an aggregated basis more than 2.5% but less than 25% and the aggregate consideration is less than HK$10,000,000, these four transactions are only subject to the reporting and announcement requirements and are exempted from the independent shareholders' approval requirements under Rule 14A.32 of the Listing Rules.

These (i)-(iii) transactions have been completed on 31 December 2009 and Longhao Glass and Longhao Glass have become the wholly owned subsidiaries of the Company.

(XV) Distributable reserves

According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under PRC Accounting Rules and Regulations and the amount determined under IFRSs. As at 31st December 2009, there was no reserve available for distribution (2008: Nil).

Continuing Connected Transactions

During the entire year ended 31 December 2009, the Company and its subsidiaries ("Group") entered into the following continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. These transactions were entered into in order to secure the continuous supply of raw materials and energy needed for the Group's production. A summary of these transactions is set out below. (Please refer to the announcement of the Company dated 24 April 2009 for further details of these transactions.)

1. **Company Supply Agreement:** Since 1994, the Group supplied CLFG and its subsidiaries ("CLFG Group") with float flat glass products at the car-making level (汽車級) and the mirror-making level (製鏡級). The products were priced with reference to the prevailing market price at the time the products were supplied, and market price for supplying same or similar products to third parties. The price offered to CLFG Group would not be less than that offered to third party customers of the Group. During the 2009 fiscal year, the aggregate consideration for the supply of float flat glass products was RMB8,560,000. In 2009, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company in terms of the Listing Rules.

2. **Provision of Water, Electricity and Steam Agreement:** The Company has since 1994 been supplying water, electricity and steam to CLFG Group at a price determined with reference to the prevailing market price that was in turn determined based on relevant PRC regulations from time to time. Total consideration amounted to RMB11,624,000 during 2009. In 2009, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company in terms of the Listing Rules

3. **CLFG Composite Services Agreement:** The Company had since 1994 obtained from CLFG various services for its day-to-day operations and production. These services included development of float flat glass technology services and relevant technology consultation services; licensing of patents; technology analysis and assessment; technology examination; technology proposal; technology information; products development; analysis test services; repairing of equipment and other technology services; training services; management of retired staff affairs; training of armed militiamen; civil air-raid shelters services; and advertising services. Pricing of these services were determined with reference to the applicable State Price or if there is no applicable State Price for the service in question, the market price. Prices for providing the same of similar services to third parties in Luoyang City or nearby areas will be taken into account in determining the market price. The price offered to the Company would not be higher than the price for providing the same or similar services to third party customers of the Group. Total consideration for the supply of services amounted to RMB4,082,000 during 2009. In 2009, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company in terms of the Listing Rules.

4. **Longhao Entrusted Loan Agreement:** Since 2006, the Company had provided entrusted loans to Longhao Glass for carrying out the latter's various work projects assigned by the Company. The entrusted loan arrangements served to facilitate and finance the Company's subsidiaries in implementing work-related projects. Such loan was unsecured, interest bearing at a rate determined with reference to the relevant loan basic interest rates set by People's Bank of China and the permitted range of floating interest rates for financial institutes set by People's Bank of China at the time the loan was provided. These loans were repayable within one year. Based on the average month-end figures during 2009, the total amount of entrusted loan was RMB112,700,000. During 2009, Longhao Glass was an 80%-owned subsidiary of the Company. As CFLG, the Company's controlling shareholder, owned the remaining 20% interest in Longhao Glass during 2009, Longhao Glass was treated as a connected person of the Company. Acquisition of the 20% remaining interest in Longhao Glass from CLFG has been completed on 31 December 2009 and Longhao Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

Continuing Connected Transactions *(Continued)*

5. **Longhai Entrusted Loan Agreement:** Since 2006, the Company had provided entrusted loans to Longhai Glass for carrying out the latter's various work projects assigned by the Company. The entrusted loan arrangements served to facilitate and finance the Company's subsidiaries in implementing work-related projects. Such loan was unsecured, interest bearing at a rate determined with reference to the relevant loan basic interest rates set by People's Bank of China and the permitted range of floating interest rates for financial institutes set by People's Bank of China at the time the loan was provided. These loans were repayable within one year. Based on the average month-end figures during 2009, the total amount of entrusted loan was RMB157,000,000. During 2009, Longhai Glass was owned as to 80% by the Company and the remaining 20% by CFLG, the Company's controlling shareholder. As such, Longhai Glass was treated as a connected person of the Company. Acquisition of the 20% remaining interest in Longhai Glass from CLFG has been completed on 31 December 2009 and Longhai Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

6. **Longfei Entrusted Loan Agreement:** Since 2000, the Company had provided entrusted loans to Longfei Glass for carrying out the latter's various work projects assigned by the Company. The entrusted loan arrangements served to facilitate and finance the Company's subsidiaries in implementing work-related projects. Such loan was unsecured, interest bearing at a rate determined with reference to the relevant loan basic interest rates set by People's Bank of China and the permitted range of floating interest rates for financial institutes set by People's Bank of China at the time the loan was provided. These loans were repayable within one year. Based on the average month-end figures during 2009, the total amount of entrusted loan was RMB72,000,000. During 2009, Longfei Glass was owned as to 54% by the Company, 10% by CFLG, the Company's controlling shareholder, and 36% by an independent third party. As such, Longfei Glass was treated as a connected person of the Company during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

7. **Longhao Guarantee Agreement:** The Company provided since 2005 a guarantee in respect of bank loans obtained by Longhao Glass (a subsidiary of the Company) and the latter also provided in favour of the Company counterguarantees in respect of the guarantees given by the Company. The bank loans obtained by the subsidiaries of the Company were applied in implementing specific work-related projects assigned by the Company. In the course of implementing these projects, it is often necessary for the Company that had a stronger financial standing that its subsidiaries to provide the latter with guarantees in respect of bank loans obtained by the subsidiaries. Based on the maximum outstanding amounts during the 2009 financial year, the total consideration of the guarantee provided by the Company was RMB20,000,000. As CLFG, the controlling shareholder of the Company, owned the remaining 20% interest in Longhao Glass during 2009, Longhao Glass was regarded as a connected person of the Company. Acquisition of the 20% remaining interest in Longhao Glass from CLFG has been completed on 31 December 2009 and Longhao Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

8. **Longhai Guarantee Agreement:** The Company provided since 2005 a guarantee in respect of bank loans obtained by Longhai Glass (a subsidiary of the Company) and the latter also provided in favour of the Company counterguarantees in respect of the guarantees given by the Company. The bank loans obtained by the subsidiaries of the Company were applied in implementing specific work-related projects assigned by the Company. In the course of implementing these projects, it is often necessary for the Company that had a stronger financial standing that its subsidiaries to provide the latter with guarantees in respect of bank loans obtained by the subsidiaries. Based on the maximum outstanding amounts during the 2009 financial year, the total consideration of the guarantee provided by the Company was RMB20,000,000. During 2009, Longhai Glass was owned as to 80% by the Company and the remaining 20% by CLFG, the controlling shareholder of the Company. As such, Longhai Glass was regarded as a connected person of the Company. Acquisition of the 20% remaining interest in Longhai Glass from CLFG has been completed on 31 December 2009 and Longhai Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

Continuing Connected Transactions *(Continued)*

9. **Longfei Guarantee Agreement:** The Company provided since 2000 a guarantee in respect of bank loans obtained by Longfei Glass (a subsidiary of the Company) and the latter also provided in favour of the Company counterguarantees in respect of the guarantees given by the Company. The bank loans obtained by the subsidiaries of the Company were applied in implementing specific work-related projects assigned by the Company. In the course of implementing these projects, it is often necessary for the Company that had a stronger financial standing that its subsidiaries to provide the latter with guarantees in respect of bank loans obtained by the subsidiaries. Based on the maximum outstanding amounts during the 2009 financial year, the total consideration of the guarantee provided by the Company was RMB nil. During 2009, Longfei Glass was owned as to 54% by the Company, 10% by CLFG, the controlling shareholder of the Company, and 36% by an independent third party. As such, Longfei Glass was regarded as a connected person of the Company during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

10. **Longxiang Guarantee Agreement:** The Company provided since March 2008 a guarantee in respect of bank loans obtained by Longxiang Glass (a subsidiary of the Company) and the latter also provided in favour of the Company counter-guarantees in respect of the guarantees given by the Company. The bank loans obtained by the subsidiaries of the Company were applied in implementing specific work-related projects assigned by the Company. In the course of implementing these projects, it is often necessary for the Company that had a stronger financial standing that its subsidiaries to provide the latter with guarantees in respect of bank loans obtained by the subsidiaries. Based on the maximum outstanding amounts during the 2009 financial year, the total consideration of the guarantee provided by the Company was RMB15,000,000. During 2009, Longxiang Glass was owned as to 60% by the Company and 40% by Longfei Glass, a 54% owned subsidiary of the Company and in which CLFG, the controlling shareholder of the Company, owned a 10% interest. Longxiang Glass was considered to be a subsidiary of Longfei Glass since Longfei Glass had effective control over the composition of a majority of the board of directors of Longxiang Glass. As such, Longxiang Glass was treated as a connected person of the Company during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

11. **Longhao Raw Material Supply Agreement:** As part of the Group's centralised approach in sourcing raw materials for its production, the Company supplied since 2006 to Longhao Glass raw materials including alkali, oil, thenardite, silicon powder, dolomite powder, limestone powder, potassium feldspar powder and shattered glass. These raw materials were supplied at a price determined by reference to the prevailing market price of the raw materials at the time of each sale. Aggregate consideration was RMB236,870,000 for 2009. Longhao Glass was treated as a connected person of the Company during the period since the remaining 20% interest of Longhao Glass was owned by CLFG, the controlling shareholder of the Company. Acquisition of the 20% remaining interest in Longhao Glass from CLFG has been completed on 31 December 2009 and Longhao Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

12. **Longfei Raw Material Supply Agreement:** As part of the Group's centralised approach in sourcing raw materials for its production, the Company supplied since 2007 to Longfei Glass (a subsidiary of the Company) raw materials including alkali, oil, thenardite, silicon powder, dolomite powder, limestone powder, potassium feldspar powder and shattered glass. These raw materials were supplied at a price determined by reference to the prevailing market price of the raw materials at the time of each sale. Aggregate consideration was RMB nil for 2009. Longfei Glass was treated as a connected person of the Company during 2009 since Longfei Glass was owned as to 54% by the Company, 10% by CLFG, the controlling shareholder of the Company, and 36% by an independent third party during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

Continuing Connected Transactions *(Continued)*

13. **Longxiang Raw Material Supply Agreement:** As part of the Group's centralised approach in sourcing raw materials for its production, the Company supplied since March 2008 to Longxiang Glass (a subsidiary of the Company) raw materials including alkali, oil, thenardite, silicon powder, dolomite powder, limestone powder, potassium feldspar powder and shattered glass. These raw materials were supplied at a price determined by reference to the prevailing market price of the raw materials at the time of each sale. Aggregate consideration amounted to RMB97,723,000 during 2009. During this year, Longxiang Glass was owned as to 60% by the Company and 40% by Longfei Glass, a 54%-owned subsidiary of the Company and in which CLFG, the controlling shareholder of the Company, owned a 10% interest. Longxiang Glass was therefore treated as a connected person of the Company. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

14. **Longxin Raw Material Supply Agreement:** As part of the Group's centralised approach in sourcing raw materials for its production, the Company supplied since March 2008 to Longxin Glass (a subsidiary of the Company) raw materials including alkali, oil, thenardite, silicon powder, dolomite powder, limestone powder, potassium feldspar powder and shattered glass. These raw materials were supplied at a price determined by reference to the prevailing market price of the raw materials at the time of each sale. Aggregate consideration was RMB139,434,000 for 2009. Longxin Glass was treated as a connected person of the Company since its 50% interest was owned by CLFG.

15. **Longhao Glass Supply Agreement:** In order to achieve greater economies of scale and leverage on the Group's enlarged bargaining power with the customers, the Group adopted a centralised approach in selling its products whereby the Company would sell the products on behalf of its subsidiaries. Since 2006, the Company purchased from Longhao Glass (a subsidiary of the Company) float flat glass products for onward sale to customers. Total consideration for the purchases during 2009 was RMB347,783,000. Longhao Glass was treated as a connected person of the Company since its remaining 20% interest was owned by CLFG, the controlling shareholder of the Company during 2009. Acquisition of the 20% remaining interest in Longhao Glass from CLFG has been completed on 31 December 2009 and Longhao Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

16. **Longfei Glass Supply Agreement:** In order to achieve greater economies of scale and leverage on the Group's enlarged bargaining power with the customers, the Group adopted a centralised approach in selling its products whereby the Company would sell the products on behalf of its subsidiaries. Since 2000, the Company purchased from Longfei Glass (a subsidiary of the Company) float flat glass products for onward sale to customers at a price determined with reference to the prevailing market price at the time of each purchase. Total consideration for the purchases during 2009 was RMB nil. During 2009, Longfei Glass was owned as to 54% by the Company, 10% by CLFG, the controlling shareholder of the Company, and 36% by an independent third party. Accordingly, Longfei Glass was treated as a connected person of the Company during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

17. **Longxiang Glass Supply Agreement:** In order to achieve greater economies of scale and leverage on the Group's enlarged bargaining power with the customers, the Group adopted a centralised approach in selling its products whereby the Company would sell the products on behalf of its subsidiaries. Since 2007, the Company purchased from Longhao Glass (a subsidiary of the Company) float flat glass products for onward sale to customers at a price determined with reference to the prevailing market price at the time of each purchase. Total consideration for the purchases during 2009 was RMB168,334,000. Longxiang Glass was owned as to 60% by the Company and 40% by Longfei Glass, which was in turn a subsidiary of the Company and in which CLFG had a 10% interest. Accordingly, Longxiang Glass was treated as a connected person of the Company. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

Continuing Connected Transactions *(Continued)*

18. **Longxin Glass Supply Agreement:** In order to achieve greater economies of scale and leverage on the Group's enlarged bargaining power with the customers, the Group adopted a centralised approach in selling its products whereby the Company would sell the products on behalf of its subsidiaries. Since 2004, the Company purchased from Longhao Glass (a subsidiary of the Company) float flat glass products for onward sale to customers at a price determined with reference to the prevailing market price at the time of each purchase. Total consideration for the purchases during 2009 was RMB58,935,000. Longxin Glass was equally owned by the Company and CLFG. Accordingly, Longxin Glass was treated as a connected person of the Company.

19. **Huayi Glass Supply Agreement:** Longhai Glass, a subsidiary of the Company, has since 2007 been supplying super thin float flat glass to Huayi Glass. The sale price of the glass supplied was determined with reference to the prevailing market price at the time of each sale. Aggregate consideration for the sale of glass amounted to RMB32,645,000 during 2009. Huayi Glass was a connected person of the Company during 2009 as it was an associate of CNBMG, the ultimate controlling shareholder of the Company. For the year ended 31 December 2009, the aggregate amount of the supplies of float sheet glass to Huayi exceeded the annual cap amount by RMB4,235,000, which constitutes a breach of Listing Rule 14A.35(2), the details of which was set out in the Company's announcement dated 22 April 2010.

20. **Silicon Powder Supply Agreement:** The Group has since 1994 purchased silicon powder from CLFG Mineral Company which manufactured it. It was agreed that the Group would purchase from CLFG Mineral Company at least 25 tonnes of silicon powder per annum. The Group had a priority over other third parties in purchasing silicon powder from CLFG Mineral Company. The purchase price was determined with reference to the prevailing market price at the time of each purchase. Prices of silicon powder were calculated based on dry silicon powder with water content below 6%, above which the purchase price would be lowered and in accordance with the market price. If the Group was likely to obtain a lower price or better quality silicon powder from other supplies, the Group may purchase the material from other suppliers provided the Group gave a 3 month prior written notice to CLFG Mineral Company. Total consideration for the purchases during 2009 was RMB nil. CLFG Mineral Company was a connected person of the Company as it was a subsidiary of CLFG, the Company's controlling shareholder.

21. **Logistics Company Land Use Right Lease Agreement:** The Company leased from The Logistics Company, a subsidiary of CLFG, land use rights of a piece of land located at No. 9 Tang Gong Zhong Lu, Luoyang City (洛陽市唐宮中路9號) with a total floor area of approximately 79,444.9 square metres since February 2008. The land was occupied by the Company for its operations. The rental was determined with reference to the prevailing market rental for the same district and type of building. Annual rental was RMB2,650,000 in 2009. As The Logistics Company was during 2008 a subsidiary of CLFG, the Company's controlling shareholder, The Logistics Company was a connected person of the Company.

22. **Luoyang Land Use Right Lease Agreement:** Since 1994, the Company leased to CLFG Group the land use rights of two pieces of land located at Luoyang City High and New Technology and Production Development District (洛陽市高新技術產業開發區) and No. 9 Tang Gong Zhong Lu, Luoyang City (洛陽市唐宮中路9號). The total floor area was approximately 113,000 square meters. The premises were used by CLFG Group for its operations. The rental was determined with reference to the prevailing market rental for the same district and type of building. Annual rent was around RMB471,000 in 2009. During the lease period, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company.

Continuing Connected Transactions *(Continued)*

23. **Longhao Composite Services Agreement:** The Company had since 2006 rendered various services to Longhao Glass, an 80%-owned subsidiary of the Company. These services were supplied to the subsidiaries of the Company in order to facilitate the research and operations of the subsidiaries. Services offered to Longhao Glass included technology usage and consultation services; establishment and organization of systems on production safety and environmental protection; implementation of glass colour change according to the need of the market; preparing software for glass technology to implement the technology operation; analytical services for defected glass; examination of oven and main equipments and preparation of repairing proposal; examination of production table and testing devices; assistance in restoration of production after serious accident; storage services; transportation services; training services for management; and brand management. The above services were provided at a price determined with reference to the prevailing market price at the time of the transaction. Total consideration for the services supplied during 2009 was RMB4,166,000. During 2009, CLFG, the Company's controlling shareholder owned a 20% interest in Longhao Glass. As such, Longhao Glass was a connected person of the Company. Acquisition of the 20% remaining interest in Longhao Glass from CLFG has been completed on 31 December 2009 and Longhao Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

24. **Longhai Composite Services Agreement:** The Company had since 2005 rendered various services to Longhai Glass, a subsidiary of the Company. These services were supplied to the subsidiaries of the Company in order to facilitate the research and operations of the subsidiaries. Services offered to Longhai Glass were the same offered by the Company to Longhao Glass described above. The services were provided at a price determined with reference to the prevailing market price at the time of the transaction. Total consideration for the services supplied during 2009 was RMB753,000. During 2009, the remaining 20% equity interest of Longhai Glass was owned by CFLG, the Company's controlling shareholder. As such, Longhai Glass was treated as a connected person of the Company. Acquisition of the 20% remaining interest in Longhai Glass from CLFG has been completed on 31 December 2009 and Longhai Glass has become a wholly owned subsidiary of the Company since then. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

25. **Longfei Composite Services Agreement:** The Company had since 2006 rendered various services to Longfei Glass, a subsidiary of the Company. These services were supplied to the subsidiaries of the Company in order to facilitate the research and operations of the subsidiaries. Services offered to Longfei Glass were the same offered by the Company to Longhao Glass described above. The services were provided at a price determined with reference to the prevailing market price at the time of the transaction. Total consideration for the services supplied during 2009 was RMB nil. During 2009, the Company, CLFG, the Company's controlling shareholder, and an independent third party owned a 54%, 10% and 36% interest in Longfei Glass. As such, Longfei Glass was a connected person of the Company in 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

26. **Longxiang Composite Services Agreement:** The Company had since 2006 rendered various services to Longxiang Glass, a subsidiary of the Company. These services were supplied to the subsidiaries of the Company in order to facilitate the research and operations of the subsidiaries. Services offered to Longfei Glass were the same offered by the Company to Longhao Glass described above. The services were provided at a price determined with reference to the prevailing market price at the time of the transaction. Total consideration for the services supplied during 2009 was RMB2,234,000. During 2009, Longxiang Glass was owned as to 60% by the Company and 40% by Longfei Glass, a 54% owned subsidiary of the Company and in which CLFG, the controlling shareholder of the Company, owned a 10% interest. Longxiang Glass was considered to be a subsidiary of Longfei Glass since Longfei Glass had effective control over the composition of a majority of the board of directors of Longxiang Glass. As such, Longxiang Glass was treated as a connected person of the Company during 2009. Acquisition of the 10% remaining interest in Longfei Glass from CLFG has been completed on 31 December 2009. For further details of the acquisition, please refer to the announcement of the Company dated 16 December 2009.

Continuing Connected Transactions *(Continued)*

27. **Longxin Composite Services Agreement:** The Company had since 2005 rendered various services to Longxin Glass, a subsidiary of the Company. These services were supplied to the subsidiaries of the Company in order to facilitate the research and operations of the subsidiaries. Services offered to Longxin Glass were the same offered by the Company to Longhao Glass described above. The services were provided at a price determined with reference to the prevailing market price at the time of the transaction. Total consideration for the services supplied during 2009 was RMB3,611,000. Since Longxin Glass was equally owned by the Company and CLFG, Longxin Glass was treated as a connected person of the Company.

28. **Community Services Agreement:** Since 1994, the Group purchased various community services from Luoyang Xinxing for the use by employees of the Group. These services comprised the provision of kindergarten, management of bicycle park and public bathroom, property management services including cleaning, environmental greening work, securities, dorm management, warming system management and maintenance of public facilities. The fees paid for the services were determined with reference to market rates and prices for supplying same or similar services to third parties in Luoyang. If there was no applicable market rate, the fees would be determined by adding a profit margin of up to 5% to the costs of providing the services. Aggregate consideration paid during 2009 was RMB5,474,000. Luoyang Xinxing was a connected person of the Company as Luoyang Xinxing was an associate of CLFG, the Company's controlling shareholder.

Some of the above continuing connected transactions were disclosed as related party transactions in note 36 to the 2009 audited consolidated financial statements of the Group.

The Board engaged PKF Certified Public Accountants, the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions of the Group for the year ended 31 December 2009. The auditors confirmed that these transactions:

a. have received the approval from the Board;

b. were in accordance with the pricing policies of the Group where the transactions involve provision of goods and services by the Group;

c. have been entered into in accordance with the relevant agreements governing the transactions; and

d. except for transaction number 19, these transactions have not exceeded the caps disclosed in the prospectus of the Company or other relevant announcements.

For further details of the transaction amount of transaction number 19 exceeding the annual cap in 2009 issue, please refer to the announcement of the Company dated 22 April 2010.

The independent non-executive Directors have reviewed the above mentioned continuing connected transactions that took place during the year ended 31 December 2009 and confirmed that these transactions were:

a. in the ordinary and usual course of business of the Group;

b. on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

c. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Independent auditor's report

PKF

Accountants &
business advisers

大信梁學濂(香港)會計師事務所

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TO THE SHAREHOLDERS OF LUOYANG GLASS COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Luoyang Glass Company Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 70 to 133, which have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board. These financial statements comprise the consolidated statement of financial position as at 31st December, 2009, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2009 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTERS

Without qualifying our opinion, we draw attention to note 2(b) on the consolidated financial statements concerning the adoption of the going concern basis in the preparation of the consolidated financial statements, the validity of which depends upon the continuing financial support of the controlling shareholder company, the holding company of the controlling shareholder company and the financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The failure of the Group to continue as a going concern would result in certain assets realising significantly less than the amounts stated in the consolidated statement of financial position, and non-current assets and liabilities being reclassified as current assets and liabilities, and might lead to additional liabilities being incurred by the Group.

PKF
Certified Public Accountants
Hong Kong
30th March, 2010

Consolidated statement of comprehensive income

For the year ended 31st December, 2009
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2009 RMB'000**	2008 RMB'000
Turnover	5	**972,412**	1,314,946
Cost of sales		**(848,656)**	(1,334,633)
Gross profit/(loss)		**123,756**	(19,687)
Other operating income	6	**5,693**	243,892
Other operating expenses		**(2,907)**	(10,288)
Selling expenses		**(35,789)**	(40,359)
Administrative expenses		**(221,861)**	(160,881)
(Loss)/profit from operations		**(131,108)**	12,677
Net finance costs	7(a)	**(60,062)**	(85,791)
Net investment income	7(b)	**19,183**	70,388
Share of net profit of an associate	7(c)	**1,552**	5,868
(Loss)/profit before income tax	7	**(170,435)**	3,142
Income tax (expense)/credit	10(a)	**(1,781)**	2,651
(Loss)/profit for the year		**(172,216)**	5,793
Total comprehensive (loss)/income for the year		**(172,216)**	5,793
Attributable to:			
Equity shareholders of the Company	34	**(166,225)**	54,040
Non-controlling interests		**(5,991)**	(48,247)
(Loss)/profit for the year		**(172,216)**	5,793
Basic (loss)/earnings per share *(in RMB : Yuan)*	12	**(0.33)**	0.11

The notes on pages 75 to 133 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31st December, 2009
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**792,490**	923,256
Construction in progress	14	**17,723**	11,761
Intangible assets	15	**10,878**	12,370
Lease prepayments	16	**32,881**	34,004
Interests in associates	18	**1,128**	120,906
Other investments	19	**7,410**	7,410
Investment deposit	20	**1,030**	40,430
Deposits with a non-bank financial institution	21	**35,000**	35,000
		898,540	1,185,137
CURRENT ASSETS			
Inventories	22	**154,834**	252,016
Trade and bills receivables	23	**100,558**	99,581
Other receivables	24	**76,863**	160,667
Income tax recoverable		**2,710**	4,481
Pledged deposits with banks	25	**192,800**	201,636
Cash and bank balances	26	**33,189**	64,578
Restricted bank balances	26	**—**	9,809
		560,954	792,768
CURRENT LIABILITIES			
Trade and bills payables	27	**470,518**	627,266
Other payables	28	**237,809**	220,107
Bank and other loans	29	**735,971**	894,411
		1,444,298	1,741,784
NET CURRENT LIABILITIES		**(883,344)**	(949,016)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,196**	236,121

The notes on pages 75 to 133 are an integral part of these consolidated financial statements.

Consolidated statement of financial position *(Continued)*

As at 31st December, 2009
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
NON-CURRENT LIABILITIES			
Bank and other loans	29	**4,824**	5,256
Deferred income	30	**3,692**	4,154
		8,516	9,410
NET ASSETS		**6,680**	226,711
CAPITAL AND RESERVES			
Share capital	32	**500,018**	500,018
Share premium	33	**538,132**	540,028
Reserves	34	**(45,873)**	(45,873)
Accumulated losses	34	**(989,466)**	(796,314)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**2,811**	197,859
NON-CONTROLLING INTERESTS		**3,869**	28,852
TOTAL EQUITY		**6,680**	226,711

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 30TH MARCH, 2010.

Song Jianming
CHAIRMAN

Song Fei
DIRECTOR

The notes on pages 75 to 133 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31st December, 2009
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Reserves *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1st January, 2008	500,018	540,028	(45,873)	(850,354)	143,819	77,099	220,918
Total comprehensive income for the year	—	—	—	54,040	54,040	(48,247)	5,793
At 31.12.2008 and 1.1.2009	500,018	540,028	(45,873)	(796,314)	197,859	28,852	226,711
Disposal of a subsidiary *(note 35(c))*	—	—	—	—	—	(2,608)	(2,608)
Acquisition of additional interests in subsidiaries *(notes 17(iii) and 31)*	—	(1,896)	—	(26,927)	(28,823)	(17,364)	(46,187)
Capital contribution in a subsidiary by a non-controlling shareholder	—	—	—	—	—	980	980
Total comprehensive loss for the year	—	—	—	(166,225)	(166,225)	(5,991)	(172,216)
At 31.12.2009	**500,018**	**538,132**	**(45,873)**	**(989,466)**	**2,811**	**3,869**	**6,680**

The notes on pages 75 to 133 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31st December, 2009
(Prepared in accordance with International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	35(a)	**(82,988)**	3,855
Income tax paid		**(10)**	(2,999)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(82,998)**	856
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,967**	6,929
Purchase of property, plant and equipment		**(2,641)**	(5,544)
Increase in intangible assets		**—**	(100)
Increase in construction in progress		**(13,402)**	(9,102)
Acquisition of lease prepayments		**(2,579)**	—
Dividend received from an associate		**1,552**	3,057
Decrease in amounts due to associates		**(1,435)**	(1,173)
Increase in investment deposit		**(1,030)**	(5,430)
Increase in other investments		**—**	(7,000)
Proceeds from disposal of property, plant and equipment		**471**	79,033
Proceeds from disposal of lease prepayments		**120,000**	60,000
Proceeds from disposal of an associate		**4,957**	—
Refund of an investment deposit		**35,000**	—
Acquisition of additional interest in subsidiaries		**(13,212)**	—
Net cash (outflow)/inflow arising on disposal of interest in a subsidiary	35(c)	**(28)**	49,253
NET CASH GENERATED FROM INVESTING ACTIVITIES		**131,620**	169,923
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(57,255)**	(75,870)
Decrease/(increase) in pledged deposits		**8,836**	(34,334)
New bank and other loans		**768,500**	938,110
Repayment of bank and other loans		**(800,792)**	(1,007,931)
Capital contribution received from a non-controlling shareholder		**980**	—
NET CASH USED IN FINANCING ACTIVITIES		**(79,731)**	(180,025)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(31,109)**	(9,246)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		**(280)**	—
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**64,578**	73,824
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	26	**33,189**	64,578
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**33,189**	64,578

The notes on pages 75 to 133 are an integral part of these consolidated financial statements.

1. BACKGROUND OF THE COMPANY

Luoyang Glass Company Limited (the "Company") is a company incorporated in the People's Republic of China (the "PRC") as a joint stock limited company that, together with its subsidiaries (the "Group"), engaged in the production and sales of float sheet glass.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs") which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and Interpretations ("IFRIC") promulgated by the International Accounting Standards Board ("IASB"). These consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The IASB has issued a number of new and revised IFRSs that are effective for accounting periods beginning on or after 1st January, 2009. Information on the changes in accounting policies resulting from initial application of these new and revised IFRSs for the current and prior accounting periods reflected in these consolidated financial statements is provided in note 3(a).

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements comprise the Group and the Group's interests in associates.

The consolidated financial statements are presented in Renminbi, rounded to the nearest thousand. The measurement basis used in the preparation of the consolidated financial statements is historical cost.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustment are discussed in note 41.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Basis of preparation of the consolidated financial statements *(Continued)*

Notwithstanding that the Group had net current liabilities as at 31st December, 2009, the directors of the Company are of the opinion that the Group are able to continue as a going concern and to meet their obligations as and when they fall due having regard to the following:

(i) the banking facilities of approximately RMB645,795,000 available to the Group granted by various banks at 31st December, 2009 were fully utilised at 31st December, 2009. These banking facilities will expire one year after the end of the reporting period. The directors of the Company are in ongoing negotiations with the Group's bankers to seek their ongoing support to the Group.

(ii) continuing financial support received from China National Building Material Group Corporation ("CNBMG"), the holding company of China Luoyang Float Glass Group Company Limited ("CLFG") and CLFG to achieve its objective, which is to continue its operation.

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 consolidated 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.

(c) Basis of consolidation

(i) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss for the year between non-controlling interests and the equity shareholders of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(i) Subsidiaries and non-controlling interests (Continued)

Where losses applicable to the non-controlling shareholder exceed the non-controlling shareholder's interest in the equity of a subsidiary, the excess, and any further losses applicable to the non-controlling shareholder, are charged against the Group's interest except to the extent that the non-controlling shareholder has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the non-controlling shareholder's share of losses previously absorbed by the Group has been recovered.

(ii) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is classified as held for sale. The consolidated statement of comprehensive income includes the Group's share of the post-acquisition, post-tax results of the associates for the year, including any impairment loss on goodwill relating to the investment in associates recognised for the year (see note 2(l)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

(i) Property, plant and equipment, which consist of buildings, plant, machinery, equipment and motor vehicles, are stated at cost less accumulated depreciation (see below) and any impairment losses (see note 2(l)). The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the present working condition and location for its intended use, the cost of borrowed funds used during the period of construction (see note 2(u)) and, when relevant, the costs of dismantling and removing the items and restoring the site in which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying value of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All the cost is recognised as an expense in the consolidated statement of comprehensive income in the period in which it is incurred.

(ii) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(iii) Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	30 to 50 years
Plant, machinery and equipment	4 to 28 years
Motor vehicles	6 to 12 years

(e) Construction in progress

Construction in progress is stated at cost less any impairment losses (see note 2(l)). Cost comprises the direct cost of materials and borrowing costs capitalised (see note 2(u)) during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use.

(f) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's land bureau. Land use rights are carried at cost less accumulated amortisation and any impairment losses (see note 2(l)).

Amortisation is calculated on a straight-line basis over the respective periods of the rights.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Intangible assets

Intangible assets are stated in the consolidated statement of financial position at cost less accumulated amortisation and any impairment losses (see note 2(l)).

Amortisation of intangible assets is charged to profit or loss on a straight-line basis over the assets' estimated useful lives unless such lives are indefinite. Intangible assets represent trademark and non-patented technical know-how, which are amortised over their estimated useful lives of 10 to 20 years.

(h) Investments in securities

The Group's policies for investments in equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(q).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the consolidated statement of financial position at cost less impairment losses (see note 2(l)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains or losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(q)(ii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(q)(iii). When these investments are derecognised or impaired (see note 2(l)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Inventories

Inventories, other than spare parts and consumables, are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of bad and doubtful debts (see note 2(l)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of bad and doubtful debts (see note 2(l)).

(l) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities other than investments in subsidiaries and associates (see note 2(l)(ii)) and other current and non-current receivables that are stated at cost or are classified as available-for-sale equity securities are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(i) Impairment of investments in equity securities and other receivables (Continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that had been recognised in fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) Impairment of assets *(Continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— intangible assets; and

— investments in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of the reporting period.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(o)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(o)(iii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Contingent liabilities acquired in business combinations

Contingent liabilities acquired as part of a business combination are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(o)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(o)(iii).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Financial guarantees issued, provisions and contingent liabilities *(Continued)*

(iii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit and loss as follows:

(i) Sales of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(iv) Commission income

Commission income is recognised when service is rendered.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Revenue recognition *(Continued)*

(v) Government grants

Government grants are recognised in the statement of financial position initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset.

(vi) Rental income

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

(vii) Water, electricity and steam income

Water, electricity and steam income is recognised when service is rendered.

(viii) Technical service income

Technical service income is recognised when service is rendered.

(ix) Composite service income

Composite service income is recognised when service is rendered.

(x) Transportation income

Transportation income is recognised when service is rendered.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

(s) Repairs and maintenance expenses

Repairs and maintenance expenses, including cost of major overhaul, are expensed as incurred.

(t) Research and development expenses

Expenditure on research and development activities is recognised as an expense in the period in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly to equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward.

The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Income tax *(Continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(w) Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. RECENTLY ISSUE ACCOUNTING STANDARDS

(a) Initial application of new and revised IFRSs

In the current year, the Group initially applied the following new and revised IFRSs issued by the IASB:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	Transfers of Assets from Customers
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to IFRS 2	Share-based Payment - Vesting Conditions and Cancellations
Amendments to IFRS 7	Improving Disclosures about Financial Instruments
Amendments to IFRIC 9 and IAS 39	Embedded Derivatives
IFRSs	Improvements to IFRSs (2008) - Other than amendments to IFRS 1 and IFRS 5

The initial application of these new IFRS, does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except for the following:

(i) IAS 1 (Revised) requires the presentation of a new "statement of comprehensive income" and disclosure of the components of "other comprehensive income", including but not limited to "reclassification adjustments". Comparative figures have been restated to conform to the new presentation.

(Expressed in Renminbi)

3. RECENTLY ISSUE ACCOUNTING STANDARDS *(Continued)*

(a) Initial application of new and revised IFRSs *(Continued)*

(ii) IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's consolidated financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

(iii) As a result of the adoption of the Amendments to IFRS 7, the consolidated financial statements include expanded disclosures about the fair value measurement of the financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the Amendments to IFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(b) IFRSs in issue but not yet effective

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

IAS 24 (Revised)	Related Party Disclosures [5]
IAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
IFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards [1]
IFRS 3 (Revised)	Business Combinations [1]
IFRS 9	Financial Instruments (Relating to the Classification and Measurement of Financial Assets) [6]
IFRIC 17	Distributions of Non-cash Assets to Owners [1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments [4]
Amendments to IAS 32	Classification of Rights Issues [3]
Amendments to IAS 39	Eligible Hedged Items [1]
Amendments to IFRS 1	Additional Exemptions for First-time Adopters [2]
Amendments to IFRS 2	Group Cash-settled Share-based Payment Transactions [2]
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement [5]
Improvements to IFRSs 2008	Amendments to IFRS 1 and IFRS 5 [1]

[1] Effective for annual periods beginning on or after 1st July, 2009
[2] Effective for annual periods beginning on or after 1st January, 2010
[3] Effective for annual periods beginning on or after 1st February 2010
[4] Effective for annual periods beginning on or after 1st July, 2010
[5] Effective for annual periods beginning on or after 1st January, 2011
[6] Effective for annual periods beginning on or after 1st January, 2013

(Expressed in Renminbi)

3. RECENTLY ISSUE ACCOUNTING STANDARDS *(Continued)*

(b) IFRSs in issue but not yet effective *(Continued)*

Apart from the above, the IASB has issued Improvements to IFRSs 2009 which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1st July, 2009 while the amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1st January, 2010 although there are separate transitional provisions for each standard or interpretation.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, it has concluded that the adoption of IFRS 3 (Revised) and IAS 27 (Revised) may result in changes in accounting policies, these new and revised IFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

4. SEGMENT REPORTING

The Group has adopted IFRS 8 "Operating Segments" with effective from 1st January, 2009. For management purposes, the Group is organised into two operating divisions. These divisions are the basis on which the Group reports its segment information.

Principal activities are as follows:

Float sheet glass business	— production and sales of float sheet glass
Silicon powder business	— manufacturing, selling and distribution of silicon powder

For the purposes of assessing segment performance and allocating resources, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of interests in associates and other corporate assets. Segment liabilities include trade and bills payables, and other payables attributable to the individual segments and bank and other borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment result is "adjusted EBIT" i.e. adjusted earnings before interest and taxes. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specially attributed to individual segments, such as net finance costs, net investment income, share of net profit of an associate, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBIT, management is provided with segment information concerning revenue, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations.

4. SEGMENT REPORTING *(Continued)*

(a) Segments results, assets and liabilities

The following tables present the information of the Group's reporting segments:

For the year ended 31st December, 2009

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
REPORTABLE SEGMENT REVENUE	953,372	19,040	—	972,412
REPORTABLE SEGMENT RESULT	(129,227)	(570)	—	(129,797)
Unallocated income				2,203
Unallocated expenses				(3,514)
Net finance costs				(60,062)
Net investment income				19,183
Share of net profit of an associate				1,552
Loss before income tax				(170,435)
Income tax expense				(1,781)
Loss for the year				(172,216)

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
Assets and liabilities				
ASSETS				
Reportable segment assets	1,438,979	41,395	(30,448)	1,449,926
Interests in associates	1,128	—	—	1,128
Other investment				7,410
Investment deposit				1,030
TOTAL ASSETS				1,459,494
LIABILITIES				
Reportable segment liabilities	(1,440,079)	(35,666)	30,448	(1,445,297)
Unallocated liabilities				(7,517)
Total liabilities				(1,452,814)

4. SEGMENT REPORTING *(Continued)*

(a) Segments results, assets and liabilities *(Continued)*

For the year ended 31st December, 2009 *(Continued)*

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
OTHER INFORMATION				
Capital expenditure	18,610	12	—	18,622
Interest income	(5,245)	(9)	1,287	(3,967)
Interest expense	58,552	1,287	(1,287)	58,552
Depreciation	80,483	2,643	—	83,126
Impairment loss on trade receivables	2,033	—	—	2,033
Impairment loss on other receivables	202	33	—	235
Impairment loss on property, plant and equipment	3,431	104	—	3,535
Impairment loss on construction in progress	2,795	—	—	2,795
Write-down of inventories	12,597	—	—	12,597
Reversal of write-down of inventories	(29,591)	—	—	(29,591)
Amortisation of intangible assets	1,492	—	—	1,492
Amortisation of lease prepayments	745	156	—	901

For the year ended 31st December, 2008

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
REPORTABLE SEGMENT REVENUE	1,288,240	26,706	—	1,314,946
REPORTABLE SEGMENT RESULT	14,816	1,201	—	16,017
Unallocated expenses				(3,340)
Net finance costs				(85,791)
Net investment income				70,388
Share of net profit of an associate				5,868
Profit before income tax				3,142
Income tax credit				2,651
Profit for the year				5,793

4. SEGMENT REPORTING *(Continued)*

(a) Segments results, assets and liabilities *(Continued)*

For the year ended 31st December, 2008 *(Continued)*

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
ASSETS AND LIABILITIES				
ASSETS				
Reportable segment assets	1,795,277	44,330	(30,448)	1,809,159
Interests in associates	120,906	—	—	120,906
Other investment				7,410
Investment deposit				40,430
TOTAL ASSETS				1,977,905
LIABILITIES				
Reportable segment liabilities	(1,738,297)	(36,713)	30,448	(1,744,562)
Unallocated liabilities				(6,632)
TOTAL LIABILITIES				(1,751,194)

	Float sheet glass RMB'000	Silicon powder RMB'000	Elimination RMB'000	Total RMB'000
OTHER INFORMATION				
Capital expenditure	14,177	569	—	14,746
Interest income	(8,193)	(12)	1,287	(6,918)
Interest expense	75,778	1,379	(1,287)	75,870
Depreciation	97,832	2,774	—	100,606
Impairment loss on other receivables	44	—	—	44
Impairment loss on property, plant and equipment	8,130	—	—	8,130
Impairment loss on construction in progress	121	—	—	121
Write-down of inventories	35,212	—	—	35,212
Reversal of write-down of inventories	(691)	—	—	(691)
Amortisation of intangible assets	1,477	—	—	1,477
Amortisation of lease prepayments	709	141	—	850

4. SEGMENT REPORTING *(Continued)*

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, intangible assets, lease prepayments and interests in associates ("specified non-current assets"). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment, construction in progress and lease prepayments, the location of the operation to which they are allocated, in the case of intangible assets, and the location of operations, in the case of interests in associates.

	Revenues from external customers		Specified Non-current assets	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
China	**961,550**	1,286,538	**855,100**	1,102,297
Asia	**10,774**	26,193	**—**	—
America	**—**	604	**—**	—
Oceania	**—**	501	**—**	—
Others	**88**	1,110	**—**	—
	10,862	28,408	**—**	—
	972,412	1,314,946	**855,100**	1,102,297

The Group's customer base is diversified and no customer with whom transactions have exceeded 10% of the Group's revenue.

5. TURNOVER

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

6. OTHER OPERATING INCOME

	2009 **RMB'000**	2008 *RMB'000*
Waiver of debts	**1,645**	22
Government grants *(note i)*	**462**	22,451
Gain on disposal of property, plant and equipment	—	33,982
Gain on disposal of lease prepayments	—	180,000
Profit on sales of raw materials	—	4,434
Compensation income	—	809
Write off of other payables	**2,224**	828
Others	**1,362**	1,366
	5,693	243,892

Note:

(i) According to notices from the Yanshi Municipal Finance Bureau and Henan Province Finance Bureau, a government grant of RMB6,000,000 was awarded in 2005 to CLFG Longmen Glass Co., Ltd. ("Longmen"), a subsidiary of the Company, for the construction of a production plant. Such grant is recognised in the consolidated statement of comprehensive income over the useful life of the respective assets, of which RMB462,000 has been recognised during the year (2008 : RMB461,000).

During the year ended 31st December, 2008, according to notices from the Yanshi Municipal Finance Bureau, a government grant of RMB1,230,000 was awarded to CLFG Longhai Electronic Glass Co., Ltd. ("Longhai"), a subsidiary of the Company, for the achievements of Longhai. The total amount has been recognised accordingly.

During the year ended 31st December, 2008, according to notices from the Mianchi Municipal Finance Bureau, a government grant of RMB760,000 was awarded to CLFG Longxiang Glass Co., Ltd. ("Longxiang"), a subsidiary of the Company, for the technology innovation of the Company. The total amount has been recognised accordingly.

During the year ended 31st December, 2008, according to a routine conference summary from the Luoyang Municipal Finance Bureau, the Company received a government grant of RMB20,000,000. The total amount has been recognised accordingly.

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after (charging)/crediting:

	2009 **RMB'000**	2008 RMB'000
(a) Net finance costs:		
Interest on bank loans and other borrowings repayable within 5 years	**(58,552)**	(75,870)
Interest income	**3,967**	6,918
Net foreign exchange loss	**(110)**	(277)
Bank charges	**(5,367)**	(16,562)
	(60,062)	(85,791)
(b) Net investment income:		
Gain on disposal of an other investment	**1,000**	—
Gain on disposal of an associate	**18,899**	—
(Loss)/gain on disposal of interest in a subsidiary *(note 35(c))*	**(716)**	70,377
Dividend income from other investments	**—**	11
	19,183	70,388
(c) Share of net profit of an associate	**1,552**	5,868
(d) Staff costs (including directors' remuneration):		
Wages and salaries	**(68,950)**	(71,246)
Contributions to defined contribution plan	**(19,951)**	(20,297)
	(88,901)	(91,543)
(e) Other items:		
Cost of inventories sold	**(848,656)**	(1,334,633)
Depreciation	**(83,126)**	(100,606)
Net (impairment loss)/reversal of impairment loss of		
— trade receivables	**(2,033)**	597
— other receivables	**(235)**	(44)
— property, plant and equipment	**(3,535)**	(8,130)
— construction in progress	**(2,795)**	(121)
Write-down of inventories	**(12,597)**	(35,212)
Reversal of write-down of inventories	**29,591**	691
(Loss)/gain on disposal of property, plant and equipment	**(42,468)**	33,982
Auditors' remuneration	**(2,100)**	(2,100)
Amortisation of intangible assets	**(1,492)**	(1,477)
Amortisation of lease prepayments	**(901)**	(850)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' and supervisors' remuneration disclosed pursuant to the disclosure requirement of the Listing Rules is as follows:

	Fees *RMB'000*	Bonuses *RMB'000*	Salaries, allowance and benefits allowance in kind *RMB'000*	Contributions to defined contribution plan *RMB'000*	2009 Total *RMB'000*
Executive directors					
Gao Tianbao***	—	—	169	8	177
Xie Jun***	—	—	137	8	145
Cao Mingchun***	—	—	137	8	145
Song Fei	—	—	131	16	147
Song Jianming	—	—	177	17	194
Ni Zhisen##	—	—	76	12	88
Cheng Zonghui##	—	—	108	22	130
Non-executive directors					
Shen Anqin	40	—	—	—	40
Bao Wenchun#	27	—	—	—	27
Guo Yimin##	10	—	—	—	10
Independent directors					
Guo Aimin	40	—	—	—	40
Zhang Zhanying	40	—	—	—	40
Xi Shengyang*	20	—	—	—	20
Ge Tieming**	40	—	—	—	40
Huang Ping#	27	—	—	—	27
Dong Jiachun##	10	—	—	—	10
Supervisors	20	—	—	—	20
Ren Zhenduo	20	—	—	—	20
Yao Wenjun					
Employee supervisor					
Lu Junfeng	—	—	40	11	51
Independent supervisors					
Li Jingyi*	10	—	—	—	10
He Baofeng	20	—	—	—	20
Guo Hao#	13	—	—	—	13
	337	—	975	102	1,414

* Their terms of office expired on 18th May, 2009

** Resigned on 16th May, 2009

*** Resigned on 13th August, 2009

\# Appointed on 18th May, 2009

\#\# Appointed on 28th September, 2009

8. DIRECTORS' AND SUPERVISORS' REMUNERATION *(Continued)*

Directors' and supervisors' remuneration disclosed pursuant to the disclosure requirement of the Listing Rules is as follows *(Continued)*:

	Fees *RMB'000*	Bonuses *RMB'000*	Salaries, allowance and benefits allowance in kind *RMB'000*	Contributions to defined contribution plan *RMB'000*	2008 Total *RMB'000*
Executive directors					
Zhu Leibo*	—	—	107	6	113
Zhu Liuxin*	—	—	87	6	93
Gao Tianbao	—	—	197	19	216
Xie Jun	—	—	91	14	105
Cao Mingchun	—	—	144	18	162
Song Fei#	—	—	51	7	58
Song Jianming#	—	—	95	10	105
Non-executive directors					
Shen Anqin	40	—	—	—	40
Yang Weiping**	40	—	—	—	40
Independent directors					
Guo Aimin	40	—	—	—	40
Zhang Zhanying	40	—	—	—	40
Xi Shengyang	40	—	—	—	40
Ge Tieming	40	—	—	—	40
Supervisors					
Ren Zhenduo	—	—	43	4	47
Yao Wenjun	20	—	—	—	20
Employee supervisor					
Lu Junfeng	—	—	32	9	41
Independent supervisors					
Li Jingyi	20	—	—	—	20
He Baofeng	20	—	—	—	20
	300	—	847	93	1,240

* Resigned on 14th April, 2008
** Resigned on 11th December, 2008
\# Appointed on 30th June, 2008

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the 5 individuals with the highest emoluments, 5 (2008 : 5) are directors or supervisors, whose emoluments are disclosed in note 8.

10. INCOME TAX EXPENSE/(CREDIT)

(a) Income tax expense/(credit) in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	*RMB'000*
Provision for the year	**1,781**	—
Over-provision in previous year	**—**	(2,651)
Income tax expense/(credit)	**1,781**	(2,651)

On 16th March, 2007, the People's Republic of China promulgated the Law of People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council issued Implementation Regulation of the New Law. The New Law and Implementation Regulation changed the tax rate to 25% from 1st January, 2008 onwards.

The provision for PRC income tax is calculated at 25% (2008 : 25%) of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC.

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

Reconciliation between income tax expense/(credit) and accounting (loss)/profit at applicable tax rate:

	2009	2008
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(170,435)**	3,142
Notional PRC income tax using the Company's tax rate of 25% (2008 : 25%)	**(42,609)**	786
Tax effect of tax exempt revenue	**(753)**	(35,266)
Tax effect of non-deductible expenses	**26,731**	18,155
Tax effect of tax loss utilised	**(3,057)**	(13,649)
Tax losses not recognised for deferred tax	**21,469**	29,974
Over-provision in previous year	**—**	(2,651)
Income tax expense/(credit)	**1,781**	(2,651)

10. INCOME TAX EXPENSE/(CREDIT) *(Continued)*

(b) Major components of unrecognised deferred tax assets are as follows:

	2009 RMB'000	2008 RMB'000
Provisions	**68,485**	76,937
Lease prepayments	**5,953**	7,237
Tax loss	**125,450**	67,814
Total	**199,888**	151,988

The deferred tax assets have not been recognised as it is not certain whether the potential taxation benefit will be realised in the foreseeable future. The tax losses represent the maximum benefit from unutilised tax losses, which can be carried forward up to 5 years from the year in which the loss was originated to offset against future taxable profits. Also, no deferred tax liability has been recognised at the end of the reporting period.

11. DIVIDENDS

The board of directors of the Company does not recommend the payment of a dividend in respect of the year ended 31st December, 2009 (2008 : Nil).

12. BASIC (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB166,225,000 (2008 : profit of RMB54,040,000) and 500,018,000 (2008 : 500,018,000) shares in issue during the year.

No diluted (loss)/earnings per share is calculated as there are no dilutive potential shares for the two years ended 31st December, 2009.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1st January, 2008	723,763	1,140,738	30,441	1,894,942
Reclassification	(3,170)	3,170	—	—
At 1st January, 2008	720,593	1,143,908	30,441	1,894,942
Additions	1,072	3,463	1,009	5,544
Transfer from construction in progress *(note 14)*	881	3,452	—	4,333
Disposals	(91,566)	(35,944)	(763)	(128,273)
At 31st December, 2008	630,980	1,114,879	30,687	1,776,546
Accumulated depreciation:				
At 1st January, 2008	274,484	504,174	19,428	798,086
Reclassification	145	(145)	—	—
At 1st January, 2008	274,629	504,029	19,428	798,086
Charge for the year	20,884	77,892	1,830	100,606
Written back on disposals	(42,614)	(11,907)	(592)	(55,113)
At 31st December, 2008	252,899	570,014	20,666	843,579
Impairment:				
At 1st January, 2008	36	29,654	—	29,690
Increase for the year	4,508	3,463	159	8,130
Written back on disposals	—	(28,109)	—	(28,109)
At 31st December, 2008	4,544	5,008	159	9,711
Net book value:				
At 31st December, 2008	373,537	539,857	9,862	923,256

13. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Buildings RMB'000	Plant, machinery and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Cost:				
At 1st January, 2009	630,980	1,114,879	30,687	1,776,546
Additions	186	2,032	423	2,641
Transfer from construction in progress *(note 14)*	—	3,496	—	3,496
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	(10,591)	(10,112)	(494)	(21,197)
Disposals	(93,291)	(159,276)	(2,454)	(255,021)
At 31st December, 2009	**527,284**	**951,019**	**28,162**	**1,506,465**
Accumulated depreciation:				
At 1st January, 2009	252,899	570,014	20,666	843,579
Charge for the year	14,460	67,083	1,583	83,126
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	(4,381)	(7,591)	(406)	(12,378)
Written back on disposals	(90,015)	(118,295)	(1,803)	(210,113)
At 31st December, 2009	**172,963**	**511,211**	**20,040**	**704,214**
Impairment:				
At 1st January, 2009	4,544	5,008	159	9,711
Reclassification	642	(645)	3	—
At 1st January, 2009	5,186	4,363	162	9,711
Increase for the year	208	3,323	4	3,535
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	(36)	(1,480)	—	(1,516)
Written back on disposals	(586)	(1,381)	(2)	(1,969)
At 31st December, 2009	**4,772**	**4,825**	**164**	**9,761**
Net book value:				
At 31st December, 2009	**349,549**	**434,983**	**7,958**	**792,490**

Notes:

(a) All of the Group's buildings are located in the PRC.

(b) At 31st December, 2009, plant, machinery and equipment with net book values of RMB27,981,000 (2008 : RMB39,348,000) were pledged for certain short-term bank loans granted to the Group (note 29(a)(i)).

(c) At 31st December, 2009, the certificates of buildings with net book value of RMB159,484,000 have not been obtained (2008 : RMB160,574,000).

14. CONSTRUCTION IN PROGRESS

Construction in progress comprises expenditure incurred on the construction of buildings, plant, machinery and equipment not yet completed at 31st December, 2009.

	2009	2008
	RMB'000	*RMB'000*
At 1st January	**11,761**	7,113
Additions	**13,402**	9,102
	25,163	16,215
Transfer to property, plant and equipment *(note 13)*	**(3,496)**	(4,333)
Impairment	**(2,795)**	(121)
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	**(1,149)**	—
At 31st December	**17,723**	11,761

15. INTANGIBLE ASSETS

	2009	2008
	RMB'000	*RMB'000*
Cost:		
At 1st January	**18,500**	18,400
Additions	**—**	100
At 31st December	**18,500**	18,500
Accumulated amortisation:		
At 1st January	**6,130**	4,653
Charge for the year	**1,492**	1,477
At 31st December	**7,622**	6,130
Net book value:		
At 31st December	**10,878**	12,370

Intangible assets represent trademark, non-patented technical know-how and exploration rights obtained by certain subsidiaries. They are amortised on a straight-line basis over 5 to 20 years. The amortisation charge for the year is included in administrative expenses in the consolidated statement of comprehensive income.

16. LEASE PREPAYMENTS

	2009	2008
	RMB'000	*RMB'000*
Cost:		
At 1st January	**40,588**	40,588
Additions	**2,579**	—
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	**(3,545)**	—
At 31st December	**39,622**	40,588
Accumulated amortisation:		
At 1st January	**6,584**	5,734
Amortised for the year	**901**	850
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	**(744)**	—
At 31st December	**6,741**	6,584
Net book value:		
At 31st December	**32,881**	34,004

Lease prepayments represent the land use rights on land located in the PRC. The remaining periods of the land use rights are from 34 to 50 years. At 31st December, 2009, the Group was in the process of application for the relevant land use rights certificate of a piece of land with a carrying value of RMB24,119,000 (2008 : RMB24,792,000).

(Expressed in Renminbi)

17. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31st December, 2009, all of which are incorporated and operated in the PRC, are set out below.

Name of company	Registered capital	Attributable equity interest		Principal activities	Note
		Direct	Indirect		
CLFG Longmen Glass Co., Ltd. ("Longmen")	RMB20,000,000	79.06%	—	Manufacture of float sheet glass	(i)
CLFG Longfei Glass Co., Ltd. ("Longfei")	RMB74,080,000	63.98%	—	Manufacture of float sheet glass	(i), (iii)
Yinan Mineral Products Co., Ltd. ("Yinan")	RMB28,000,000	52.00%	—	Exploration of minerals	(i)
CLFG Longhai Electronic Glass Co., Ltd. ("Longhai")	RMB60,000,000	100.00%	—	Manufacture of float sheet glass	(i), (iii)
CLFG Longhao Glass Co., Ltd. ("Longhao")	RMB50,000,000	100.00%	—	Manufacture of float sheet glass	(i), (iii)
CLFG Longxiang Glass Co., Ltd. ("Longxiang")	RMB50,000,000	—	100.00%	Manufacture of float sheet glass	(i), (ii)
Dengfeng CLFG Silicon Co., Ltd. ("Dengfeng")	RMB3,000,000	—	51.00%	Exploration of minerals	(i), (iv)
Luoyang Luobo Industrial Co., Ltd.	RMB5,000,000	100.00%	—	Sales of glass, processing of products, fuel, mechanical equipment, electrical and accessories and provision of technical advice and services	(i)

Notes:

(i) These subsidiaries are limited liability companies.

(ii) In August 2008, Longfei entered into a share transfer agreement with the independent shareholders of Longxiang, for the acquisition of the remaining 60% equity interest in Longxiang at a total consideration of RMB38,016,000. The transaction was completed in January 2009 and accordingly, Longfei held 100% equity interest in Longxiang.

(iii) On 16th December, 2009, the Company entered into three share transfer agreements with CLFG for the acquisition of (i) the remaining 20% equity interest in Longhao at a total consideration of RMB7,300,000; (ii) the remaining 20% equity interest in Longhai at a total consideration of RMB942,000 and (iii) additional 9.98% equity interest in Longfei at consideration of Nil.

(iv) The registered capital was increased from RMB1,000,000 to RMB3,000,000 during the year.

18. INTERESTS IN ASSOCIATES

	2009 RMB'000	2008 RMB'000
Share of net assets	**—**	121,213
Amounts due from associates	**1,384**	473
Amounts due to associates	**(256)**	(780)
	1,128	120,906
Less : Impairment losses	**—**	—
	1,128	120,906

The amounts due from/(to) associates are unsecured, interest-free and have no fixed terms of repayment. The amounts due from associates are neither past due nor impaired.

Details of the associates, which are unlisted corporate entities, incorporated and operated in the PRC, are as follows:

Name of company	Form of business structure	Registered capital	Direct equity interest	Principal activities	*Note*
Luoyang Jingxin Ceramic Co., Ltd. ("Jingxin")	Sino-foreign equity joint venture	RMB41,945,000	49.00%	Manufacture of ceramic wall tiles	
CLFG Processed Glass Co., Ltd. ("CPGC")	Limited liability company	RMB181,496,000	49.09%	Production and sale of vehicle safety reprocessed glass	(i)
CLFG Mineral Products Co., Ltd. ("CMPC")	Limited liability company	RMB30,960,000	40.29%	Production of silicon and refractory materials	

Note:

(i) On 16th December, 2009, the Company entered into a share transfer agreement with CLFG, for the disposal of 49.09% equity interest in CPGC. Up to the date of this report, the share transfer transaction has not been completed.

The amount of RMB1,552,000 as stated in the consolidated statement of comprehensive income for the year ended 31st December, 2009 represents the Group's share of post-acquisition profit of CLFG Financial Company of Limited Liabilities, which was disposed during the year ended 31st December, 2009. The Group has not recognised losses relating to Jingxin, CPGC and CMPC totalling RMB169,877,000 (2008 : RMB156,340,000) of which RMB8,978,000 was incurred in the current financial year (2008 : RMB20,322,000). The Group has no obligation in respect of those unrecognised losses.

18. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information on associates:

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profits/ (losses) RMB'000
2009					
100 per cent	**594,462**	**(721,859)**	**(127,397)**	**161,411**	**(18,831)**
Group's effective interest	**289,141**	**(289,141)**	**—**	**76,737**	**—**
2008					
100 per cent	1,006,696	(776,013)	230,683	254,592	(25,658)
Group's effective interest	448,335	(327,122)	121,213	119,476	5,868

19. OTHER INVESTMENTS

	2009 RMB'000	2008 RMB'000
Unlisted, available-for-sale securities, at cost	**25,201**	39,314
Less: Impairment losses	**17,791**	31,904
	7,410	7,410

Unlisted securities are not stated at fair value but at cost less any accumulated impairment losses, because they do not have a quoted market price on active market, the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed.

20. INVESTMENT DEPOSIT

(a) On 22nd October, 2007, the Company entered into a sales and purchases agreement with CLFG for the acquisition of 50% equity interest in CLFG Luoyang Longxin Glass Company Limited ("Longxin") at a total consideration of RMB35,000,000 which was fully paid during the year ended 31st December, 2008.

Xinan Fada Construction Investment Company Limited ("Xinan Fada"), another shareholder of Longxin, disapproved the transfer of 50% equity interest to the Company. As at 30th December, 2009, CLFG and Xinan Fada still failed to reach an agreement and as the agreement had lapsed, the Company decided not to proceed further with the agreement and CLFG had repaid the consideration of RMB35,000,000 to the Company during the year ended 31st December, 2009.

(b) In December 2009, Dengfeng paid a deposit of RMB1,030,000 to set up a subsidiary named "登封紅寨矽砂有限公司", with a third party. Dengfeng will own 50.24% equity interest in the subsidiary which is incorporated on 13th January, 2010.

21. DEPOSITS WITH A NON-BANK FINANCIAL INSTITUTION

The balances at 31st December, 2009 represent the overdue time deposits at Guangzhou International Trust & Investment Corporation ("GZITIC"), after a 75% (2008: 75%) impairment made. During the year of 2008, an independent third party has signed a letter of intent to purchase the rights and interests of the overdue time deposits at a total amount of approximately RMB40,000,000. Hence, in the opinion of directors, no impairment is required to be made for the year. No interest revenue is recognised attributable to these deposits.

22. INVENTORIES

	2009 **RMB'000**	2008 RMB'000
Raw materials	**152,103**	164,793
Work in progress	**10,151**	15,773
Finished goods	**26,330**	122,194
	188,584	302,760
Less: Write-down	**33,750**	50,744
	154,834	252,016

The reversal of write-down of inventories of RMB29,591,000 made in this year including RMB23,721,000 arose due to inventories sold and RMB5,870,000 arose due to disposal of obsolete inventories.

23. TRADE AND BILLS RECEIVABLES

	2009 **RMB'000**	2008 RMB'000
Trade receivables		
— third parties	**62,969**	72,806
— subsidiaries of the controlling shareholder company	**16,624**	64,603
	79,593	137,409
Less: Allowances for impairment of doubtful debts	**45,422**	45,265
	34,171	92,144
Bills receivable	**66,387**	7,437
	100,558	99,581

The directors consider that the carrying amounts of the trade and bills receivables approximate to their fair values.

23. TRADE AND BILLS RECEIVABLES *(Continued)*

The ageing analysis of trade and bills receivables, net of allowances for impairment of doubtful debts, is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Within 1 month	**17,978**	79,892
Between 1 month and 1 year	**75,481**	19,016
Between 1 and 2 years	**7,066**	630
Between 2 and 3 years	**33**	43
	100,558	99,581

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

The amounts within 1 month presented in the ageing analysis above represented the trade and bills receivables that are neither past due nor impaired.

At 31st December, 2009, the Group's trade and bills receivables of RMB82,580,000 (2008: RMB19,689,000) were past due but not impaired. These receivables relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

At 31st December, 2009, the Group's trade and bills receivables of RMB45,422,000 (2008: RMB45,265,000) respectively were individually determined to be fully impaired. The individually impaired receivables related to customers that were in financial difficulties and the directors assessed that such debts were not expected to be recovered. The Group does not hold any collateral over these balances. The ageing analysis of these trade and bills receivables is as follows:

	2009 *RMB'000*	2008 *RMB'000*
Between 1 and 2 years	**2,228**	436
Between 2 and 3 years	**32**	769
More than 3 years	**43,162**	44,060
	45,422	45,265

The movements in the allowances for impairment of doubtful debts during the year are as follows:

	2009 *RMB'000*	2008 *RMB'000*
At 1st January	**45,265**	45,862
Impairment loss recognised/(reversed)	**2,033**	(597)
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	**(1,876)**	—
At 31st December	**45,422**	45,265

23. TRADE AND BILLS RECEIVABLES (Continued)

Included in trade and bills receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009 '000	2008 '000
United States Dollars	**907**	1,069

24. OTHER RECEIVABLES

	2009 RMB'000	2008 RMB'000
Amount due from the controlling shareholder company	**7,017**	1,904
Amounts due from subsidiaries of the controlling shareholder company	**3,419**	5,452
Advance payments, accounts receivables and prepayments	**121,572**	210,627
	132,008	217,983
Less: Allowances for impairment of doubtful debts	**55,145**	57,316
	76,863	160,667

The amounts due from the controlling shareholder company and its subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The impaired other receivables of RMB55,145,000 (2008: RMB57,316,000) are of ages over 1 year. All of the other balances of other receivables are neither past due nor impaired.

All of the other receivables are expected to be recovered or recognised as expense within 1 year.

The movements in the allowances for impairment of doubtful debts during the year are as follows:

	2009 RMB'000	2008 RMB'000
At 1st January	**57,316**	57,272
Impairment loss recognised/(reversed)	**235**	44
Deconsolidation due to disposal of a subsidiary *(note 35(c))*	**(2,406)**	—
At 31st December	**55,145**	57,316

25. PLEDGED DEPOSITS WITH BANKS

	2009 **RMB'000**	2008 *RMB'000*
Deposits with banks (pledged)	**192,800**	201,636

At 31st December, 2009, time deposits with banks of RMBNil (2008: RMB20,000,000) were pledged to secure certain short-term bank loans granted to the Group (note 29(a)(i)).

At 31st December, 2009, deposits with banks of RMB192,800,000 (2008: RMB181,636,000) were pledged to secure bills payable of the Group respectively.

26. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

	2009 **RMB'000**	2008 *RMB'000*
Cash in hand	**1,058**	677
Deposits with banks and non-bank financial institutions with an original maturity within 3 months	**32,131**	63,901
Cash and bank balances	**33,189**	64,578
Restricted bank balances *(Note i)*	**—**	9,809
	33,189	74,387

Note:

(i) At 31st December, 2009, bank balance of RMB86 of the Group was restricted by courts during the year (note 38).

Included in cash and cash equivalents in the statements of financial position are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009 **RMB'000**	2008 *RMB'000*
Hong Kong Dollars	**7**	7
United States Dollars	**3**	202
Euros	**—**	9

27. TRADE AND BILLS PAYABLES

	2009 **RMB'000**	2008 RMB'000
Trade payables		
— third parties	**296,248**	408,452
— subsidiaries of the controlling shareholder company	**270**	3,114
	296,518	411,566
Bills payable	**174,000**	215,700
	470,518	627,266

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

	2009 **RMB'000**	2008 RMB'000
Due within 1 month or on demand	**470,518**	627,266

28. OTHER PAYABLES

	2009 **RMB'000**	2008 RMB'000
Amount due to the controlling shareholder company	**2**	2
Amounts due to subsidiaries of the controlling shareholder company	**890**	5,878
Accrued expenses, other payables and receipts in advance	**236,917**	214,227
	237,809	220,107

The amounts due to the controlling shareholder company and its subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

All of the other payables are expected to be settled or recognised as income within 1 year or are repayable on demand.

29. BANK AND OTHER LOANS

	Note	Interest rate	Interest type	2009 RMB'000	2008 RMB'000
Secured bank loans	(a), (b)	2.50%–8.26%	Fixed and floating	**641,795**	713,767
Unsecured bank loans		9.35%	Fixed	**4,000**	4,000
Unsecured loans from a controlling shareholder company	(c)	6.21%–7.80%	Floating	**95,000**	100,000
Secured loans from an associate		5.04%–9.34%	Fixed	—	80,900
Unsecured loans from a non-bank financial institution		5.55%	Fixed	—	1,000
				740,795	899,667

Notes:

(a) The bank loans are secured by the followings:

(i) Assets

	2009 RMB'000	2008 RMB'000
Plant, machinery and equipment	**27,981**	39,348
Pledged deposits with banks	—	20,000
Equity held in CLFC, at cost	—	111,000
	27,981	170,348

(ii) Corporate guarantees given by CNBMG, CLFG and third parties.

(b) Included in secured bank loans to a subsidiary of RMB6,363,000 (2008: RMB6,700,000) has become overdue for payment.

(c) Included in unsecured loans from a controlling shareholder company of the Company of RMB45,000,000 (2008: RMB50,000,000) has become overdue for payment.

29. BANK AND OTHER LOANS (Continued)

The bank and other loans are repayable as follows:

	2009 RMB'000	2008 RMB'000
Within 1 year		
— short-term loans	**735,463**	893,910
— current portion of long-term loans	**508**	501
	735,971	894,411
Between 1 and 2 years	**508**	501
Between 2 and 5 years	**1,523**	1,502
After 5 years	**2,793**	3,253
	4,824	5,256
	740,795	899,667

The interest rates and repayment terms of long-term loans are as follows:

Repayment terms and last repayment date	Interest rate	Interest type	2009 RMB'000	2008 RMB'000
Secured bank loans				
Euro denominated:				
Payable quarterly in 2010/2009	2.50%	Fixed	**508**	501
Payable quarterly from 2011/2010 through 2019	2.50%	Fixed	**4,824**	5,256
			5,332	5,757
Total long-term loans			**5,332**	5,757
Less: Current-portion repayable within 1 year			**508**	501
Non-current portion of long-term loans			**4,824**	5,256

All of the non-current interest bearing loans are carried at amortised cost. None of the non-current interest bearing loans is expected to be settled within 1 year.

29. BANK AND OTHER LOANS *(Continued)*

Included in bank loans are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	2009 **'000**	2008 '000
Euros	**544**	596

Short-term loans

The weighted average interest rate on short-term loans for the Group was 6.01% per annum (2008: 8.08% per annum).

Details of the Group's liquidity management policy are set out in note 40(I)(c).

30. DEFERRED INCOME

According to notices from the Yanshi Municipal Finance Bureau and Henan Province Finance Bureau, a government grant of RMB6,000,000 was awarded in 2005 to Longmen, a subsidiary of the Company, for the construction of a production plant. Such grant is recognised in the consolidated statement of comprehensive income over the useful life of the respective assets, of which RMB462,000 has been recognised during the year (2008: RMB461,000).

31. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

During the year ended 31st December, 2009, the Group acquired additional interests in certain subsidiaries at a total consideration of RMB46,258,000. The difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration of RMB28,823,000 was recognised directly in equity and attributed to equity shareholders of the Company.

32. SHARE CAPITAL

	2009		2008	
	Shares'000	***RMB'000***	*Shares'000*	*RMB'000*
Registered, issued and paid-up capital:				
State-owned legal person shares of RMB1.00 each At beginning and end of the year	**179,018**	**179,018**	179,018	179,018
Domestic listed shares ("A Shares") of RMB1.00 each At beginning and end of the year	**71,000**	**71,000**	71,000	71,000
Overseas listed shares ("H Shares") of RMB1.00 each At beginning and end of the year	**250,000**	**250,000**	250,000	250,000
	500,018	**500,018**	500,018	500,018

32. SHARE CAPITAL *(Continued)*

In accordance with the share pledge agreement signed between CLFG and CNBMG on 16th October, 2008, CLFG agreed to pledge 179,018,242 domestic shares of the Company (representing approximately 35.80% of the total issued share capital of the Company and 100% of the domestic shares held by CLFG) in favour of CNBMG to secure several entrusted loans and guarantees granted by CNBMG to CLFG and the Group.

33. SHARE PREMIUM

The application of the share premium account is governed by Sections 168 and 169 of the PRC Company Law.

34. RESERVES

	Statutory surplus reserve *RMB'000* *Note (a)*	Excess over share capital *RMB'000* *Note (b)*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1st January, 2008	61,076	(106,949)	(850,354)	(896,227)
Total comprehensive income for the year	—	—	54,040	54,040
At 31st December, 2008 and at 1st January, 2009	61,076	(106,949)	(796,314)	(842,187)
Acquisition of additional interests in subsidiaries *(notes 17(iii) and 31)*	—	—	(26,927)	(26,927)
Total comprehensive loss for the year	—	—	(166,225)	(166,225)
At 31st December, 2009	**61,076**	**(106,949)**	**(989,466)**	**(1,035,339)**

Notes:

(a) According to the Company's and its subsidiaries' Articles of Association, the Company and its subsidiaries are required to transfer 10% of their respective profit after taxation, as determined in accordance with the PRC Accounting Rules and Regulations, to statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders. Statutory surplus reserve can be used to make good previous years' losses, if any, and for capitalisation issue provided that the balance after such issue is not less than 25% of the registered capital.

(b) Effective 1st January, 2002, land use rights which are included in lease prepayments are carried at historical cost. Accordingly, the surplus on the revaluation of land use rights was reversed to shareholders' funds.

(c) According to the Company's Articles of Association, the reserve available for distribution is the lower of the amount determined under PRC Accounting Rules and Regulations and the amount determined under IFRSs. As at 31st December, 2009, there was no reserve available for distribution (2008: Nil).

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of (loss)/profit before income tax to cash generated from operations:

	2009	2008
	RMB'000	*RMB'000*
(Loss)/profit before income tax	**(170,435)**	3,142
Share of net profit of an associate	**(1,552)**	(5,868)
Amortisation and depreciation	**85,519**	102,933
Interest income	**(3,967)**	(6,918)
Dividend income from other investments	**—**	(11)
Interest expense	**58,552**	75,870
Impairment loss on property, plant and equipment	**3,535**	8,130
Impairment loss on construction in progress	**2,795**	121
Net impairment loss/(reversal of impairment loss) on receivables	**2,268**	(553)
Waiver of debts	**(1,645)**	(22)
Write off of long-term payables	**(2,224)**	(828)
Write-down of inventories	**12,597**	35,212
Reversal of write-down of inventories	**(29,591)**	(691)
Net loss/(gain) on disposal of property, plant and equipment	**42,468**	(33,982)
Net gain on disposal of lease prepayments	**—**	(180,000)
Compensation income	**—**	(809)
Loss/(gain) on disposal of interest in a subsidiary	**716**	(70,377)
Gain on disposal of an other investment	**(1,000)**	—
Gain on disposal of an associate	**(18,899)**	—
Decrease/(increase) in inventories	**113,097**	(3,234)
Increase in trade and bills receivables	**(3,691)**	(17,396)
(Increase)/decrease in other receivables	**(37,275)**	7,649
(Decrease)/increase in trade and bills payables	**(152,807)**	111,275
Increase/(decrease) in other payables	**9,204**	(9,518)
Decrease in deferred income	**(462)**	(461)
Decrease/(increase) in restricted bank balances	**9,809**	(9,809)
Cash (used in)/generated from operations	**(82,988)**	3,855

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(b) Major non-cash items:

(i) During the year ended 31st December, 2008, the Group disposed of certain leased land and ancillary property, plant and equipment with net book values of Nil and RMB40,002,000 to the government at the total consideration of RMB180,000,000 and RMB70,000,000 respectively. Part of the consideration of RMB120,000,000 was still outstanding as at 31st December, 2008 and received during the year ended 31st December, 2009.

(ii) In August 2008, Longfei entered into a share transfer agreement with the independent shareholders of Longxiang, a 40% indirectly owned subsidiary of the Company, for the acquisition of 60% equity interest in Longxiang at a total consideration of RMB38,016,000 which should be settled by four annual instalments of cash and float sheet glass of RMB20,624,000 and RMB17,392,000 respectively. During the year ended 31st December, 2009, cash of RMB4,970,000 (2008: RMB5,430,000) and float sheet glass of RMB10,409,000 (2008: Nil) were paid and the remaining balance of cash and float sheet glass of RMB10,224,000 and RMB6,983,000 respectively were still outstanding as at 31st December, 2009.

(iii) The consideration of RMB4,500,000 in relation to the disposal of Xiangfang Luoshen Auto Glass Co., Ltd. ("Luoshen") as mentioned in note 35(c).

(iv) In January 2009, the Company and CLFG entered into a share transfer agreement with two independent third parties, Zhenglong Coal Company Limited ("Zhenglong Coal") and Yongcheng Coal and Electricity Holdings Group Company Limited ("Yongcheng Coal"). Pursuant to the agreement, the Company agreed to dispose of its 37% equity interest in CLFG Finance Company to Zhenglong Coal at a total consideration of RMB140,112,000 of which RMB135,155,000 was settled by bills and CLFG agreed to dispose of its 63% equity interest in CLFG Finance Company to Yongcheng Coal at a total consideration of RMB238,569,000.

(v) During the year ended 31st December, 2009, the Company completed the disposal of an other investment with a carrying amount of RMB Nil at a total consideration of RMB1,000,000 which was settled by bills.

(vi) During the year ended 31st December, 2009, the Company repaid bank loan of RMB126,300,000 by bills.

(c) Disposal of a subsidiary

In accordance with the share transfer agreement signed between the Company and an independent third party in December 2008, the Company agreed to dispose of 66.67% equity interest in Luoshen at a total consideration of RMB4,500,000. The transaction was completed on 19th February, 2009 and the assets and liabilities arising from the disposal are as follows:

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

(c) Disposal of a subsidiary *(Continued)*

In accordance with the share transfer agreement signed between the Company and CLFG on 22nd October, 2007, the Company agreed to dispose of 100% equity interest in Luoyong CLFG Logistics Co., Ltd. ("Logistics Company") to CLFG at a total consideration of RMB70,363,000. The transaction was completed on 29th January, 2008, and the assets and liabilities arising from the disposal are as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Property, plant and equipment	**7,303**	—
Construction in progress	**1,149**	—
Lease prepayments	**2,801**	—
Inventories	**1,079**	—
Trade and bills receivables	**127**	—
Other receivables	**844**	—
Cash and cash equivalents	**28**	1
Trade and bills payables	**(2,296)**	—
Other payables	**(3,211)**	(15)
Non-controlling interests	**(2,608)**	—
Net assets/(liabilities) disposed	**5,216**	(14)
(Loss)/gain on disposal of interest in a subsidiary	**(716)**	70,377
Total consideration	**4,500**	70,363
Deposits received in previous year	**—**	(21,109)
Bills received in previous year	**(4,500)**	—
Cash and cash equivalents disposed	**(28)**	(1)
Net cash (outflow)/inflow arising on disposal of interest in a subsidiary	**(28)**	49,253

36. CONNECTED AND RELATED PARTY TRANSACTIONS

On 22nd June, 2007, the State-owned Assets Supervision and Administration Commission of the State Council issued "Reply and Approval in relation to the Transfer at Nil consideration of State-owned Shares in China Luoyang Float Glass (Group) Company Limited" (No. 552 (2007) Guo Zi Chan Quan) and approved the transfer of 70% shares in CLFG held by Luoyang State-owned Assets Operation Company to CNBMG at Nil consideration. On 11th September, 2007, CNBMG received a "Reply and Approval of the agreement on the announcement of CNBMG in relation to the acquisition report of Luoyang Glass Company Limited and the waiver of its obligations of the acquisition" (No. 144 (2007) Zheng Jain Gong Si Zi) from China Securities Regulatory Commissions. According to which, CNBMG was agreed to control 179,018,242 shares (35.80% of the total issued share capital of the Company) of the Company due to the administrative reform of domestic share and waive its obligation for general offer. It is thereby that CNBMG become the de facto controller of the Company.

CNBMG and CLFG is considered to be a related party as they have the ability to exercise significant influence over the Group in making financial and operating decision. Affiliates of CNBMG and CLFG are considered to be related parties as they are subject to common control of CNBMG and CLFG respectively. CNBMG, CLFG and affiliates of CNBMG and CLFG are also deemed to be connected persons pursuant to the Listing Rules.

36. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(I) Connected persons

Transactions between the Group, CNBMG, CLFG and the affiliates of CNBMG and CLFG

Apart from the transactions as disclosed in notes 2(b)(ii), 18, 23, 24, 27, 28 and 29, the Group had the following transactions with these connected persons during the year:

(a) Continuing connected transactions as defined in Chapter 14A of Listing Rules

	Note	2009 RMB'000	2008 RMB'000
Sales of goods from the Group to the affiliates of CNBMG and CLFG	(i)	**41,205**	24,708
Provision of utilities provided by the Company to CLFG and the affiliates of CLFG	(ii)	**11,624**	19,181
Supply of raw materials from the Company to subsidiaries of the Company and an affiliate of CLFG	(iii)	**474,027**	465,885
Composite services provided by the Company to subsidiaries of the Company and an affiliate of CLFG	(iv)	**10,764**	11,175
Purchases of finished goods from the subsidiaries of the Company and an affiliate of CLFG by the Company	(v)	**575,052**	380,171
Purchases of raw materials from an affiliate of CLFG	(vi)	**—**	12,635
Guarantees provided by the Company to subsidiaries of the Company	(vii)	**55,000**	94,000
Composite services provided by an affiliate of CLFG to the Group	(viii)	**5,474**	4,190
Composite services provided by CLFG to the Company	(ix)	**4,082**	4,023
Rental income received from the affiliates of CLFG by the Company	(x)	**471**	471
Rental expense paid to an affiliate of CLFG by the Company	(xi)	**2,650**	1,000

Notes:

(i) The Company has entered into an agreement with CLFG, effective from 13th July, 2009, which is expired on 31st December, 2011, by which the Group supplies float sheet glass to CLFG and its subsidiaries (collectively known as "CLFG Group") at market price with the annual cap amount of RMB14,025,000 for the year ended 31st December, 2009.

Longhai has entered into an agreement with an associate of CNBMG, Anhui Province Bangbu Huayi Glass Company Limited ("Huayi"), effective from 13th July, 2009, which is expired on 31st December, 2011, by which Longhai supplies float sheet glass to Huayi at market price with the annual cap amount of RMB28,410,000. For the year ended 31st December, 2009, the aggregate amount of the supplies of float sheet glass to Huayi exceeded the annual cap amount by RMB4,235,000, which constitutes a breach of Listing Rule 14A.35(2), the details of which will be set out in the Company's announcement.

36. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(I) Connected persons *(Continued)*

Transactions between the Group, CNBMG, CLFG and the affiliates of CNBMG and CLFG *(Continued)*

(a) Continuing connected transactions as defined in Chapter 14A of Listing Rules (Continued)

Notes: (Continued)

(ii) The Company has entered into an agreement with CLFG, effective from 13th July, 2009, which is expired on 31st December, 2011. In accordance with this agreement, the Company provides utilities such as water, electricity and steam to CLFG Group at market price with the annual cap amount of RMB24,714,000 for the year ended 31st December, 2009.

(iii) The Company has entered into agreements with each of its subsidiaries, Longhao, Longfei, Longxiang and an affiliate of CLFG, Longxin, effective from 13th July, 2009, which is expired on 31st December, 2011, by which the Company supplies raw materials to these subsidiaries and Longxin at market price with the annual cap amounts of RMB553,810,000, RMB172,445,000, RMB440,390,000 and RMB722,860,000 respectively for the year ended 31st December, 2009.

(iv) The Company has entered into composite services agreements with each of its subsidiaries, Longhao, Longhai, Longfei, Longxiang and an affiliate of CLFG, Longxin, effective from 13th July, 2009, which is expired on 31st December, 2011. In accordance with the agreements, the Company provides technology, staff training, transportation and storage services, etc., to these subsidiaries and Longxin at market price with the annual cap amount of RMB5,500,000, RMB900,000, RMB2,900,000, RMB2,900,000, RMB5,000,000 respectively for the year ended 31st December, 2009.

(v) The Company has entered into agreements with each of its subsidiaries, Longhao, Longfei, Longxiang and an affiliate of CLFG, Longxin, effective from 13th July, 2009, which is expired on 31st December, 2011, by which these subsidiaries and Longxin supply float sheet glass to the Company at market price with the annual cap amounts of RMB351,900,000, RMB76,000,000, RMB189,750,000, RMB274,030,000 respectively for the year ended 31st December, 2009.

(vi) The Company has entered into an agreement with a CLFG's subsidiary, CLFG Minerals Products Co., Ltd. ("Mineral Co"), effective from 13th July, 2009, which is expired on 31st December, 2011, by which Mineral Co supplies silicon powder to the Group at market price with the annual cap amount of RMB29,980,000 for the year ended 31st December, 2009.

(vii) The Company has entered into guarantee agreements with each of its subsidiaries, Longhao, Longhai, Longfei and Longxiang, effective from 13th July, 2009, which is expired on 31st December, 2011, by which the Company provides guarantee in respect of bank loans of these subsidiaries and these subsidiaries shall provide in favour of the Company counter-guarantees in respect of the guarantees given by the Company with the annual cap amounts of RMB20,000,000, RMB50,000,000, RMB10,000,000, RMB30,000,000 respectively for the year ended 31st December, 2009.

(viii) The Company has entered into an agreement with a CLFG's subsidiary, CLFG Xinxing Co. ("Xinxing") effective from 24th April, 2009, which is expired on 31st December, 2011. In accordance with the agreement, Xinxing provides certain social welfare and support services, such as education, property management, medical care and transportation services to the staff of the Company and subsidiaries of the Company. The amount charged by Xinxing is based on market price or reasonable cost incurred in providing such services plus a profit margin of less than 5% with the annual cap amount of RMB6,430,000 for the year ended 31st December, 2009.

36. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(I) Connected persons *(Continued)*

Transactions between the Group, CNBMG, CLFG and the affiliates of CNBMG and CLFG *(Continued)*

(a) ***Continuing connected transactions as defined in Chapter 14A of Listing Rules*** *(Continued)*

Notes: (Continued)

(ix) The Company has entered into an agreement with CLFG effective from 24th April, 2009, which is expired on 31st December, 2011. In accordance with the agreement, CLFG provides certain social welfare and support services, such as technology, staff training, caring and promotion services, etc., to the Company at market price with the annual cap amount of RMB5,000,000 for the year ended 31st December, 2009.

(x) The Company has entered into a 3-year agreement with an associate, CPGC, effective from 1st January, 2008 by which the Company sub-leases a portion of land use rights of land located in the PRC to CPGC at the market rental.

The Company has entered into a 10-year agreement with a CLFG's subsidiary, CLFG Jinghua Industrial Corporation (head office) ("CJIH"), effective from 1st August, 2007 by which the Company sub-leases a portion of land use rights of land located in the PRC to CJIH at the market rental.

(xi) The Company has entered into an agreement with a CLFG's subsidiary, Logistics Company, effective from 24th April, 2009, which is expired on 31st December, 2011, by which Logistics Company leases a portion of land use rights of land located in the PRC to the Company at the market rental.

The transactions (i) to (vii) are subject to annual cap approved by independent shareholders of the Company.

The directors of the Company are of the opinion that the above transactions were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions, and these have been reviewed and confirmed by the independent non-executive directors.

(b) ***Others***

	Note	**2009** **RMB'000**	2008 RMB'000
Acquisition of additional non-controlling interests in subsidiaries	17(iii)	**8,242**	—
Disposal of a subsidiary	35(c),(i)	**—**	70,363
Guarantees issued by CLFG to the banks in favour of the Group		**120,000**	161,900
Indirect guarantee	(ii)	**2,970**	351,680
Domestic shares pledged by CLFG to CNBMG in respect of entrusted loans and guarantees in favour of the Group	(iii)	**550,000**	550,000
Transportation income		**18**	987
Interest paid and payable		**1,371**	15,277
Interest received and receivable		**1**	101

36. CONNECTED AND RELATED PARTY TRANSACTIONS *(Continued)*

(I) Connected persons *(Continued)*

Transactions between the Group, CNBMG, CLFG and the affiliates of CNBMG and CLFG *(Continued)*

(b)* *Others *(Continued)*

Notes:

(i) In accordance with the share transfer agreement signed between the Company and CLFG on 22nd October, 2007, the Company agreed to transfer 100% equity interest of Logistics Company to CLFG at a total consideration of RMB70,363,000.

(ii) Guarantee has been issued by CLFG, in respect of bank loans to third party entity in return for guarantee issued by such entity to banks in favour of the Company.

(iii) In accordance with the share pledge agreement signed between CLFG and CNBMG on 16th October, 2008, CLFG agreed to pledge 179,018,242 domestic shares of the Company (representing approximately 35.80% of the total issued share capital of the Company and 100% of the domestic shares held by CLFG) in favour of CNBMG to secure several entrusted loans and guarantees granted by CNBMG to CLFG and the Group.

(II) Related parties, other than connected persons

Apart from the transactions as disclosed in note 18, the Group had no other material transaction with its relates parties, other than connected persons, during the year.

(III) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 is as follows:

	2009 ***RMB'000***	2008 *RMB'000*
Short-term employee benefits	**1,307**	1,238
Contribution to defined contribution plan	**102**	107
	1,409	1,345

Total remuneration is included in "staff costs" (note 7(d)).

(IV) 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 CNBMB and CLFG and their 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 consolidated financial statements. The management believes that it has provided meaningful disclosure of related party transactions as summarised above.

(V) Contribution to retirement benefits plans

The Group participates in various defined contribution retirement benefits plans organised by local authorities for its employees. Further details of the Group's retirement benefits plans are disclosed in note 39.

37. CAPITAL COMMITMENTS

Capital commitments outstanding at 31st December, 2009 not provided for in the consolidated financial statements were as follows:

	2009 **RMB'000**	2008 RMB'000
Contracted for		
— construction project	**4,619**	1,330
— investment in a subsidiary	**—**	32,586
	4,619	33,916

38. CONTINGENT LIABILITIES

At 31st December, 2009, contingent liabilities were as follows:

(a) Litigation

At 31st December, 2009, the Group has received numerous claims from various parties, being most suppliers totally approximately RMB19,350,000 (2008: RMB20,249,000), being the total amount of outstanding principal of goods supplied, interest accrued and costs on indemnity basis. Up to the date of this report, the court made judgment that the Group has the obligation to repay approximately RMB16,486,000, and the remaining balance of approximately RMB2,864,000 has not been judged by the court.

(b) Potential contingent liabilities arising/notified to the Group after the year end are set out in notes 42(a) and (b) to the consolidated financial statements.

39. 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.

40. FINANCIAL RISK MANAGEMENT

(I) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to mininise potential adverse effects on the Group's financial performance. These risks are limited by the Group's financial management policies and practices described below.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks

(i) Foreign exchange risk

(1) Forecast transactions, recognised assets and liabilities

The Group is exposed to currency risk primarily through trade receivables, bank balances and borrowings that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are mainly United States Dollars, Euros and Hong Kong Dollars.

During the year of 2009, the Group's transactions denominated in foreign currency were minimal. Accordingly, management does not expect there are any future commercial transactions which would cause material impact on the foreign exchange risk.

(2) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets or (liabilities) denominated in a currency other than the functional currency of the entity to which they relate.

		2009			2008		
	Note	***US$'000***	***EUR$'000***	***HK$'000***	*US$'000*	*EUR$'000*	*HK$'000*
Assets							
Trade receivables	23	**907**	**—**	**—**	1,069	—	—
Cash and cash equivalents	26	**3**	**—**	**7**	202	9	7
Liability							
Bank loans	29	**—**	**(544)**	**—**	—	(596)	—
Exposure arising from recognised assets and liabilities		**910**	**(544)**	**7**	1,271	(587)	7

40. **FINANCIAL RISK MANAGEMENT** *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

(i) Foreign exchange risk *(Continued)*

(3) Sensitivity analysis

The following table indicates the approximate change in the Group's (loss)/profit after income tax (and accumulated losses) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes trade and bills receivables, cash and cash equivalents and bank and other loans where the denomination of the balances is in a currency other than the functional currency.

	2009 Increase/ (decrease) in foreign exchange rates in %	2009 Effect on loss after income tax and accumulated losses RMB'000	2009 Effect on other components of equity RMB'000	2008 Increase/ (decrease) in foreign exchange rates in %	2008 Effect on profit after income tax and accumulated losses RMB'000	2008 Effect on other components of equity RMB'000
United States Dollars	5%	(296)	—	5%	415/(415)	—
	(5%)	296	—	(5%)	(415)/415	—
Euros	5%	254	—	5%	(270)/270	—
	(5%)	(254)	—	(5%)	270/(270)	—
Hong Kong Dollars	5%	—	—	5%	—	—
	(5%)	—	—	(5%)	—	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates has occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rate, remain constant.

The stated changes represent management's assessment of reasonably possible change in foreign exchange rates over the period until the end of the next reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group's (loss)/profit after income tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the end of the reporting period for presentation purposes. The analysis is performed on the same basis for 2008.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

(ii) Interest rate risk

(1) Interest rate profile

The Group's interest rate risk arises primarily from bank and other loans and cash at bank. Bank loans with fixed rate were insensitive to any change in market interest rates as the Group's expenses and operating cash flows are substantially independent of changes in market interest rates. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. The following table details the interest rate profile of the Group's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:

	2009		*2008*	
	Effective *interest rate*	***RMB'000***	Effective *interest rate*	*RMB'000*
Bank and other loans at fixed rate (included in non-current liabilities)	**2.58%**	**4,824**	2.50%	5,256
Bank and other loans at fixed rate (included in current liabilities)	**2.50%–9.35%**	**624,608**	2.50%–10.80%	658,711
Bank and other loans at floating rate (included in current liabilities)	**5.84%–8.26%**	**111,363**	7.47%–8.26%	235,700
Cash and -bank balances	**0.36%**	**225,989**	0.36%–0.72%	276,023

(2) Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the amount of asset and liability outstanding at the end of the reporting period was outstanding for the whole year.

At 31st December, 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's loss after income tax for the year and accumulated losses as at 31st December, 2009 by approximately RMB824,000 (2008 : decrease/increase the Group's profit after income tax and increase/decrease accumulated losses of approximately RMB403,000). Other components of equity would not be affected (2008 : Nil) by the changes in interest rates.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) ***Market risks*** *(Continued)*

(iii) Price risk

The Group is not exposed to any equity securities risk or commodity price risk. The Company is exposed to other price risk in respect of its investments in subsidiaries and associates. The sensitivity to price risk in relation to these investments cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries and associates.

(b) ***Credit risk***

(i) Trade receivables

The Group's credit risk is primarily attributable to trade receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are due within 30 to 90 days from the date of billing. Debtors with balances that are more than 3 months from the date of billing are requested to settle all outstanding balances before any further credit is granted.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lessor extent. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 23.

At the end of the reporting period, the Group has a certain concentration of credit risk as 47% (2008 : 70%) and 70% (2008 : 87%) of the total trade receivables (after allowance for impairment) were due from the Group's largest customer and the 5 largest customers as at 31st December, 2009 respectively.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any allowance for impairment.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(c) ***Liquidity risk***

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions and continuing financial supports from CLFG and CNBMG to meet its liquidity requirements in the short and longer term.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(c) *Liquidity risk* *(Continued)*

The following table details the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	2009					
	Carrying amount	Total contractual undiscounted cash flows	< 1 year or on demand	1 and < 2 years	> 2 and < 5 years	> 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	**740,795**	**764,070**	**757,955**	**644**	**1,931**	**3,540**
Trade and bills payables	**470,518**	**470,518**	**470,518**	**—**	**—**	**—**
Other payables	**237,809**	**237,809**	**229,135**	**8,674**	**—**	**—**
	1,449,122	**1,472,397**	**1,457,608**	**9,318**	**1,931**	**3,540**

	2008					
	Carrying amount	Total contractual undiscounted cash flows	< 1 year or on demand	1 and < 2 years	> 2 and < 5 years	> 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	899,667	938,741	932,990	665	1,667	3,419
Trade and bills payables	627,266	627,266	627,266	—	—	—
Other payables	220,107	220,107	220,107	—	—	—
	1,747,040	1,786,114	1,780,363	665	1,667	3,419

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(II) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively reviews and manages its capital structure in the light of changes in economic conditions so as to maintain a sound capital position.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is defined as total debts (which include bank and other loans, trade and other payables) as shown in the consolidated statement of financial position less cash and cash equivalents. Total capital is defined as all components of shareholders' equity in the consolidated statement of financial position.

The net debt-to-capital ratios as at 31st December, 2009 and 2008 were as follows:

	Note	2009 RMB'000	2008 RMB'000
Current liabilities			
Trade and bills payables	27	**470,518**	627,266
Other payables	28	**237,809**	220,107
Bank and other loans	29	**735,971**	894,411
		1,444,298	1,741,784
Non-current liability			
Bank and other loans	29	**4,824**	5,256
Total debts		**1,449,122**	1,747,040
Less : Cash and cash equivalents	26	**33,189**	64,578
Adjusted net debt		**1,415,933**	1,682,462
Total equity		**6,680**	226,711
Net debt-to-capital ratio		**21,197%**	742%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(III) Fair value estimation

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the amendments to IFRS 7, "Financial Instruments: Disclosures" require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December, 2009, the Group did not have any financial instruments carried at fair value. During the year ended 31st December, 2009, there was no significant transfer between financial instruments in Level 1 and Level 2.

(ii) Fair value of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31st December, 2009 and 2008 due to their short maturities except the following:

	2009		2008	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Non-current bank and other loans	**4,824**	**4,142**	5,256	4,954

Most of the amounts due from/to controlling shareholder company, subsidiaries of the controlling shareholder company and associates are unsecured, interest-free and have no fixed terms of repayment. Given these terms, it is not meaningful to disclose fair values of these balances.

The fair value has been estimated by applying a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

Fair value estimates are made at a specific point in time and are based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot not be determined with precision. Changes in assumptions could significantly affect the estimates.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates such as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

Impairment

In considering the impairment losses that may be required for of the Group's long-lived assets (see note 2(l)(ii)), recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

The Group maintains allowances for impairment of doubtful debts for estimated losses resulting from the inability of debtors to make the required payments. The Group bases the estimates of future cash flows on the ageing of trade receivable balances, the debtors' credit-worthiness and the historical write-off experiences. If the financial condition of the debtors were to deteriorate, actual write offs would be higher than estimated.

Inventories write-down

Inventories are carried at the lower of cost or net realisable value. Inventory write downs are measured as the difference between the cost of the inventory and net realisable value, and are charged to the provision for inventory. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Factors shall be considered at the recognition of net realisable value include: purpose for the inventories held, aging of inventories and percentage of inventory utilisation, category and condition of the inventories, subsequent events that have material influence to inventories. Inventory provisions are reviewed at least annually to ensure accuracy and reasonableness.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

42. POST BALANCE SHEET EVENTS

(a) On 4th June, 2005, CLFG and Longhai entered into a sale and purchase agreement of machinery with a third party, Shanghai Kai Yuan Air Separation Technology Development Co., Ltd. ("Kai Yuan"). Kai Yuan failed to collect the outstanding amount from CLFG and Longhai and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB1,817,500 and interest expenses of RMB327,000 for the period from 10th February, 2007 to 31st October, 2009. The case is still being processed by the Court.

(b) On 4th August, 2005, Longfei entered into a sale and purchase agreement of machinery with a third party, Kai Yuan. Kai Yuan failed to collect the outstanding amount from Longfei and thus instigated legal actions with the Court of Shanghai. The outstanding amount included cost of machinery of RMB680,000 and interest expenses of RMB111,000 for the period from 16th May, 2007 to 31st October, 2009. The case is still being processed by the Court.

(c) On 31st December, 2009, the Company owed to Henan Baoshuo Tar Chemical Industry Company Limited ("Henan Baoshuo") payments in the sum of RMB11,888,000. Henan Baoshuo supplied fuel oil to the Company and failed to collect the outstanding amount from the Company and thus instigated legal actions with the Intermediate People's Court of Luoyang on 15th January, 2010. The parties to the legal proceedings reached a settlement on 29th January, 2010. According to the Civil Mediation Paper (2010) Luo Min Li Chu Zi No.1, the parties agreed that the Company would settle the outstanding amount of RMB11,888,000 by way of installments before 31st January, 2012. The litigation cost of RMB47,000 was charged and settled by Henan Baoshuo.

43. COMPARATIVE FIGURES

As a result of the application of IAS 1 (revised 2007), "Presentation of Financial Statements", and IFRS 8, "Operating Segments", certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3(a).

Independent Auditors' Report

To the Shareholders of Luoyang Glass Company Limited:

We have audited the accompanying financial statements of Luoyang Glass Company Limited (Hereinafter referred to as "the Company") and its subsidiaries (Hereafter collectively referred to as "the group"), including balance sheet and consolidated balance sheet as of December 31, 2009, income statement and consolidated income statement, statement of changes in equity and consolidated statement of changes in equity, cash flow statement and consolidated cash flow statement, and notes to the financial statements for the year then ended.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises issued by PRC Ministry of Finance. The responsibility includes: (1) designing, implementing and maintaining an internal control system for the preparation of the financial statements so that they are free from material misstatement due to frauds or errors; (2) choosing and applying appropriate accounting principles; (3) making reasonable accounting estimates.

II. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with the Chinese Auditing Standards. Those standards require that we comply with professional ethics, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes examining, on test basis, evidence supporting the amounts and disclosures in the financial statements. The testing methods and procedures are based on auditor's judgment, including the evaluation of the risk of material misstatement due to frauds or errors. When evaluating risk, we consider the internal control system in relating to financial statements in order to design auditing procedures, but not for the purpose of expressing an opinion on the system's effectiveness. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and appropriate evidence to provide a reasonable basis for our audit opinion.

III. AUDIT OPINION

In our opinion, the Group and the Company's financial statements have been prepared in accordance with Accounting Standards for Business Enterprises issued by PRC Ministry of Finance, and they fairly present, in all material respects, the financial position of the Group and the Company as of December 31, 2008, and the results of its operations and its cash flows for year then ended.

IV. EMPHASIS MATTER

We remind users of the financial statements to the following matter: as mentioned in note II, the Group and the Company's financial statements are prepared on the basis of going-concern assumption; it means that the Group and the Company will continue operation until December 31, 2010. As at December 31, 2010, the accumulative unrecovered loss of the Group is RMB1,414,213,763.32 Yuan, and current liabilities exceeds current assets by RMB881,188,055.56 Yuan. The Company has disclosed the reason of preparing financial statements on the basis of going-concern assumption in note II, but there still exists a significant uncertainty to going-concern capability of the Company. This passage has no impact on the audit opinion published.

DaXin Certified Public Accountants Co., Ltd. Chinese Certified Public Accountant: **Suo Baoguo**

Beijing · China Chinese Certified Public Accountant: **Qiao Guanfang**

March 30, 2010

Consolidated Balance Sheet

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	**December 31, 2009**	December 31, 2008
Current assets:			
Bank balance and cash	V.1	**225,988,517.81**	276,023,329.72
Notes receivable	V.2	**66,386,606.60**	7,437,000.00
Accounts receivable	V.3	**34,613,030.50**	92,143,464.65
Prepayments	V.4	**41,430,880.91**	20,814,460.85
Other receivables	V.5	**37,403,229.32**	145,755,700.06
Inventory	V.6	**154,833,492.34**	252,015,659.05
Total current assets		**560,655,757.48**	794,189,614.33
Non-current assets			
Long-term investment in equity	V.7 V.8	**7,410,000.00**	128,622,879.48
Investment properties	V.9	**15,726,020.13**	16,180,876.53
Fixed assets	V.10	**725,133,679.14**	825,289,773.51
Construction in progress	V.11	**84,760,271.11**	109,387,420.73
Construction materials	V.12	**79,022.74**	79,022.74
Intangible assets	V.13	**56,449,865.17**	59,400,119.75
Deferred tax assets			
Other non-current assets	V.15	**35,000,000.00**	70,000,000.00
Total non-current assets		**924,558,858.29**	1,208,960,092.74
Total assets		**1,485,214,615.77**	2,003,149,707.07
Current liabilities			
Short-lerm loans	V.17	**735,462,776.00**	892,910,000.00
Notes payable	V.18	**174,000,000.00**	215,700,000.00
Accounts payable	V.19	**296,519,022.87**	411,748,269.26
Payments received in advance	V.20	**105,092,634.97**	84,527,369.86
Staff remuneration payables	V.21	**29,527,521.60**	23,266,507.03
Taxes payable	V.22	**15,764,225.14**	5,608,385.22
Other payables	V.23	**84,969,831.52**	101,248,726.67
Non-current liabilities due within one year	V.24	**507,800.94**	500,642.97
Total current liabilities		**1,441,843,813.04**	1,735,509,901.01
Non-current liabilities			
Long-term loans	V.25	**4,824,102.92**	5,256,745.29
Bonds payable			
Accrued liabilities			2,502,500.00
Total non-current liabilities		**4,824,102.92**	7,759,245.29
Total liabilities		**1,446,667,915.96**	1,743,269,146.30

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Consolidated Balance Sheet *(Continued)*

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	**December 31, 2009**	December 31, 2008
Shareholders' equity			
Share capital	V.26	**500,018,242.00**	500,018,242.00
Capital reserve	V.27	**897,472,376.93**	927,739,780.43
Special reserve	V.28	**36,552.97**	
Surplus reserve	V.29	**51,365,509.04**	51,365,509.04
Retained earnings	V.30	**(1,414,213,763.32)**	(1,249,967,485.76)
Total equity attributable to the equity holders of the Company		**34,678,917.62**	229,156,045.71
Minority interests	IV.1	**3,867,782.19**	30,724,515.06
Total shareholder's equity		**38,546,699.81**	259,880,560.77
Total liabilities and shareholders' equities		**1,485,214,615.77**	2,003,149,707.07

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Balance Sheet

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	December 31, 2009	December 31, 2008
Current assets:			
Bank balance and cash		**130,912,481.30**	171,861,982.53
Notes receivable		**94,295,214.60**	3,787,000.00
Accounts receivable	XIII.1	**206,204,535.66**	248,966,845.36
Prepayments		**42,484,191.46**	20,989,627.07
Other receivables	XIII.2	**424,249,266.48**	223,126,820.82
Inventory		**25,146,206.14**	48,942,353.37
Total current assets		**923,291,895.64**	717,674,629.15
Non-current assets:			
Hold-to-maturity investment			313,644,427.39
Long-term investment in equity	XIII.3	**155,801,782.21**	268,772,879.48
Investment properties		**15,726,020.13**	16,180,876.53
Fixed assets		**177,300,439.04**	216,963,105.47
Construction materials		**15,564.95**	15,564.95
Intangible assets		**34,399,107.47**	35,392,861.07
Other non-current assets		**35,000,000.00**	70,000,000.00
Total non-current assets		**418,242,913.80**	920,969,714.89
Total assets		**1,341,534,809.44**	1,638,644,344.04

Corporate representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Balance Sheet *(Continued)*

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	December 31, 2009	December 31, 2008
Current liabilities			
Short-term loans		**670,100,000.00**	758,210,000.00
Notes payable		**139,500,000.00**	142,200,000.00
Accounts payable		**201,305,131.75**	262,884,122.35
Payments received in advance		**98,509,933.01**	79,206,751.02
Staff remuneration payables		**19,117,782.05**	11,526,291.45
Taxes payable		**10,098,489.00**	11,287,492.88
Other payables		**40,399,762.32**	61,448,240.70
Non-current liabilities due within one year		**507,800.94**	500,642.97
Total current liabilities		**1,179,538,899.07**	1,327,263,541.37
Non-current liabilities			
Long-term loans		**4,824,102.92**	5,256,745.29
Accrued liabilities			2,502,500.00
Total non-current liabilities		**4,824,102.92**	7,759,245.29
Total liabilities		**1,184,363,001.99**	1,335,022,786.66
Shareholders' equity			
Share capital		**500,018,242.00**	500,018,242.00
Capital reserve		**894,103,784.06**	894,103,784.06
Less: stock shares			
Special reserve			
Surplus reserve		**51,365,509.04**	51,365,509.04
Retained earnings		**(1,288,315,727.65)**	(1,141,865,977.72)
Total shareholder's equity		**157,171,807.45**	303,621,557.38
Total liabilities and shareholders' equities		**1,341,534,809.44**	1,638,644,344.04

Corporate representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Consolidated Income Statement

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	2009	2008
Total operating revenue		**972,949,859.17**	1,322,532,854.82
Operating revenue	V.31	**972,949,859.17**	1,322,532,854.82
Total operating costs		**1,126,478,245.36**	1,622,613,191.12
Operating costs	V.31	**851,195,596.89**	1,331,474,442.76
Business taxes and surcharges	V.32	**5,753,941.49**	3,647,893.13
Selling expenses		**30,034,815.32**	40,358,543.06
Administration expenses		**162,396,993.92**	118,914,629.61
Financial expenses	V.33	**60,062,033.61**	85,795,002.57
Impairment loss	V.35	**17,034,864.13**	42,422,679.99
Add: Gain on fair value changes(losses)			
Gain on investment(losses)	V.34	**20,734,975.58**	5,878,671.09
Gain on investment of co-operating and joint-venture		**1,552,278.90**	5,867,624.09
Net loss on exchanging foreign currency(net profit)			
Operating Profit/(loss)		**(132,793,410.61)**	(294,201,665.21)
Add: Non-operating income	V.36	**4,025,097.28**	258,144,028.25
Less: Non-operating expenses	V.37	**42,898,238.01**	1,151,488.77
Losses on disposal of non-current assets		**5,028.45**	38,903.70
Total profit/(loss)		**(171,666,551.34)**	(37,209,125.73)
Less: Income taxes expenses	V.38	**1,780,934.50**	(2,651,438.67)
Net profit (loss)		**(173,447,485.84)**	(34,557,687.06)
Net profit attributable to parent company's shareholders		**(167,456,263.00)**	12,783,782.14
Minority interests		**(5,991,222.84)**	(47,341,469.20)
Earnings per share			
i) Basic earnings per share (RMB/share)		**(0.3349)**	0.0256
ii) Diluted earnings per share (RMB/share)		**(0.3349)**	0.0256
Other comprehensive profit			
Total comprehensive profit		**(173,447,485.84)**	(34,557,687.06)
Total comprehensive profit attributable to parent company's shareholders		**(167,456,263.00)**	12,783,782.14
Total comprehensive profit attributable to minority interests		**(5,991,222.84)**	(47,341,469.20)

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Income Statement

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	**2009**	2008
Operating revenue	XIII.4	**1,099,286,947.54**	1,338,389,872.64
Less: Operating costs	XIII.4	**1,078,319,183.32**	1,357,183,899.29
Business taxes and surcharges		**2,322,054.01**	751,156.53
Selling expenses		**9,070,357.20**	12,343,459.13
Administration expenses		**101,275,105.17**	82,328,803.59
Financial expenses		**21,079,329.36**	60,337,080.40
Impairment loss		**58,996,561.02**	64,159,617.91
Add: Gain on fair value changes(losses)			
Gain on investment(losses)	XIII.5	**36,155,983.13**	46,320,794.48
Gain on investment of co-operating and joint-venture		**1,552,278.90**	5,867,624.09
Operating Profit/(loss)		**(135,619,659.41)**	(192,393,349.73)
Add: Non-operating income		**2,637,231.86**	200,842,038.39
Less: Non-operating expenses		**13,467,322.38**	61,631.80
Losses on disposal of non-current assets			
Total profit(loss)		**(146,449,749.93)**	8,387,056.86
Less: Income taxes expenses			
Net profit/(loss)		**(146,449,749.93)**	8,387,056.86
Earnings per share			
i) Basic earnings per share *(RMB/share)*			
ii) Diluted earnings per share *(RMB/share)*			
Other comprehensive profit			
Total comprehensive profit		**(146,449,749.93)**	8,387,056.86

Corporate representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Consolidated Cash Flow Statement

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	Notes	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from sale of goods or rendering of services		**655,740,100.30**	671,149,442.56
Tax rebates			1,048,822.47
Other cash received from activities related to operation	V.40	**99,376,343.67**	97,018,543.17
Sub-total of cash inflow from operating activities		**755,116,443.97**	769,216,808.20
Cash paid to and on behalf of employee		**534,188,123.76**	534,641,716.08
Cash paid to and on behalf of employees		**95,372,585.68**	90,859,403.97
Cash paid for all types of taxes		**71,927,140.94**	70,191,003.05
Other cash paid for activities related to operation	V.40	**136,195,250.20**	121,246,985.89
Sub-total of cash outflow from operating activities		**837,683,100.58**	816,939,108.99
Net cash flow from operating activities		**(82,566,656.61)**	(47,722,300.79)
Cash flow from investment activities:			
Cash received from Withdraw investment		**39,956,904.33**	
Cash received from return of investments		**1,552,278.90**	3,057,421.07
"Net cash received from disposal of fixed assets, intangible assets and other long term assets"		**120,050,105.46**	138,687,030.00
Net cash received from disposal of a subsidiary			49,254,599.80
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		**161,559,288.69**	190,999,050.87
"Cash paid for acquisition of fixed assets, intangible assets and other long term assets"		**7,109,781.47**	8,604,340.22
Cash paid for acquisition of investment		**14,699,695.56**	7,230,000.00
Sub-total of cash outflow from investment activities		**21,809,477.03**	15,834,340.22
Net cash flow from investment activities		**139,749,811.66**	175,164,710.65

Corporate representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Consolidated Cash Flow Statement *(Continued)*

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	2009	2008
Cash flow from financing activities:			
Cash received from investments		**980,000.00**	
Including: Proceeds from loans		**768,500,000.00**	938,343,000.00
Sub-total of cash inflow from financing activities		**769,480,000.00**	938,343,000.00
Repayment of loans		**800,791,614.87**	999,083,428.67
Cash paid for dividends, profit, or interest payments		**57,255,105.39**	74,751,658.32
Other cash paid for financing-related activities			1,803,951.44
Sub-total of cash outflow from financing activities		**858,046,720.26**	1,075,639,038.43
Net cash flow from financing activities		**(88,566,720.26)**	(137,296,038.43)
Influence of foreign exchange rate changes on cash and cash equivalents		**(5,660.75)**	608,562.89
Net increase/(decrease) in cash and cash equivalents		**(31,389,225.96)**	(9,245,065.68)
Add: beginning balance of cash and cash equivalents	V.41	**64,577,743.77**	73,822,809.45
Ending balance of cash and cash equivalents		**33,188,517.81**	64,577,743.77

Corporate representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Cash Flow Statement

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	*Notes*	2009	2008
Cash flow from operating activities:			
Cash received from sale of goods and provision of services		**672,650,897.69**	571,879,893.27
Tax rebates			283,607.25
Other cash received from activities related to operation	XIII.6	**80,514,543.21**	118,071,582.24
Sub-total of cash inflow from operating activities		**753,165,440.90**	690,235,082.76
Cash paid for goods purchased and service rendered		**725,295,084.82**	510,111,118.27
Cash paid to and on behalf of employee		**41,665,007.01**	55,523,639.41
Taxes payments		**34,291,431.69**	22,239,319.96
Other cash paid for activities related to operation	XIII.6	**81,632,156.47**	177,209,985.87
Sub-total of cash outflow from operating activities		**882,883,679.99**	765,084,063.51
Net cash flow from operating activities		**(129,718,239.09)**	(74,848,980.75)
Cash flow from investment activities:			
Cash received from disposal of investments		**481,056,904.33**	306,600,000.00
Cash received from return of investments		**3,174,819.62**	44,221,047.17
Net proceeds from disposal of fixed assets,intangible assets and other long term assets		**120,001,067.00**	138,667,030.00
Net cash received from disposal of a subsidiary			49,254,599.80
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		**604,232,790.95**	538,742,676.97
Cash paid for acquisition of fixed assets,intangible assets and other long term assets		**193,856.79**	84,200.41
Cash paid for acquisition investments		**8,241,782.21**	376,600,000.00
Sub-total of cash outflow from investment activities		**8,435,639.00**	376,684,200.41
Net cash flow from investment activities		**595,797,151.95**	162,058,476.56

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Cash Flow Statement *(Continued)*

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

Item	Notes	2009	2008
Cash flow from financing activities			
Cash received from investments			
Proceeds from loans		**709,500,000.00**	753,610,000.00
Other cash received from activities related to financing		**10,251,659.74**	
Sub-total of cash inflow from financing activities		**719,751,659.74**	753,610,000.00
Repayment of loans		**671,791,614.87**	805,160,428.67
Cash paid for dividends, profit, or interest payment		**48,599,523.41**	59,903,776.62
Other cash paid for financing-related activities		**496,179,200.00**	1,034,250.00
Sub-total of cash outflow from financing activities		**1,216,570,338.28**	866,098,455.29
Net cash flow from financing activities		**(496,818,678.54)**	(112,488,455.29)
Influence of foreign exchange rate changes on cash and cash equivalents		**(5,660.75)**	608,562.89
Net increase/(decrease) in cash and cash equivalents		**(30,745,426.43)**	(24,670,396.59)
Add: beginning balance of cash and cash equivalents	XIII.6	**33,357,907.73**	58,028,304.32
Ending balance of cash and cash equivalents		**2,612,481.30**	33,357,907.73

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Consolidated Statement of Changes in Equity

Dec. 31 2009

Prepare under the PRC Accounting Rules and Regulations

Monetary unit: RMB YUAN

Item	2009 Equity attributable to equity holders of the company										
	Share capital	Capital reserve	Less: stock shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's equity
Balance at the end of last year	500,018,242.00	927,739,780.43			51,365,509.04		(1,249,967,485.76)		229,156,045.71	30,724,515.06	259,880,560.77
Balance at the beginning of last year	500,018,242.00	927,739,780.43			51,365,509.04		(1,249,967,485.76)		229,156,045.71	30,724,515.06	259,880,560.77
Increase(decrease)		(30,267,403.50)		36,552.97			(164,246,277.56)		(194,477,128.09)	(26,856,732.87)	(221,333,860.96)
a) Net profit							(167,456,263.00)		(167,456,263.00)	(5,991,222.84)	(173,447,485.84)
b) Profit/loss reported in current financial period		(30,267,403.50)					3,209,985.44		(27,057,418.06)	(20,865,510.03)	(47,922,928.09)
others		(30,267,403.50)					3,209,985.44		(27,057,418.06)	(20,865,510.03)	(47,922,928.09)
the sum of a) and b)		(30,267,403.50)					(164,246,277.56)		(194,513,681.06)	(26,856,732.87)	(221,370,413.93)
c) Special reserves				36,552.97					36,552.97		36,552.97
appropriation this year				36,552.97					36,552.97		36,552.97
Balance at the ending of the year	500,018,242.00	897,472,376.93		36,552.97	51,365,509.04		(1,414,213,763.32)		34,678,917.62	3,867,782.19	38,546,699.81

Item	2008 Equity attributable to equity holders of the company										
	Share capital	Capital reserve	Less: stock shares	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's equity
Balance at the end of last year	500,018,242.00	927,739,780.43			51,365,509.04		(1,262,751,267.90)		216,372,263.57	78,065,984.26	294,438,247.83
Balance at the beginning of last year	500,018,242.00	927,739,780.43			51,365,509.04		(1,262,751,267.90)		216,372,263.57	78,065,984.26	294,438,247.83
Increase(decrease)							12,783,782.14		12,783,782.14	(47,341,469.20)	(34,557,687.06)
a) Net profit							12,783,782.14		12,783,782.14	(47,341,469.20)	(34,557,687.06)
b) Profit/loss reported in current financial period											
the sum of a) and b)							12,783,782.14		12,783,782.14	(47,341,469.20)	(34,557,687.06)
Balance at the ending of the year	500,018,242.00	927,739,780.43			51,365,509.04		(1,249,967,485.76)		229,156,045.71	30,724,515.06	259,880,560.77

Corporate representative: **Song Jianming**

Chief accountant: **Song Fei**

Person in charge of accounting department: **Chen Jing**

Statement of Changes in Equity

Dec. 31 2009
Prepare under the PRC Accounting Rules and Regulations
Monetary unit: RMB YUAN

	2009						
Item	Share capital	Capital reserve	Less: stock shares	Special reserve	Surplus reserves	Retained earnings	Total shareholder's equity
Balance at the end of last year	500,018,242.00	894,103,784.06			51,365,509.04	(1,141,865,977.72)	303,621,557.38
Balance at the beginning of last year	500,018,242.00	894,103,784.06			51,365,509.04	(1,141,865,977.72)	303,621,557.38
Increase(decrease)						(146,449,749.93)	(146,449,749.93)
a) Net profit						(146,449,749.93)	(146,449,749.93)
the sum of a) and b)						(146,449,749.93)	(146,449,749.93)
Balance at the ending of the year	500,018,242.00	894,103,784.06			51,365,509.04	(1,288,315,727.65)	157,171,807.45

	2008						
Item	Share capital	Capital reserve	Less: stock shares	Special reserve	Surplus reserves	Retained earnings	Total shareholder's equity
Balance at the end of last year	500,018,242.00	894,103,784.06			51,365,509.04	(1,150,253,034.58)	295,234,500.52
Balance at the beginning of last year	500,018,242.00	894,103,784.06			51,365,509.04	(1,150,253,034.58)	295,234,500.52
Increase(decrease)						8,387,056.86	8,387,056.86
a) Net profit						8,387,056.86	8,387,056.86
the sum of a) and b)						8,387,056.86	8,387,056.86
Balance at the ending of the year	500,018,242.00	894,103,784.06			51,365,509.04	(1,141,865,977.72)	303,621,557.38

Corporate representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

I. COMPANY STATUS

Luoyang Glass Company Limited ("the Company") was established in the People's Republic of China ("the PRC") as a joint stock limited company.

The Company was established as part of the restructuring of a state-owned enterprise known as China Luoyang Float Glass Group Company of Limited Liability ("CLFG"). Pursuant to the approvals granted by various PRC authorities including the State Restructuring Commission and the National Administrative Bureau of State-Owned Assets, CLFG underwent a corporate reorganization whereby the Company was established on 6 April 1994 with CLFG as its sold promoter. At the time of its establishment, the Company had a registered capital of RMB400,000,000 divided into 400,000,000 state-owned legal person shares of RMB1.00 each which was paid up in kind by CLFG by way of transfer of its principal business undertakings and subsidiaries together with the relevant assets and liabilities.

On 29 June 1994, 250,000,000 'H' shares were issued at HK$3.65 per share. The 'H' shares were listed on the Stock Exchange of Hong Kong Limited on 8 July 1994.

According to the plan disclosed in the 'H' shares prospectus and with the approval from the China Securities Regulatory Commission, the Company issued 40,000,000 ordinary 'A' shares to the public in the PRC and 10,000,000 ordinary 'A' shares to the employees of the Company on 29 September 1995 at Rmb5.03 each. The 40,000,000 public 'A' shares and 10,000,000 internal employee 'A' shares were subsequently listed on the Shanghai Stock Exchange on 30 October 1995 and 10 May 1996 respectively.

In June 2006, CLFG got the approval from the board and an "Approval and Reply in relation to the Transfer of Shares of Luoyang Glass Company Limited" (Shang Zi Pi [2006] No. 1232) from the Ministry of Commerce of the People's Republic of China and offered 21,000,000 non-tradable A Shares as a condition to have trading right in the A Shares market. This reform is made in accordance with regulations of "Provisions on Management of Share Reform Proposals of Listed Companies" (《上市公司股權分置改革管理辦法》) issued by China Securities Regulatory Commission ("CSRC") and "Guidelines on Share Reform Proposals of Listed Companies"《關於上市公司股權分置改革的指導意見》) issued by Shanghai Stock Exchange. Upon the completion of the reform, CLFG reduced its shareholding in the Company to 379,000,000 shares.

According to the judgment (2007) [Luo Zhi Zi No. 18-32] of the intermediate People's Court of Luoyang, Henan Province on 30 November 2006, 199,981,758 A shares of the Company held by CLFG were used to offset the debts and the interest thereof in the total sum of Rmb629,942,543. The transfer register and other related documents have been processed by Shanghai Securities Central Clearing and Registration Corporation on 6 December 2006. Upon the completion of the repayment, CLFG, would have to decrease its shareholding in the Company to 179,018,242 shares and the Company's total issued shares should then go down to 500,018,242 shares.

The principal activities of the Company and its subsidiaries ("the Group") are the manufacturing and selling of float sheet glass. The scope of business includes the manufacturing of glass and relevant sophisticated processing goods, machineries, electric appliances, accessories and component parts, and the provision of technical consultancy services. The major products are the various types of float sheet glass and vehicle use glass.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD

(1) Basis of preparation of financial statements

These financial statements have been prepared in accordance with The "Accounting Standards for Business Enterprises" and "Interpretation No. 1 to Accounting Standards for Business Enterprises" and "Interpretation No. 2 to Accounting Standards for Business Enterprises" issued by PRC Ministry of Finance in 2006.

The Company recorded an accumulative loss of RMB1,414,213,763.32 Yuan in the consolidated financial statements as at 31 December 2009, and current liabilities exceeded current assets by RMB881,188,055.56 Yuan. However, the directors are of opinion that the Company and the Group are able to continue their operations and repay debts at maturity, because:

(a) The Company continues to obtain the financial support from the holding company - China Luoyang Float Glass Co., Ltd. and the holding company's parent company - China Building Materials Group Corporation;

(b) The Company continues to obtain the financial support from bank. As of December 31, 2009, credit line of RMB 645,795,000.00 Yuan authorized by bank has been used entirely, these loans will be due within one year after the balance sheet date, directors are negotiating with bank for continuing support.

In the opinion of the directors, the Company and the Group will have sufficient cash resource to meet the requirements of working capital and other operations in the future. Thus, the financial statements are prepared based on continuing operations. If such assumption of continuing operations is not tenable, the Company and the Group's assets shall be adjusted to realizable value, provisions shall be made for potential liabilities and long-term liabilities shall also be converted to current liabilities.

(2) Declaration on compliance with Enterprises Accounting Standards

The financial statements of the Group for the year ended 31 December 2009 were prepared under the requirements of Accounting Standards for Business Enterprises, reflecting the Group and the Company's financial positions as of 31 December 2009, and operating results, cash flows and other relevant information for the year ended 31 December 2009 on a true and complete basis.

(3) Accounting year

Accounting year of the Group is the calendar year from January 1 to December 31.

(4) Measurement currency

The Group's reporting currency is the Renminbi ("RMB").

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(5) Business combination

i Business combination involving enterprises under common control

For this kind of business combination, assets and liabilities that are obtained in a business combination shall be measured at their carrying amounts of the acquire's. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination shall be adjusted to capital reserve. If the capital reserve is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

ii Business combination not involving enterprises under common control

For this kind of business combination,the acquirement cost is the fair value of assets paid, occurred or suffered liabilities and equity bonds,in exchange of control of acquire. The cost is the total amount of cost of every business combination if the combination is realized through several stages. The cost of a business combination includes any cost directly attributable to combination.

Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquirer's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquire's interest in the fair value of the acquire's identifiable net assets, the difference shall be recognized in profit or loss for the current period if it is actual after reassessment.

(6) Prepare for consolidated financial statements

The scope of consolidated financial statements are controlled subsidiaries and entities of special purposes.

The consolidated financial statements are prepared in accordance with "PRC Accounting Standards No.33-Consolidated Financial Statement",and all significant internal transactions included in the consolidated scope shall be off-set. Shareholders' equity of subsidiaries which is not attributable to parent company should be present individually as minority interest in shareholders' equity in consolidated financial statements. An adjustment of subsidiaries' financial statements is need when preparing for consolidated financial statements if the accounting policy and accounting period are different between the Company and its subsidiaries. If subsidiaries acquired not under common control ,when preparing for consolidated financial statements, subsidiaries' financial statements should be adjusted on the base of identified fair value of net assets on the date of acquirement. If subsidiaries acquired under common control,the assets,liabilities, retained earnings and cash flow of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquirement.

(7) Cash and cash equivalents

"Cash equivalents" refer to short-term (expire within 3 months of the purchasing day), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(8) Foreign currency transactions and translation

i Foreign currency transactions

In initial recognition of foreign currency business, it shall be translated at the spot exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are restated into the reporting currency using the spot exchange rates at that date. The foreign currency non-monetary items measured at the historical cost shall still be measured at the amount of its functional currency translated at the spot exchange rate on the transaction date.

Any difference from exchange will recorded into current profit and loss,unless exchange differences arising from foreign currency borrowings to purchase or product assets suitable for capitalization which should be included in the cost of capitalized assets before the assets are suitable for use or sale.

ii Foreign currency translation

The same reporting currency is suitable for all controlling subsidiaries,joint ventures and associates. When accounting measurement and preparing consolidated financial statements.

In initial recognition of foreign currency business, it shall be translated at the spot exchange rate of the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are restated into the reporting currency using the spot exchange rates at that date, any difference from exchange will recorded into current profit and loss. The foreign currency non-monetary items measured at the historical cost shall still be measured at the amount of its functional currency translated at the spot exchange rate on the transaction date. Foreign currency non-monetary item measured at the fair value are translated at the spot exchange rate on the date of determination of fair value. The difference between before and after the translation of the amount of functional currency will be treated as the changes in fair value (including changes in foreign exchange rates) and recorded into the profits and losses in the current period or shareholders' equity.

Cash flow statement shall be discounted at an average exchange rate in the transaction period; the rate's inflection to cash shall be presented individually as an adjustment in cash flow statement.

Any difference from exchange of disposal of foreign operation should be recorded into current profit and loss in proportion.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(9) Financial instruments

i Recognition,classification and measurement

Financial instrument is classified as financial asset and financial liability.

When initially recognized financial asset should be divided into financial assets at fair value through profit or loss, including available for sale financial assets and designed as at fair value through profit or loss, held-to-maturity investments,receivables and available-for-sale financial assets. Classification of financial asset is based on the purpose and capability of financial asset of the Company and its subsidiaries.

When initially recognized financial liability should be divided into financial liability at fair value through profit or loss, including available for sale financial liability and designed as at fair value through profit or loss,and other financial liability.

The group should recognize a financial asset or a financial liability when the contract of financial instrument is received.

Financial asset and financial liability should be recognized and measured at its fair value, except held-to-maturity investments and receivables should be measured as deferred costs or as historical costs when fair value can not be obtained and unreliable.

ii Transfer of financial assets

The company has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, or neither transfer of financial assets nor retained nearly all of the risks and rewards related to the ownership of the financial asset,it shall derecognize the financial asset.

Measurement of financial asset transfer: when financial asset is suitable for all conditions of termination,the transfer of financial asset should be measured. That is the differences between the carrying value of transferred financial asset and the total amount of the amount received for the transfer and the changes of fair value directly recorded into capital reserves should be recorded into the profits and losses in the current period.

iii Derecognition of financial liabilities

All or part of the current obligation to the financial liabilities are terminated, and then derecognize financial liability or part of it.

iv Determination of the fair value of financial assets and financial liabilities

As for the financial assets or financial liabilities for which there is an active market, the quoted prices in the active market shall be used to determine the fair values thereof.

Where there is no active market for a financial instrument, the enterprise concerned shall adopt value appraisal techniques to determine its fair value. The value appraisal techniques mainly include the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc. The market price is priority choose.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(9) Financial instruments *(Continued)*

v Impairment of financial assets

The carrying values of all financial assets except financial assets at fair value through profit or loss should be tested for impairment. If impairment is demonstrated by objective evidences,the provision of impairment should be prepared according to the impairment test.

The impairment provision: the provision of impairment is the part of the carrying value of financial asset deducted to the present value of future cash flow.

The present value of future cash flow should be discounted by the discounted rate which is determined by the future cash flow.

The present value of future cash flow should be on the basis of future cash flow arising form holding period and disposal of assets. Being a required rate of return of holding assets,the discounted rate is a rate before taxation according to the currency funds value of time of current market and special risk of financial assets.

vi Reclassification of financial assets

The main basis of the held-to-maturity investment reclassified as available-for-sale financial asset if it is not maturity:

a) There is no available financial funds to support constantly until it is maturity;

b) The management has no intention to hold to maturity;

c) It is hard to hold to maturity for a restriction of law or administrative regulations or other reason;

d) Other indications present that there is no capability of the Company to hold to maturity

The reclassification should be approved by the board of directors.

(10) Accounts receivable

The receivables include accounts receivable and other receivables. If there is objective evidence that they have been impaired, bad debt loss shall be recognized and provision for bad debts shall be made base on the differences between book values and the present value of estimated future cash flows.

i. Bad debts for individually significant amounts

Standards	Ending balance occupying 5% or more of net assets
According to individually significant amounts	The bad debts should be the differences of the lower between the present value of future cash flow and carrying value if impairment is demonstrated by objective evidences.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(10) Accounts receivable *(Continued)*

ii. Bad debts for individual insignificant amounts but subject to considerable risks as a group based credit risk profile

Standards	Ages over 3 years or drawn full bad debt provision is identified as individual insignificant amounts but subject to considerable risks as a group based credit risk profile.
According to considerable risks as a group based credit risk profile	Bad debts of individually insignificant amounts and unimpaired accounts after individually test should be according to the same portfolio of receivables based on the actual loss rate, combined with the combination of the ratio in current reporting period

iii Here is the Company's bad debts provision policy:

Age	Receivables (%)	Other receivables (%)
Within 1 year	0	0
1 year to 2 years	30	30
2 years to 3 years	50	50
Above 3 years	100	100

(11) Inventory

i Categories.

Inventories are assets 1) held for sale in the ordinary course of business, 2) in the process of production of such sale, 3) in the form of materials or supplies to be consumed in the production process or in the rending of services.

Inventories mainly include raw materials, work in progress, finished goods and other materials for turnover .

ii Measurement

Inventories are accounted for at actual cost of purchase when purchasing and Cost of inventories delivered is using the weighted average method.

iii Measurement of net realizable value and provision for diminution

As at the balance sheet date,if the costs measured at single inventory item or if the costs measured at category inventory items of which are low-value and quantitative are higher than net realizable value, the difference between the two is accounted into provision for diminution in value of inventories. If the effect of diminution has disappeared,the provision for diminution accounted should be recovered to the limit of previous amount and recorded into the profit and loss in the current period.

Net realizable value of inventories:(1)net realizable value of products are the selling price less relevant tax and expenses. (2)inventories held for sale in the ordinary course of business are accounted as cost when net realizable value higher than cost,and accounted as net realizable value when the market price of materials has decreased and net realizable value lower than cost. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated expenses and the related taxes necessary to make the sale.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(11) Inventory *(Continued)*

iv Record policy

The Group adopts perpetual inventory record policy.

v Write-off method of low-value consumables and packaging materials

Low-value consumables acquired may be measured at one-off write-off method. Packaging materials and other materials for turnover use are measured at equal-split amortization method.

(12) Long-term equity investment

i. Initial measurement of long-term equity investments

1). Initial measurement of long-term equity investments due from business consolidation is recognized according to the terms of business combinations. If acquirement is under common control the initial cost should be the shares acquired of the acquire's value of shareholders' equity and if acquirement is not under common control the initial cost should be the consolidated cost accounted at the date of acquirement.

(1) for a long-term equity investment acquired by cash, the initial investment cost shall be the total purchase price

(2) for a long-term equity investment acquired by the issue of equity securities, the initial investment cost shall be the fair value of the securities issued

(3) for a long-term equity investment contributed by an investor, the initial investment cost shall be the value stipulated in the investment contract or agreement.

(4) for a long-term equity investment acquired by debt restructuring or abandoning non-cash assets, the initial investment cost is recognized according to related Enterprises Accounting Standard.

ii. Subsequent measurement of long-term equity investments

There is cost method and equity method for the subsequent measurement of long-term equity investments. When using equity method, cash dividends or profit distributions declared by the investee shall be recognized as a deduction of carrying value of long-term equity investments accordingly and it shall recognized its share of net profits or losses made by the investee as investment income or losses.

When using cost method, cash dividends or profit distributions declared by the investee shall be recognized as investment income in the current period. When an investing enterprise can exercise joint control or significant influence over the investee, a long-term equity investment shall be accounted for using the equity method. And others should be accounted for using the cost method.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(12) Long-term equity investment *(Continued)*

iii. Judgment of common control and significant influence over the investee

(1) Judgment of common control: It can be recognized as common control in accordance with the contract and the consent of other investors of invested entity who perform important role in financial and operational decisions.

(3) Judgment of significant influence if one of the following conditions is satisfied:

a. There is the representative of acquirer in the board of directors or other similar organization of the acquire;

b. The acquirer takes part in the acquire's proceeding of drafting policies

c. There is the manager of acquirer takes part in the operation of acquire's;

d. The technology or technical information of acquirer is significant to the acquire's operation

e. Other

iv. Impairment test and provision of impairment of long-term equity investments

At the balance sheet date, the company has a review on long-term equity investments to check whether there is an impairment and an impairment test is need to recognize the recoverable amount when there are signs that long-term equity investments impaired. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss can not be reversed in the following accounting period if it has been accounted.

Test of impairment: A test of recoverable amount should be carried out if there are signs that long-term equity investments impaired.

The recoverable amount should base on the higher value between fair value less disposal expense and present value of estimated cash flow in the future.

The net fair value on disposal should be agreed amount less relevant tax and expense if the agreed amount is fair; or if the fair value does not exist but there is a similar active market of asset,it should be the market value less relevant tax and expense;or if the net fair value can not be measured reliably the recoverable amount should be the present value of future cash flow of the holding period and on disposal.

(Expressed in Renminbi)

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(13) Investment property

i Category and measurement

Investment property is held to earn rentals or for capital appreciation or both, including leased land use rights, land use rights held for sale after appreciation, leased buildings, etc.

Investment property is initially measured at cost. And cost method is adopted for subsequent measurement of investment property.

ii Measurement by cost method

The group uses average ageing depreciation policy for leased buildings,as the same depreciation method for fixed assets.

The group uses straight-line depreciation policy for leased land use rights, land use rights held for sale after appreciation,as the same amortization method for fixed assets.

(14) Fixed assets

i Recognition of fixed assets

Fixed assets are tangible assets that are held by the Group for using the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives more than one accounting year.

ii Classification and depreciation

Main fixed assets held by the Group are buildings and structures, machine and equipment, electronic equipment, and transportation tools etc.

Depreciation is provided over their estimated useful lives from the month after they have reached the working condition for their intended use using the straight-line method. The company, at least at the end of each year, has a review on the useful life, expected residual value and the depreciation method of the fixed assets, and adjusts them when necessary.

The Company has depreciated for all fixed assets,except land accounts individually\ and fixed assets in continuing use with full depreciation.

Category	Estimated useful lives (years)	Expected residual value *(%)*	Annual depreciation rate *(%)*
Buildings and structures	30-50	3-5	1.90-3.23
Machine and equipment	4-28	3-5	3.39-24.25
Electronic equipment	10	3	9.70
Transportation tools	6-12	3-5	7.92-16.17
Other equipment	4-28	3-5	3.39-24.25

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(14) Fixed assets *(Continued)*

iii. Impairment of fixed assets

At the balance sheet date, the company has a review on fixed asset to check whether there is an impairment and an impairment test is need to recognize the recoverable amount when there are signs that fixed assets impaired. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss can not be reversed in the following accounting period if it has been accounted.

Test of impairment: A test of recoverable amount should be carried out if there are signs that fixed assets impaired.

The recoverable amount should base on the higher value between fair value less disposal expense and present value of estimated cash flow in the future.

iv. Recognition and measurement of finance lease

Recognition of finance lease :the nature of this kind of lease is a transfer of all risk and all economic related to the ownership of assets. Recognition should be accounted when one or more conditions satisfied as follows:

a. the lessor transfer the ownership of asset to the lessee by the end of the lease term;

b. the lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of lease,that the option will be exercised.

c. the lease term is for the major part of the economic life of the asset even if the title is not transferred ;

d. at the inception of the lease the present value of the minimum lease payments accounts to at least substantially all of the fair value of the leased asset,and ;

e. the leased assets are of such a specialized nature that only the lessee can use them without major modification.

Measurement of finance lease: the initial amount of a finance lease should be recorded as the lower of fair value of the leased asset at the beginning date of lease term and the present value of minimum lease payment.

Subsequent measurement of finance lease should be in accordance with the accounting policies of depreciation method and provision of impairment of fixed assets.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(15) Construction in progress

(1) Categories

There are two methods of construction in progress, self-construction and packaging construction.

(2) Standard and date of transfer from construction in progress to fixed asset

Construction in progress is transferred to fixed assets when the project is substantially ready for its intended use,one of the following conditions satisfied:

a. The entity of constructed fixed asset including installation has completed.

b. The constructed fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or constant manufacturing products are qualified; or the result of trial operation presents an ordinary operation.

c. The expense of constructing is remote or nearly no occurring.

d. The constructed fixed asset has achieved or almost achieved the requirement of design or contract.

(3) Impairment test and provision of impairment of long-term equity investments

At the balance sheet date, the company has a review on construction in progress to check whether there is an impairment and an impairment test is need to recognize the recoverable amount when there are signs that construction in progress impaired. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss can not be reversed in the following accounting period if it has been accounted.

Test of impairment: A test of recoverable amount should be carried out if there are signs that fixed assets impaired.

The recoverable amount should base on the higher value between fair value less disposal expense and present value of estimated cash flow in the future.

(16) Borrowing costs

(1) Recognition of capitalized borrowing costs

The borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are eligible for capitalization. Other borrowing cost should be recognized as expenses when incurred through profit and loss account. Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

A qualifying asset are eligible for capitalization IS the fixes asset, investment property and inventories which need a long period of construction or operative activities to achieve the predicted use condition or sale condition.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(16) Borrowing costs *(Continued)*

(2) Recognition of capitalized amount

Capitalization period is the period from the beginning of borrowing costs capitalized to the terminal date of capitalization and the interruption period should not be included.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended.

The measurement of capitalized amount: should be accounted as :

(1) To the extent that funds are borrowed specially for the purpose of obtaining a qualifying asset,the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings;

(2) To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset,the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditure on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period.

(3) Borrowing interests of every period shall be adjusted if there is a premium or a discount of borrowings which should be deferred at actual rate in every accounting period.

Actual rate method is a method that interest expense or deferred discount or premium according to the actual rate of borrowings. And actual rate is a discounted rate by which the future cash flow in the estimate duration discounted to the current carrying value of borrowings.

(17) Intangible assets

(1) Measurement of intangible assets

Intangible assets should be initially measured of cost . The actual cost of purchased intangible assets should include the amount and expense paid for purchase. The actual cost of intangible assets which has been invested should be the fair value according to the investment contract or agreed value unless the value is not at the arm's length. The cost of intangible assets developed by self is the total expenses before it achieves the predicted condition of use

(2) The depreciable amount of intangible assets with finite useful lives shall be allocated on a systematic basis over its useful life and it is recorded into current period profit and loss.

Intangible assets with finite useful lives should use straight-line amortization method and the company shall, at least at the end of each year, review the amortization period and the amortization method of the intangible assets with finite useful lives and adjust them when necessary.

(3) Judgement of intangible assets with infinite useful lives

Unforeseen economic benefits live of intangible assets as intangible assets with infinite useful lives shall not be amortized, but required an annual review of useful lives. If it is evidence that there is intangible assets with finite useful lives it should be amortized in straight-line method.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(17) Intangible assets *(Continued)*

(4) Impairment test and provision of impairment of intangible assets

At the balance sheet date, the company has a review on intangible assets to check whether there is an impairment and an impairment test is need to recognize the recoverable amount when there are signs that intangible assets impaired. The impairment loss should be the lower of the carrying value and recoverable amount and impairment loss can not be reversed in the following accounting period if it has been accounted.

Test of impairment: A test of recoverable amount should be carried out if there are signs that intangible assets impaired.

The recoverable amount should base on the higher value between fair value less disposal expense and present value of estimated cash flow in the future.

(18) Long-term prepaid expenses

Long-term prepaid expenses are kinds of expenses which has been paid but the economic period is over one year(not including one year),mainly including the expense of leasing parking,domination fees of buildings and so on. Long-term prepaid expenses should be deferred in the economic period.

(19) Accrued liability

(1) Recognition

Accrued liability should be recognized if an entity has a present obligation as a result of a past event and itis probable that an outflow of resources embodying economic benefits will be required to settle the obligation;

(2) Measurement

Initial measurement should be in accordance with the best appraisable amount of expenses to fulfil relevant current obligation. The best appraisable amount should be a middle value if the expense occurred in a period in which kinds of results occurred at the same possibility. If there are lots of projects the best appraisable amount should be based on kinds of results and relevant possibility.

At the balance sheet date, the company has a review on carrying value of accrued liability and an adjustment is necessary according to the current best appraisable amount if there is obvious evidence that carrying value can not present fairly.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(20) Revenue recognition

i. Revenue from sales of goods

Revenue from the sale of goods shall be recognized only when all of the following conditions are satisfied:

(a) the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods;

(b) the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

(c) the amount of revenue can be measured reliably;

(d) it is probable that the associated economic benefits will flow to the enterprise;

(e) The associated costs incurred or to be incurred can be measured reliably.

It is the nature of financing if the selling income according to the contract or agreement is deferred and the value of selling goods should be the fair value of receivable amount of contract or agreement

ii. Revenue from rendering of services

Wen the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction shall be recognized by reference to the stage of completion of the transaction at the balance sheet date.

At the balance sheet date when the outcome of the transaction cannot be estimated reliably. Nevertheless, it may be probable that the entity will recover thee transaction costs incurred. Therefore, revenue is recognized only to the extent of costs incurred that are expected to be recoverable. When the outcome of a transaction cannot be estimated reliably and it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

iii. Revenue from abalienating the right to use assets

a). it is probable that the associated economic benefits will flow to the enterprise;

b). the amount of revenue can be measured reliably.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(21) Government grant

(1) Types of government grant

Government subsidy, government subsidy of interest return of taxation subsidy for non currency assets for free.

(2) Measurement

Government grants shall be recognized at fair value on the conditions that the Company can receive the grant and comply with the conditions attaching to the grant. For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred by the Company in subsequent period, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized. A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

(22) Deferred tax assets and deferred tax liabilities

The balance sheet liability method is applied for accounting of income tax.

If there are differences between the book value of assets and liabilities and tax basis of assets and liabilities, the deferred income taxes assets and income taxes liabilities shall be recognized.

At balance sheet date, in accordance with tax law, tax liabilities (or assets) arising from current period and from past period shall be recognized on the basis of the amount of income taxes payable (or receivable); deferred tax asset and deferred tax liability shall be recognized at taxable rate in the expecting period of asset recovered or liability paid.

The identified deferred tax asset should be the limit of tax payable amount which would be probably deducted to temporary deduct able differences, deduct able loss and taxes deduction.

(23) Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset, and others should be classified as operating lease.

There is no financing lease.

The Group recognized the lease payment under operating lease as an expense on a straight-line over the lease term. Under the operating lease of the incentives such as rent-free period and suffering part of rent costs etc provided by the lessor, the total rent amount shall be amortized in the whole lease term including the rent-free period on the straight-line basis or other reasonable method; or the total rent amount except the suffered cost by lessor shall be amortized in the whole lease term.

Lease income from operating leases shall be recognized in income on a straight-line basis over the lease term, unless another systematic basis is more representative. Under some conditions, it is possible that the Group provide incentives such as rent-free period and suffering part of rent costs etc. Under the condition of providing ren-free period the total rent amount shall be amortized in the whole lease term including the rent-free period on the straight-line basis or other reasonable method ; or the total rent amount except the suffered cost by the Group shall be amortized in the whole lease term.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(24) Assets hold for sale

(1) Recognition

Assets hold for sale shall be recognized only when all of the following conditions are satisfied: a)the signed transfer contract cannot be cancelled and b) the transfer would be completed in one year

(2) Measurement of assets hold for sale

Estimate net residual value of an asset hold for sale should be adjusted to reflect the amount of fair value less disposal expense,which is limited to the carrying value of the asset when recognized as asset hold for sale. The difference if the carrying value higher than the adjusted estimate net residual value should be recorded as impairment of asset to the profit and loss in the current period.

Other non-current assets hold for sale, including individual asset item and disposal asset group which is a group of assets hold for sale as a whole or disposal together,should be measured according to above principles.

(25) Share-based Payments,

i. Share-based payment refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument- based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity- settled share-based payments and cash-settled share-based payments.

ii. For equity-settled share-based payment transaction, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the entity cannot estimate reliably the fair value of the goods or serviced, the entity shall measure their value, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted.

iii. For transactions measured by reference to the fair value of the fair value of the equity instruments granted, an entity shall measure the fair value of equity instruments granted at the measurement date, based on market prices if available, taking into account the terms and conditions upon which those equity instruments were granted.

If the market prices are not available, the entity shall estimate the fair value of the equity instruments granted using a valuation technique to estimate what the price of those equity instruments would have been on the measurement date in an arm's length transaction between knowledgeable, willing parties. The valuation technique shall be consistent with generally accepted valuation methodologies for pricing financial instruments, and shall incorporate all factors and assumptions that knowledgeable, willing market participants would consider in setting the price, such as discount cash flow and option pricing model.

iv. The cash-settled share-based payments are measured at the fair value of liabilities identified on the basis of shares or other equity instruments undertaken by the Company.

v. According to the latest vesting worker to make a best estimate of vested equity instruments.

II. MAIN ACCOUNTING POLICIES,ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

(26) Changes of accounting policies, accounting estimates

None

(27) Error correction of previous years

None

III. TAXES

1. Main taxation and tax rate:

Item	Tax basis	Rate
Value added tax	Sales revenue	13%-17%
Resource tax	Sales volume	RMB3 Yuan /Ton
Business tax	Business revenue	5%
City maintenance tax	Value added tax and business tax paid	5%–7%
Education surcharges	Value added tax and business tax paid	3%
Income taxes	Tax payable	25%

The applicable enterprise income tax for the Company's subsidiaries is 25%.

2. Tax offers:

None

3. Deferred income tax assets

Deferred income tax assets of the Group and the Company are principally deductible loss and temporary difference. As potential tax assets are subject to future confirmation, no deferred income tax assets are recognized during the reporting period.

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of consolidated financial statements are controlled subsidiaries and entities of special purposes.

The consolidated financial statements are prepared in accordance with "PRC Accounting Standards No.33-Consolidated Financial Statement", and all significant internal transactions included in the consolidated scope shall be off-set. Shareholders' equity of subsidiaries which is not attributable to parent company should be present individually as minority interest in shareholders' equity in consolidated financial statements. An adjustment of subsidiaries' financial statements is need when preparing for consolidated financial statements if the accounting policy and accounting period are different between the Company and its subsidiaries. If subsidiaries acquired not under common control, when preparing for consolidated financial statements, subsidiaries' financial statements should be adjusted on the base of identified fair value of net assets on the date of acquirement. If subsidiaries acquired under common control, the assets, liabilities, retained earnings and cash flow of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquirement.

(Expressed in Renminbi)

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(1) Basic situation of subsidiaries

Subsidiaries acquired through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Principal activities	Registered capital	Scope of operation	Investment cost at the end of 2009	Net investment of other items	Equity held by the Company (%)	Voting right held by the Company (%)	Consolidated or not	Minority interests	Amount of minority interest for deducting minority losses	The balance of the amount of shareholders' equity attributable to parent company deducting losses for the year to minority interest exceed the amount of equity at the beginning of year of subsidiaries of minority interest
CLFG Longmen Glass Co. Ltd ("Longmen")	Other subsidiary	Yanshi China	Processing and selling	20,000,000.00	Manufacture of float sheet glass	64,513,398.18	205,066,679.12	79.06	79.06	Yes			37,562,854.37
CLFG Long Fei Glass Co. Ltd ("Long Fei")	Other subsidiary	Mianchi China	Processing and selling	74,080,000.00	Manufacture of float sheet glass	40,000,000.00	72,000,000.00	63.98	63.98	Yes			21,520,408.84
Yinan Mineral Products Ltd ("Yinan")	Other subsidiary	Yi'nan China	Mining and selling	28,000,000.00	Exploration of minerals	14,560,000.00		52	52	Yes	2,749,774.96		
CLFG Long Hai Electronic Glass Limited ("LongHai") II	Other subsidiary	Yanshi China	Processing and selling	60,000,000.00	Manufacture of float sheet glass and electronic glass	48,941,425.28	157,000,000.00	100	100	Yes			
CLFG Long Hao Glass Limited ("Long Hao") III	Other subsidiary	Ruyang China	Processing and selling	50,000,000.00	Manufacture of float sheet glass	47,300,356.93	112,700,000.00	100	100	Yes			
CLFG Longxiang Glass Co. Ltd ("Longxiang") IV	Other subsidiary	Mianchi China	Processing and selling	50,000,000.00	Manufacture of float sheet glass	58,016,444.70		100	100	Yes			
Dengfeng CLFG Silicon Company Limited ("Silicon Company") V	Other subsidiary	Dengfeng China	Mining and selling	3,000,000.00	Silica sand sale	1,530,000.00		51	51	Yes	1,118,007.23		
Luoyang Glass Industrial Co., Ltd	Other subsidiary	luoyang China	Trading	5,000,000.00	Sale of glass and raw material	5,000,000.00		100	100	Yes			

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(1) Basic situation of subsidiaries *(Continued)*

Subsidiaries acquired through set-up or investment *(Continued)*

Note:

I. On December 16,2009,the Company has entered into an agreement of acquirement of 10% equity of Longfei Co,. Ltd with CLFG at transfer price of Rmb0. The profit and loss of Longfei Co,.Ltd during this transfer period from date of appraisal (30 September 2009) to date of termination of transfer,should be attributable to the Company unless it is off-set with the principles of agreement. As at 31 December 2009,transfer of equity has been approved and registration has been changed,and the Company has a share of 63.98% of equity of Longfei Co,LTd since 30 September 2009.

II. On December 16,2009,the Company has entered into an agreement of acquirement of 20% equity of Longhai Co,.Ltd with CLFG at transfer price of Rmb941,425.28. The profit and loss of Longfei Co,.Ltd during this transfer period from date of appraisal (30 September 2009) to date of termination of transfer,should be attributable to the Company unless it is off-set with the principles of agreement. As at 31 December 2009,transfer of equity has been approved and registration has been changed,and the Company has a share of 100% of equity of Longhao Co,LTd since 30 September 2009.

III. On December 16,2009,the Company has entered into an agreement of acquirement of 20% equity of Longhao Co,.Ltd with CLFG at transfer price of Rmb7,300,356.93. The profit and loss of Longfei Co,.Ltd during this transfer period from date of appraisal (30 September 2009) to date of termination of transfer,should be attributable to the Company unless it is off-set with the principles of agreement. As at 31 December 2009,transfer of equity has been approved and registration has been changed,and the Company has a share of 100% of equity of Longhao Co, LTd since 30 September 2009.

IV. On August 27 2008, Longfei Co,. Ltd has entered into an agreement with thirteen shareholders to acquire a share of 60% equity of Longxiang Co, Ltd and to pay a total amount of Rmb of 38,016,444.70,including cash and goods as payment. The thirteen shareholders are, Guangzhou Yuntong Materials Co,. Ltd, Shaoyang Xinghua Building Materials Co, Ltd, Hunan Jinshan Chemistry Co, Ltd,Ningbo Shuangning Building Materials Glass Co, Ltd, Changzhou Daming Glass Co, Ltd, Hunan Haihuai Hezhong Development Co,. Ltd, Hubei Yijun Trading Co,Ltd, CLFG Workers' Committee of Longfei Co, Ltd, Yuncheng Xicheng Victory Glass Shop,Xue Jiankui, Zheng Qinghong, Wang Qiuping and Yuan Jun. Longfei Co. Ltd has a share of 100% of equity of Longxiang Co, LTd since 15 January 2009 when all changed registration of equity transfer has completed.

V. Longhai, a subsidiary of the Company, and Guoan Silica Sand Company Limited ("Dengfeng Guoan") jointly established Silicon Company with a registered capital of Rmb1,000,000. Among the total investment, Longhai accounted for Rmb510,000 (51% of the registered capital) and Dengfeng Guoan accounted for Rmb490,000 (49% of the registered capital). On December 22,2008, an additional investment has been approved by board of directors of Longhai Co,. Ltd.The total amount of increased registered capital of Rmb 3,000,000.00,including Rmb of 1,020,000,00 invested by Longhai Co, Ltd and Rmb of 980,000.00 by Dengfeng Guo'an Co, Ltd as an addition,has received as cash on 19 March 2009 and the rate of holding in equity is constant.

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

(1) Basic situation of subsidiaries *(Continued)*

Subsidiaries acquired through set-up or investment *(Continued)*

There is no subsidiary obtained under common control.

There is no subsidiary obtained not under common control.

The consolidation scope doesn't include the subsidiary which the Company only holds half or less of its voting rights during the reporting period.

There is no subsidiary which the Company holds half or more of its voting rights but fails to control it during the reporting period.

(2) Subsidiary which is no longer included in the scope of consolidated financial statements

Subsidiary	Selling date	Recognition of profit and loss
Xiangfang Luoshen Auto Glass Ltd ("Luoshen")	19 February 2009	The difference between amount received on the date of disposal and shares held should be accounted as investment income in consolidated financial statements

Note: On 3 December 2008,the Company has achieved a contract of transfer of equity with Gucheng Bada Mining Limited,in which 66.67% equity of Luoshen has been transferred to Gucheng Bada Mining Limited with a total of Rmb4,500,000.00. The changes of equity has been registered on 19 February 2009.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank balance and cash

Category:

Items	31 December 2009 foreign currency balance	Exchange rate	Rmb (equivalent)	31 December 2008 foreign currency balance	Exchange rate	Rmb (equivalent)
Cash			**1,057,896.68**			676,952.72
— Renminbi			**1,057,896.68**			676,952.72
Deposits at banks			**32,130,516.00**			93,709,998.36
— Renminbi			**32,105,290.70**			92,233,807.10
— US Dollars	**2,770.50**	**6.8282**	**18,917.53**	201,753.72	6.8346	1,378,908.36
— HK Dollars	**7,157.34**	**0.8805**	**6,301.89**	7,156.62	0.8819	6,311.35
— Euro Dollars	**0.60**	**9.8000**	**5.88**	9,418.32	9.6590	90,971.55
Other monetary funds			**192,800,105.13**			181,636,378.64
— Renminbi			**192,800,105.13**			181,636,378.64
Total			**225,988,517.81**			276,023,329.72

Other monetary funds list

Item	31 December 2009	31 December 2008
Security for bank deposits	**192,800,000.00**	181,636,378.64
Other	**105.13**	
Total	**192,800,105.13**	181,636,378.64

Note: As at 31 December 2009, monetary funds of Rmb181,636,378.64 was pledged as security for the notes payable,

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Notes receivable

Category:

Item	31 December 2009	31 December 2008
Bank acceptance notes	**66,386,606.60**	7,437,000.00
Customer acceptance notes		
Total	**66,386,606.60**	7,437,000.00

Top five largest notes receivable which have been Endorsed but not to maturity

Name	Issuing date	Maturity date	Amount	Remark
Guangzhou Lizhen Trading Company Limited	23 November 2009	23 May 2010	14,000,000.00	
Zhengzhou New Central Glass Products Limited	10 November 2009	10 May 2010	10,000,000.00	
Guangzhou sub-company of China Railway Materials Limited	30 November 2009	30 May 2010	10,000,000.00	
Guangzhou Lizhen Trading Company Limited	13 November 2009	13 May 2010	6,000,000.00	
Pinghu Dafang Glass Company Limited	4 July 2009	24 January 2010	5,000,000.00	
Total			45,000,000.00	

Other illustration:

Note:

(1) As at 31 December 2009, undue notes amounted to Rmb93,628,321.98 had been discounted with maturity date from 2 January 2010 to 30 June 2010.

(2) As at 31 December 2009, notes receivable is increased by 792.65% compared with that on 1 January 2009. It is mainly due to addition of bank acceptance notes for selling.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable

Category:

	31 December 2009			
	Carrying amount		Bad debt	
Category	Amount	Rate(%)	Amount	Rate(%)
Individually significant amounts	**20,447,456.26**	**25.55**		
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	**603,750.36**	**0.75**	**603,750.36**	**1.33**
Other insignificant amounts	**58,984,491.51**	**73.70**	**44,818,917.27**	**98.67**
Total	**80,035,698.13**	**100.00**	**45,422,667.63**	**100.00**

	31 December 2008			
	Carrying amount		Bad debt	
Category	Amount	Rate(%)	Amount	Rate (%)
Individually significant amounts	62,476,794.84	45.47		
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	44,060,761.56	32.07	44,060,761.56	97.34
Other insignificant amounts	30,871,281.83	22.47	1,204,612.02	2.66
Total	137,408,838.23	100.00	45,265,373.58	100.00

Note:

1. When the ending balance of individual accounts receivable occupying 5% or more of net assets, the individual accounts receivable is identified as individually significant amount. Bad debt for this kind of receivable is according to the ageing analysis if impairment does not exist after impairment test. Individually insignificant accounts receivable with ages over 3 years or drawn full bad debt provision is identified as individual insignificant amounts but subject to considerable risks as a group based credit risk profile. Bad debt for this kind of receivable is according to the ageing analysis if impairment does not exist after impairment test.

2. As at 31 December 2009, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

Note: (Continued)

3. at 31 December 2009, accounts receivable is decreased by 62.44% compared with that on 1 January 2009. It is mainly due to Receiving bank acceptance notes of clients and withdrawing selling receivables

Ageing analysis:

	31 December 2009				31 December 2008			
	Carrying amount		Bad debts provision		Carrying amount		Bad debts provision	
Ages	Amount	Rate(%)	Amount	Rate(%)	Amount	Rate(%)	Amount	Rate(%)
Within 1 year	27,488,663.25	34.35			91,471,085.16	66.57		
1–2 years	9,302,824.92	11.62	2,210,947.67	30.00	1,065,628.05	0.78	435,813.04	30.00
2–3 years	82,392.63	0.10	49,902.63	50.00	811,363.46	0.59	768,798.98	50.00
Over 3 years	43,161,817.33	53.93	43,161,817.33	100.00	44,060,761.56	32.07	44,060,761.56	100.00
Total	80,035,698.13	100.00	45,422,667.63		137,408,838.23	100.00	45,265,373.58	

Top five largest accounts receivable:

Name	Relationship with the company	Amount	Age	Percentage(%)
Luoyang Longxin Glass Company Limited	Fellow for controlling of CLFG	16,302,158.34	Within 1 year	20.37
Lekelai Developemnt Company Limited	Not related party	3,374,381.73	Within 1 year	4.22
Qingdao Shenggebanhe Glass Company Limited	Not related party	3,198,083.30	Within 1 year	4.00
Australia AMDENLUOYANG GLASS P/L	Not related party	2,820,625.92	Over 3 years	3.52
Henan Building Materials Company	Not related party	2,548,928.08	Over 3 years	3.18
Total		28,244,177.37		35.29

Accounts receivable of related parties:

Name	Relationship with the company	Amount	Percentage(%)
Luoyang Longxin Glass Limited	Fellow for controlling of CLFG	16,302,158.34	20.37
CLFG Processed Glass Company Limited	Fellow for controlling of CLFG	435,680.90	0.54
Total		16,737,839.24	20.91

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. Prepaid expenses

Ageing analysis:

	31 December 2009		31 December 2008	
Ages	Amount	Rate(%)	Amount	Rate(%)
Within 1 year	**39,198,221.67**	**94.61**	18,682,229.01	89.76
1-2 years	**1,231,218.01**	**2.97**	693,972.49	3.33
2-3 years	**468,317.99**	**1.13**	1,438,259.35	6.91
Over 3 years	**533,123.24**	**1.29**		
Total	**41,430,880.91**	**100.00**	20,814,460.85	100.00

Note:

1. As at 31 December 2009, no prepayment is due from a shareholder who holds 5% or more of the voting shares of the Company.

2. As at 31 December 2009, prepaid expenses is increased by 99.05% compared with that on 1 January 2009. It is mainly due to prepayment for purchasing goods.

3. As at 31 December 2009, no substantial prepayment had an ageing more than 1 year.

Top five largest prepayment:

Name	Relationship with the Company	Amount	Rate(%)	Age	Reason
Zhengzhou Baichuantong Glass Products Co,. Ltd	Not related party	14,656,632.53	35.38	Within 1 year	Settlement invoices have not been issued
Henan Yuehai Industrial Co., LTD	Not related party	14,402,767.39	34.76	Within 1 year	Settlement invoices have not been issued
Yulin Yuyang eighteen Dun Mining	Not related party	5,198,204.80	12.55	Within 1 year	Settlement invoices have not been issued
Henan Zhongyuan Chemistry Co.,LTD	Not related party	2,180,667.64	5.26	Within 1 year	Settlement invoices have not been issued
Qinghuangdao Yaoyou Project Glass Company Limited	Not related party	796,693.81	1.92	1-2 years	Settlement invoices have not been issued
Total		37,234,966.17	89.87		

Note: Zhengzhou Baichuantong Glass Products Company Ltd and Henan Yuehai Industrial Co,. Ltd are the main suppliers of alkal to the Group.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables

Category:

	31 December 2009			
	Carrying amount		Bad debt	
Category	Amount	Rate(%)	Amount	Rate(%)
Individually significant amounts	**15,370,180.75**	**16.84**	**14,880,514.65**	**27.63**
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	**38,519,421.60**	**42.21**	**38,315,673.43**	**71.15**
Other insignificant amounts	**37,366,502.41**	**40.95**	**656,687.36**	**1.22**
Total	**91,256,104.76**	**100.00**	**53,852,875.44**	**100.00**

	31 December 2008			
	Carrying amount		Bad debt	
Category	Amount	Rate(%)	Amount	Rate(%)
Individually significant amounts	120,000,000.00	59.47	0.00	
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	57,119,201.95	28.31	55,824,099.83	99.64
Other insignificant amounts	24,660,480.30	12.22	199,882.36	0.36
Total	201,779,682.25	100.00	56,023,982.19	100

Note:

1. The ending balance included other receivables amounted to Rmb2,579,200.00 to CLFG who holds 5% or more of the voting shares of the Company. Details refer to VII. Related party relationship and transactions.

2. As at 31 December 2009, other receivables is decreased by 74.34% compared with that on 1 January 2009. It is mainly due to withdrawal of disposal of land and buildings on the ground and not receiving remaining disposal fund Rmb120,000,000.00 from Luoyang City Land Arrangement and Reserve Center.

3. When the ending balance of individual other receivables occupying 5% or more of net assets, the individual other receivables is identified as individually significant amount. Individually insignificant other receivable with ages over 3 years or drawn full bad debt provision is identified as individual insignificant amounts but subject to considerable risks as a group based credit risk profile.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

Bad debt for other receivables identified as Individual insignificant amounts but need an individual impairment test

Item	Carrying amount	Bad debt	Rate	Reason
Henan Mianchi Fufa Glass Factory	4,071,810.65	4,071,810.65	100%	Over 3 years
Zhengzhou Xili branch of China Construction Bank	10,808,704.00	10,808,704.00	100%	Over 3 years
Total	14,880,514.65	14,880,514.65		

Ageing analysis:

	31 December 2009				31 December 2008			
	Carrying amount		Bad debts provision		Carrying amount		Bad debts provision	
Ages	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Within 1 year	32,170,311.15	35.25	24,423.79	136,690,215.14	67.74	248,834.11		
1-2 years	4,605,382.73	5.05	544,170.88	30.00	5,934,786.92	2.94	671,183.57	30.00
2-3 years	1,138,611.37	1.25	621,122.46	50.00	8,785,739.50	4.35	5,439,508.82	50.00
Over 3 years	53,341,799.51	58.45	52,663,158.31	100.00	50,368,940.69	24.96	49,664,455.69	100.00
Total	91,256,104.76	100	53,852,875.44		201,779,682.25	100.00	56,023,982.19	

Top five largest other receivables:

Name	Relationship with the company	Amount	Age	Percentage (%)
Zhengzhou Xili branch of China Construction Bank	Not related party	10,808,704.00	Over 3 years	11.84
Government of Zhuge State	Not related party	9,856,832.00	Over 3 years	10.80
Chengzhou Bada Glass Company Ltd	Not related party	5,021,582.51	Over 3 years	5.50
Shenzheng New Xiya Industrial Co., LTD	Not related party	4,600,000.00	Over 3 years	5.04
Henan Mianchi Fufa Glass Factory	Not related party	4,071,810.65	Over 3 years	4.46
Total		34,358,929.16		37.64

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

Name	Relationship with the company	Amount	Percentage (%)
Henan Zhonglian Glass Co., Ltd	Fellow for controlling of CLFG	550,000.00	0.60
CLFG Longmen Sugang Co., Ltd	Fellow for controlling of CLFG	456,142.51	0.50
Luoyang Longxin Glass Co., Ltd	Fellow for controlling of CLFG	1,164,172.77	1.28
CLFG Jingwei Glass Fibre Co., Ltd	Fellow for controlling of CLFG	123,091.65	0.13
Luoyang Xingxin Industrial Co., Ltd	Fellow for controlling of CLFG	1,373,020.94	1.50
China Luoyang Float Glass Group Company Limited	Terminal controller	2,579,200.00	2.83
Total		6,245,627.87	6.84

6. Inventories

Inventories comprised:

Items	31 December 2009 Carrying amount	Provision	Net book value	31 December 2008 Carrying amount	Provision	Net book value
Raw materials	**142,394,326.62**	**32,262,812.44**	**110,131,514.18**	157,030,096.23	28,317,353.87	128,712,742.36
Work in progress	**10,151,155.97**		**10,151,155.97**	15,773,258.51		15,773,258.51
Commodity inventories	**26,329,481.02**	**1,448,980.89**	**24,880,500.13**	120,763,017.27	22,388,572.57	98,374,444.70
Circulation materials	**9,708,952.10**	**38,630.04**	**9,670,322.06**	9,193,843.52	38,630.04	9,155,213.48
Total	**188,583,915.71**	**33,750,423.37**	**154,833,492.34**	302,760,215.53	50,744,556.48	252,015,659.05

Note: As at 31 December 2009 inventory is decreased by 37.71%compared with that on 1 January 2008. It is mainly due to selling inventory products.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

6. Inventories *(Continued)*

Provision for diminution in value of inventories:

Items	31 December 2008	Increase in the period	Decrease in the period: Reversal	Decrease in the period: Write-off	31 December 2009
Raw materials	28,317,353.87	8,287,656.48	614,948.73	3,727,249.18	**32,262,812.44**
Commodity inventories	22,388,572.57	765,479.64		21,705,071.32	**1,448,980.89**
Circulation materials	38,630.04				**38,630.04**
Total	50,744,556.48	9,053,136.12	614,948.73	25,432,320.50	**33,750,423.37**

Note of provision

Items	Reason for provision	Reason for reversal	Percentage *(%)*
Raw materials	Cost is higher than net realizable value	Cost is higher than net realizable value for market price has increased	0.43
Commodity inventories	Cost is higher than net realizable value	Cost is higher than net realizable value for market price has increased	25.32

7 Investment to joint venture and associates

I. There is no joint venture.

Ii. Associates as follows:

Names	Type of enterprise	Registered address	Legal representative	Principal activities	Registered capital	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets on 31 December 2009	Total liabilities on 31 December 2009	Total net assets on 31 December 2009	Total revenues in 2009	Net profit in 2009
Luoyang Jingxin Ceramic Co. Ltd.	Limited	Mengjin Luoyang	Guo Xiaohuan	Manufacturing and selling kinds of ceramic	41,945,000.00	49.00	49.00	127,308,794.38	182,178,741.89	(54,869,947.51)		(1,796,164.87)
CLFG Processed Glass Company Limited	Limited	Luoyang China	Zhu Liuxin	Manufacturing and selling equipments of processing glass and processing glass	181,495,600.00	49.09	49.09	175,566,407.76	287,987,235.01	(112,420,827.25)	18,880,314.71	(61,188,930.82)
CLFG Mineral Products Company Limited	Limited	Xin'an Luoyang	Zhu Liuxin	Manufacturing and selling silicon, products of silicon and other materials	30,960,000.00	40.29	40.29	29,344,062.52	41,128,402.99	(11,784,340.47)	28,026,385.98	(3,035,128.83)

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8. Long-term equity investment

Details of long-term equity investment

Names	Measurement	Initial Investment	31 December 2008	Increase/ Decrease	31 December 2009	Equity held by the Company (%)	Voting right held by the Company (%)	Reason for the differences of voting right held by the company and equity held by the company	Impairment	Impairment in 2009	Bonus
CLFG Hoisting Machinery Company Limited *Note (1)*	cost method	5,000,000.00	5,000,000.00		5,000,000.00	36.68		No significant effect	5,000,000.00		
CLFG Jingwei Glass Fibre Co., Ltd. *Note (1)*	cost method	4,000,000.00	4,000,000.00		4,000,000.00	35.90		No significant effect	4,000,000.00		
CLFG Luoyang Jingjiu Glass Products Company limited *Note (1)*	cost method	1,500,000.00	1,500,000.00		1,500,000.00	31.08		No significant effect	1,500,000.00		
CLFG New Lighting Company limite *Note (1)*	cost method	2,291,217.53	2,291,217.53		2,291,217.53	29.45		No significant effect	2,291,217.53		
Hunan Chenzhou Bada Glass Co. Ltd. *Note (2)*	cost method	75,892,000.00	75,892,000.00	(75,892,000.00)		72.65		Disposal	75,892,000.00	(75,892,000.00)	
Yanshi Rural Credit Union	cost method	410,000.00	410,000.00		410,000.00	0.67	0.67				
Xiangfang Jingyue Chemical Construction Material Company *Note (3)*	cost method	551,604.29	551,604.29	(551,604.29)		100.00		Disposal	551,604.29	(551,604.29)	
Sanmenxia Credit Union	cost method	7,000,000.00	7,000,000.00		7,000,000.00	4.99	4.99				
Sub-total		96,644,821.82	96,644,821.82	(76,443,604.29)	20,201,217.53				89,234,821.82	(76,443,604.29)	
Luoyang Jingxin Ceramic Co. Ltd.	equity method	20,553,050.00				49.00	49.00				
CLFG Finance Company Limited *(Note 4)*	equity method	111,000,000.00	121,212,879.48	(121,212,879.48)		37.00	37.00				1,552,278.90
CLFG Processed Glass Company Limited	equity method	89,095,600.00				49.09	49.09				
CLFG Mineral Products Company Limited	equity method	12,475,313.63				40.29	40.29				
Sub-total		233,123,963.63	121,212,879.48	(121,212,879.48)							1,552,278.90
Total		329,768,785.45	217,857,701.30	(197,656,483.77)	20,201,217.53				89,234,821.82	(76,443,604.29)	1,552,278.90

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8. Long-term equity investment *(Continued)*

Details of long-term equity investment *(Continued)*

Note:

(1) The above mentioned companies are subsidiaries of CLFG, the first major shareholder of the Company, and the Company's shareholding percentage in such investees is above 20%, but the Directors believe that the Company has no significant impact on them, so investment in them is classified as other equity investment and accounted for using the cost method.

(2) The Company held 72.65% equity interest in Bada as at 31 December 2009, but the Directors are of the view that the Company has been no control or significant impact on them since 31 December 2006, so investment in Bada is classified as other equity investment and accounted for using the cost method. On August 15,2008,the Company has achieved a contract of transfer of equity with Chengzhou New Bada Glass Company Limited,in which 72.65% equity of Chengzhou Bada Glass Co,. Ltd has been transferred with a total of Rmb1,000.000.00. The changes of equity has been registered on 21 Mary 2009.

(3) It is a company invested by Luoshen Company, one subsidiary of the Company, and is disposed with the disposal of Luoshen Company. Details are included in Note IV.2..

(4) On January 22,2009 the Company has achieved a contract of transfer of equity with Henan Zhenglong Coal Company Limited,in which 37%equity of CLFG Finance Company Limited has been transferred with a total of Rmb 140,111,937.64..The equity settlement procedures have been completed.

9. Investment property

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
I. Total of original amount	18,762,440.39			**18,762,440.39**
Buildings	480,936.20			**480,936.20**
Land use rights	18,281,504.19			**18,281,504.19**
II. Total of accumulated depreciation or accumulated amortization	2,581,563.86	**454,856.40**		**3,036,420.26**
Buildings	221,194.02	**19,643.64**		**240,837.66**
Land use rights	2,360,369.84	**435,212.76**		**2,795,582.60**
III. Total of impairment provision				
Buildings				
Land use rights				
IV. Total of carrying amount	16,180,876.53			**15,726,020.13**
Buildings	259,742.18			**240,098.54**
Land use rights	15,921,134.35			**15,485,921.59**

Note:

(1) As at 31 December 2009, no recoverable amount of investment property had been found less than the carrying amount, so no provision for impairment was made.

(2) Among investment properties, the building ownership certificate of the rental housing located at No. 9 Tang Gong Zhong Lu and the land use right certificate of the leasing land located in the development zone of Luoyang are still in the process of application as at 31 December 2009.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Fixed assets

i. Details of fixed assets and accumulated depreciation:

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
I. Total of original value	1,591,089,925.73	**5,946,599.09**	**218,385,436.01**	**1,378,651,088.81**
Buildings	629,327,823.89	**186,355.69**	**103,882,010.03**	**525,632,169.55**
Machinery and equipment	931,071,049.84	**2,075,336.99**	**111,756,051.86**	**821,390,334.97**
Transportation equipment	30,685,952.00	**223,796.84**	**2,747,374.12**	**28,162,374.72**
Others	5,100.00	**3,461,109.57**		**3,466,209.57**
II. Total of accumulated depreciation	759,728,798.06	**83,048,644.86**	**194,347,613.73**	**648,429,829.19**
Buildings	252,490,668.32	**14,366,070.82**	**94,366,301.43**	**172,490,437.71**
Machinery and equipment	486,570,627.07	**66,515,231.87**	**97,762,785.32**	**455,323,073.62**
Transportation equipment	20,666,389.67	**1,554,072.42**	**2,218,526.98**	**20,001,935.11**
Others	1,113.00	**613,269.75**		**614,382.75**
III. Total of impairment provision	6,071,354.16	**1,597,317.58**	**2,581,091.26**	**5,087,580.48**
Buildings	1,157,689.93	**198,188.84**	**621,976.63**	**733,902.14**
Machinery and equipment	4,874,170.66	**1,395,239.51**	**1,957,184.01**	**4,312,226.16**
Transportation equipment	39,493.57	**3,889.23**	**1,930.62**	**41,452.18**
Others				
IV. Total of net carrying amount	825,289,773.51			**725,133,679.14**
Buildings	375,679,465.64			**352,407,829.70**
Machinery and equipment	439,626,252.11			**361,755,035.19**
Transportation equipment	9,980,068.76			**8,118,987.43**
Others	3,987.00			**2,851,826.82**

Note:

(1) The Company's buildings located at No. 9 Tang Gong Zhong Lu, Luoyang with an original value of Rmb73,818,063.46 and a net value of Rmb49,697,986.34 were invested by CLFG as contribution for the establishment of the Company; and relevant registration for the change of property ownership is still in progress as at 31 December 2009.

(2) At the end of the year, total amount of fixed assets transferring from construction-in-progress was Rmb4,932,817.97,and total amount of depreciation was Rmb83,048,644.86

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Fixed assets *(Continued)*

i. *Details of fixed assets and accumulated depreciation:* *(Continued)*

Note: (Continued)

(3) At the end of the year, the original amount of fixed assets that were made full depreciation but still in use was Rmb272,340,616.31.

(4) The Group carried out an inspection to the ending fixed assets and consigned assets evaluation agency to make an evaluation to the relevant assets. The Company made fixed assets impairment Rmb1,597,317.58 according to the valuation reports of Ya Ping Bao (2010) No. 8, No.9, No.10 and No. 11 made by Henan Yatailianhua Assets Evaluation Co., Ltd.

(5) As at 31 December 2009, fixed asset is decreased by Rmb212,438,836.37 compared with that on 1 January 2009. It is mainly due to the scrapping of fixed assets with original value of Rmb194,903,938.55 and net value of Rmb 13,444,907.42.

ii. *Fixed assets used for pledge as at 31 December 2009 are disclosed as follows:*

	Original carrying amount	Accumulated depreciation	Impairment provision	Net carrying amount
Machinery and equipment	249,478,679.98	221,498,119.52		27,980,560.46
Total	249,478,679.98	221,498,119.52		27,980,560.46

11. Construction in progress

i. *Basic details:*

	31 December 2009			31 December 2008		
Name of Projects	Carrying amount	Provision	Net book value	Carrying amount	Provision	Net book value
Workshop installation project of Longhai	19,434.68		19,434.68			
Mine road projects of Longhai	321,600.00		321,600.00	321,600.00		321,600.00
Furnace of Longfei	9,907,472.97	2,793,722.16	7,113,750.81	8,656,696.72		8,656,696.72
Sporadic works of Longfei	483,720.00		483,720.00	433,720.00		433,720.00
Gas supplies reform of Longfei				3,461,109.57		3,461,109.57
Finished products warehouse 4# of Longfei	430,000.00		430,000.00			
Polluted source of longfei	3,784,850.77		3,784,850.77			
Equipment modification of Longmen	77,124,392.56	4,673,714.91	72,450,677.65	98,848,035.90	3,639,253.46	95,208,782.44
Waste heat generation and Smoke test project of Longhao	156,237.20		156,237.20	156,237.20		156,237.20
Sporadic works of Luoshen				1,271,708.40	122,433.60	1,149,274.80
Total	92,227,708.18	7,467,437.07	84,760,271.11	113,149,107.79	3,761,687.06	109,387,420.73

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Construction in progress *(Continued)*

ii. *Impairment provision:*

Name of Projects	31 December 2008	Increase in the period	Decrease in the period	31 December 2009	Reason
Sporadic works of Longfei		**2,793,722.16**		**2,793,722.16**	Net recoverable value less than cost
Equipment modification of Longmen	3,639,253.46	**1,937,186.02**	**902,724.57**	**4,673,714.91**	Net recoverable value less than cost
Sporadic works of Luoshen	122,433.60		**122,433.60**		Disposal
Total	3,761,687.06	**4,730,908.18**	**1,025,158.17**	**7,467,437.07**	

Note:

The Group carried out an inspection to the ending fixed assets and consigned assets evaluation agency to make an evaluation to the relevant assets. The Company made fixed assets impairment Rmb4,730,908.18 according to the valuation reports of Ya Ping Bao (2010) No. 8, No.9, No.10 and No. 11 made by Henan Yatailianhua Assets Evaluation Co., Ltd.

12. Constructive materials

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
Special equipment	79,022.74			**79,022.74**
Total	79,022.74			**79,022.74**

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Intangible assets

Basic details:

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
I. Total of original value	81,358,686.37	**2,579,200.00**	**3,545,198.00**	**80,392,688.37**
Land use rights	62,858,686.37	**2,579,200.00**	**3,545,198.00**	**61,892,688.37**
Trademark and non-patent technology	18,400,000.00			**18,400,000.00**
Prospecting right	100,000.00			**100,000.00**
II. Total of accumulated amortization	21,958,566.62	**2,722,740.54**	**738,483.96**	**23,942,823.20**
Land use rights	15,828,895.61	**1,230,736.50**	**738,483.96**	**16,321,148.15**
Trademark and non-patent technology	6,124,671.00	**1,472,004.00**		**7,596,675.00**
Prospecting right	5,000.01	**20,000.04**		**25,000.05**
III. Total of carrying amount	59,400,119.75			**56,449,865.17**
Land use rights	47,029,790.76			**45,571,540.22**
Trademark and non-patent technology	12,275,329.00			**10,803,325.00**
Prospecting right	94,999.99			**74,999.95**
IV. Total of impairment provision				
Land use rights				
Trademark and non-patent technology				
Prospecting right				
V. Total of net book value	59,400,119.75			**56,449,865.17**
Land use rights	47,029,790.76			**45,571,540.22**
Trademark and non-patent technology	12,275,329.00			**10,803,325.00**
Prospecting right	94,999.99			**74,999.95**

Note:

Among the Group's intangible assets and investment properties as at 31 December 2009, the land use right certificate for a piece of land located in the development zone of Luoyang with a carrying value of Rmb27,681,230.64 is in the process of application; and the land currently occupied by CLFG for residential use with a carrying value of Rmb9,415,764.88 will be swapped with part of CLFG'S land located at No. 9 Tang Gong Zhong Lu, Luoyang on the basis of their fair value by September 2008 as promised by CLFG, according to the minutes of the special meeting regarding land swapping between CLFG and the Company held on 13 December 2007.

According to the document of Luo Zheng Tu (2008) No. 316 issued by Luoyang Municipal People's Government in September 2008, Luoyang City Land Resources Bureau would recover CLFG'S land located at No. 9 Tang Gong Zhong Lu. So Land Resources Bureau would recover the land involving in the minutes of the special meeting regarding land swapping, the swap can not be carried out at the moment.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. Details of impairment provision:

Item	31 December 2008	Increase in the period	Decrease in the period Reversal	Decrease in the period Written-off	31 December 2009
I. Bad debts	101,289,355.77	**2,608,892.52**	**340,441.53**	**4,282,263.69**	**99,275,543.07**
II. Provision for diminution in value of inventory	50,744,556.48	**9,053,136.12**	**614,948.73**	**25,432,320.50**	**33,750,423.37**
III. Provision for impairment of long-term investment	89,234,821.82			**76,443,604.29**	**12,791,217.53**
IV. Provision for impairment of investment property					
V. Provision of fixed assets impairment	6,071,354.16	**1,597,317.58**		**2,581,091.26**	**5,087,580.48**
VI. Provision of construction materials	943,451.44				**943,451.44**
VII. Provision of construction in progress	3,761,687.06	**4,730,908.18**		**1,025,158.17**	**7,467,437.07**
VIII. Provision of intangible assets impairment					
IX. Impairment of goodwill					
X. Others	110,657,113.55				**110,657,113.55**
Total	362,702,340.28	**17,990,254.39**	**955,390.26**	**109,764,437.90**	**269,972,766.51**

Note:

The original amount under other non-current assets is an amount receivable from Guangzhou International Trust and Investment Corporation ("GZITIC") amounting to Rmb145,657,113.55 and Rmb of 110,657,113.55 of provision had been made in prior years.

15. Other non-current assets

Items	31 December 2009	31 December 2008
Other receivables (Guangzhou International Trust & Investment Corporation)	**35,000,000.00**	35,000,000.00
Other receivables (CLFG)		35,000,000.00
Total	**35,000,000.00**	70,000,000.00

Note:

The Company signed an agreement with CLFG to acquire 50% equity interests in Luoyang Longxin Glass Company Limited held by CLFG in December 2007. Upon confirmation of independent shareholders of the Company and both parties, the acquisition price of the equity interests was Rmb35,000,000, and the Company paid up such acquisition price of the equity interests in December 2007. Until balance sheet date,the board of directors decided to abandon the acquirement because the other controller of Longxin Co,. LTd disagreed on the transfer of equity that results.

Both the changes of equity and shareholders' meeting of Longxin Co,. Ltd not occurring. As at 31 December 2009,equity prepayment in a total of Rmb35,000,000.00 of Longxin Co,. Ltd has been reversed by CLFG to the Company.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. Assets under restricted ownership

Items	31 December 2009	Reason
I. Assets for guarantee		
Fixed assets	**27,980,560.46**	Mortgage
Bank balance and cash	**192,800,000.00**	Security for notes payable
ii. Others		
Total	**220,780,560.46**	

17. Short-term loans

Category:

Items	31 December 2009	31 December 2008
Credit loan	**4,000,000.00**	4,000,000.00
Mortgage loan		
Guaranty loan	**731,462,776.00**	689,910,000.00
Pledged loan		18,000,000.00
Guaranty and mortgage loan		181,000,000.00
Total	**735,462,776.00**	892,910,000.00

Note:

(1) As at 31 December 2009, the details of assets used for mortgage and pledge refer to V. 1. note.10 Fixed assets.

(2) As at 31 December 2009, the Guaranty loan included: CLFG who holds 5% or more of the voting shares of the Company provided guaranty for the Company, details refer to VII. Related party relationship and transactions 5.(3).

The mature but outstanding loans:

Names	Amount	Rate	Usage	Reason	Date of repayment
Shuangyushu branch of Beijing Bank	45,000,000.00	7.8%	Operation	The maturity date is 15 February 2008 and the extension procedure is still in progress.	N/A
Yanshi City Branch of Agricultural Bank of China	6,362,776.00		Resumed operation	The maturity date is 9 October 2007 and the extension procedure is still in progress.	N/A
Total	51,362,776.00				

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. Notes payable

Items	31 December 2009	31 December 2008
Bank acceptance	**174,000,000.00**	215,700,000.00
Customer acceptance notes		
Total	**174,000,000.00**	215,700,000.00

Note:

(1) There is no acceptance payable to shareholders holding 5% or more of the voting rights of the Company in the balance of the notes payable.

(2) Notes payable are mainly bank acceptances issued by the Group for purchase of materials, commodities or products with the repayment term of 1-6 months.

19. Accounts payable

Ageing analysis:

Item	31 December 2009		31 December 2008	
	Amount	Rate(%)	*Amount*	*Rate(%)*
Within 1 year	**120,234,065.65**	**40.55**	363,762,993.94	88.35
1-2 years	**145,687,316.72**	**49.13**	22,647,112.01	5.50
2-3 years	**19,543,629.56**	**6.59**	24,887,531.91	6.04
Over 3 years	**11,054,010.94**	**3.73**	450,631.40	0.11
Total	**296,519,022.87**	**100.00**	411,748,269.26	100.00

Note:

(1) There is no acceptance payable to shareholders holding 5% or more of the voting rights of the Company in the balance of the notes payable.

(2) As at 31 December 2009, the amount of Rmb41,544,063.30 of accounts payable with significant ageing of more than one year is mainly payables of purchasing materials.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20. Payments received in advance

Ageing analysis:

Item	31 December 2009		31 December 2008	
	Amount	Rate(%)	Amount	Rate(%)
Within 1 year	**94,896,708.40**	**90.30**	80,556,121.02	95.31
1-2 years	**7,516,026.87**	**7.15**	2,471,226.50	2.92
2-3 years	**2,071,760.17**	**1.97**	983,134.35	1.16
Over 3 years	**608,139.53**	**0.58**	516,887.99	0.61
Total	**105,092,634.97**	**100.00**	84,527,369.86	100.00

Note:

(1) There is no acceptance payable to shareholders holding 5% or more of the voting rights of the Company in the balance of the accounts payable.

(2) As at 31 December 2009, the Group had no payments received in advance with significant ageing of more than one year.

21. Staff remuneration payables

Items	31 December 2008	Increase in the period	Payment in the period	31 December 2009
I. Salary, bonus, allowance and subsidy	10,102,559.34	**64,603,941.49**	**65,000,978.61**	**9,705,522.22**
II. Staff's welfare	46,333.88	**6,709,821.12**	**6,668,405.37**	**87,749.63**
III. Social insurance premium	1,034,367.08	**40,416,648.09**	**32,426,537.80**	**9,024,477.37**
Medicare	299,989.27	**8,071,037.82**	**6,474,551.81**	**1,896,475.28**
Basic endowment insurance	538,440.83	**29,280,741.93**	**23,558,594.87**	**6,260,587.89**
Annuity				
Unemployment insurance	139,567.00	**1,361,351.52**	**1,081,796.81**	**419,121.71**
Labor injury insurance	27,657.58	**1,009,061.59**	**770,537.63**	**266,181.54**
Birth insurance	28,712.40	**694,455.23**	**541,056.68**	**182,110.95**
IV. Housing accumulation fund	5,033,608.95	**5,895,758.30**	**6,944,094.23**	**3,985,273.02**
V. Labor union expenses and employee education expenses	5,755,464.78	**2,256,074.52**	**1,286,999.94**	**6,724,539.36**
VI. Non-monetary welfares				
VII. Compensation for dismissal	1,294,173.00		**1,294,173.00**	
Compensation due to cancellation of labor relation				
Budgeted expenses for retiree	1,294,173.00		**1,294,173.00**	
VIII. Other		**371,571.40**	**371,611.40**	**-40.00**
Shares paid by cash				
Total	23,266,507.03	**120,253,814.92**	**113,992,800.35**	**29,527,521.60**

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22. Tax payable

Items	31 December 2009	31 December 2008	Remarks
Value-added tax	**6,098,226.06**	14,421,539.42	
Business tax	**224,447.03**	443,823.11	
Consumable tax			
City maintenance tax	**355,878.95**	817,956.78	
Enterprise income tax	**-4,480,591.76**	-2,709,657.27	
Individual income tax	**14,447.44**	36,251.84	
Property tax	**1,173,764.86**	463,548.87	
Land-use tax	**1,759,270.00**	1,435,139.67	
Vehicle and vessel usage tax	**5,587.20**	0.00	
Stamp tax	**22,986.10**	110,603.29	
Resource tax	**-64,754.39**	-7,463.10	
Tariff			
Education surcharges	**194,330.45**	515,262.13	
Other tax	**304,793.28**	237,220.40	
Total	**5,608,385.22**	15,764,225.14	

Note:

(1) The calculation standards and tax rates of main taxes refer to III. Taxation.

(2) As at 31 December 2009, tax payable is increased by 181.08% compared with that on 1 January 2009. It is mainly due to auditing adjustment of items of previous years and an addition of VAT because of the added adjustment of operating revenues and operating costs.

23. Other payables

(1) *Ageing analysis:*

Item	31 December 2009 Amount	31 December 2009 Rate(%)	31 December 2008 Amount	31 December 2008 Rate(%)
Within 1 year	**62,416,551.11**	**73.46**	57,439,646.58	56.73
1-2 years	**12,691,441.65**	**14.94**	40,011,476.62	39.52
2-3 years	**7,106,140.47**	**8.36**	1,103,198.91	1.09
Over 3 years	**2,755,698.29**	**3.24**	2,694,404.56	2.66
Total	**84,969,831.52**	**100.00**	101,248,726.67	100.00

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. Other payables *(Continued)*

(2) ***There is no acceptance payable to shareholders holding 5% or more of the voting rights of the Company in the balance of the other payables.***

(3) ***As at 31 December 2009, the amount of other payables with significant ageing of more than one year was Rmb3,810,723.00.***

(4) ***Details of other payables with significant amount***

Names	Amount	Quality
Returned amount of acquiring equity of Longxiang	16,589,394.70	Acquirement amount of acquiring equity of Longxiang
Sewage fees	2,396,611.00	Sewage fees owed to environment government
Jingmen Tianneng New Energy Development Co., Ltd	1,600,000.00	Project expenses
Total	20,586,005.70	

24. Non-current liabilities due within one year

i. ***Categories:***

Items	31 December 2009	31 December 2008
Long-term loans due within one year	**507,800.94**	500,642.97
Bonds payable due within one year		
Long-tern payables due within one year		
Total	**507,800.94**	500,642.97

ii. ***Long-term loans due within one year***

a. Long-term loans due within one year

Items	31 December 2009	31 December 2008
Pledged loan		
Mortgage loan		
Guaranty loan	**507,800.94**	500,642.97
Credit loan		
Total	**507,800.94**	500,642.97

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. Non-current liabilities due within one year *(Continued)*

ii. *Long-term loans due within one year* (Continued)

b. Details of loan are as follows:

			31 December 2009				31 December 2008			
Creditor	Beginning date of loan	Termination date of loan	Interest rate	Currency	Amount of original currency	Rmb (equivalent)	Interest rate	Currency	Amount of original currency	Rmb (equivalent)
Bank of China	9 Apr. 1989	15 Feb. 2019	**2.50%**	**Euro Dollars**	**51,831.76**	**507,800.94**	2.50%	Euro Dollars	51,831.76	500,642.97
Total						**507,800.94**				500,642.97

25. Long-term loans

i. *Categories:*

Items	31 December 2009	31 December 2008
Guaranty loan	**4,824,102.92**	5,256,745.29
Total	**4,824,102.92**	5,256,745.29

ii. *Details of loan are as follows:*

			31 December 2009				31 December 2008			
Creditor	Beginning date of loan	Termination date of loan	Interest rate	Currency	Amount of original currency	Rmb (equivalent)	Interest rate	Currency	Amount of original currency	Rmb (equivalent)
Bank of China	9 Apr. 1989	15 Feb. 2019	**2.50%**	**Euro Dollars**	**42,401.11**	**4,824,102.92**	2.50%	Euro Dollars	544,232.87	5,256,745.29
Total						**4,824,102.92**				5,256,745.29

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26. Share capital

Item	31 December 2008	Changes in this year (+,–) New shares	Dispatched shares	Premium transferred to shares	Others	Sub-total	31 December 2009
Unlisted shares							
state-owned legal person shares	179,018,242.00						**179,018,242.00**
Listed shares							
A share	71,000,000.00						**71,000,000.00**
H share	250,000,000.00						**250,000,000.00**
Total shares	500,018,242.00						**500,018,242.00**

Note: On 16 October 2008, CLFG and China National Building Material Group Corporation (CNBM) who is the controlling shareholder of CLFG and the ultimate controlling person of the Company signed a share pledge contract. According to the contract, CLFG agreed that 179,018,242 shares (state-owned legal person shares) of the Company were pledged to CNBM, and CNBM provided guarantees to the total loans of Rmb690,000,000 borrowed by CLFG, its controlled enterprises and the Company.

27. Capital reserve

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
Share premium	827,321,459.44			**827,321,459.44**
Other capital reserve	100,418,320.99		**30,267,403.50**	**70,150,917.49**
Total	927,739,780.43		**30,267,403.50**	**897,472,376.93**

Note:

(1) On disposal of Chengzhou Bada Co,.Ltd, the recorded capital reserve of Rmb 28,358,341.28 has been settled.

(2) Capital reserve has been deducted in a total of Rmb 1,909,062.22 for the premium in the acquirement of equity of Longhai Co,.Ltd, Longhao Co,.Ltd and Longfei Co,.Ltd. Details refer to IV.1 subsidiaries.

28. Special reserves

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
Funds for special reserves		36,552.97		**36,552.97**
Total		36,552.97		**36,552.97**

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. Surplus reserve

Items	31 December 2008	Increase in the period	Decrease in the period	31 December 2009
Statutory surplus reserve	51,328,956.07	**36,552.97**		**51,365,509.04**
Arbitrary surplus reserve				
Enterprise development funds				
Special reserves	36,552.97		**36,552.97**	
Others				
Total	51,365,509.04			**51,365,509.04**

30. Undistributed profits

Details of undistributed profits

Item	2009	2008
Balance on 1 January 2009 before adjustment	**(1,249,967,485.76)**	(1,262,751,267.90)
Total of adjustment(+/-)		
Balance on 1 January 2009 after adjustment		
Add: net profit attribute to shareholder of parent company this year	**(167,456,263.00)**	12,783,782.14
Other	**3,209,985.44**	
Decrease in the period		
Balance on 31 December 2009	**(1,414,213,763.32)**	(1,249,967,485.76)

Note:

Other increases are as follows: Longfei Co,.Ltd acquired the minority interest of Longxiang Co,Ltd with the premium;Deferred retained earnings of Rmb 25,108,602.93 for the acquirement of equity of Longfei Co,.Ltd with the premium; On disposal of Chengzhou Bada Co,.Ltd, the recorded capital reserve of Rmb 28,358,341.28 has been transferred to retained earnings.

31. Operating income and operating cost

i. Details of operating income:

Item	2009	2008
Income from principal operations	**790,010,280.89**	1,130,084,696.77
Other operating income	**182,939,578.28**	192,448,158.05
Total	**972,949,859.17**	1,322,532,854.82

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Operating income and operating cost *(Continued)*

2. *Details of operating costs:*

Item	2009	2008
Cost from principal operations	**679,671,987.29**	1,151,119,535.64
Other operating cost	**171,523,609.60**	180,354,907.12
Total	**851,195,596.89**	1,331,474,442.76

3. *Business segments*

	2009		2008	
Item	Operating income	Operating cost	Operating income	Operating cost
Principal operations	**790,010,280.89**	**679,671,987.29**	1,130,084,696.77	1,151,119,535.64
Other operation	**182,939,578.28**	**171,523,609.60**	192,448,158.05	180,354,907.12
Total	**972,949,859.17**	**851,195,596.89**	1,322,532,854.82	1,331,474,442.76

Note:

(1) The Group's income from principal operations refers to the income from glass sales. The Group's cost of principal operations refers to the cost from glass sales.

(2) As at 31 December 2009, principle operating income is decreased by 30.09% compared with that on 1 January 2009. It is mainly due to the restructuring and reforming part of product lines.

4. *Geographical segments*

	2009		2008	
Item	Operating income	Operating cost	Operating income	Operating cost
Domestic	**960,519,092.61**	**840,320,407.72**	1,294,124,563.96	1,315,092,215.32
Asia	**12,219,235.36**	**10,690,128.83**	26,192,612.38	14,478,885.62
America	**122,990.47**	**107,599.53**	604,455.40	474,391.75
Oceania			501,381.51	536,679.27
Other region	**88,540.73**	**77,460.81**	1,109,841.57	892,270.80
Total	**972,949,859.17**	**851,195,596.89**	1,322,532,854.82	1,331,474,442.76

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Operating income and operating cost *(Continued)*

5. *The five largest clients are as follows:*

Item	Operating revenues	Rate(%)
Luoyang Longxing Glass Co,.Ltd	139,491,859.12	14.34
Henan Huaqi Glass Co,. Ltd	50,180,148.54	5.16
Zhengzhou New Central Glass Products Co,.Ltd	45,164,880.47	4.64
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	32,645,228.83	3.36
Guangzhou Lizhen Trading Co,.Ltd	27,406,179.74	2.82
Total	294,888,296.70	30.31

32. Business tax and surcharges

Items	Tax base	2009	2008
Business tax	5%	**124,011.71**	1,950.00
Consumable tax			
Resource tax	Rmb3/t	**818,691.29**	897,181.80
Value added tax of land			
Property tax			
Land-use tax			
City maintenance tax	Rate of 5-7% on the basis of value-added-tax and business tax paid	**2,958,498.00**	1,524,028.39
Education surcharges	Rate of 3% on the basis of value-added-tax and business tax paid	**1,852,740.49**	1,214,531.74
Other			10,201.20
Total		**5,753,941.49**	3,647,893.13

Note:

As at 31 December 2009, business tax and surcharges is increased by 57.73%compared with that on 1 January 2009. It is mainly due to value added tax paid this year is increased compared with payment of last year.

33. Financial expenses

Item	2009	2008
Interest expense	**59,878,608.99**	85,429,566.04
Less: interest income	**3,879,237.23**	5,672,490.70
Exchange loss	**475,361.85**	314,768.05
Less: exchange income	**365,828.48**	39,255.05
Commission charge expense	**2,566,956.94**	4,260,095.58
Other finance expenses	**1,386,171.54**	1,502,318.65
Total	**60,062,033.61**	85,795,002.57

Note:

As at 31 December 2009, financial expense is decreased by 30% compared with that on 1 January 2009. It is mainly due to the decreased scope of loans and decreased interest expenses.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

34. Investment income

i. *Details of investment income as following:*

Item	2009	2008
Long-term equity investment measured by cost method		11,047.00
Long-term equity investment measured by equity method	**1,552,278.90**	5,867,624.09
Income from disposal of long-term equity investment	**19,182,696.68**	
Total	**20,734,975.58**	5,878,671.09

Note:

(1) The Group has no significant restriction on remitting investment income.

(2) As at 31 December 2009, investment income is increased by 252.72%compared with that on 1 January 2009. It is mainly due to disposal of equity of Xiangfang Luoshen Auto Glass Ltd and China Luoyang Float Glass Group Financial Company Limited.

ii. *Long—term equity investment income measured by equity method*

Items	31 December 2009	31 December 2008	Reason for changes
China Luoyang Float Glass Group Financial Company Limited	**1,552,278.90**	5,867,624.09	Disposal of equity as at March 30,2009
Total	**1,552,278.90**	5,867,624.09	

Note:

Details of disposal of 37% shares of China Luoyang Float Glass Group Financial Company Limited refer to IV.8 long-term investment. According to the transfer agreement of equity,net profit of CLFG Financial Co,. Ltd from January 2009 to March 2009 has been attributed to its original controller,therefore, the Company has an investment income of Rmb1,552,278.90 of CLFG Financial Co,. Ltd

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35. Assets impairment losses

Item	2009	2008
Bad debt losses	**2,268,450.99**	-552,470.22
Losses from inventory impairments	**8,438,187.38**	34,723,034.21
Losses from fixed asset impairments	**1,597,317.58**	4,490,428.94
Losses from construction in progress	**4,730,908.18**	3,761,687.06
Total	**17,034,864.13**	42,422,679.99

Note:

As at 31 December 2009, Assets impairment losses is decreased by 59.84%compared with that on 1 January 2009. It is mainly due to the increase of glass selling price and costs of a large part of inventories have been lower than the net realizable value after impairment test.

36. Non-operating income

i. Details of non-operating income as following:

Item	2009	2008
I. Gain on disposal of non-current assets	**8,742.55**	233,924,398.62
Gain on disposal of fixed assets	**8,742.55**	34,038,217.33
Gain on disposal of intangible assets		199,886,181.29
II. Income from debt restructuring	**3,847,224.48**	21,949.98
III. Government subsidy		21,989,800.00
IV. Amercement income	**27,849.00**	14,460.80
V. Other	**141,281.25**	2,193,418.85
Total	**4,025,097.28**	258,144,028.25

Note:

Non-operating income of 2009 decreased by 98.44%,compared with that of 2008 due to gain on disposal of fixed assets and intangible assets represented gain on disposal of some land and buildings located at No. 9 Tang Gong Zhong Lu and machinery and equipment, and gain on disposal of a land use right of a wholly-owned subsidiary, CLFG Warehouse & Logistics Company Limited in 2008.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

36. Non-operating income *(Continued)*

ii. Details of government subsidy as follows:

Item	2009	2008
Relocation subsidy		20,000,000.00
Encouragement for investment introduction		1,000,000.00
Special encouragement for transformation of scientific and and technological achievements		229,800.00
Technological innovation fund		760,000.00
Total		21,989,800.00

37. Non-operating expenses

Item	2009	2008
I. Loss on disposal of non-current assets	**107,951.55**	
Loss on disposal of fixed assets	**107,951.55**	
II. Loss from debt restructuring	**324,011.96**	
III. Loss of assets write-off	**42,207,543.76**	
IV. Amercement outlay	**40,086.91**	42,209.92
V. Penalty	**24,000.00**	
VI. Other	**194,643.83**	1,109,278.85
Total	**42,898,238.01**	1,151,488.77

Note:

As at 31 December 2009, non-operating expense is increased by 3625.46%compared with that on 1 January 2009. It is mainly due to the scrapping of part of assets.

38. Income tax expenses

Item	2009	2008
Income tax expenses for the year according to tax law	**1,780,934.50**	-2,651,438.67
Adjustment of deferred tax		
Total	**1,780,934.50**	-2,651,438.67

Note:

As at 31 December 2009,income tax expense is increased by 167.17%compared with that on 1 January 2009. It is mainly due to net profit gains and income tax expense of Rmb 1,780,934.50 of CLFG Long Hao Glass Limited this year. The Company and other subsidiaries are still losses which can not be recovered by profit.

The amount of income tax expenses incurred last year is Rmb-2,651,438.67, it is due to that Longhao Company is free of enterprise income tax of Rmb2,651,438.67 in 2007 according to the document of Yu Luo Guo Shui Han (2008) No. 74 issued by Luoyang City National Tax Bureau on 28 May 2008. The matter is dealt this year, so the amount of income tax expenses incurred this year is Rmb-2,651,438.67.

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

39. Calculation of basic earnings per share and diluted earnings per share

According to "Information Disclosure and preparement regulations of companies issued securities publicly No 9#--Calculation and Disclosure of Return on rate of net assets and earnings per share(Revised in 2010)"("Declaration of China Securities Regulatory Commission [2010] No.2"),《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露(2010年修訂)》(「中國證券監督管理委員會公告[2010]2號」) "Declaration on Explaination of Information Disclosure of companise issued securities publicly No 1#—non-operating profit and loss(2008)" (Declaration of China Securities Regulatory Commission [2008] No. 43")《公開發行證券的公司信息披露解釋性公告第1號—非經常性損益》(「中國證券監督管理委員會公告[2008]43號」) issued by China Securities Regulatory Commission ("CSRC"), earnings per share are as follows:

Item	Code	2009	2008
Net profit attributable to common shareholders of the company (I)	P0	**(167,456,263.00)**	12,783,782.14
Net profit attributable to ordinary shareholders with deduction of non-operating items (II)	P0	**(154,617,713.88)**	(245,984,788.36)
Total shares at the beginning of year	S0	**500,018,242.00**	500,018,242.00
Additional shares on the share dividends or premium transferring to shares during the reporting period	S1		
Additional shares on the issuing of new shares or debts transferring to shares during the reporting period	Si		
Reduced shares for repurchasing shares during the reporting period	Sj		
Reduced shares during the reporting period	Sk		
Months during the reporting period	M0	**12**	12
Accumulated months from the following month of increasing shares to the ending of reporting period	Mi		
Accumulated months from the following month of decreasing shares to the ending of reporting period	Mj		
Basic earnings per share (I)		**(0.3349)**	0.0256
Basic earnings per share (II)		**(0.3092)**	(0.4920)
Net profit attributable to common shareholders after adjusted (III)	P1	**(167,456,263.00)**	12,783,782.14
Adjusted net profit attributable to ordinary shareholders with deduction of non-operating items (II)	P1	**(154,617,713.88)**	(245,984,788.36)
Diluted earnings per share (I)		**(0.3349)**	0.026
Diluted earnings per share (II)		**(0.3092)**	(0.492)

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

39. Calculation of basic earnings per share and diluted earnings per share *(Continued)*

i. *Basic earnings per share= P0÷ S*

Basic earnings per share= P0÷ S
S= S0+S1+Si×Mi÷M0— Sj×Mj÷M0—Sk

ii. *Diluted earnings per share =P1/(S0+S1+Si×Mi÷M0—Sj×Mj÷M0—Sk+Addition of weigthed average ordinary shares of Warrants, stock options and convertible bonds.*

Where P1 is the net profit attributable to common shareholders of the company or net profit attributable to ordinary shareholders with deduction of operating items ,including the effect of the dilution of potential ordinary shares and P1 shall be adjusted in accordance with Enterprise Business Accounting Standards. The Company in the calculation of diluted earnings per share shall take into account all diluted potential ordinary shares attributable to ordinary shareholders of net profit or net profit and loss with deduction of non-operating items attributable to ordinary shareholders and the effect of weighted average number of shares according to their degree of sequence were included in diluted earnings per share diluted, up to diluted earnings per share minimum.

40. Information of cash flow statement

I. *Cash received relating to other operating activities:*

Item	2009	2008
China Luoyang Float Glass Group Company of Limited	**10,486,028.11**	
Xu Lijun Yunnan	**9,480,000.00**	
Kunming XIshanminshan Glass Selling Department	**7,140,000.00**	
China Building Materials Group Company of Limited	**5,000,000.00**	
Qinghuangdao Yuanguang Glass Co,. Ltd	**4,069,089.03**	
Interest income	**3,899,476.39**	5,672,490.70
Fuzhou Yuchengda Glass Selling Co,. Ltd	**3,327,600.00**	
Beixin Jiansu Company Limited	**2,800,000.00**	
Fuzhou Hongfeng Glass Co,. Ltd	**2,730,000.00**	
Nanchang Xunda Glass Selling Department	**2,200,000.00**	
Non-operating income	**2,109,153.67**	2,229,829.63
Li Yucui	**2,055,116.00**	
Premium payable to associates	**1,612,286.07**	1,696,524.76
Deposit payables	**1,390,019.23**	10,627,690.33
Yang Weiqun	**1,050,000.00**	
Rent of lease	**210,458.72**	1,600,000.00
Government subsidy		20,000,000.00
Jingmen Tianxin New Energy Development Co,. Ltd		4,000,000.00
Luoyang Longxin Glass Company Limited.		3,000,000.00
Jiaozuo Feihong Security Glass Co,. Ltd		1,643,500.00
Maoming Xionghai Trading Co,. Ltd		1,500,000.00
Other related amounts	**39,817,116.45**	45,048,507.75
Total	**99,376,343.67**	97,018,543.17

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

40. Information of cash flow statement *(Continued)*

II. Cash paid relating to other operating activities:

Item	2009	2008
China Luoyang Float Glass Group Company of Limited	**22,454,646.31**	
Luoyang Longxin Glass Company Limited.	**19,672,910.48**	
Consultation and audit, assessment, legal fees, bulletin fees	**12,399,638.92**	13,773,214.22
Ruyang Craft and Art Benefit Factory	**7,600,242.45**	
Transportation costs	**3,849,732.34**	11,258,704.48
Commission charge expense	**2,151,223.11**	4,260,095.58
Travel expense	**2,068,134.99**	3,351,852.13
Repairs	**1,714,989.83**	854,871.71
Entertainment charges	**920,409.53**	1,842,217.70
Sewage charges	**815,334.00**	1,160,552.97
Water and electricity charge	**401,417.09**	9,842,267.45
Office expenses	**186,741.04**	934,624.93
Non-operating expenses	**22,414.96**	1,052,585.07
Handling charges	**20,042.79**	4,305,381.47
Propagandize fee	**7,576.10**	1,098,348.09
Insurance	**4,104.11**	402,992.16
Other expenses	**20,049,020.43**	24,250,366.90
Henan Zhongyuan Railway Logistics Ltd.		8,490,000.00
Financial advisor fees		2,520,000.00
Zhengzhou New Zhongyuan glass Ltd.		2,000,000.00
Other current accounts	**41,856,671.72**	29,848,911.03
Total	**136,195,250.20**	121,246,985.89

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

41. Supplementary information of cash flow statement

i. Details:

Item	2009	2008
I. Net profit adjusted to cash flow of operating activities		
Net profit	**(173,447,485.84)**	(34,557,687.06)
Add: Provision for assets impairment	**17,034,864.13**	42,422,679.99
Depreciation of fixed assets	**83,048,644.86**	100,997,969.17
Amortization of intangible assets	**2,722,740.54**	3,279,519.37
Amortization of long-term prepaid expenses		
Decrease in deferred and prepaid expenses		44,453.95
Losses from disposal of fixed assets, intangible assets and other long-term assets	**102,923.10**	(235,373,792.89)
Losses on scrapping of fixed assets	**42,207,543.76**	
Finance expenses	**57,495,076.67**	81,775,655.66
Investment losses	**(20,734,975.58)**	(5,867,624.09)
Decrease in inventories	**97,182,166.71**	18,660,364.96
Decrease in operating receivables	**(39,419,695.58**	(88,052,226.29)
Increase in operating payables	**(148,758,459.38)**	68,948,386.44
Others		
Net cash flow from operating activities	**(82,566,656.61)**	(47,722,300.79)
II. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	**33,188,517.81**	64,577,743.77
Less: Opening balance of cash and cash equivalents	**64,577,743.77**	73,822,809.45
Net increase in cash and cash equivalents	**(31,389,225.96)**	(9,245,065.68)

ii. Information about disposal or acquirement of subsidiaries or other operating enterprises:

Item	Amount
I. Information about acquirement of subsidiaries or other operating enterprises	
II. Information about disposal of subsidiaries or other operating enterprises	
Price of disposal	145,611,937.64
Cash and cash equivalents received from disposal of subsidiaries or other operating enterprises	4,956,903.33
Less: Cash and cash equivalents held by subsidiaries or other operating enterprises	27,913.35
III. Net cash received from disposal of subsidiaries or other operating enterprises	4,928,989.98
IV. Net assets obtained from acquirement of subsidiaries	

(Expressed in Renminbi)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

41. Supplementary information of cash flow statement *(Continued)*

iii. Cash and cash equivalents

Item	2009	2008
I. Cash	**33,188,517.81**	64,577,743.77
Including: Cash on hand	**1,057,896.68**	676,952.72
Bank deposit available for payment at any time	**32,130,516.00**	63,900,791.05
Other monetary funds available for payment at any time	**105.13**	
II. Cash equivalents		
III. Cash and cash equivalents at the end of year	**33,188,517.81**	64,577,743.77
Including: restricted cash and cash equivalents of parent company and its subsidiaries		
Note: reason of restriction		Freezing

Note: reason of restriction

VI. ACCOUNTS OF ASSETS SECURITIZATION BUSINESS

None

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS

1. Parent company and ultimate controller

Name of enterprise	Relationship with the Company	Types of legal entity	Registered address	Legal representative	Principal activities	Registered capital	Equity interest in the Company	Voting share in the Company	Ultimate controller or not	Code of entity
China Luoyang Float Glass Group Company of Limited ("CLFG")	Parent company and the largest shareholder	Limited liability company (Solely owned by the State)	Luoyang China	Zhu Leibo	Production of glass, related raw materials and equipment	1,286,740,000.00	35.80%	35.80%	No	16995844-1
China National Building Material Group Corporation ("CNBMG")	Controller of parent company and ultimate controller	State-owned enterprise	Beijing China	Song Zhiping	Production of construction material and raw materials; the development, wholesale and retail of technology equipment	3,723,038,000.00			Yes	10000048-9

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

2. Subsidiaries

Name of subsidiaries	Type of subsidiaries	Type of entity	Registered address	Registered capital	Activity principles	Registered capital	Held by the Company (%)	Voting right held by the Company (%)	Code of entity
CLFG Longmen Glass Co. Ltd ("Longmen")	Other subsidiary	Limited	Yanshi China	Song Jianming	Processing and selling	20,000,000.00	79.06	79.06	706542258
CLFG Long Fei Glass Co. Ltd ("Long Fei")	Other subsidiary	Limited	Mianchi China	Gao Tianbao	Processing and selling	74,080,000.00	63.98	63.98	721838225
Yinan Mineral Products Ltd ("Yinan")	Other subsidiary	Limited	Yi'nan China	Cao Mingchun	Mining and selling	28,000,000.00	52	52	614023573
CLFG Long Hai Electronic Glass Limited ("LongHai") II	Other subsidiary	Limited	Yanshi China	Song Jianming	Processing and selling	60,000,000.00	100	100	776503385
CLFG Long Hao Glass Limited ("Long Hao") III	Other subsidiary	Limited	Ruyang China	Ni Zhiseng	Processing and selling	50,000,000.00	100	100	776516215
CLFG Longxiang Glass Co. Ltd ("Longxiang") IV	Other subsidiary	Limited	Mianchi China	Gao Tianbao	Processing and selling	50,000,000.00	100	100	174849944
Dengfeng CLFG Silicon Company Limited ("Silicon Company") V	Other subsidiary	Limited	Dengfeng China	Song Jianming	Mining and selling	3,000,000.00	51	51	66886639X
Luoyang Glass Industrial Co., LTD	Other subsidiary	Limited	Luoyang China	Cao Mingchun	Trading	5,000,000.00	100	100	68177597-8

3. Joint ventures, associates and other invested entities

Name of entity	Relationship	Code of entity
CLFG Processed Glass Company Limited	Associate	71562208–1
Luoyang Jingxin Ceramic Co. Ltd.	Associate	61483173–0
CLFG Mineral Products Company Limited	Associate	71562129–X
CLFG Luoyang Hoisting Machinery Co Ltd	Other investment enterprise	17107162–0
CLFG New Lighting Company Limited	Other investment enterprise	17107290–6
CLFG Jingwei Glass fibre Co Ltd	Other investment enterprise	X1480002–5
CLFG Luoyang Jingjiu Glass Products Co. Ltd.	Other investment enterprise	87107235–X

Note: Details of joint venture and associates refer to note IV.7

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

4. Other related parties

Name of entity	Relationship with the Company	Code of entity
Luoyang Longxin Glass Company Limited	Fellow subsidiary of CLFG	75389012–4
CLFG International Engineering Company	Fellow subsidiary of CLFG	67236379–5
CLFG Luoyang Jinrun Coating Glass Co.	Fellow subsidiary of CLFG	61480816–X
Luoyang New Jinrun Engineering Glass Co., Ltd.	Fellow subsidiary of CLFG	67006782–9
CLFG Luoyang Glass Engineering Design and Research Co.,Ltd.	Fellow subsidiary of CLFG	74577378–8
Luoyang Jiayuan Property Co.,Ltd.	Fellow subsidiary of CLFG	71672508–2
CLFG Warehousing & Logistics Company Limited	Fellow subsidiary of CLFG	6672781–X
Luoyang Xiangyu Industry Company	Fellow subsidiary of CLFG	17109279–8
Luoyang Xinxing Property Management Ltd.	Fellow subsidiary of CLFG	78805717–5
Luoyang Zhicheng Construction Supervision Ltd.	Fellow subsidiary of CLFG	72183978–9
CLFG Longmen Sugang Co., Ltd.	Fellow subsidiary of CLFG	17140008–4
CLFG jinghua Industry Company	Fellow subsidiary of CLFG	17120093–9
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	With same ultimate controller	61035990X
Henan Zhonglian Glass Co., Ltd.	With same ultimate controller	788068050

5. Related party transactions

i. Sale of goods and raw materials and receiving of services

Name of related party	Type of related party transaction	Substance of related party transaction	Amount	2009 Percentage(%)	Pricing policy
CLFG Processed Glass Company Limited	Selling	Seling glass	583,529.00	0.07	Market price
Luoyang New Jinrun Engineering Glass Co., Ltd.	Selling	Seling glass	7,963,707.32	1.01	Market price
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling	Seling glass	32,645,228.83	4.13	Market price
CLFG Processed Glass Company Limited	Selling	Seling fragmental glass	12,157.00	0.00	Market price
Luoyang Longxin Glass Company Limited	Selling	Selling materials	139,491,859.12	77.29	Market price
Luoyang Longxin Glass Company Limited	Purchase	Purchasing of glass	58,934,907.92	8.67	Market price
Luoyang Longxin Glass Company Limited	Providing services	Comprehensive services	3,611,392.80	2.00	Rmb0.8 per load
China Luoyang Float Glass Group Company of Limited	Providing services	Comprehensive services	1,423,573.26	0.79	Cost
Luoyang Longxin Glass Company Limited	Providing services	Loading services	16,560.00	0.01	Rmb1,800 per load
CLFG Processed Glass Company Limited	Providing services	Loading services	1,800.00	0.00	Rmb1,800 per load
CLFG Jingwei Glass fibre Co Ltd	Providing services	Use of water, electricity and stream	7,278,432.00	4.03	Cost and tax surcharge
Luoyang Xinxing Property Management Ltd.	Providing services	Use of water, electricity and stream	3,574,077.43	1.98	Cost and tax surcharge
China Luoyang Float Glass Group Financial Company Limited	Providing services	Use of water, electricity and stream	25,373.57	0.01	Cost and tax surcharge
CLFG jinghua Industry Company	Providing services	Use of water, electricity and stream	151,602.98	0.08	Cost and tax surcharge
CLFG Processed Glass Company Limited	Providing services	Use of water, electricity and stream	536.16	0.00	Cost and tax surcharge
China Luoyang Float Glass Group Company of Limited	Providing services	Use of water, electricity and stream	594,147.16	0.33	Cost and tax surcharge
China Luoyang Float Glass Group Company of Limited	Receiving services	Ancillary and social services	4,081,688.29	0.42	National pricing and market price
Luoyang Xinxing Property Management Ltd.	Receiving services	Ancillary and social services	5,473,500.00	0.56	National pricing and market price
Total			265,864,072.84		

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

i. *Sale of goods and raw materials and receiving of services* (Continued)

Name of related party	Type of related party transaction	Substance of related party transaction	2008 Amount	2008 Percentage(%)	Pricing policy
CLFG Processed Glass Company Limited	Selling	Selling glass	4,203,719.11	0.32	Market price
Luoyang New Jinrun Engineering Glass Co., Ltd.	Selling	Selling glass	1,488,789.55	0.11	Market price
CLFG Luoyang Jinrun Coating Glass Co.	Selling	Selling glass	112,447.78	0.01	Market price
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling	Selling glass	18,904,030.85	1.43	Market price
Luoyang Longxin Glass Company Limited	Selling	Selling materials	137,101,090.39	10.37	Market price
Luoyang Longxin Glass Company Limited	Purchase	Purchasing of glass	56,453,126.40	3.48	Market price
CLFG Mineral Products Company Limited	Purchase	Purchasing of silicon	12,634,637.22	0.78	Market price
Luoyang Longxin Glass Company Limited	Providing services	Technical services	3,141,515.20	5.34	Market price
Luoyang Longxin Glass Company Limited	Providing services	Loading services	975,766.17	1.66	Market price
CLFG Processed Glass Company Limited	Providing services	Loading services	10,800.00	0.02	Market price
CLFG Jingwei Glass fibre Co Ltd	Providing services	Use of water, electricity and stream	15,194,603.93	25.84	Market price
Luoyang Xinxing Property Management Ltd.	Providing services	Use of water, electricity and stream	2,843,144.29	4.84	Market price
China Luoyang Float Glass Group Financial Company Limited	Providing services	Use of water, electricity and stream	49,129.18	0.08	Market price
CLFG Processed Glass Company Limited	Providing services	Use of water, electricity and stream	339.85	0.00	Market price
China Luoyang Float Glass Group Company of Limited	Providing services	Use of water, electricity and stream	432,269.75	0.74	Market price
CLFG Longmen Sugang Co., Ltd.	Providing services	Use of water, electricity and stream	526,442.83	0.90	Market price
CLFG jinghua Industry Company	Providing services	Use of water, electricity and stream	135,258.53	0.23	Market price
China Luoyang Float Glass Group Company of Limited	Receiving services	Ancillary and social services	4,023,190.60	0.27	Cost and tax surcharge
Luoyang Xinxing Property Management Ltd.	Receiving services	Ancillary and social services	4,190,000.00	0.28	Cost and tax surcharge
Total			262,420,301.63		

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

i. Sale of goods and raw materials and receiving of services (Continued)

(i) The Company represented as the Group has entered into a three—year agreement of purchasing and selling float glass with CLFG,effective from April 24,2009 expiring on December 31,2011, by which the Company supplies certain glass products in different level to the CLFG and its subsidiaries at fair prices supplying to the third party with the same or similar products.

(ii) The Company has entered into a three-year agreement with CLFG,effective from April 24,2009 expiring on December 31,2011, by which the Company supplies certain raw materials to LongXin Glass Company at market prices.

(iii) Long Hai Glass Limited has entered into a contract selling of Ultra-thin Float Glass with Huayi Company beginning from January 1.2009 and expired on December 31,2009. According to the agreement, Longhai Co,.Ltd provides products based on current market price.

(iv) The Company has entered into an agreement with Luoyang Longxin Glass Co., Ltd. effective from April 24,2008 to December 31,2011 by which the Company provides service of management skills and expertise to Luoyang Longxin Glass Co., Ltd. The fee is 0.8 Yuan / box according to the output of Luoyang Longxin Glass Co., Ltd.

(v) The Company has entered into 'an agreement of providing water,electricity and stream' with CLFG effective from April 24,2008 to December 31,2011, for provision of utilities such as water, electricity, steam and plant and fixed assets to CLFG and its subsidiaries or entities. The amount charged to CLFG is based on market price.

(vii) The Company has entered into 'an agreement of comprehensive services' with CLFG from April 24,2009 to December 31,2011. In accordance with the agreement, CLFG provides certain social welfare and support services, such as education, property management, medical care and transportation services to the staff of the Company. The amount charged by CLFG is based on national pricing or if not market price is done.

(viii) The Company has entered into 'an agreement of social services' with a CLFG's subsidiary, CLFG Xinxing Co. ("Xinxing") effective from April 24,2008 to December 31,2011,by which Xinxing provides certain social welfare and support services, such as education, property management, medical care and transportation services to the staff of the Company. The amount charged by Xinxing is based on market price, if not, it should be cost plus profit and profit rate should not exceed 5%.

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

ii. Lease of related party

Lessor	Lessee	Lease assets	Original value	Beginning date of lease	Terminal date of lease	Income from lease	Pricing policy	Effect to the Company
Luoyang Glass Company Limited	CLFG Processed Glass Company Limited	Use of land	18,265,465.76	1 January 2008	31 December 2011	470,000.00	Market price	Remote
Luoyang Glass Company Limited	CLFG jinghua Industry Company	Use of land	16,038.43	1 August 2009	31 July 2017	800.00	Market price	Remote
CLFG Warehousing & Logistics Company Limited	Luoyang Glass Company Limited	Use of land	17,696,805.96	1 January 2009	31 December 2009	2,650,000.00	Market price	Remote

(i) The Company has entered into a three-year agreement with CLFG, effective from April 24,2009 expiring on 31 December 2011 by which the Company sub-lease a portion of land use rights to Processed Glass Company at market price with the same or similar type.

(ii) The Company has entered into a ten-year agreement with a CLFG's subsidiary, Jinghua Company, effective from 1 August 2007 by which the Company sub-lease a portion of land use rights to Jinghua Company.

(iii) The Company has entered into an agreement of land leasing, effective from 1 January 2009 expiring on 31 December 2011 by which the total rent was Rmb2,650,000.00.

iii. Related party providing guarantees

Guarantor	Guarantee for	Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
Luoyang Glass Company Limited	CLFG Long Hai Electronic Glass Limited	10,000,000.00	23 April 2009	22 April 2010	No
Luoyang Glass Company Limited	CLFG Long Hai Electronic Glass Limited	6,590,000.00	9 November 2009	8 November 2010	No
Luoyang Glass Company Limited	CLFG Long Hai Electronic Glass Limited	3,410,000.00	9 November 2009	8 November 2010	No
Luoyang Glass Company Limited	CLFG Longxiang Glass Co. Ltd	15,000,000.00	2 February 2009	27 February 2010	No
Luoyang Glass Company Limited	CLFG Long Hao Glass Limited	10,000,000.00	9 November 2009	2 November 2010	No
Luoyang Glass Company Limited	CLFG Long Hao Glass Limited	10,000,000.00	2 November 2009	1 November 2010	No

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

iii. Related party providing guarantees (Continued)

1. As at 31 December 2009, guarantees have been issued by CLFG, in respect of bank loans to independent third parties in return for guarantees issued by the independent third parties to bank in favor of the Group, the amount is Rmb2,970,000.00.

2. Other related party providing guarantees: As at 31 December 2009, CLFG has provided guarantee amounted to Rmb120,000,000.00 for the Company's borrowings; China National Building Material Group Corporation ("CNBMG") has provided guarantee amounted to Rmb515,100,000.00 for the Company's borrowings.

iv. Borrowing funds demolition in related party

Related party	Amount	Maturity date	Note
Demolition:			
CLFG Longmen Glass Co. Ltd	216,736,941.54	1 January 2010–31 December 2010	Internal loan
CLFG Long Fei Glass Co. Ltd	77,259,555.00	1 January 2010–31 December 2010	Internal loan
CLFG Long Hao Glass Limited	112,700,000.00	1 January 2010–31 December 2010	Internal loan
CLFG Long Hai Electronic Glass Limited	157,319,692.66	1 January 2010–31 December 2010	Internal loan
Yinan Mineral Products Ltd	30,571,378.64	1 January 2010–31 December 2010	Internal loan
Total	594,587,567.84		

v. Other related party transaction

(i) As at 31 December 2009, China National Building Material Group Corporation ("CNBMG") consigned Shuangyushu branch of Beijing Bank to provide loan amounted to Rmb95,000,000.00 to the Company. The Company paid interest Rmb7,359,803.75 this year.

(ii) On 16 October 2008, CLFG and China National Building Material Group Corporation (CNBM) who is the controlling shareholder of CLFG and the ultimate controlling person of the Company signed a share pledge contract. According to the contract, CLFG agreed that 179,018,242 shares (state-owned legal person shares) of the Company were pledged to CNBM, and CNBM provided guarantees to the total loans of Rmb690,000,000 borrowed by CLFG, its controlled enterprises and the Company.

(iii) Deposits' interest income at associate — China Luoyang Float Glass Group Financial Company Limited which is non-bank financial institution As at 31 March 2009, the balance of interest income is Rmb1,181.39. Interest expense to associate — China Luoyang Float Glass Group Financial Company Limited which is non-bank financial institution As at 31 March 2009, the balance of interest expense is Rmb1,370,766.19. The held shares of China Luoyang Float Glass Group Financial Company Limited has been disposed as at March 30, 2009. Details are in Notes IV.8 Long-term investment.

(iv) At 16 December 2009,the Company has entered into an agreement of transfer of equity with CLFG..According to the agreement, acquirement amount are of Rmb7,300,356.93, Rmb941,425.28 and Rmb0 by acquiring 20% shares of Longhao Co,.Ltd, 20% shares of Longhai Co,. Ltd, 10% shares of Longfei Co,. Ltd individually. Details refer to IV.1.

(Expressed in Renminbi)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

vi. Receivables and payables of related party

Item	Related party	31 December,2009	31 December, 2008
Accounts receivable	Luoyang Longxin Glass Company Limited	**16,302,158.34**	64,437,898.04
Accounts receivable	CLFG Processed Glass Company Limited	**435,680.90**	—
Other receivables	Henan Zhonglian Glass Co., Ltd.	**550,000.00**	1,000,000.00
Other receivables	CLFG Longmen Sugang Co., Ltd.	**456,142.51**	330,324.61
Other receivables	Luoyang Longxin Glass Company Limited	**1,164,172.77**	421,024.97
Other receivables	CLFG Jingwei Glass Fibre Co., Ltd.	**123,091.65**	66,303.61
Other receivables	Luoyang Xinxing Property Management Ltd.	**1,373,020.94**	4,987.31
Other receivables	China Luoyang Float Glass Group Company of Limited	**2,579,200.00**	—
Prepayment	China Luoyang Float Glass Group Company of Limited		971,697.79
Accounts payable	CLFG Longmen Sugang Co., Ltd.		55,470.68
Accounts payable	CLFG Processed Glass Company Limited		487,757.40
Accounts payable	Luoyang Longxin Glass Company Limited	**270,121.95**	259,077.30
Accounts payable	CLFG Mineral Products Company Limited		2,854,459.23
Accounts payable	CLFG Luoyang Hoisting Machinery Co Ltd	**376,506.90**	396,506.90
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	**(321,795.50)**	485,759.44
Payments received in advance	China Luoyang Float Glass Group Company of Limited	**875,000.00**	875,000.00
Payments received in advance	CLFG Luoyang Jinrun Coating Glass Co.	**19,471.93**	80,935.92
Payments received in advance	Luoyang New Jinrun Engineering Glass Co.Ltd.	**104,940.59**	16,224.13
Payments received in advance	CLFG Processed Glass Company		30,697.31
Other payables	CLFG Luoyang Glass Engineering Design and Research Co.,Ltd.	**93,399.50**	93,339.50
Other payables	CLFG Processed Glass Company	**244,000.00**	1,060,666.97
Other payables	CLFG Luoyang Jinrun Coating Glass Co.	**2,317.51**	2,317.51
Other payables	Luoyang Xinxing Property Management Ltd.		1,097,866.62
Other payables	Luoyang Jiayuan Property Co.,Ltd.	**6,300.00**	6,300.00
Other payables	Luoyang Longxin Glass Company Limited	**98,176.40**	3,098,176.40
Other payables	CLFG Warehousing & Logistics Company Limited	**81,110.20**	1,000,000.00
Other payables	Luoyang Xiangyu Industry Company	**555,279.00**	555,279.00
Other payables	Luoyang New Jinrun Engineering Glass Co.Ltd.	**115,200.00**	56,000.00
Other payables	CLFG Luoyang Hoisting Machinery Co Ltd	**263,848.00**	274,648.00
Other payables	Luoyang Zhicheng Construction Supervision Ltd.		40,000.00

In July 2009,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 Exchange Listing Rules on all of the above continuing connected transactions as reflected above.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and on normal commercial terms.

VIII. DIVIDENDS PAID

None

(Expressed in Renminbi)

IX. CONTINGENT LIABILITIES

As at 31 December 2009, the Company provided guarantees to banks in favor of subsidiaries amounted to Rmb 55,000,000.00.

X. CAPITAL COMMITMENTS

At 31 December 2009, capital commitments of the Company are summarized as follows

Item	**31 December 2009**	31 December 2008
Contracted for but not provided for		
— construction project	**4,619,000.00**	1,330,000.00
— investment to subsidiary		32,586,000.00

XI. EVENTS AFTER BALANCE SHEET DATE

1. Disposal of shares after balance sheet date

At 16 December 2009,the Company has entered into an agreement of transfer of equity with CLFG by which transferring 49.09% shares of CLFG Processed Glass Company at transfer price of Rmb1. As at 31 December 2009,the transfer price of Rmb1 has received but the procedures of transfer has not completed yet.

2. Dispute cases occurred after balance sheet date

(1) Shanghai Qiyuan Air Separation Technique Development Co,. Ltd (hereinafter referred to as "Qiyuan Company") prosecuted CLFG Longfei Glass Limited for engineering materials dispute case

At 4 August 2005 Qiyuan Company has entered into a contract in a total amount of Rmb3,680,000.00 of supplying two set of delicated engineering equipment of air separation with Longfei Glass Limited. After equitments has been handed over to Longfei Glass Limited,there was a unpaid amount of Rmb680,000.00. Therefore Qiyuan Company prosecuted Longfei Glass Limited for a payment of Rmb680,000.00, overdue interest of Rmb110,513.6 which is temporally accounted form 16 May 2007 to 31 October 2009 and the expenses of dispute case should be suffered by Longfei Glass Limited. At present, it does not hold a court.

(2) Shanghai Qiyuan Air Separation Technique Development Co,. Ltd (hereinafter referred to as "Qiyuan Company") prosecuted CLFG and CLFG Long Hai Electronic Glass Limited for engineering materials dispute case

At 6 April 2005 Qiyuan Company has entered into a contract in a total amount of Rmb4,350,000.00 of supplying Ultra-high purity nitrogen equipments with CLFG during the preparation period of Long Hai Company. After equipments has been handed over,there was a unpaid amount of Rmb1,817,500.00. Therefore Qiyuan Company prosecuted CLFG and Long Hai Company for a payment of Rmb1,817,500.00, overdue interest of Rmb1,326,741.06 which is temporally accounted form 10 February 2007 to 31 October 2009 and the expenses of dispute case should be suffered by the accused. At present, it does not hold a court.

In the above case ,once the Company lose a case, all relevant principle,interest and legal cost should be suffered.

XI. EVENTS AFTER BALANCE SHEET DATE *(Continued)*

2. Dispute cases occurred after balance sheet date *(Continued)*

(3) Henan Baoshuo Tar Chemicals Co,. Ltd (hereinafter referred to as "Baoshuo Company") prosecuted the Company for loans dispute case

As at 31 December 2009,the payment in arrears of Rmb11,887,586.62 arised from economic businesses between Baoshuo Company and the Company Limited. Therefore Baoshuo Tar Chemicals Co,. Ltd prosecuted to the Luoyang City Intermediate People's Court. During the period of the Court placed on file, the two sides reached a mediation and the company should pay in installment.

XII. OTHER SIGNIFICANT EVENTS

Main litigation matters as at 31 December 2009,

(1) Wenxi Hongyu Chemical Co., Ltd. (hereinafter referred to as "Wenxi Hongyu Company") prosecuted the Company for fuel oil fund dispute case

Wenxi Hongyu Chemical Co., Ltd. signed 12 copies of fuel oil supply contracts with the Company in 2008. After signing the contracts, Wenxi Hongyu Chemical Co., Ltd. supplied fuel oil and the Company paid for the goods. Then there was a dispute between two parties and Wenxi Hongyu Chemical Co., Ltd. prosecuted the Company for payment in arrears Rmb5,150,000, and asked the Company to repay payment for goods and overdue interest. On August 20 2009, Luoyang Intermediate People's Court has made the final judgment that the Company should pay a total amount of Rmb5,151,444.02 including interest losses within ten days after judgment. Wenxi Hongyu Chemical Co., Ltd has applied for enforcement of Rmb3,179,748.34 through the court after the judgment occurres and the rest is still in enforcement.

(2) Luoyang Dayang Refractory Material Co., Ltd. prosecuted the Company engineering materials dispute case

Luoyang Dayang Refractory Material Co., Ltd. signed refractory material marketing contracts with the Company. After signing the contracts Luoyang Dayang Refractory Material Co., Ltd. began to supply goods. There was a dispute of Luoyang Dayang Refractory Material Co., Ltd. prosecuted the Company to pay payables and relevant interests because the Company has still substantial payment in arrears though part of payments has been paid when carrying out the contract. At 8 July 2009, Luoyang Xigong District People's court has made the final judgment that th Company should pay a total amount of Rmb777,227.67, including interest losses within ten days after judgment. Wenxi Hongyu Chemical Co., Ltd has applied for enforcement through the court after the judgment occurres and the enforcement occurs.

(3) Luoyang Kaiyu Material Co., Ltd. (hereinafter referred to as "Kaiyu Company")prosecuted the Company for payment dispute case

Kaiyu Company signed sale contracts with the Company many times, the Company paid for part goods but there is still substantial payment in arrears, so Kaiyu Company required the Company to repay Rmb777,227.67 and relevant interest.

Due to the unpaid overdraft, Kaiyu Company prosecuted the Company for unpaid overdraft and interest losses. On 9 June 2009, a judgment of payment of Rmb809,478.4 including interests has been made through the first instance judgement by Luoyang Xigong People's Court. On 16 September 2009, according to the judgment of Jiangyin People's Court, Jiangsu Chenzhou Company should pay for the debt of Kaiyu Company in installment based on an agreement.

At present, amount of Rmb100,000.00 has been paid and the remaining amount is still in process.

XII. OTHER SIGNIFICANT EVENTS *(Continued)*

Main litigation matters as at 31 December 2009, *(Continued)*

(4) Shandong Linyi Hengrun Chemical Co,. Ltd (hereinafter referred to as "Hengrun Company") prosecuted the Company for heavy oil payment dispute case

From 2007 to 2008, Hengrun Company carried out many trade transactions with the Company. On 8 May 2008, the Company sent confirmation letter to Hengrun Company and confirmed payment in arrears Rmb7,480,341.29. Then Hengrun Company appealed to court for the reason that Hengrun Company signed 5 sale contracts with the Company and fulfilled the obligations, but the Company failed to repay Rmb7,480,341.29. On 31 May 2009,the final judgment judged by Province High Court that the Company should pay a total amount of purchasing price and interests of Rmb7,480,341.29 within ten days after judgment occurs. Hengrun Company has applied for enforcement of which the amount of Rmb6,310,000.00 occurred and the rest amount is still in enforcement.

(5) Yulin Huatong Coal Operation Co,.Ltd (hereinafter referred to as "Huatong Company") prosecuted CLFG Longhao Glass Limited for coal payment dispute case

From September 2007, Huatong Company has supplied coal to Longhao Limited. Huatong Company has prosecuted to court and required the Company to be jointly liability for there is an amount of Rmb3,487,289.10 in arrears. At 31 May 2009,the judgment judged by Luoyang Intermediate People's Court that the Company should pay an amount of purchasing coal of Rmb3,487,289.10 within ten days after judgment occurs. If the obligation of payment is failure to settle, debt interests arised during the delayed settlement period would be doubled in accordance with the regulation No. 229 of PRC Code of Civil Procedure.

Huatong Company has applied for enforcement of which the amount of Rmb500,000.00 occurred and the rest amount is still in enforcement.

(6) Hebei Xingtai Cable Company Limited (hereinafter referred to as "Xingtai Company") prosecuted CLFG Longhao Glass Limited for cables payment dispute case

At 15 August 2005,two companies have entered into a contract of purchasing and selling. There is an amount of Rmb500,000.00 in arrears after part has been paid by Longhao Company.

On 25 March 2009, Xingtai Cable Company Limited prosecuted to Xingtai Qiaodong District People's court and the final judgment that Company should pay an purchasing price of Rmb500,000.00 and penalties of Rmb74,960.00 within ten days after judgment occures. It has been applied for enforcement of Rmb585,540.00 after the enforcement occurs and the rest amount of Rmb10,520.00 is still in enforcement.

(7) Wang Qiuping prosecuted CLFG Longfei Glass Limited for transferring payment of equity case

Wang Qiuping is one shareholder of CLFG Longxiang Glass Limited and has entered into an agreement of transferring equity with Longfei Limited,of which equity held transferred to Longfei Limited at an amount of Rmb1,288,300.00. Due to the delated payment of transferring amount, Wang Qiuping has applied the arbitration to Luoyang Arbitration Committee on 15 March 2009. On 30 September 2009 an reconciliation has been achieved and the Company implement in accordance with the reconciliation as installment.

(8) Changzhou Daming Glass Co,.Ltd (hereinafter referred to as "Daming Company") prosecuted CLFG Longfei Glass Limited for transferring payment of equity case

Daming Company is one shareholder of CLFG Longxiang Glass Limited and has entered into an agreement of transferring equity with Longfei Limited,of which equity held transferred to Longfei Limited at an amount of Rmb1,288,300.00. Due to the delated payment of transferring amount, Wang Qiuping has applied the arbitration to Luoyang Arbitration Committee on 15 March 2009. At 30 September 2009 an reconciliation has been achieved and the Company implement in accordance with the reconciliation as installment.

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Categories:

Item	31 December 2009 Carrying amount Amount	Rate (%)	Bad debt Amount	Rate (%)
Individually significant amounts	**198,406,109.37**	**79.20**		
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	**389,326.70**	**0.16**		
Other insignificant amounts	**51,725,281.87**	**20.64**	**44,316,182.28**	**100.00**
Total	**250,520,717.94**	**100.00**	**44,316,182.28**	**100.00**

Item	31 December 2008 Carrying amount Amount	Rate (%)	Bad debt Amount	Rate (%)
Individually significant amounts	218,784,012.11	75.04		
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	42,575,479.60	14.60	42,575,479.60	100.00
Other insignificant amounts	30,182,833.25	10.35		
Total	291,542,324.96	100.00	42,575,479.60	100.00

Note:

(1) As at 31 December 2009, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(2) When the ending balance of individual accounts receivable occupying 5% or more of net assets, the individual accounts receivable is identified as individually significant amount. Individually insignificant accounts receivable with ages over 3 years or drawn full bad debt provision is identified as individual insignificant amounts but subject to considerable risks as a group based credit risk profile.

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

1. Accounts receivable *(Continued)*

(2) Ageing analysis:

	31 December 2009				31 December 2008			
	Carrying amount		Bad debt		Carrying amount		Bad debt	
Ages	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Within 1 year	**147,254,801.06**	**58.78**			248,966,845.36	85.40		
1–2 years	**60,690,437.28**	**24.23**	**1,740,702.68**	**30.00**				30.00
2–3 years				**50.00**				50.00
Over 3 years	**42,575,479.60**	**16.90**	**42,575,479.60**	**100.00**	42,575,479.60	14.60	42,575,479.60	100.00
Total	**250,520,717.94**	**100.00**	**44,316,182.28**		291,542,324.96	100.00	42,575,479.60	

(3) Top five largest accounts receivable:

Name	Relationship with the Company	Amount	Ages	Percentage(%)
CLFG Longxiang Glass Co. Ltd	Subsidiary	69,127,290.75	Within 1 year	27.59
CLFG Longmen Glass Co. Ltd	Subsidiary	62,181,124.07	0–2 years	24.82
CLFG Long Fei Glass Co. Ltd	Subsidiary	20,122,146.56	0–2 years	8.03
CLFG Long Hao Glass Limited	Subsidiary	19,020,720.26	Within 1 year	7.59
Luoyang Longxin Glass Company Limited	Fellow subsidiary of CLFG	16,039,486.73	Within 1 year	6.40
Total		186,490,768.37		74.43

(4) Accounts receivable of related party

Name	Relationship with the Company	Amount	Percentage(%)
CLFG Longxiang Glass Co. Ltd	Subsidiary	69,127,290.75	27.59
CLFG Longmen Glass Co. Ltd	Subsidiary	62,181,124.07	24.82
CLFG Long Fei Glass Co. Ltd	Subsidiary	20,122,146.56	8.03
CLFG Long Hao Glass Limited	Subsidiary	19,020,720.26	7.59
Luoyang Longxin Glass Company Limited	Subsidiary	16,039,486.73	6.40
Luoyang Glass Industrial Co., Ltd	Subsidiary	11,915,341.00	4.76
CLFG Processed Glass Company Limited	Subsidiary	443,522.12	0.18
CLFG Long Hai Electronic Glass Limited	Subsidiary	389,326.70	0.16
Total		199,238,958.19	79.53

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables

(1) Categories

	31 December 2009			
	Carrying amount		Bad debt	
Item	**Amount**	**Rate (%)**	**Amount**	**Rate (%)**
Individually significant amounts	**597,238,149.18**	**91.36**	**205,191,962.68**	**89.42**
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	**24,311,445.04**	**3.72**	**24,270,045.04**	**10.58**
Other insignificant amounts	**32,166,679.98**	**4.92**	**5,000.00**	
Total	**653,716,274.20**	**100.00**	**229,467,007.72**	**100.00**

	31 December 2008			
	Carrying amount		Bad debt	
Item	Amount	Rate (%)	Amount	Rate (%)
Individually significant amounts	224,813,144.17	82.26	15,000,000.00	29.89
Individual insignificant amounts but subject to considerable risks as a group based credit risk profile	35,475,163.85	12.98	35,182,763.85	70.11
Other insignificant amounts	13,021,276.65	4.76		
Total	273,309,584.67	100.00	50,182,763.85	100.00

Note:

1. As at 31 December 2009, other receivables amounted to Rmb2,579,200.00 due from a shareholder who holds 5% or more of the voting shares of the Company is CLFG.

2. As at 31 December 2009 other receivables has increased by 90.14%,compared with that of 1 January 2009, which main due to the increase of internal loans to subsidiaries.

3. When the ending balance of individual other receivables occupying 5% or more of net assets, the individual other receivables is identified as individually significant amount. Individually insignificant other receivable with ages over 3 years or drawn full bad debt provision is identified as individual insignificant amounts but subject to considerable risks as a group based credit risk profile.

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables *(Continued)*

(2) *Bad debt of other receivables with individually significant amounts or insignificant amounts but need an individually impairment test*

Item	Carrying amount	Bad debt	Percentage	Reason
CLFG Longmen Glass Co. Ltd	205,066,679.12	179,678,352.48	87.62%	Excess deficit
Yinan Mineral Products Ltd	27,992,503.64	15,000,000.00	53.59%	Continued loss
Total	233,059,182.76	194,678,352.48		

(3) *Ageing analysis:*

	31 December 2009				31 December 2008			
	Carrying amount		Bad debt		Carrying amount		Bad debt	
Ages	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)	Amount	Rate (%)
Within 1 year	586,014,109.10	89.64	179,401,919.87	0	202,134,934.62	73.96		0
1-2 years	4,550,709.15	0.70		30	5,045,427.50	1.85	300,000.00	30
2-3 years	96,464.46	0.01		50	46,161.96	0.02	344,356.00	50
Over 3 years	63,054,991.49	9.65	50,065,087.85	100	66,083,060.59	24.18	49,538,407.85	100
Total	653,716,274.20	100.00	229,467,007.72		273,309,584.67	100.00	50,182,763.85	

(4) *Top five largest other receivables*

Name	Relationship with the Company	Amount	Ages	Percentage (%)
CLFG Longmen Glass Co. Ltd	Subsidiary	216,830,941.54	Within 1 year	33.17
CLFG Long Hai Electronic Glass Limited	Subsidiary	157,319,692.66	Within 1 year	24.07
CLFG Long Hao Glass Limited	Subsidiary	115,423,309.04	Within 1 year	17.66
CLFG Long Fei Glass Co. Ltd	Subsidiary	77,259,555.00	Within 1 year	11.82
Yinan Mineral Products Ltd	Subsidiary	30,578,697.44	Within 1 year	4.68
Total		597,412,195.68		91.40

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables *(Continued)*

(5) *Other receivables of related party*

Name	Relationship with the Company	Amount	Percentage(%)
Luoyang Longxin Glass Company Limited	Fellow subsidiary of CLFG	1,026,902.67	0.16
CLFG Xinxing Industry Development Co., Ltd.	Fellow subsidiary of CLFG	1,373,020.94	0.21
Henan Zhonglian Glass Co., Ltd.	Fellow subsidiary of CLFG	550,000.00	0.08
CLFG Jingwei Glass Fibre Co., Ltd.	Fellow subsidiary of CLFG	123,091.65	0.02
CLFG (Beijing)Internation EngineeringLimited	Fellow subsidiary of CLFG	60,000.00	0.01
CLFG jinghua Techonical Industry Company	Fellow subsidiary of CLFG	32,978.94	0.01
Luoyang Jingxin Ceramic Co. Ltd.	Fellow subsidiary of CLFG	3,000.00	0.00
Total		3,168,994.20	0.49

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

3. Long-term equity investment

(1) Details of long-term equity investment

Name	Measured method	Initial investment cost	31 December 2008	Increase/ decrease in the period	31 December 2009	Equity interest in the Company (%)	Voting share in the Company (%)	Reason for difference of voting share and equity interest in the Company	Impairment provision	Impairment provision this year	Bonus
CLFG Longmen Glass Co. Ltd	Cost method	64,513,389.18	64,513,389.18		64,513,389.18	79.06	79.06		64,513,389.18		
CLFG Long Fei Glass Co. Ltd	Cost method	40,000,000.00	40,000,000.00		40,000,000.00		63.98	63.98			
CLFG Long Hai Electronic Glass Limited	Cost method	48,000,000.00	48,000,000.00	941,425.28	48,941,425.28	100.00	100.00				
CLFG Long Hao Glass Limited	Cost method	40,000,000.00	40,000,000.00	7,300,356.93	47,300,356.93	100.00	100.00				
Luoyang Glass Industrial Co., Ltd	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00				
Xiangfang Luoshen Auto Glass Ltd.	Cost method	20,000,000.00	20,000,000.00	(20,000,000.00)	–	66.67	66.67		20,000,000.00	(20,000,000.00)	
Yinan Mineral Products Ltd.	Cost method	14,560,000.00	14,560,000.00		14,560,000.00	52.00	52.00				
Sub-total		232,073,389.18	232,073,389.18	(11,758,217.79)	220,315,171.39				84,513,389.18	(20,000,000.00)	–
CLFG Hoisting Machinery Company Limited	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	36.68	36.68		5,000,000.00		
CLFG Jingwei Glass Fibre Co., Ltd.	Cost method	4,000,000.00	4,000,000.00		4,000,000.00	35.90	35.90		4,000,000.00		
CLFG Luoyang Jingjiu Glass Products Company Limited	Cost method	1,500,000.00	1,500,000.00		1,500,000.00	31.08	31.08		1,500,000.00		
CLFG New Lighting Company Limited	Cost method	2,291,217.53	2,291,217.53		2,291,217.53	29.45	29.45		2,291,217.53		
Hunan Chenzhou Bada Glass Co. Ltd.	Cost method	75,892,000.00	75,892,000.00	(75,892,000.00)	–				75,892,000.00	(75,892,000.00)	
Sub-total		88,683,217.53	88,683,217.53	(75,892,000.00)	12,791,217.53				88,683,217.53	(75,892,000.00)	–
Luoyang Jingxin Ceramic Co. Ltd.	Equity method	20,553,050.00				–	49.00	49.00			
CLFG Finance Company Limited	Equity method	111,000,000.00	121,212,879.48	(121,212,879.48)	–	37.00	37.00				1,552,278.90
CLFG Processed Glass Company Limited	Equity method	89,096,000.00			–	49.09	49.09				
CLFG Mineral Products Company Limited	Equity method	12,475,313.63			–	40.29	40.29				
Sub-total		233,124,363.63	121,212,879.48	(121,212,879.48)	–				–	–	1,552,278.90
Total		553,880,970.34	441,969,486.19	(208,863,097.27)	233,106,388.92				173,196,606.71	(95,892,000.00)	1,552,278.90

Note: Details of disposed shares of Luoshen Auto Glass Ltd., Chenzhou Bada Glass Co. Ltd and. CLFG Finance Company Limited refer to the note IV.2 Disposal of subsidiaries for losing of controlling and V.8 long-term investment

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

4. Operating income and operating cost

i. *Details of operating income as following:*

Item	2009	2008
Income from principal operations	**581,775,969.29**	725,796,120.15
Other operating income	**517,510,978.25**	612,593,752.49
Total	**1,099,286,947.54**	1,338,389,872.64

ii. *Details of operating cost as following*

Item	2009	2008
Cost from principal operations	**579,935,765.64**	768,612,752.42
Other operating cost	**498,383,417.68**	588,571,146.87
Total	**1,078,319,183.32**	1,357,183,899.29

iii. *Business segments:*

	2009		2008	
Items	Principal operating income	Principal operating income	Principal operating income	Principal operating income
Principal operations (glass)	**581,775,969.29**	**579,935,765.64**	725,796,120.15	768,612,752.42
Other operating (material)	**517,510,978.25**	**498,383,417.68**	612,593,752.49	588,571,146.87
Total	**1,099,286,947.54**	**1,078,319,183.32**	1,338,389,872.64	1,357,183,899.29

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

4. Operating income and operating cost *(Continued)*

iv. The five largest clients are as follows:

Items	Operating income	Percentage (%)
CLFG Long Hao Glass Limited	236,869,952.67	21.55
Luoyang Longxin Glass Company Limited	139,434,097.33	12.68
CLFG Longxiang Glass Co. Ltd	97,722,848.62	8.89
Henan Huaqi Glass Limited	50,180,148.54	4.56
Zhengzhou New Central Glass Products Limited	45,164,880.47	4.11
Total	569,371,927.63	51.79

5. Investment income

(1) Details of investment income as follows:

Item	2009	2008
Income of long-term equity investment measured by cost method		
Income of long-term investment measured by equity method	**1,552,278.90**	5,867,624.09
Income from disposal of long-term equity investment	**24,399,058.16**	(710,455.71
Interest income from designated loans	**10,204,646.07**	41,163,626.10
Other		
Total	**36,155,983.13**	46,320,794.48

(2) Income of long-term investment measured by equity method

Name	2009	2008	Reason of changes
CLFG Finance Company Limited	**1,552,278.90**	5,867,624.09	Disposal CLFG Finance Company Limited
Total	**1,552,278.90**	5,867,624.09	

(Expressed in Renminbi)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

6. Supplementary information of cash flow statement

Item	2009	2008
I. Net profit adjusted to cash flow of operating activities		
Net profit	**(146,449,749.93)**	8,387,056.86
Add: Provision for assets impairment	**58,996,561.02**	64,159,617.91
Depreciation of fixed assets	**24,745,052.20**	35,279,535.34
Amortization of intangible assets	**993,753.60**	1,503,329.80
Amortization of long-term prepaid expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets		(180,842,038.39)
Losses on scrapping of fixed assets	**13,444,907.42**	
Losses from changes of fair value		
Finance expenses	**18,928,166.19**	60,639,430.80
Investment losses	**(36,155,983.13)**	(46,320,794.48)
Decrease in deferred tax assets		
Increase in deferred tax liabilities		
Decrease in inventories	**23,187,941.65**	49,414,332.11
Decrease in operating receivables	**(19,300,970.11)**	(290,212,514.77)
Increase in operating payables	**(68,107,918.00)**	223,143,064.07
Other		
Net cash flow from operating activities	**(129,718,239.09)**	(74,848,980.75)
III. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	**2,612,481.30**	33,357,907.73
Less: Opening balance of cash and cash equivalents	**33,357,907.73**	58,028,304.32
Net increase in cash and cash equivalents	**(30,745,426.43)**	(24,670,396.59)

(Expressed in Renminbi)

IVX. SUPPLEMENTARY INFORMATION

1. Details of extraordinary profit and loss in 2009

According to "Declaration on Explanation of Information Disclosure of companies issued securities publicly No 1#—non-operating profit and loss(2008)"(Declaration of China Securities Regulatory Commission [2008] No. 43")《公開發行證券的公司信息披露解釋性公告第1號—非經常性損益(2008)》[證監會公告(2008)43號], issued by China Securities Regulatory Commission ("CSRC"), non-operating profit and loss are as follows:

Items	Amount	Note
Profit or loss on disposal of non-current assets	(16,355,415.70)	*Note 1, Note 2*
Government subsidies accounted for as current profits and losses		
Profit or loss of debt restructuring	3,523,212.52	
Other non-operating income and expenses except listed above items	(4,822.07)	
Effect of minority interest	14,509.94	
Effect of income taxation	(16,033.81)	
Total	(12,838,549.12)	

Note:

1. Details of disposed shares of Luoshen Auto Glass Ltd., Chenzhou Bada Glass Co. Ltd and. CLFG Finance Company Limited refer to the note IV.2 Disposal of subsidiaries for losing of controlling ,V.8 long-term investment and XIII.5 investment income.

2. Details of scrapping of fixed assets refer to note V.37 non-operating expenses.

2. Accounting differences arising from preparement in accordance with the PRC Accounting Standards and IFRSs

(1) *The main difference is summarized below:*

Item	Net profit attributable to parent company 2009	Net profit attributable to parent company 2008	Net assets attributable to parent company 31 December 2009	Net assets attributable to parent company 31 December 2008
As prepared under PRC Accounting Standards	**(167,456,263.00)**	12,783,782.14	**34,678,917.62**	229,156,045.71
As prepared under IFRS (including adjustment)				
— Gains on sales of use of land		34,657,279.62	**34,657,279.62**	34,657,279.62
— Gains on disposal of subsidiary		15,833,763.66	**15,833,763.66**	15,833,763.66
— Amortization of re-appraisal value of use of land	**769,889.52**	1,500,370.87	**(75,781,739.61)**	(76,551,629.13)
— Government subsidy	**461,538.00**	461,538.00	**(2,723,924.00)**	(3,185,462.00)
— Difference arising from consolidated under different accounting standards			**2,721,957.51**	3,653,000.00
— Difference arising from recognition of package materials under different accounting standards		(7,615,573.49)	**—**	871,426.51
— Other		(3,580,773.94)	**(6,575,000.00)**	(6,575,000.00)
As prepared under IFRS	**(166,224,835.48)**	54,040,386.86	**2,811,254.80**	197,859,424.36

(Expressed in Renminbi)

IVX. SUPPLEMENTARY INFORMATION *(Continued)*

2. Accounting differences arising from preparement in accordance with the PRC Accounting Standards and IFRSs *(Continued)*

(2) Reason for differences:

Note:

1. PKF Certified Public Accountants is the international auditor of the Company in 2008.

2. The reason of main difference: the land use right disclosed under PRC Accounting Standards includes is measured by fair value, that includes land value-added part through assessment and the land is allocated by the holding company. But for this matter, IFRS would adopt cost model to measure, so causing cost difference and amortization difference. Under PRC Accounting Standards, the land value-added part will be reflected as shareholder equity, but IFRS would not confirm the land value-added part or record this as shareholder equity or others.

3. Return on net assets and earnings per share

According to "Information Disclosure and preparement regulations of companies issued securities publicly No 9#–Calculation and Disclosure of Return on rate of net assets and earnings per share (Revised in 2010)" ("Declaration of China Securities Regulatory Commission [2010] No.2")《公開發行證券的公司信息披露編報規則第9號—淨資產收益率和每股收益的計算及披露(2010年修訂)》(「中國證券監督管理委員會公告[2010]2號), 」Declaration on Explaination of Information Disclosure of companise issued securities publicly No 1#--non-operating profit and loss(2008)"(Declaration of China Securities Regulatory Commission [2008] No. 43")《公開發行證券的公司信息披露解釋性公告第1號--非經常性損益》(「中國證券監督管理委員會公告[2008]43號」) issued by China Securities Regulatory Commission ("CSRC"), earnings per share are as follows:

(1) 2009

Profit for the year	Return on net weighted average assets *(%)*	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	(115.15)	(0.3349)	(0.3349)
Net profit attributable to shareholders of the Company after deducting extraordinary items	(106.32)	(0.3092)	(0.3092)

(Expressed in Renminbi)

IVX. SUPPLEMENTARY INFORMATION *(Continued)*

3. Return on net assets and earnings per share *(Continued)*

(2) 2008

Profit for the year	Return on net weighted average assets *(%)*	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders of the company	5.74	0.026	0.026
Net profit attributable to shareholders of the Company after deducting extraordinary items	(110.42)	(0.492)	(0.492)

XV. APPROVAL OF FINANCIAL STATEMENTS

The Company's annual financial statements are approved by the board of directors at 30 March 2010.

According to the regulations,the financial statements will be supplied to shareholders' meeting.

Luoyang Glass Company Limited
30 March 2010

Documents available for inspection

1. Original copy of the financial statements signed and sealed by the Chairman, the General Manager and the Chief Financial Officer.

2. Original copy of the auditors' report stamped by Daxin Certified Public Accountants and signed by PRC certified public accountants, and the financial statements prepared under the PRC Accounting Rules and Regulations; text of the auditors' report signed by PKF Certified Public Accountants, and the financial statements prepared under International Financial Reporting Standards.

3. All original copies of the Company's document and the original drafts of the Company's announcements as disclosed on the newspapers designated by the CSRC during the reporting period.

Written Confirmation of Directors and Senior Management

In accordance with the relevant requirements of Securities Law of the People's Republic of China and Administration Measures on Information Disclosure of Listed Companies of China Securities Regulatory Commission, upon diligent review of the annual report 2008 of the Company, directors and senior management of Luoyang Glass Company Limited were of the opinion that the report reflected the actual situation of the Company truthfully, accurately and completely, and that there were no false statements, misrepresentations or material omissions contained herein, and the preparation and audit procedures of the annual report complied with the laws, administrative regulations and requirements of China Securities Regulatory Commission.

Signature of Directors and Senior Management

Executive Directors

Song Jianming	Ni Zhisen	Song Fei	Cheng Zonghui

Non-executive Directors

Shen Anqin	Bao Wenchun	Guo Yimin

Independent Non-executive Directors

Guo Aimin	Zhang Zhanying	Huang Ping	Dong Jiachun

30 March 2010