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

2010
Annual Report

Contents

Important Notice

The board of directors (the "Board"), the supervisory committee, the directors (the "Directors"), supervisors and senior management of the Company warrant that there are no false representation and misleading statement or material omission in 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 Accounting Standards for Business Enterprises of the People's Republic of China ("PRC") 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 standard and unqualified auditors' report.

There was no utilization of funds by the controlling shareholders and their related parties during the Reporting Period.

There was no external guarantee in violation of the stipulated decision-making procedures during the Reporting Period.

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

Company profile

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

10.	Legal Person Business Registration Number of the Company:	Qi Ye Yu Luo Zong Zi 000327
11.	Taxation Registration Number of the Company:	410303001001000027
12.	Enterprise Code Certificate:	61480889-9
13.	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
14.	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
15.	Custodian for the Company's Non-circulating Shares:	GUOSEN SECURITIES CO., LTD.
16.	Share Registrars and Transfer Office for H Shares:	Hong Kong Registrars Limited Rooms 1901-5, 19th Floor, Hopewell Centre, 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 Ministry of Finance of the People's Republic of China (prepared under the "PRC Accounting Standards"))

(1) Major financial data in the reporting period

Items	Amount *(RMB)*
Operating loss	(4,174,580.34)
Total profit	72,984,475.22
Net profit attributable to shareholders of the Company	60,787,804.31
Net profit after non-recurring items attributable to shareholders of the Company	52,673,738.58
Net cash flow from operating activities	22,939,486.99

(2) Net profit after items of non-recurring gains or losses

Items of non-recurring gains or losses	Amount *(RMB)*
Gains on disposal of non-current assets	1,253,770.69
Government subsidies through profit or loss for the reporting period	74,921,373.03
Gains from debt reorganization	1,853,191.25
Other non-operating income and expenses	(869,279.41)
Corporate restructuring fees such as staff resettlement expenses, consolidation charges and etc.	(68,486,387.32)
Effect of non-recurring profit or loss on income tax	(161,664.64)
Effect of non-recurring profit or loss on minority interest	(396,937.87)
Total	8,114,065.73

(3) Differences between IFRSs and the PRC Accounting Standards

Unit: RMB

	PRC Accounting Standards	IFRSs
Net profit attributable to the shareholders of the listed company	60,787,804.31	61,946,533.26
Equity attributable to the shareholders of the parent company	115,555,651.36	63,397,479.56

Explanations for difference

1. The main reason of the difference: land use right disclosed under PRC GAAP includes holding company's revaluation gain from fair value re-alignment. Yet, under IFRS, cost model is adopted and cost of land is booked at zero cost. As the accounting models under different accounting standards result in different cost values, difference in land use right amortisation has arisen.

   Under PRC Accounting Standards, the land use right revaluation gain will be reflected in shareholders' equity. Yet under IFRS, which adopts cost model, revaluation gain would not be recognised, and therefore the gain would not be recorded in shareholders' equity or other accounts.

2. As PRC GAAP require retrospective adjustment be made to subsidiaries' losses in excess of non-controlling interests' pro-rated contribution of shareholders' equity, undistributed profits at beginning of the Reporting Period is increased by RMB 59,083,263.20 and non-controlling interests at beginning of the Reporting Period is reduced by RMB 59,083,263.20. In financial year 2009, profit attributable to parent company is increased by RMB25,633,993.86, while non-controlling interests is decreased by RMB25,633,993.86. However, under IFRS, adjustment to the above excessive losses to be borne by non-controlling interests pro-rated equity shareholding would be prospectively applied, and no adjustment would be made to opening balance.

Summary of accounting and business data

(4) Major accounting data and financial indicators for the last three years as at the end of the reporting period

Unit: RMB

	2010	2009 Before adjustment	2009 After adjustment	Increase/ (decrease) of the year over last year (%)	2008 Before adjustment	2008 After adjustment
Operating income	**1,168,481,659.06**	972,949,859.17	972,949,859.17	20.10	1,322,532,854.82	1,322,532,854.82
Total profit/(loss)	**72,984,475.22**	(171,666,551.34)	(171,666,551.34)	Not Applicable	(37,209,125.73)	(37,209,125.73)
Net profit/(loss) attributable to shareholders of the listed company	**60,787,804.31**	(167,456,263.00)	(141,822,269.14)	Not Applicable	12,783,782.14	23,469,642.64
Net profit/(loss) attributable to shareholders of the listed company after deducting extraordinary profit or loss	**52,673,738.58**	(154,617,713.88)	(130,622,403.97)	Not Applicable	(245,984,788.36)	(235,298,927.86)
Net cash flow from operating activities	**22,939,486.99**	(82,566,656.61)	(82,566,656.61)	Not Applicable	(47,722,300.79)	(47,722,300.79)

	At the end of 2010	At the end of 2009 Before adjustment	At the end of 2009 After adjustment	Increase/ (decrease) of the year over last year (%)	At the end of 2008 Before adjustment	At the end of 2008 After adjustment
Total assets	**1,439,514,723.66**	1,485,214,615.77	1,485,214,615.77	(3.08)	2,003,149,707.07	2,003,149,707.07
Equity attributable to owners' (or shareholders) of the parent company	**115,555,651.36**	34,678,917.62	93,762,180.82	23.24	229,156,045.71	255,845,242.61

Summary of accounting and business data

(4) Major accounting data and financial indicators for the last three years as at the end of the reporting period *(Continued)*

Major accounting indications	2010	2009 Before adjustment	2009 After adjustment	Increase/ (decrease) of the year over last year *(%)*	2008 Before adjustment	2008 After adjustment
Basic earnings/ (loss) per share	**0.1216**	(0.335)	(0.2836)	Not Applicable	0.026	0.0469
Diluted earnings/(loss) per share	**0.1216**	(0.335)	(0.2836)	Not Applicable	0.026	0.0469
Basic earnings/(loss) per share after deducting extraordinary profit or loss	**0.1053**	(0.309)	(0.2612)	Not Applicable	(0.492)	(0.4706)
Fully diluted return/(loss) on net assets *(%)*	**52.6**	(482.88)	(151.26)	Not Applicable	5.58	9.17
Weighted average return/(loss) on net assets *(%)*	**53.13**	(115.15)	(83.93)	Not Applicable	5.74	10.29
Fully diluted return/(loss) on net assets after deducting extraordinary profit or loss *(%)*	**45.58**	(445.86)	(139.31)	Not Applicable	(107.34)	(91.97)
Weighted average return/(loss) on net assets after deducting extraordinary profit or loss *(%)*	**46.04**	(106.32)	(77.30)	Not Applicable	(110.42)	(103.15)
Net cash flow from operating activities per share	**0.046**	(0.165)	(0.165)	Not Applicable	(0.095)	(0.095)
Net asset per share attributable to shareholders of the listed company	**0.231**	0.069	0.188	22.87	0.458	0.512

Change in share capital and particulars of shareholders

(1) Changes in share capital

Unit: Share

Item	Before change		Change (+/-)					After change	
	Number	Percentage	Issue of new shares	Bonus issue	Share converted from public reserve	Others	Sub-total	Number	Percentage
I. Share subject to trading moratorium	179,018,242	35.80%	—	—	—	-179,018,242	-179,018,242	0	0
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	179,018,242	35.80%	—	—	—	-179,018,242	-179,018,242	0	0
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%	—	—	—	179,018,242	179,018,242	500,018,242	100%
1. Ordinary shares denominated in RMB	71,000,000	14.20%	—	—	—	179,018,242	179,018,242	250,018,242	50%
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 shareholders	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	Number 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 ("CLFG")	179,018,242	179,018,242	—	—	—	17 May 2010

(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 of the Company during the reporting period.

(III) Shareholders and de facto controlling shareholder

1. Numbers and shareholding of shareholders

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	49.54%	247,722,998	0	0
China Luoyang Float Glass (Group) Company Limited	Holder of state-owned shares	31.80%	159,018,242	0	159,018,242
Liu Yongsheng	Individual shareholder	0.887%	4,438,347	0	0
Fang Caixia	Individual shareholder	0.681%	3,410,244	0	0
Chen Mingzhu	Individual shareholder	0.254%	1,268,990	0	0
Guo Donglin	Individual shareholder	0.253%	1,265,534	0	0
China Construction Bank -Huabao Industrial Multi-strategy Growth Securities Investment Fund	Fund	0.215%	1,074,725	0	0
Zhang Shuxia	Individual shareholder	0.188%	940,680	0	0
China Investment New Asian-Pacific (Henan) Investment Management Co., Ltd.	Corporate shareholder	0.163%	816,794	0	0
Wang Jingsi	Individual shareholder	0.160%	801,753	0	0

Change in share capital and particulars of shareholders

(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	247,722,998	Overseas listed foreign shares
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB
Liu Yongsheng	4,438,347	Ordinary shares denominated in RMB
Fang Caixia	3,410,244	Ordinary shares denominated in RMB
Chen Mingzhu	1,268,990	Ordinary shares denominated in RMB
Guo Donglin	1,265,534	Ordinary shares denominated in RMB
China Construction Bank — Huabao Industrial Multi-strategy Growth Securities Investment Fund	1,074,725	Ordinary shares denominated in RMB
Zhang Shuxia	940,680	Ordinary shares denominated in RMB
China Investment New Asian-Pacific (Henan) Investment Management Co., Ltd.	816,794	Ordinary shares denominated in RMB
Wang Jingsi	801,753	Ordinary shares denominated in RMB

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

Note: Nature of shareholder includes state-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. Zhao Yuanxiang
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 Building Material Glass Company	51.7%
Bengbu Glass Industry Design Institute	19%
Luoyang State-owned Asset Operation Company Limited	10.27%
China Huarong Asset Management Corporation	8.55%
China Great Wall Asset Management Corporation	5.44%
China Orient Asset Management Corporation	3.10%
China Cinda Asset Management Co., Ltd.	1.94%

Change in share capital and particulars of shareholders

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

4. Changes of de facto controller

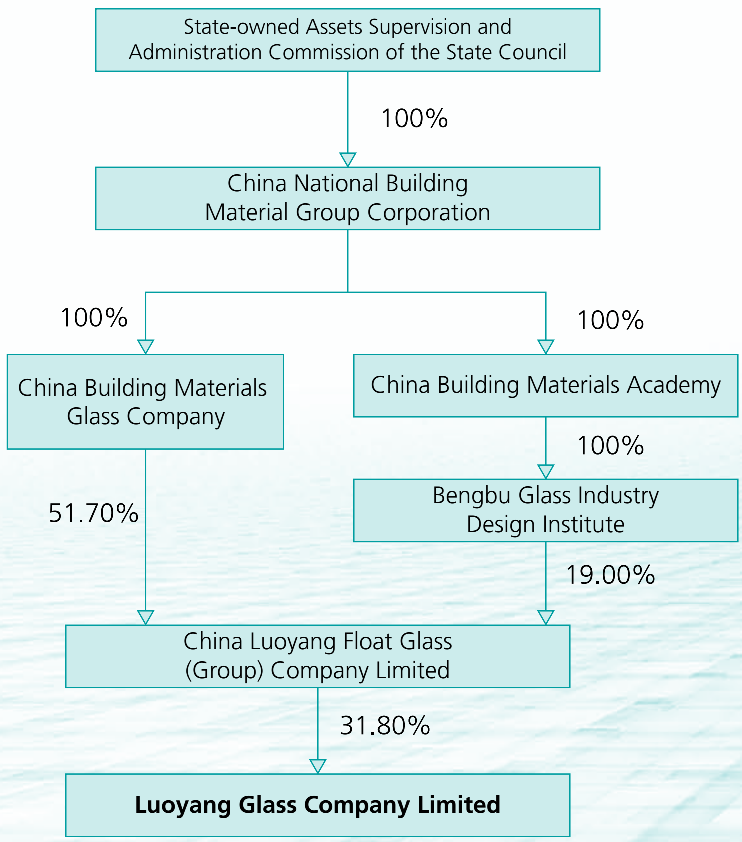
On 9th July, 2010, China National Building National (Group) Co., Ltd., ("CNBMG"), the ultimate controller of the Company, transferred its 19% equity interest in CLFG (the controlling shareholder of the Company) to Bengbu Glass Industry Design Institute ("Bengbu") at nil consideration. Bengbu is wholly-owned by CNBMG through its wholly-owned subsidiary, China Building Materials Academy.

On 12th July, 2010, CNBMG entered into a conditional share transfer agreement with China Building Materials Glass Company ("CBM Glass"), pursuant to which CNBMG agreed to transfer 51.70% equity interest in CLFG to CBM Glass at nil consideration. CBM Glass is a wholly-owned subsidiary of CNBMG.

On 8 December 2010, CBM Glass obtained the approval from China Securities Regulatory Commission ("CSRC") for a waiver from strict compliance with the requirements to make a mandatory offer in respect of the transfer of its equity interest at nil consideration and the control of 159,018,242 shares of the Company, representing 31.80% of the total issued share capital of the Company.

Since then, the transfer of 70.7% equity interest in CLFG held by CNBMG was completed, and CNBMG remains the de facto controller of the Company.

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 *(shares)*	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
Song Jianming	Chairman	Male	54	30 June 2008 (Director) 27 May 2009 (Chairman)	18 May 2012	0	0	N/A	32.08	No
Ni Zhisen	Executive Director & General Manager	Male	39	27 May 2009 (General Manager) 28 September 2009 (Director)	18 May 2012	0	0	N/A	26.31	No
Song Fei	Executive Director, Chief Financial Controller & Secretary to the Board	Female	47	14 April 2008 (Chief Financial Controller) 30 June 2008 (Director) 11 December 2008 (Secretary to the Board)	18 May 2012	0	0	N/A	16.68	No
Cheng Zonghui	Executive Director & Deputy General Manager	Male	48	24 July 2007 (Deputy General Manager) 28 September 2009 (Director)	18 May 2012	0	0	N/A	16.60	No
Shen Anqin	Former Non-executive Director	Male	61	10 September 2007	30 June 2010	0	0	N/A	2	Yes
Bao Wenchun	Former Non-executive Director	Male	56	18 May 2009	30 June 2010	0	0	N/A	2	Yes
Guo Yimin	Non-executive Director	Male	46	28 September 2009	18 May 2012	0	0	N/A	4	Yes
Zhao Yuanxiang	Non-executive Director	Male	42	25 August 2010	18 May 2012	0	0	N/A	1.3	Yes
Zhang Chengong	Non-executive Director	Male	38	25 August 2010	18 May 2012	0	0	N/A	1.3	Yes
Guo Aimin	Independent Director	Male	56	10 April 2006	18 May 2012	0	0	N/A	4	No
Zhang Zhanying	Independent Director	Male	53	10 April 2006	18 May 2012	0	0	N/A	4	No
Huang Ping	Independent Director	Male	42	18 May 2009	18 May 2012	0	0	N/A	4	No
Dong Jiachun	Independent Director	Male	54	28 September 2009	18 May 2012	0	0	N/A	4	No
Ren Zhenduo	Chairman of the Supervisory Committee	Male	46	10 September 2007 (Supervisor) 12 September 2007 (Chairman of the Supervisory Committee)	18 May 2012	0	0	N/A	2	Yes
He Baofeng	Independent Supervisor	Male	39	10 September 2007	18 May 2012	0	0	N/A	2	No
Yao Wenjun	Former Supervisor	Female	42	10 September 2007	29 July 2010	0	0	N/A	1.17	Yes
Guo Hao	Independent Supervisor	Male	53	18 May 2009	18 May 2012	0	0	N/A	2	No
Lu Junfeng	Employee Supervisor	Male	40	10 September 2007	18 May 2012	0	0	N/A	4.78	No
Wang Jian	Employee Supervisor	Male	35	26 May 2010	18 May 2012	0	0	N/A	6.01	No
Ip Pui Sum	Company Secretary	Male	50	6 August 2008	18 May 2012	0	0	N/A	HK$120,000	No

Directors, supervisors, senior management and employees

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 2010, 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 Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

(2) As of 31 December 2010, none of the Directors, supervisors or their spouses or children under the age of eighteen was granted rights to purchase shares or debentures of the Company or any of its respective associated companies.

(3) Total remuneration above amounted to approximately RMB1.46 million.

(4) The Company has not implemented any share incentive schemes during the reporting period.

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

Directors:

Mr. Song Jianming, aged 54, 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 39, 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 party 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 47, 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.

Mr. Cheng Zonghui, aged 48, 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 61, a senior accountant with a bachelor's degree, a former 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. He resigned from his position as a director of the Company on 30 June 2010.

Mr. Bao Wenchun, aged 56, is a certified public accountant and a former Non-executive Director of the Company. He is currently the party secretary 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 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. He resigned from his position as a director of the Company on 30 June 2010.

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

Directors: *(Continued)*

Mr. Guo Yimin, aged 46, a senior economist with bachelor's degree, 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 56, doctor degree, professor, former Independent Director of the Company. He is currently Dean of Economics and Management School of Henan University of Science and Technology, 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 56, 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 53, 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 65, 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 42, 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.

Mr. Dong Jiachun, aged 54, 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 46, 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.

Mr. He Baofeng, aged 39, is a PRC public certified accountant and a PRC certified tax agent with an associate 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（洛陽天誠税務師事務所）.

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

Supervisors: *(Continued)*

Ms. Yao Wenjun, aged 42, a former supervisor of the Company, is a senior accountant with a bachelor's degree. She is currently the general manager of Audit Department of China National Building Material Group Corporation. From February 2007, She served as general manager of audit department of China National Building Material Group Corporation. She resigned from her position as a supervisor of the Company on 29 July 2010.

Mr. Lu Junfeng, aged 40, 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 53, 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 Economics and Management School of Henan University of Science and Technology and the deputy head of MBA Education Center of Henan University of Science and Technology.

Mr. Wang Jian, aged 35, a staff supervisor of the Company. He joined Luoyang Glass in November 1993. He had served as the section chief and supervisor assistant and deputy director. He is currently serving as the supervisor of united float workshop of Longhai Company.

Senior Management

Mr. Ip Pui Sum, aged 51, 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 Association of Chartered Certified Accountants, 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.

The above information was updated at 31 December 2010.

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 performance 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 RMB1.46 million.

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	Director	From August 2007 to present	No
Zhao Yuanxiang	China Luoyang Float Glass (Group) Company Limited	Vice chairman and general manager	January 2010 (general manager) June 2010 (vice chairman)	Yes
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	January 2010	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

At the Staff Representative Meeting in 2010, Wang Jian was elected as a supervisor from staff members and his term commences from 26 May 2010.

On 30 June 2010, Mr. Shen Aiqin and Mr. Bao Wenchun resigned their positions as directors.

On 29 July 2010, Yao Wenjun resigned her position as a supervisor.

At the second extraordinary general meeting held on 25 August 2010, Mr. Zhao Yuanxiang and Mr. Zhang Chengong were elected as additional directors.

6. Employees

As at 31 December 2010, the Company had 2,245 employees, including 1,381 production staff, 59 sales personnel, 112 engineering technicians, 51 financial personnel, 310 administrative personnel and 332 other staff members. Among them, 192 employees graduated from universities, representing 8.55% of the staff and 639 employees graduated with a college diploma, representing 28.46% of the staff. There were 2,137 retired employees for whom the Company is required to bear expenses.

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

Details of the staff costs are set out in Note 7(d) to the consolidated financial statements prepared in accordance with International Financial Reporting Standards.

Corporate governance structure

1. Improvement of Corporate Governance

The Company has been operating in strict compliance with the requirements in the relevant laws and regulations issued by the CSRC such as the Company Law, the Securities Law, the listing rules of the stock exchanges in Shanghai and Hong Kong and the Code on Corporate Governance Practices for Listed Companies, devoting to establishing and improving its corporate governance structure. Based on well-defined power and responsibility, proper performance of respective duties, mutual checks and balances and coordinated operation between the general meeting, the Board of Directors, the Supervisory Committee and senior management of the Company, standard operation of the Company is ensured and governance level is enhanced constantly.

(1) The general meeting of the Company is its supreme authority. It exercises voting rights of material matters such as operating principle, capital raising and profit distribution in accordance with laws. It could ensure that all the shareholders are entitled to legal interests and fully exercise their own rights.

(2) The Board of Directors is the decision-making organization of the Company. It is responsible for establishment and supervision of internal control system of the Company. It establishes and improves internal control system and schemes and supervises implementation of internal control. The Board has established five special committees including audit committee, remuneration and review committee, nomination committee, strategic committee and compliance committee and formulated corresponding rules of duties for committees. The Board of Directors of the Company comprises of eleven directors including four independent directors.

(3) The Supervisory Committee is the supervisory organization of the Company. It conducts supervision and examination on acts of directors, the general manager and other senior management and daily operation and financial position of the Company and is responsible for general meeting and reports work to it.

(4) Senior management of the Company adopts the general manager responsibility system and exercises powers of operation and management on each controlled subsidiary and functional department and ensures normal operation of the Company through various activities such as providing leadership, coordination, management and supervision. Each controlled subsidiary and functional department implement specific activities of production and operation and daily management affairs.

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	13	13	0	0
Zhang Zhanying	13	13	0	0
Huang Ping	13	13	0	0
Dong Jiachun	13	13	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 of the Company

(1) Overall Scheme of Construction of Internal Control

In accordance with requirements of laws and regulations such as the Company Law, the Securities Law, the Guidelines on Internal Control for Listing Companies and Standards for Internal Control of Enterprises, having considered elements such as internal environment, goal setting, event identification, risk assessment, risk countermeasures, control activities, information and communication, examination and supervision and strictly executed necessary assessment procedures of internal control and on the principles such as legality, comprehensiveness, importance, effectiveness, checks and balances, adaption and cost benefit, the Company established effective internal control at each business process and basically formed a relatively sound internal control system.

The overall target of internal control of the Company is: through regulation and implementation of corporate internal control system, to ensure compliance and legality of operation and management of the Company, safety of assets, authenticity and completeness of financial reports and related information, enhance operating efficiency and effect of the Company and facilitate the enterprise to realize development strategies.

(2) Work Plan and Implementation of Establishment and Improvement of Internal Control Systems

The Company established Internal Control Management Measures of Luoyang Glass Company Limited, the Comprehensive Risk Management Measures of Luoyang Glass Company Limited and various specific business management systems and thus formed a framework of internal control systems covering control on principal business activities such as corporate purchase, expenses and payments, sales and collections, management of fixed assets, financial management, management of subsidiaries, connected transactions, external guarantees, significant investments and information disclosure. Through establishment and implementation of internal control system, risk precaution ability and operation and management ability of the Company has been enhanced.

Corporate governance structure

4. Establishment and Improvement of Internal Control System of the Company *(Continued)*

(3) Configuration of the Examination and Supervision Department of Internal Control

The Supervisory Committee conducts supervision on the establishment and implementation of internal control by the Board.

The Audit Committee under the Board of the Company is responsible for reviewing corporate internal control, supervising effective implementation and self-assessment of internal control, coordinating auditing of internal control and other related matters and reviewing the Company's financial information and its disclosure.

The Audit Department of the Company is responsible for organizing daily work in respect of the internal control management such as implementation, supervision and assessment.

(4) Work on Internal Supervision and Self-assessment of Internal Control

The Company has established a relatively complete internal control system and built systematic internal control systems in various aspects and major business processes in management of production and operation from corporate governance layer to financial management, investment management, material purchase, production and operation, sales management, quality management, human resource and administrative management.

Meanwhile, the Company has established a supervision and examination system covering the headquarters and subsidiaries. Through daily examinations and special examinations, the Audit Department of the Company conducts examination and assessment on execution of internal control in various fields of operating management such as finance, sales, materials, production, equipments and technology, implements the effectiveness of internal control system and ensure the quality of execution of internal control.

(5) The Board's Arrangement of Related Work of Internal Control

Corporate internal control is a long-term systematic engineering. In accordance with the Basic Standard For Enterprise Internal Control and relevant requirements of CSRC, stock exchanges in Shanghai and Hong Kong, the Board of the Company will further strengthen and improve internal control framework and systems, improve business processes, increase the scope and frequency of internal supervision and examination, timely analyze nature and reasons for defects in internal control, propose rectification requirements, constantly strengthen scientific nature and reasonableness of internal control work of the Company and facilitate effective implementation of internal control.

(6) Establishment and Operation of Financial Internal Control Systems

In accordance with relevant systems and regulations such as the Accounting Law, the Enterprise Accounting System, domestic and overseas accounting standards, the Company established relatively sound system framework of financial accounting and management to regulate financial management and accounting behaviours of the Company and its subsidiaries, which explicitly stipulates requirements on management of various aspects such as assets, income and cost expenses, distribution of equity and profits, taxation, financial reports and accounting archives. The Company's internal control in accounting management is relatively complete, reasonable and effective, providing guarantee for truthfulness, accuracy and fairness of accounting information of the Company.

4. Establishment and Improvement of Internal Control System of the Company *(Continued)*

(7) Defects in Internal Control and Rectification

During the reporting period, the Board of the Company has reviewed the self-assessment report on internal control of the Company and found no material defects in the Company's internal control. However, there is a certain gap between the internal control system of the Company and related requirements in the Standards on Internal Control of Enterprises and Implementary Guidelines for Internal Control of Enterprises jointly issued by the five ministries and commissions. In particular, with the development of the Company, some internal control systems of the Company still need to be modified and improved in aspects such as purchase and management of subsidiaries. Thereafter, the Company intends to engage intermediaries to provide assistance and guidance to the internal control system to conduct risk detection, combing, improvement, implementation and assessment and formulate Implementation Scheme for Regulation of Internal Control to implement it according to pre-set plan and step by step, so as to facilitate the standard operation and healthy and sustainable development of the Company, protect legal interests of investors and safeguard assets of the Company.

5. Corporate Governance Report

(1) In Compliance with the Code on Corporate Governance Practices

The Group used its best endeavour to comply with the provisions of Code on Corporate Governance Practice throughout 2010.

(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 2010.

(3) The Board of Directors

During the reporting period, the Board of the Company convened 13 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 nonexecutive 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 and 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 chairman), Mr. Zhao Yuanxiang (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 chairman 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; to supervise and implement internal audit system; to take charge of the communication between the internal audit and the external audit; 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 Annual General Meeting of the Company

The Company held its 2009 Annual General Meeting on 26 May 2010. A total of 2 shareholders and proxies have attended the AGM. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) The report of the Board of the Company for the year 2009;

(2) The report of the supervisory committee of the Company for the year 2009;

(3) The audited financial report of the Company for the year 2009;

(4) The profit distribution plan of the Company for the year 2009;

(5) The proposal for reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2010 respectively and authorization to the Board for determining their remunerations;

(6) The proposal for amendments to the Rules of Procedures of General Meetings of Luoyang Glass Company Limited;

(7) The proposal for amendments to the Rules of Procedures of the Supervisory Committee of Luoyang Glass Company Limited;

The proposal for amendments to certain articles of the Articles of Association of the Company was considered and passed by way of special resolution at this general meeting.

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News on 27 May 2010.

2. The First Extraordinary General Meeting 2010 of the Company

The Company held its First Extraordinary General Meeting 2010 on 20 August 2010. It was attended by 1 shareholder and proxy. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve, confirm and ratify the annual cap amount for daily CCT Transaction of Huayi for the year ended 31 December 2009 be RMB32,645,000;

(2) To approve and confirm the Supplemental Agreement, the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof, and the New Annual Caps;

(3) To approve, confirm and ratify any one of the Directors 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 Supplemental Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Supplemental Agreement 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 23 August 2010.

Brief notes on general meetings

3. The Second Extraordinary General Meeting 2010 of the Company

The Company held its Second Extraordinary General Meeting 2010 on 25 August 2010. It was attended by 2 shareholders and proxy. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To appoint Mr. Zhao Yuanxiang as non-executive director of the sixth board of directors of the Company;

(2) To appoint Mr. Zhang Chengong as non-executive director of the sixth board of directors of the Company.

The announcements of the resolutions passed at the general meeting were published on China Securities Journal and Shanghai Securities News on 26 August 2010.

4. The third extraordinary general meeting 2010 of the Company

The Company held its third extraordinary general meeting 2010 on 30 November 2010. It was attended by 1 shareholder and proxy. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve and confirm the Loan Assignment Agreement, the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof;

(2) To approve, confirm and ratify any one of the Directors 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 Loan Assignment Agreement and to waive compliance from or make and agree such variations of a nonmaterial nature to any of the terms of the Loan Assignment Agreement 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 1 December 2010.

Management Discussion and Analysis

(I) Business Review

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 relatively large 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 currently holds a leading position in terms of the production technology of ultra-thin and ultra-thick glass.

1. Overall operation of the Company during the reporting period

In 2010, aiming at enhancing the profitability of principal operations to remove the ST label, and by taking advantage of the government's support during the personnel transfer, the Company managed to streamline the management, stabilize the production, lower the costs and increase selling price, improve the performance and strengthen the basis for development. At the same time, the Company accelerated project construction to boost the structural adjustment, and implemented the debt reorganization with banks to reduce financial costs. In addition, the Company made arrangements for redundant staff to solve the burden of relevant staff, eliminating the effects of those historical issues and obstacles for the Company's future development. The Company achieved the annual business objectives, demonstrating good development momentum.

According to the PRC GAAP, the operating revenue of the Group for 2010 was RMB1,168,481,700, representing an increase of RMB195,531,800 over the corresponding period of last year. Total profit before tax amounted to RMB72,984,500, representing an increase of RMB244,651,100 over the corresponding period of last year. Net profit attributable to shareholders of the Company was RMB60,787,800, representing an increase of RMB202,610,100 over the corresponding period of last year. Basic earning per share attributable to the shareholders of the Company was RMB0.12.

According to IFRSs, the operating revenue of the Group for 2010 was RMB1,167,044,000, representing an increase of RMB194,632,000 over the corresponding period of last year. Total profit before tax amounted to RMB74,216,000, representing an increase of RMB244,651,000 over the corresponding period of last year. Net profit attributable to shareholders of the Company was RMB61,947,000, representing an increase of RMB228,172,000 over the corresponding period of last year. Basic earning per share attributable to the shareholders of the Company was RMB0.12.

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

In 2010, major measures taken by the Company include:

(1) Launching overall business improvement to implement benchmarking management and promote the implementation of daily and weekly costing.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

1. Overall operation of the Company during the reporting period *(Continued)*

(2) Placing emphasis on both ends of the market to lower the purchasing cost and increase sales price, thereby improving economic efficiency.

Several measures were taken to lower the purchasing cost, stabilize the quality of raw materials and fuel to meet production requirements. Dense soda ash was replaced with smaller particles of dense soda ash to reduce the procurement cost of soda ash; the proportion of directly supplied coal and the process supervision were enhanced to reduce procurement cost and stabilize coal quality, thereby effectively reducing coal consumption and cost.

Guided by the market, the Company optimized the product mix and increased the sales price to raise profitability. In respect of ultra-thin glass, with close attention to changes in market demand, the Company expanded the production and sales volumes and raised sales price for several times to increase profit. As for ordinary glass, the Company arranged alternating production schedule for F green, emerald green and ocean blue glasses to boost comprehensive sales price of products and production and sales volumes.

(3) Strengthening production technology management to increase the output, stabilize the quality, reduce consumption and cost.

Firstly, the Company ensured that the furnaces were in safe and stable operation without incidents.

Secondly, the Company paid more attention to technological breakthroughs, promoted the application of technological innovations, and constantly optimized the technology. The 0.8mm and 0.9mm glass products of the Company were accredited by the State.

Thirdly, the Company replaced raw materials and fuels to lower the manufacturing cost.

Fourthly, the Company improved the packaging methods to lower the packaging cost. Loose packaging was adopted as much as possible and paper inserting was replaced with online powder spray to minimize packaging cost.

(4) Speeding up project progress and readjusting the product mix to develop profit growth points.

Firstly, the Company optimized the CLFG Longmen Glass Company Limited ("Longmen Glass") equity structure and solved the historical issues, and at the same reformed the Shuangchao project and started production as scheduled.

Secondly, the Company resumed the CLFG Longfei Glass Company Limited ("Longfei") production line. The production line was put into production on 13 June 2010 and was in stable operation thereafter.

Thirdly, the Company completed the whole procedure of business registration for the wholly-owned subsidiary of Xinjiang project and obtained the approval regarding the environmental appraisal.

Fourthly, energy saving and environmental protection projects, including the dust removal and desulphurization in melting furnaces of CLFG Luoyang Longhai Electric Glass Company Limited ("Longhai"), the desulphurization projects of Longfei and CLFG Luoyang Longxiang Glass Company Limited ("Longxiang"), and double subtraction wet desulphurization facility project of Longhao, were put into operation and have achieved results.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

1. Overall operation of the Company during the reporting period *(Continued)*

(5) Implementing the debt reduction policy to lower financial costs and solve historical issues.

In 2010, the Company signed an agreement with relevant banks, pursuant to which the preferential policy of interest-free extension was granted to the Company for the debt of RMB630 million. Such policy will reduce the interest expenses of RMB38 million for the Company each year for a consecutive seven years, which will greatly reduce the financial burden and is beneficial to recover and strengthen the principal operations.

(6) Implementing asset reorganization to optimize the capital structure.

Firstly, after the acquisition of 20.94% equity interests in Longmen Glass from the Bureau of Land and Resources of Yanshi City, the realignment of shareholdings has laid the foundation for the Company to increase capitals and implement the Shuangchao project of Longmen Glass.

Secondly, the Company completed the transfer of creditor's rights of Guangdong International Trust & Investment Corporation, which reduced the burden and losses and lowered the risks.

Thirdly, the Company completed the custody of 50% equity interests in Longxin owned by CLFG, further enhancing the Company's competitive edge in the market.

(7) Smooth rearrangements of redundant staff to reduce the burden.

After careful deployment, the Company smoothly made rearrangements for staff and stabilized the production. At the end of the reporting period, 1,244 staff was arranged, thus reducing the burden and enhancing the production efficiency.

The following discussion and analysis should be read in conjunction with the audited financial statements of the Group and the notes thereto prepared in accordance with PRC GAAP as set out in other sections of the annual report.

2. Statement of the principal operations by industries and products

By industry or products	Income from principal operations *(RMB)*	Cost of principal operations *(RMB)*	Profit margin of operations *(%)*	Increase of income from principal operations as compared with last year *(%)*	Increase of cost of principal operations compared with last year *(%)*	Increase of operating profit margin as compared with last year *(%)*
Float glass	947,852,434.20	746,679,086.88	21.22	22.94	11.68	7.95 percentage points
Silica sand	28,561,068.74	13,827,851.66	51.58	50.01	25.09	9.64 percentage points

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

2. Statement of the principal operations by industries and products *(Continued)*

Principal operations by regions

Regions	Income from principal Operations *(RMB)*	Increase of income from principal operations as compared with last year *(%)*
Domestic	961,867,363.08	23.70
Exports	14,546,139.86	17.02

Top 5 Suppliers and Top 5 Customers

Total purchase from top 5 suppliers *(RMB)*	274,853,749.83	Percentage in total purchase	36.14%
The percentage of largest supplier	10.75%		
Total sales to the top 5 customers *(RMB)*	317,702,529.02	Percentage in total sales	27.20%
The percentage of largest customer	12.27%		

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

3. Composition of cash flow

(1) Other cash received relating to operating activities increased 66.97% over the corresponding period of last year, mainly due to the receipt of government grant for employees resettlement and etc.;

(2) Cash paid relating to the payment to and for employees increased 56.39% over the corresponding period of last year, mainly due to the payment for staff resettlement;

(3) Payment of various taxes increased 39.85% over the corresponding period of last year, mainly due to the increase in value-added tax and income tax;

(4) Cash received from investment income decreased 100% over the corresponding period of last year, mainly due to the receipt of bonuses from finance companies in 2009;

(5) Cash received from disposal of fixed assets, intangible assets and other long term assets decreased 98.35% over the corresponding period of last year, mainly due to the receipt of proceeds from land disposal in 2009;

(6) Cash paid relating to the acquisition and construction of fixed assets, intangible assets and other long term assets increased 389.34% over the corresponding period of last year, mainly due to the payments for the lands and engineering cold repair and reconstruction by subsidiaries;

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

3. Composition of cash flow *(Continued)*

(7) Cash paid relating to the investment decreased 100% over the corresponding period of last year, mainly due to the acquisition of minority interest of holding companies in 2009;

(8) Cash paid relating to dividend distribution, profit and cash payment for interests decreased 78.1% over the corresponding period of last year, mainly due to the debt reduction and interest exemption granted by financial institutions.

4. Analysis of items in the financial statements with movements of over 30%

(1) Monetary funds decreased 41.06% as compared with the beginning of the reporting period, mainly due to the payments for engineering funds and matured bills and the payments of loans;

(2) Other account receivables increased 39.87% as compared with the beginning of the reporting period, mainly due to the employment resettlement funds subsidized by the government;

(3) Inventories increased 30.51% as compared with the beginning of the reporting period, mainly due to the increase in raw materials and merchandise inventories;

(4) Constructions increased 61.46% as compared with the beginning of the reporting period, mainly due to the cold repair and reconstruction of Longmen Glass Company;

(5) Construction materials increased 989.9% as compared with the beginning of the reporting period, mainly due to additional materials for the project renovation;

(6) Intangible assets increased 38.59% as compared with the beginning of the reporting period, mainly due to the purchase of land use rights by Longhai and Longhao;

(7) Other non-current assets decreased 96.78% as compared with the beginning of the reporting period, mainly due to the transfer of creditor's rights of Guangzhou International Trust & Investment Corporation;

(8) Short-term borrowings decreased 96.76% as compared with the beginning of the reporting period, mainly due to the transfer from short-term borrowings into long-term borrowings resulting from the implementation of the debt reduction policy with financial institutions;

(9) Taxes payable decreased 88.5% as compared with the beginning of the reporting period, mainly due to the increase in value-added tax and income tax paid in the reporting period;

(10) Long-term borrowings increased 14,204.83% as compared with the beginning of the reporting period, mainly due to the transfer from short-term borrowings into long-term borrowings;

(11) Non-controlling interests increased 61.31% as compared with the beginning of the reporting period, mainly due to the improvement of the Company's production and operation in this year;

(12) Sales taxes and extra duties increased 39.02% over the corresponding period of last year, mainly due to the increase in the income from principal operations;

Report of the directors

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

4. Analysis of items in the financial statements with movements of over 30% *(Continued)*

(13) Financial costs decreased 75.52% over the corresponding period of last year, mainly due to the waiver of borrowing interests of RMB638,000,000 from the debt reduction policy with finance institutes;

(14) Gains on investment decreased 100% over the corresponding period of last year, mainly due to no such gain in this year resulting from the disposal of equity interests in 2009;

(15) Non-operating income increased 1,852.03% over the corresponding period of last year, mainly due to government grant received for employee resettlement;

(16) Non-operating expenses decreased 96.71% over the corresponding period of last year, mainly due to the retirement of certain fixed assets in 2009;

(17) Income tax increased 930.71% over the corresponding period of last year, mainly due to the increase in total profit for good business operations in this year;

(18) Net profit increased 131.5% over the corresponding period of last year, mainly due to the increase in total profit.

5. Analysis of operating results of major subsidiaries and investee companies

Company name	Nature of business	Major products	Registered capital *(RMB)*	Total assets *(RMB)*	Net assets/ (liabilities) *(RMB)*	Net profit/ (loss) *(RMB)*
CLFG Longmen Glass Company Limited	Production and sales	Ultra-thin glass	20,000,000.00	183,549,455.64	(189,138,335.00)	(9,755,076.32)
CLFG Luoyang Longhai Electric Glass Company Limited	Production and sales	Ultra-thin glass	60,000,000.00	279,196,217.17	109,184,863.78	85,341,806.53
CLFG Luoyang Longhao Glass Company Limited	Production and sales	Float glass	50,000,000.00	305,123,315.56	64,279,507.90	14,395,800.53
CLFG Longfei Glass Company Limited	Production and sales	Float glass	74,080,000.00	204,258,610.94	(38,728,233.85)	(11,574,745.13)
CLFG Luoyang Longxiang Glass Company Limited	Production and sales	Float glass	50,000,000.00	140,454,310.69	24,718,828.25	(705,383.79)
Yinan Mineral Products Co., Ltd. (沂南華盛礦產實業有限公司)	Production and sales	Silica sand raw materials	28,000,000.00	41,730,665.57	5,612,733.82	(115,964.01)
Luoyang Luobo Industrial Co., Ltd.	Sales of products	Glass and raw materials and fuel	5,000,000.00	32,602,409.72	3,754,751.15	(399,421.28)
CLFG Shawan Glass Co., Ltd.	Production and sales	Float glass	9,000,000.00	9,017,968.14	8,717,968.14	(282,031.86)
Dengfeng CLFG Silicon Company Limited	Production and sales	Silica sand raw materials	3,000,000.00	6,571,936.73	2,171,936.73	(109,710.68)
Dengfeng Hongzhai Silicon Co., Ltd.	Production and sales	Silica sand raw materials	2,050,000.00	3,397,398.86	1,787,398.86	(262,601.14)
Luoyang Jingxin Ceramic Co., Ltd.	Production and sales	Inner wall tile	41,945,000.00	125,351,727.93	(62,716,960.22)	(4,440,134.81)
CLFG Minerals Products Co., Ltd.	Production and sales	Silica sand raw materials	30,960,055.81	31,408,915.74	(12,917,274.82)	(1,685,964.80)

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

6. Change in equipment and principal technicians of the Company

Three float glass production lines of the Company stopped production in February 2006, June 2008 and August 2008 due to expiry of operation or overtime operation. However, since above-mentioned 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 Company is relocating the production lines in the headquarters and disposing of assets. The production lines of Longfei Company which previously stopped production were put into operation on 13 June 2010 after renovation with cold repair work, and the production lines of Longmen Glass which previously stopped production were put into operation on 6 January 2011 after technical renovation to produce ultra-thin and ultra-white glass.

During the reporting period, some technicians left the Company, which however had no impact on production and operation and technical research and development of the Company.

7. Investment during the reporting period

(1) The Company has not raised any fund during the reporting period, nor raised any fund in the previous period with a usage that subsisted in the reporting period.

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

8. Cash flow, income and expenses

The following discussion and analysis should be read in conjunction with the audited 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 increased as compared with the corresponding period of last year, mainly attributable to the adjustment of product structure with higher sales volume of high value-added products which resulted in higher selling prices of products as compared with the corresponding period of last year.

Operating expenditures

Operating expenditures increased as compared with the corresponding period of last year, mainly due to an increase in prices of raw materials as compared with the corresponding period of last year.

Staff remuneration cost

Staff remuneration cost decreased as compared with the same period of last year, mainly due to the allocation of some salaries to construction in progress and research and development expense and the use of the salary balance from last year.

Depreciation, impairment and amortisation

As compared with the corresponding period of last year, depreciation, impairment and amortisation decreased mainly due to the scrapping of certain fixed assets in 2009 which resulted in the decrease in depreciation as compared with the corresponding period of last year.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

8. Cash flow, income and expenses *(Continued)*

Selling and administrative expenses

Selling expenses increased as compared with same period of last year, mainly due to increased export volume of a subsidiary Yinan Silicon Powder（沂南矽砂）which resulted in more transportation expenses and port charges accordingly.

Administrative expenses decreased over the same period of last year, mainly due to losses on the scrapping of some inventory and fixed assets in last year which did not occur in this year.

Operating profit

Operating profit increased as compared with the same period of last year, mainly due to the increase in gross profit of sales and the decrease in the expenses during the period .

Net foreign exchange loss

Net foreign exchange loss dropped as compared with the corresponding period of last year, mainly attributable to the increase in foreign exchange rate.

Net interest expenditures

Net interest expenditures decreased as compared with the corresponding period of last year, mainly due to that the interest on the bank borrowing of RMB630 million was exempted arising from the implementation of the policy of financial debt relief.

Profit before taxation

Profit before taxation increased as compared with the corresponding period of last year, mainly due to the increase in gross profit of sales and the decrease in the expenses during the period.

Taxation

Taxation recorded a year-on-year increase mainly due to the increase in total profit.

Net profit

Net profit increased as compared with the corresponding period of last year, mainly due to the increase in profit before taxation.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

9. Five-year financial highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2010 as prepared under IFRSs are summarised below:

Operating results

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**1,167,044**	972,412	1,314,946	1,444,535	1,195,193
Share of profit/(loss) of associated companies	**—**	1,552	5,868	2,194	(38,419)
Profit/(loss) before taxation	**74,216**	(170,435)	3,142	(77,658)	(42,902)
Taxation	**18,356**	1,781	(2,651)	3,412	—
Profit/(loss) after taxation	**55,860**	(172,216)	5,793	(81,070)	(42,902)
Profit/(loss) attributable to non-controlling interests	**(6,087)**	(5,991)	(48,247)	19,019	(55,893)
Profit/(loss) attributable to shareholders of the Company	**61,947**	(166,225)	54,040	(100,089)	12,991

Assets and liabilities

	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fixed assets	**671,646**	792,490	923,256	1,067,166	1,174,616
Construction in progress	**61,370**	17,723	11,761	7,113	5,550
Interest in associates	**—**	1,128	120,906	116,922	111,105
Other investments	**7,410**	7,410	7,410	410	32,000
Non-current assets	**807,433**	898,540	1,185,137	1,310,212	1,430,288
Net current liabilities	**50,563**	883,344	949,016	1,078,274	1,063,686
Non-current liabilities	**693,310**	8,516	9,410	11,020	65,104
Shareholders' equity	**63,399**	2,811	197,859	143,819	243,908
Non-controlling interests	**161**	3,869	28,852	77,099	57,590

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

10. Others

Bank and other loans

Details of the bank and other loans of the Company and the Group for the year ended 31 December 2010 are set out in note 31 to the financial statements of this annual report prepared under IFRSs.

Capitalisation of interests

There was no capitalisation of interests of the Company and the Group as at 31 December 2010.

Fixed assets

Movements in the fixed assets of the Company and the Group during the reporting period are set out in notes to the 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 Company and the Group.

Reserves

Movements in the reserves of the Company and the Group for the year ended 31 December 2010 are set out in notes to the financial statements of this annual report prepared under IFRSs.

Accumulated losses

As at 31 December 2010, the accumulated loss of the Company was RMB900,592,000.

Statutory public welfare reserve

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

Charity and other donations

During the year, the Company and the Group donated RMB200,000 for the earthquake-stricken Yushu.

Transactions with related parties

The material related party transactions of the Company for the year ended 31 December 2010 are set out in notes to the financial statements prepared under IFRSs.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

10. Others *(Continued)*

Liquidity and financial resources

As at 31 December 2010, the Group recorded net current liabilities amounted to RMB50,563,000 (2009: RMB883,344,000) which is calculated by current assets minus current liabilities under IFRSs.

Capital structure

Under IFRSs, as at 31 December 2010, total equity of the Group was RMB63,560,000 (2009:RMB6,680,000). Debt ratio, being the ratio of total liabilities divided by total assets, was 0.96 as at 31 December 2010 (2009: 0.99). 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 40 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.

Cash, bank deposits and restricted bank deposits

Details of cash, bank deposits and restricted bank deposits of the Company and the Group for the year ended 31 December 2010 are set out in note 27 to the financial statements prepared under IFRSs in this annual report.

Financial management policy and capital structure

Details of financial management policy and capital structure of the Company and the Group for the year ended 31 December 2010 are set out in notes to the financial statements prepared under IFRSs in this annual report.

Management Discussion and Analysis *(Continued)*

(II) Future Development Prospect

1. Environment analysis

(1) Industry Trend and Market Competition

In 2011, the Indemnificatory Housing Policy will boost large-scale construction, which guarantees certain demand for glass and maintains the industry prospect. With the adjustment of national industry structure and improved consumption structure, the glass industry is faced with a good opportunity for developing solar glass and energy-saving glass. As the automobile market maintains a stable growth, the demand for deep-processing glass is about to accelerate. However, due to the production capacity expansion of common float glass and the launch of real estate control policy in 2011, the glass demand is suppressed, which leads to difficulty in the sharp increase of sales price.

(2) Opportunities and Challenges for the Company

Future opportunities:

(1) As people demand for the better quality of living space, processed functional products such as LOW-E glass, safety glass, and energy-saving insulating glass will witness wide applications. The glass process rate will grow further with increasing demand for glass sheets.

(2) The new rural construction and urbanization will guarantee a long-term demand growth of glass products. For example, the construction of the 10-million suits of indemnificatory houses in 2011 was signed by local governments.

(3) Increase of per capita income will lead to a rapid development of the automobile industry. As a result, the demand for automotive glass will grow accordingly.

(4) Global economic recovery will bring stable export growth.

(5) Solar glass is the highlight of future glass market and witnesses rapid development in recent years. It is predicted that the production of solar battery in China and all over the world stays increasing. In China, the demand for super white rolled glass and TCO conductive glass is very large.

Management Discussion and Analysis *(Continued)*

(II) Future Development Prospect *(Continued)*

1. Environment analysis *(Continued)*

(2) Opportunities and Challenges for the Company *(Continued)*

Future challenges:

(1) As economic growth slows down, the investment in the real estate industry is suppressed. The demand for glass is consequently affected.

(2) The national control policy of real estate industry will lead to excessive supply in a period and affect the profitability of glass industry.

(3) Twenty-six new glass production lines were put into operation throughout China in 2010. The new production capacity will be fully demonstrated in 2011. In addition, another 18 production lines will be put into operation this year. The contradiction between supply and demand still stands out.

(4) It is predicted that in 2011, the prices of major raw materials and fuels (such as heavy fuel oils, coals, and stone materials) remain at high level. The rise of prices will affect the profit of the Company.

(5) Multiple production lines are under extended service, which affects stable production.

2. Business Plan for 2011

Float glass production: 10,324,600 boxes

Operating Income: RMB1,382 million

Production-sales ratio: 100%

Costs as a percentage to sales revenue: 94.97%

3. Countermeasures

(1) To innovate the mechanism, enhance management, and increase operation efficiency

(1) To implement the competition mechanism for positions, optimize the allocation of human resources and tap the potential of various talents to the maximum extent, so as to bring the best out of various existing personnel.

Management Discussion and Analysis *(Continued)*

(II) Future Development Prospect *(Continued)*

3. Countermeasures *(Continued)*

(1) To innovate the mechanism, enhance management, and increase operation efficiency *(Continued)*

(2) To innovate the administration and control mode, improve working mechanism, reinforce performance appraisal, and motivate internal initiatives

Firstly, the Company will exercise decentralized management and production-supply-marketing integration operation in Longmen Glass and Longhai which have sole responsibility for their own profits or losses. As for other subsidiaries that produce float glass and serve as cost centers, the Company will combine unified and separate operations and exercise control mode for the subsidiaries to manage production and control costs. The Company will reinforce the functions such as guidance, supervision, coordination, control and service of functional departments, to unify and improve the operation efficiency.

Secondly, the Company will continue to intensify performance appraisal and establish a scientific salary system. Payroll and evaluation assessment must follow the principle of "performance appraisal, quantified assessment and position-based salary", through which the Company can dynamically combine the responsibilities, rights, and interests to further encourage staff in all positions.

(3) The Company will enhance internal control, place emphasis on risk management, implement the Work Program for the Code on Internal Control, and at the same time do well in all stages according to the promotion plan to ensure compliant operations.

(4) The Company will continue to improve the method of daily cost accounting, weekly progress assessment, and monthly benchmarking management to fully develop cost management as predictive index. A continuous improvement mechanism for cost control will be established to maximize profit.

(5) The Company will speed up the promotion of information system for integration of capital flow, logistics and information flow. By virtue of information, the Company will progress in management and increase profit and operation efficiency.

(6) The Company will do well in integrating the three quality management systems to effectively push the establishment of the Company's quality, safety, and environment management system. Based on the management mode and method with Luobo characteristics, the Company will continue to improve the level of managing quality, occupational health and safety, as well as environment and lay a solid management foundation.

Management Discussion and Analysis *(Continued)*

(II) Future Development Prospect *(Continued)*

3. Countermeasures *(Continued)*

(2) Rely on technological innovation and enhance production management to increase production, reduce consumption, and improve competitiveness

(1) The Company will expand the application promotion of technologies in production lines to develop, perfect and promote technologies during practice and release the productivity of technologies into profit.

(2) By enhancing production management, the Company aims to produce exceptional products with high and stable output and low consumption so as to increase product competitiveness.

(3) The Company will start safety education to prevent accidents. Under the safety policy: safety first, prevention and integrated treatment, the Company will make sure that the production is safe and under control.

(4) The Company will fulfil her social responsibilities by promoting energy saving, reducing emission and realizing low-carbon economy.

(3) Strengthen marketing and sales, exploit the market for ultra-clear and ultra-thin glass, and constantly boost profitability

(1) In the common float glass market, the Company will continue the strategy for producing differentiated products and avoid homogeneous competition.

(2) In the ultra-thin glass market, the Company will further solidify and expand the market shares, narrow the gap between the home products and imported products in order to provide a strong support for increasing profit.

(3) In the ultra-clear and ultra-thin glass market, the Company must do well in publicity, marketing planning and promotion to open access to the market as quickly as possible. The Company will foster a good and healthy image in the ultra-clear and ultra-thin glass market to improve the production-sales ratio.

(4) Through expanding supply channels and implementing open purchases, the Company will manufacture products with the best cost performance, which will provide strong support for production.

(4) Speed up project progress and develop new profit growth points.

(1) The Company will accelerate the relocation progress of primary projects for early completion.

(2) The Company will commence operation of the LOW-E glass production line with the capacity of 600T/D, adjust product mix to increase the added values and develop new profit growth points.

(3) The Company will actively push the project development in Xinjiang and expand the local market shares.

(4) The Company will do well in the reform project of Longhao by practicing technological demonstration of developing the capacity of 400T/D into 500T/D and making preparations for cold repair reform.

(5) The Company will make early preparations for the 500T/D solar ultra-clear glass project as soon as possible and go into the approval process to speed up the implementation progress.

Management Discussion and Analysis *(Continued)*

(II) Future Development Prospect *(Continued)*

3. Countermeasures *(Continued)*

(5) Reorganize assets and optimize capital structure to improve the Company's image in capital market

(6) Take the corporate culture of CNBMG as guideline, to be people-oriented, rally public support and build a top-ranking team

(1) Through the launch of the "Do a good job" activity and measures of promotion, education and guidance, the Company will guide the management staff into production and operation-related thinking and strengthen their global awareness and sense of responsibility so as to increase enterprise cohesion.

(2) By virtue of planned training and going out for learning, the Company will enhance the cultivation of comprehensive abilities of managers and meet the demands for talents in development and technological progress.

(3) The Company will strengthen team building, rectify the Party style, and maintain a clean and honest team to provide organizational guarantee for development.

(4) Stress the building of corporate culture, adhere to CNBMG's core philosophy of "Good use of resources to serve the industrial construction" , uphold the corporate spirit of "honest service and united team" and advocate the moral principles of "being lenient, being tolerant and creating a relaxed work environment" and the cultural values of "innovation, harmony, performance and responsibility". These ideas and values and shall be applied in the daily management activities of the Company and be systemized so that the abstract concepts shall be materialized, specified and be executable, thus realizing merge, penetration and elevation with the culture of the Company.

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: As China's 12th five-year plan has set the economic growth rate at 7%, a bit slower than that of 11th five-year plan, it may affect the total demands in the market. In addition, the adoption of the tight monetary policy by the Chinese government will result in the slowdown of economic development, and the tight policy regarding the economic development will in turn lead to the fluctuations of the downstream demands.

(2) Market risks or business risks: With the change of the Chinese government's macro-adjustment policy towards the real estate market, it may affect the overall demands in the glass industry if the decrease in the growth rate of investments in commercial housings goes beyond expectation. Meanwhile, with the release of substantial new production capacity in 2010 resulting from the operations of 34 newly-built and resumed production lines, relationship between supply and demand would vary with oversupply re-emerging again, which will pose a downside risk to prices.

Management Discussion and Analysis *(Continued)*

(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 value and a high gearing ratio of 93.45% would bring a substantial adverse impact to the financing exercise of the Company.

(2) The company is exposed to certain risks related to its liabilities.

(4) Exchange rate risks:

As the Group had small amount of foreign exchange transactions in the year, exchange rate fluctuations did 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 sixth meeting of the sixth Board on 30 March 2010, at which the following resolutions were considered and approved:

Work Report of the Board of Directors of the Company for 2009; Work Report of General Manger for 2009; Financial Report of the Company for the year 2009; Annual Report for 2009 and its summary; The Financial Budget Report of the Company for the year 2010; The Company's profit distribution plan for the year 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 2010 respectively, and proposed authorisation to the Board by the general meeting to determine their remunerations; Self-assessment Report on Internal Control of the Company for the year 2009; Report of Corporate Social Responsibility of the Company for the year 2009; The Company's Board's special explanation for matters involved in non-standard audit report; the proposal on the scrapping and disposal of assets of the Company; the report on continuing connected transactions of the Company for the year 2009; the Company's report on the implementation of rectification of issues proposed by Henan Office of CSRC; the proposal for amendments to certain articles of the Articles of Association; the proposal for amendments to the Rules of Procedures of General Meetings; the proposal for convening the 2009 Annual General Meeting of the Company.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 31 March 2010.

(2) The Company held the seventh meeting of the sixth Board on 27 April 2010, at which the First Quarterly Report of the Company for 2010 was considered and approved. The related contents were published on China Securities Journal and Shanghai Securities News on 28 April 2010.

Management Discussion and Analysis *(Continued)*

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

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

(3) The Company held the eighth meeting of the sixth Board on 10 June 2010, at which the amendments to cap amount for CCT Transaction between Longhai Company and Huayi Glass for 2010 and 2011 were considered and approved and the annual cap amount in 2009 was ratified based on the actual transaction amount for 2009.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 11 June 2010.

(4) The Company held the ninth meeting of the sixth Board on 2 July 2010.

Having conducted review of candidates for the position of Directors nominated by China Luoyang Float Glass (Group) Company Limited, the Company's first substantial shareholder, we considers the candidates qualified for the said position and approves the nomination of Mr. Zhao Yuanxiang and Mr. Zhang Chengong as the candidates for the position of Directors. The nomination will be submitted to the general meeting for consideration.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 3 July 2010.

(5) The Company held the tenth meeting of the sixth Board on 9 July 2010, at which the following resolutions were considered and approved:

(1) The resolution in relation to the relocation of the Company's 600 t/d high quality float glass production line;

(2) The resolution in relation to the establishment of a wholly-owned subsidiary and a 350 t/d production line of multi-purposes float flat glass in Xinjiang.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 12 July 2010.

(6) The Company held the eleventh meeting of the sixth Board on 18 August 2010, at which the engineering consultation contract and construction engineering design contract entered into by the Company and 中國建材國際工程有限公司were considered and approved:

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 19 August 2010.

(7) The Company held the twelfth meeting of the sixth Board on 27 August 2010, at which the Interim Report of the Company for 2010 and its summary were considered and approved.

Related contents were published on China Securities Journal and Shanghai Securities News on 28 August 2010.

Management Discussion and Analysis *(Continued)*

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

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

(8) The Company held the thirteenth meeting of the sixth Board on 3 September 2010, at which the following resolutions were considered and approved:

(1) The proposal for the acquisition of 20.94% equity interest in CLFG Longmen Glass Company Limited;

(2) The proposal for increasing capital and enlarging shares of Longmen Glass Company amounting to RMB230,000,000;

(3) The proposal for converting the existing production line of Longmen Glass into a 250t/d ultra-thin and ultra-white glass production line.

(9) The Company held the fourteenth meeting of the sixth Board on 16 September 2010, at which the entering into an entrusted loan agreement of a total of RMB90 million by the Company, CLFG and Shuangyushu sub-branch of Bank of Beijing Co., Ltd. was considered and approved.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 17 September 2010.

(10) The Company held the fifteenth meeting of the sixth Board on 29 September 2010, at which the Debt Transfer Agreement entered into by the Company and CLFG was considered and approved. The announcements of such connected transactions were published on China Securities Journal and Shanghai Securities News on 30 September 2010.

(11) The Company held the sixteenth meeting of the sixth Board on 25 October 2010, at which the following resolutions were considered and approved:

(1) The Third Quarterly Report of the Company for 2010;

(2) The proposal for adjusting special committees of the Board.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 26 October 2010.

(12) The Company held the seventeenth meeting of the sixth Board on 12 November 2010, at which the following resolutions were considered and approved:

(1) the equity custodian agreement entered into between the Company and CLFG in respect of the entrustment of 50% equity interests in Longxin Company held by CLFG;

(2) The technical service contract of relocation project for Float Sheet Glass Line No.1 entered into by the Company and CLFG (Beijing) International Engineering Limited.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 15 November 2010.

Management Discussion and Analysis *(Continued)*

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

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

(13) The Company held the eighteenth meeting of the sixth Board on 30 December 2010, at which the resolution on the reduction of redundant personnel and the provision of economic compensation was considered and approved.

The announcements of the resolutions were published on China Securities Journal and Shanghai Securities News on 31 December 2010.

In 2010, the Board of the Company held 13 meetings. Details of attendance of each of the Directors are as follows:

Number of meetings 9

Name	Attendance	Attendance by proxy
Song Jianming	13	0
Song Fei	13	0
Ni Zhisen	13	0
Cheng Zonghui	13	0
Shen Anqin	3	0
Bao Wenchun	3	0
Guo Yimin	13	0
Zhao Yuanxiang	7	0
Zhang Chengong	7	0
Guo Aimin	13	0
Zhang Zhanying	13	0
Huang Ping	13	0
Dong Jiachun	13	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.

Management Discussion and Analysis *(Continued)*

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

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

(1) Strategic Committee

The Strategic Committee of the Company held three special meetings during the reporting period: (1) a meeting was held on 8 July 2010 to consider the proposals for the relocation of Float Sheet Glass Line No.1 of the Company and the investment and construction of production lines in Xinjiang and it is of the opinion that the two projects were in line with the development strategies of the Company. (2) On 28 September 2010, the proposal for the transfer of bonds of GZITIC to CLFG was considered and it is of the opinion that the overall transfer of the bonds to CLFG was a channel for the Company to strip off non-performing assets and facilitate the Company's further actions. (3) On 10 November 2010, the proposal for custody of 50% equity interests in Longxin Company held by CLFG was considered and it is of the opinion that the custody on Longxin Company could resolve issues of business competition to a certain degree and the issue of equity interests in Longxin could be thoroughly resolved when and as appropriate.

Attendance of individual members in 2010 Strategic Committee meetings

Number of meetings 3

Name	Attendance	Attendance by proxy
Song Jianming	3	0
Zhang Zhanying	3	0
Ni Zhisen	3	0
Guo Yimin	2	0
Zhao Yuanxiang	1	0
Zhang Chengong	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. Five meetings were held by the Audit Committee altogether to perform audit on 2009 annual report, 2010 first quarterly report, 2010 interim report and 2010 third quarterly report. It should be noted that 2009 annual results estimation was prepared during the completion of 2009 annual report, and the Audit Committee performed the following duties in accordance with the document issued by CSRC, "Shanghai Stock Exchange Notice on Proper Preparation of Annual Reports for the Year 2009 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;

Management Discussion and Analysis *(Continued)*

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

3. Fulfilment 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 2009 annual report truly, accurately and comprehensively reflects the financial and operating conditions of the Company and shareholders' equity interest.

Attendance of individual members in 2010 Audit Committee meetings

Number of meetings 5

Name	Attendance	Attendance by proxy
Huang Ping	5	0
Guo Aimin	5	0
Dong Jiachun	5	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 scheme of payout of annual performance salary of senior management and remuneration of directors of the Company in 2009 and the remuneration of Directors, supervisors and senior management personnel to be disclosed in 2010 annual report and we thought that the remuneration package was feasible. The remunerations received by Directors, supervisors and senior management personnel 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

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

Management Discussion and Analysis *(Continued)*

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

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

(3) Remuneration and Review Committee *(Continued)*

Attendance of individual members in Remuneration and Review Committee meetings in 2010

Number of meetings 2

Name	Attendance	Attendance by proxy
Huang Ping	2	0
Bao Wenchun	2	0
Zhang Zhanying	2	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 2 June 2010, the Compliance Committee discussed the contents and operation procedures of supplementary agreement on continuing connected transactions between Longhai and Huayi and submitted feasible plans to the Board. (2)On 26 September 2010, the Compliance Committee considered the contents and operation procedures of the agreement on the transfer of GZITIC's bonds and urged the Company to carry out the relevant procedures as soon as practicable.

Attendance of individual members in Compliance Committee meetings in 2010

Number of meetings 2

Name	Attendance	Attendance by proxy
Guo Aimin	2	0
Bao Wenchun	1	0
Lo Wai Keung, Eric	2	0
Ip Pui Sum	2	0

Management Discussion and Analysis *(Continued)*

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

3. Fulfilment 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 Zhao Yuanxiang and Zhang Chengong, the director candidates, and submitted its opinion to the Board in respect of their eligibility.

Attendance of individual members in Nomination Committee meetings in 2010

Number of meetings		1
Name	**Attendance**	**Attendance by proxy**
Song Jianming	1	0
Guo Aimin	1	0
Shen Anqin	1	0

4. Establishment, Improvement and Implementation of Management Systems of Insiders of the Company

In October 2009, the Company formulated and issued the Management Systems for Registration of Insiders in accordance with relevant requirements of the Notice on the Establishment of Registration and Filing Systems of Insiders issued by CSRC. During the reporting period, the Company has strictly executed relevant provisions in the Management Systems for Registration of Insiders and conducted registration, filing and management of insiders. After self-examination, the Company was not aware of any circumstances where insiders took advantage of insider information to trade in shares of the Company before the disclosure of substantial sensitive information affecting share price of the Company in the year.

5. The Statement of the Board on the Responsibility for Internal Control

The establishment, improvement and effective implementation of internal control is the responsibility of the Company's Board; the Supervisory Committee conducts supervision on the establishment and implementation of internal control by the Board; the executives are responsible for organizing and leading daily operation of internal control of the Company; Audit Committee is responsible for reviewing and supervising effective implementation of internal control of the Company.

The Board of the Company considers that, the Company has established relatively sound legal person governance structure and internal control system is relatively sound and basically complies with provisions of relevant laws, regulations and requirements of securities regulatory authorities. The implementation and execution of the Company's internal control systems proceed well which plays a good role in management and control in various key aspects of corporate operation and management such as connected transaction, external guarantee, substantial investment and information disclosure and could provide assurance on healthy operation of various businesses and control of operating risks of the Company. The Company's internal control systems are effective. In future operation and development of the Company, the effectiveness of internal control may vary with the changes in internal and external environments and operating conditions of the Company. The Company will constantly modify and improve internal control systems based on changes in actual conditions and enhance efficiency and benefit of internal control.

Management Discussion and Analysis *(Continued)*

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

6. Work Plan and Implementation Scheme of Establishment and Improvement of Internal Control Systems

The Company intends to use nine months to establish an internal control precaution system with advanced concepts, complete systems, sound mechanism, powerful measures and distinct pattern and will appoint intermediaries to conduct planning, guidance and assistance in related work. For detailed implementation scheme, please refer to the Work Program for the Code on Internal Control of Luoyang Glass Company Limited.

Plan of the Board of Directors for profit appropriation or transfer of statutory surplus reserve to capital for this year

According to the IFRSs, the net profit attributable to the equity shareholders of the Company for 2010 was RMB61.95 million. Taking into account the undistributable profit of RMB-962.54 million at the beginning of the year, accumulated loss was RMB900.59 million. As a result, the Company does not recommend profit distribution for 2010 or any transfer of capital reserve to share capital.

According to the PRC Accounting Standards, the net profit attributable to the equity shareholders of the Company for 2010 was RMB60.79 million. Taking into account the accumulated loss of RMB1,355.13 million at the beginning of the year, accumulated loss was RMB1,294.34 million. As a result, the Company does not recommend profit distribution for 2010 or any transfer of capital reserve to share capital.

Service Contracts of Directors and Supervisors

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

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

Nil

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

28 March 2011

Report of the supervisory committee

(I) Work of the Supervisory Committee

1. The Supervisory Committee of the Company held the 2010 first meeting on 30 March 2010, at which the 2009 Work Report of the Supervisory Committee, the 2009 Annual Report and its summary, Supervisory Committee's explanations on unqualified auditors' report with an explanatory paragraph issued by Daxin Certified Public Accountants on the Company's 2009 annual operating results and the proposal for amendments to the Rules of Procedures of the Supervisory Committee were considered and approved.

2. The Supervisory Committee of the Company held the 2010 second meeting on 27 April 2010, at which the First Quarterly Report for 2010 was reviewed and analysed.

3. The Supervisory Committee of the Company held the 2010 third meeting on 27 August 2010, at which the 2010 Interim Report and its summary were reviewed and analysed.

4. The Supervisory Committee of the Company held the 2010 fourth meeting on 25 October 2010, at which the Third Quarterly Report for 2010 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.

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

The Supervisory Committee has reviewed the Self-assessment Report on Internal Control and has no different opinions on the Self-assessment Report of the Board.

(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)*	Gains in the period *(RMB)*	Accounting item	Source of shares
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

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

1. Disposal of Assets (According to the PRC Accounting Standards)

Unit: RMB

Parties to the transaction or ultimate 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 listed 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	49.09% equity interests in CLFG Processing Glass Co., Ltd.	12 June 2010	1	—	—	Yes Auditing and assessment	Yes	Yes
China Luoyang Float Glass (Group) Company Limited	Guangzhou International Trust & Investment Corporation	30 November 2010	35000000	—	—	Yes	Yes	Yes

Significant events

(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 ultimate controller	Assets acquired	Date of acquisition	Price of the asset acquisition	Net profit/(loss) contributed to the listed company from the date of acquisition to the end of the year	Net profit contributed by the asset to the listed 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
Yanshi Administration of the State-owned Assets	20.94% equity interest in Longmen Glass Company	28 September 2010	1	(611,234.57)	—	No	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 daily operations

Unit: RMB

Related party	Sale of to related Amount of transactions *(RMB)*	products parties Percentage to similar type of transactions in terms of amount *(%)*	Provision to related Amount of transactions *(RMB)*	of services parties Percentage to similar type of transactions in terms of amount *(%)*	Purchase of from related Amount of transactions *(RMB)*	products parties Percentage to similar type of transactions in terms of amount *(%)*	Receiving from related Amount of transactions *(RMB)*	services parties Percentage to similar type of transactions in terms of amount *(%)*
Luoyang Longxin Glass Ltd.					116,182,118.09	15.28		
CLFG Minerals Products Co., Ltd.					3,297,076.65	0.43		
China Luoyang Float Glass (Group) Company Limited							2,000,000.00	1.17
China Xinxing Construction Material (Group) Company							2,820,000.00	1.65
Luobo (Beijing) International Engineering Co., Ltd.							610,000.00	0.51
Luobo (Beijing) International Engineering Co., Ltd.					770,000.00	0.65		
CLFG Luoyang Processing Glass Co., Ltd.	391,631.86	0.04						
Luoyang Xinjingrun Engineering Glass Co., Ltd.	7,298,079.80	0.75						
Anhui Province Bengbu Huayi Conductive Film Glass Co., Ltd.	73,105,979.40	7.49						
Henan Province Zhonglian Glass Co., Ltd.	3,335,309.23	0.34						
Luoyang Longxin Glass Co., Ltd.	143,323,199.53	74.62						
CLFG Luoyang Processing Glass Co., Ltd.			3,600.00	0.00				
Luoyang Longxin Glass Co., Ltd.			2,841,231.20	1.48				
Henan Province Zhonglian Glass Co., Ltd.			380,000.00	0.20				
Luoyang Luobo Glass Fibre Co., Ltd.			8,745,629.03	4.55				
Luoyang Xinxing Property Management Co., Ltd.			7,305,220.16	3.80				
CLFG Xinxing Industry Development Co., Ltd.			33,773.01	0.02				
China Luoyang Float Glass Group Jinghua Industry Corporation			193,498.67	0.10				
CLFG Processing Glass Co., Ltd.			1,040.37	0.00				
China Luoyang Float Glass (Group) Company Limited			1,215,875.26	0.63				
CLFG Processing Glass Co., Ltd.			470,000.00	0.04				
Luoyang Luobo Logistics Co., Ltd.							1,000,000.00	0.11
China Triumph International Engineering Group Company Limited							1,250,000.00	1.05

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

2. Related party transactions relating to acquisition and disposal of assets

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 listed 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	49.09% equity interest in CLFG Processed Glass Co., Ltd.	12 June 2010	1			Yes	Yes	Yes

Unit: RMB

Parties to the transaction or final controller	Assets acquired	Date of acquisition	Price of the asset acquisition	Net profit/(loss) contributed to the listed company from the date of acquisition to the end of the year	Net profit contributed by the asset to the listed 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	Guangzhou International Trust & Investment Corporation	30 November 2010	35,000,000			Yes	Yes	Yes

3. Related party transactions relating to joint external investment by the Company and related party

During the reporting period, there was no related party transaction relating to joint external investment by the Company and related party.

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

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

Unit: RMB

Related party	Connected Relations	Funds provided to related party Amounts incurred	Funds provided to related party Balance	Funds provided by related party to the listed company Amounts incurred	Funds provided by related party to the listed company balance
China Luoyang Float Glass (Group) Company Limited	Controlling shareholder			70,557,469.03	13,336,368.87
Total				70,557,469.03	13,336,368.87
Amounts incurred in the provision of funds by the Company to controlling shareholders and its subsidiaries during the reporting period *(RMB)*			70,557,469.03		
Balance of the funds by the Company provided to controlling shareholders and its subsidiaries *(RMB)*			13,336,368.87		
Reason for the creditor's rights	According to the Notice concerning the Matters in relation to the Adjustment to Operation Budget and debts with for State-owned Assets in 2010 of China National related party Building Material Group Corporation (Guo Zi Shou Yi (2011) no.87) issued by State-owned Assets Supervision and Administration Commission of the State Council, and with reference to the "Luobo Fa [2010] No.223 Document -Settlement Plan for Employees of China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司職工安置方案)", a s at 31 December 2010, of the compensation subsidies receivable for the settlement of employees of RMB70,557,469.03, the Company received the subsidies of RMB57,221,100.16.				
Settlement of the creditor's rights and debts with related party	Amounts received as at 27 January 2011 was RMB12,702,485.39.				
Undertakings in relation to the creditor's rights and debts with related party	The balance of RMB633,883.48 will be paid by 31 March 2011.				
Effect of the creditor's rights and debts with related party on operating results and financial position of the Company	Nil				

(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 by the Company (excluding guarantee to controlled subsidiaries)

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
(A) Total amount of guarantee provided during the reporting period						—
Total balance of guarantee at the end of the reporting period						—
(B) Guarantee provided by the Company to its controlled subsidiaries						
Total amount of guarantee provided to its controlled subsidiaries during the reporting period						15,000,000.00
Balance of guarantee provided to its controlling subsidiaries at the end of the reporting period						19,862,776.00
(C) Total guarantees provided by the Company (including guarantees to controlled subsidiaries)						
Total amount of guarantee						19,862,776.00
Total amount of guaranties as a percentage to the Company's net assets						17.19%
Including:						
Amount of guarantee provided to shareholders, the de facto controller and its related parties						—
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70%						19,862,776.00
Total amount of guarantee over 50% of the net assets						—
Total amount of above 3 guarantees						19,862,776.00

(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

When CBM Glass indirectly acquired 31.8% shares in the Company by transfer of the State-owned equity interests at nil consideration, CBM Glass undertook that: CBM Glass and its controlled enterprises will not directly or indirectly involve in any businesses or activities in competition with the principal operations of the Company, by any means (including but not limited to the independent business, joint venture or having shares or interest in another company or enterprise). In the event that the business opportunities obtained will compete with the principal operations of the Company, it will notify the Company of those matters as soon as possible and pass such business opportunities to the Company to ensure that there is no prejudice to the interests of the shareholders of the Company as a whole.

As at the end of the reporting period, CBM Glass honoured its undertaking.

(VIII) Appointment or dismissal of certified public accountants

At the sixth meeting of the sixth Board on 26 March 2010, the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2010 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 2010	RMB1,300,000	RMB1,400,000
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) 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 percent. (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	159,018,242	31.80
CNBMG *(Note 1)*	Interest of controlled corporation	159,018,242	31.80
China Building Materials Glass Company *(Note 1)*	Interest of controlled corporation	159,018,242	31.8

Note:

1. These 159,018,242 Shares are registered and owned by CLFG. CNBMG is the beneficial owner of CLFG. CNBMG holds 51.70% and 19.00% (totally holding 70.70%) of registered capital of CLFG through wholly-owned subsidiaries, China Building Materials Glass Company and Bengbu Glass Industry Design Institute respectively. CNBMG is therefore deemed to be interested in 159,018,242 Shares held by CLFG under the SFO.

(XI) Interests in Contracts

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.

(XII) Pledge of Shares by the Controlling Shareholder

On 21 September 2010, CLFG and China National Building Material Group Corporation (CNBMG) who is the de facto controller of the Company signed a share pledge contract. According to the contract, CLFG agreed that 159,018,242 shares (state-owned legal person shares) of the Company were pledged to CNBMG, and CNBMG granted warranties to CLFG, its controlled enterprises and the Company for the various guarantees and entrusted loans amounting to RMB1,316,000,000.

(XIII) Distributable reserves

As at 31 December 2010, there was no reserve available for distribution (2009: Nil).

Continuing Connected Transactions

During the entire year ended 31 December 2010, 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.

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 2010 fiscal year, the aggregate consideration for the supply of float flat glass products was RMB7,690,000. In 2010, 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 RMB17,495,000 during 2010. In 2010, 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 date; 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 CLFG. Total consideration for the supply of services amounted to RMB2,000,000 during 2010. In 2010, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company in terms of the Listing Rules.

4. **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 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 RMB143,323,000 for 2010. Longxin Glass was treated as a connected person of the Company since its 50% interest was owned by CLFG.

5. **Longxin Glass Supply Agreement:** In order to achieve greater economies of scale and strengthen the Group's 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 2008, the Company purchased from Longxin Glass 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 2010 was RMB116,182,000. CLFG owned 50% equity of Longxin Glass. Accordingly, Longxin Glass was treated as a connected person of the Company.

Connected Transactions

Continuing Connected Transactions *(Continued)*

6. **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 RMB73,106,000 during 2010. Huayi Glass was a connected person of the Company as it was an associate of CNBMG, the ultimate controlling shareholder of the Company. As for further details of the transaction, please refer to the announcement of the Company on 10 June 2010.

7. **Silicon Powder Supply Agreement:** The Group has since 1994 purchased silicon powder from CLFG Mineral Company which manufactured it. 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 2010 was RMB3,297,000. CLFG Mineral Company was a connected person of the Company as it was a subsidiary of CLFG, the Company's controlling shareholder.

8. **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 RMB1,000,000 in 2010. 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.

9. **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 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 2010. During the lease period, CLFG was the Company's controlling shareholder and was therefore a connected person of the Company.

10. **Longxin Composite Services Agreement:** The Company had since 2005 rendered various services to Longxin Glass. 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 subsidiaries of the Company. 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 2010 was RMB2,841,000. Since CLFG owned 50% equity of Longxin Glass, Longxin Glass was treated as a connected person of the Company.

11. **Community Services Agreement:** Since 1994, the Group purchased various subdistrict 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 2010 was RMB2,820,000. Luoyang Xinxing was a connected person of the Company as it was an associate of CLFG, the Company's controlling shareholder.

Continuing Connected Transactions *(Continued)*

Some of the above continuing connected transactions were disclosed as related party transactions in note 38 to the 2010 audited consolidated financial statements of the Group prepared under International Financial Reporting Standards.

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 2010. 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;

d. these transactions have not exceeded the annual caps disclosed in previous announcements of the Company.

The independent non-executive Directors have reviewed the above mentioned continuing connected transactions that took place during the year ended 31 December 2010 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;

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.

Related Party Transactions

Certain related party transactions disclosed in note 38 to the audited consolidated financial statements prepared under IFRSs also constitute non-exempt connected transactions of the Company and, thus, are subject to the disclosure requirements under Chapter 14A of the Listing Rules, details of which are as follows.

Silica Sand Supply Agreement with Zhonglian Glass

Yinan Mineral Products Co., Ltd.(“Yinan”), a non-wholly owned subsidiary of the Company, entered into three agreements with Zhonglian Glass, a wholly-owned subsidiary of CBM Glass, on 3 January 2010, 1 April 2010 and 2 June 2010 respectively, pursuant to which Yinan has supplied silica sand of 10,529 tonnes, 9,316 tonnes and 9,334 tonnes respectively to Zhonglian Glass, at a total consideration of RMB1,950,683.35. Under these agreements, the relevant transport costs totalling RMB1,384,625.90 shall be borne by Zhonglian Glass. Zhonglian Glass had paid all the consideration under these agreements before December 2010. The terms of these agreements were determined after arm’s length negotiation between the parties, and are fair and reasonable and in the interests of the Company and its shareholders as a whole

Connected Transactions

Index of Information Disclosure

Subject matter	Newspapers for publication	Date of publication	Websites for publication and inquiry paths
Announcement on the Estimated Loss in the Annual Results for 2009	China Securities Journal, Shanghai Securities News	2010-01-29	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Civil Mediation Paper Received from the Intermediate People's Court of Luoyang	China Securities Journal, Shanghai Securities News	2010-02-11	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the Sixth Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2010-03-31	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed by the Supervisory Committee	China Securities Journal, Shanghai Securities News	2010-03-31	http://www.sse.com.cn, http://www.hkexnews.hk
Notice of Annual General Meeting 2009	China Securities Journal, Shanghai Securities News	2010-04-08	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to Matters Regarding Debt Restructuring of the Controlling Shareholder	China Securities Journal, Shanghai Securities News	2010-04-13	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Listing of Share Subject to Trading Moratorium	China Securities Journal, Shanghai Securities News	2010-05-12	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed At the Annual General Meeting 2009	China Securities Journal, Shanghai Securities News	2010-05-27	http://www.sse.com.cn, http://www.hkexnews.hk
Revision of Annual Caps for Routine Connected Transactions	China Securities Journal, Shanghai Securities News	2010-06-11	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on Significant Events	China Securities Journal, Shanghai Securities News	2010-07-01	http://www.sse.com.cn, http://www.hkexnews.hk
Resignation of Non-executive Directors	China Securities Journal, Shanghai Securities News	2010-07-01	http://www.sse.com.cn, http://www.hkexnews.hk
Notice of First Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-07-02	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the Ninth Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2010-07-05	http://www.sse.com.cn, http://www.hkexnews.hk
Notice of Second Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-07-07	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the 10th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2010-07-12	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to Transfer of Equity Interest by Controlling Shareholder at Nil Consideration	China Securities Journal, Shanghai Securities News	2010-07-12	http://www.sse.com.cn, http://www.hkexnews.hk
Indicative Announcement in relation to Transfer of Equity Interest by Controlling Shareholder at Nil Consideration	China Securities Journal, Shanghai Securities News	2010-07-13	http://www.sse.com.cn, http://www.hkexnews.hk
Indicative Announcement in relation to Transfer of Equity Interest by Controlling Shareholder at Nil Consideration	China Securities Journal, Shanghai Securities News	2010-07-16	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in Respect of the Development of Transfer of 51.70% Equity Interest in the Controlling Shareholder at Nil Consideration	China Securities Journal, Shanghai Securities News	2010-07-22	http://www.sse.com.cn, http://www.hkexnews.hk
Resignation of Supervisor	China Securities Journal, Shanghai Securities News	2010-07-30	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on the Estimated Profit in the Interim Results	China Securities Journal, Shanghai Securities News	2010-08-04	http://www.sse.com.cn, http://www.hkexnews.hk
Connected Transactions	China Securities Journal, Shanghai Securities News	2010-08-19	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the First Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-08-23	http://www.sse.com.cn, http://www.hkexnews.hk

Index of Information Disclosure *(Continued)*

Subject matter	Newspapers for publication	Date of publication	Websites for publication and inquiry paths
Announcement of Resolutions Passed at the Second Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-08-26	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Discharge of Pledge of Part of the Shares Held by the Controlling Shareholder	China Securities Journal, Shanghai Securities News	2010-09-06	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Reduction of Shareholding in the Company by the Controlling Shareholder	China Securities Journal, Shanghai Securities News	2010-09-07	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to Unusual Movements in Share Trading	China Securities Journal, Shanghai Securities News	2010-09-09	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to Provision of Entrusted Loan by Controlling Shareholder to the Company	China Securities Journal, Shanghai Securities News	2010-09-17	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on Significant Events	China Securities Journal, Shanghai Securities News	2010-09-30	http://www.sse.com.cn, http://www.hkexnews.hk
Connected Transaction — Loan Assignment Agreement	China Securities Journal, Shanghai Securities News	2010-09-30	http://www.sse.com.cn, http://www.hkexnews.hk
Notice of Third Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-10-14	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on Significant Events	China Securities Journal, Shanghai Securities News	2010-10-18	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on the Acquisition of Equity Interest	China Securities Journal, Shanghai Securities News	2010-10-25	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the 16th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2010-10-26	http://www.sse.com.cn, http://www.hkexnews.hk
Pledging of Shares by the Controlling Shareholder	China Securities Journal, Shanghai Securities News	2010-11-08	http://www.sse.com.cn, http://www.hkexnews.hk
Connected Transactions	China Securities Journal, Shanghai Securities News	2010-11-15	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement of Resolutions Passed at the Third Extraordinary General Meeting 2010	China Securities Journal, Shanghai Securities News	2010-12-01	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Approval of Acquisition of Luoyang Glass Company Limited by China Building Material Glass Company	China Securities Journal, Shanghai Securities News	2010-12-09	http://www.sse.com.cn, http://www.hkexnews.hk
Report on the Acquisition	China Securities Journal, Shanghai Securities News	2010-12-09	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on Relevant Issues Concerning Eliminating Business Competition	China Securities Journal, Shanghai Securities News	2010-12-09	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement on Significant Events	China Securities Journal, Shanghai Securities News	2010-12-17	http://www.sse.com.cn, http://www.hkexnews.hk
Announcement in relation to the Settlement of Redundant Employees	China Securities Journal, Shanghai Securities News	2010-12-31	http://www.sse.com.cn, http://www.hkexnews.hk

Independent Auditor's Report

PKF

Accountants &
business advisers

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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 (collectively referred to as the "Group") set out on pages 68 to 139, which comprise the consolidated statement of financial position as at 31st December, 2010, and 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of consolidated financial statements that give a true and fair view 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.

Independent Auditor's Report

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, 2010 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants
Hong Kong, 28th March, 2011

Consolidated Statement of Comprehensive Income

For the year ended 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2010**	2009
		RMB'000	*RMB'000*
Turnover	5	**1,167,044**	972,412
Cost of sales		**(936,412)**	(848,656)
Gross profit		**230,632**	123,756
Other operating income	6	**80,210**	5,693
Other operating expenses		**(672)**	(2,907)
Selling expenses		**(40,685)**	(35,789)
Administrative expenses		**(180,564)**	(221,861)
Profit/(loss) from operations		**88,921**	(131,108)
Net finance costs	7(a)	**(14,705)**	(60,062)
Net investment income	7(b)	**—**	19,183
Share of net profit of an associate	7(c)	**—**	1,552
Profit/(loss) before income tax	7	**74,216**	(170,435)
Income tax expense	10(a)	**(18,356)**	(1,781)
Profit/(loss) for the year		**55,860**	(172,216)
Total comprehensive income/(loss) for the year		**55,860**	(172,216)
Attributable to			
Equity shareholders of the Company	36	**61,947**	(166,225)
Non-controlling interests		**(6,087)**	(5,991)
Profit/(loss) for the year		**55,860**	(172,216)
Basic earnings/(loss) per share *(in RMB : Yuan)*	12	**0.12**	(0.33)

The notes on pages 73 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**671,646**	792,490
Construction in progress	14	**61,370**	17,723
Intangible assets	15	**10,586**	10,878
Exploration and evaluation assets	16	**1,128**	—
Lease prepayments	17	**55,293**	32,881
Interests in associates	19	**—**	1,128
Other investments	20	**7,410**	7,410
Investment deposit	21	**—**	1,030
Deposits with a non-bank financial institution	22	**—**	35,000
		807,433	898,540
CURRENT ASSETS			
Inventories	23	**202,066**	154,834
Trade and bills receivables	24	**94,827**	100,558
Other receivables	25	**83,745**	76,863
Income tax recoverable		**5,127**	2,710
Pledged deposits with banks	26	**113,000**	192,800
Cash and bank balances	27	**20,208**	33,189
		518,973	560,954
Assets classified as held for sale	28	**90,703**	—
		609,676	560,954
CURRENT LIABILITIES			
Trade and bills payables	29	**448,324**	470,518
Other payables	30	**186,103**	237,809
Amount due to an associate	19	**1,493**	—
Bank and other loans	31	**24,319**	735,971
		660,239	1,444,298
NET CURRENT LIABILITIES		**(50,563)**	(883,344)
TOTAL ASSETS LESS CURRENT LIABILITIES		**756,870**	15,196

The notes on pages 73 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT LIABILITIES			
Bank and other loans	31	**690,080**	4,824
Deferred income	32	**3,230**	3,692
		693,310	8,516
NET ASSETS		**63,560**	6,680
CAPITAL AND RESERVES			
Share capital	34	**500,018**	500,018
Reserves	35, 36	**(436,619)**	(497,207)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**63,399**	2,811
NON-CONTROLLING INTERESTS		**161**	3,869
TOTAL EQUITY		**63,560**	6,680

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 28TH MARCH, 2011

Song Jianming
CHAIRMAN

Song Fei
DIRECTOR

The notes on pages 73 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	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 1.1.2009	500,018	540,028	(45,873)	(796,314)	197,859	28,852	226,711
Disposal of a subsidiary *(note 37(b))*	—	—	—	—	—	(2,608)	(2,608)
Acquisition of additional interests in subsidiaries *(notes 18(c) and 33(b))*	—	—	(28,823)	—	(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 and 1.1.2010	500,018	540,028	(74,696)	(962,539)	2,811	3,869	6,680
Acquisition of additional interests in a subsidiary *(notes 18(b) and 33(a))*	—	—	(1,359)	—	(1,359)	1,359	—
Capital contribution in a newly incorporated subsidiary by non-controlling shareholders	—	—	—	—	—	1,020	1,020
Total comprehensive income/(loss) for the year	—	—	—	61,947	61,947	(6,087)	55,860
At 31.12.2010	500,018	540,028	(76,055)	(900,592)	63,399	161	63,560

The notes on pages 73 to 139 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2010** **RMB'000**	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	37(a)	**40,032**	(74,152)
Income tax paid		**(20,773)**	(10)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**19,259**	(74,162)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,488**	3,967
Purchase of property, plant and equipment		**(801)**	(2,641)
Increase in exploration and evaluation assets		**(510)**	—
Increase in construction in progress		**(9,927)**	(13,402)
Acquisition of lease prepayments		**(23,553)**	(2,579)
Dividend received from an associate		**—**	1,552
Decrease in amount due from an associate		**1,128**	—
Increase/(decrease) in amount due to an associate		**1,493**	(1,435)
Decrease/(increase) in investment deposit		**1,030**	(1,030)
Proceeds from disposal of property, plant and equipment		**5,361**	471
Proceeds from disposal of construction in progress		**529**	—
Proceeds from disposal of lease prepayments		**—**	120,000
Proceeds from disposal of an associate		**—**	4,957
Proceeds from disposal of deposits with a non-bank financial institution		**35,000**	—
Refund of an investment deposit		**—**	35,000
Acquisition of additional interests in subsidiaries		**(5,970)**	(13,212)
Net cash outflow arising on disposal of interests in a subsidiary	37(b)	**—**	(28)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**5,268**	131,620
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(12,132)**	(57,255)
New bank and other loans		**540,500**	768,500
Repayment of bank and other loans		**(566,896)**	(800,792)
Capital contribution received from non-controlling shareholders		**1,020**	980
NET CASH USED IN FINANCING ACTIVITIES		**(37,508)**	(88,567)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(12,981)**	(31,109)
EFFECT OF FOREIGN EXCHANGE RATE CHANGE		**—**	(280)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**33,189**	64,578
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	27	**20,208**	33,189
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**20,208**	33,189

The notes on pages 73 to 139 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 (collectively referred to as 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, 2010. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 43.

(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.

Change in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(c)(ii)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(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(n)).

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. 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(i)).

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(n)). 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(w)) 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(n)). Cost comprises the direct cost of materials and borrowing costs capitalised (see note 2(w)) 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(n)).

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(n)).

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 and mining rights which are amortised over their estimated useful lives of 5 to 20 years, and the units of production method based on the proven and probable mineral reserves.

(h) Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less any accumulated impairment losses.

Exploration and evaluation assets include the expenditures incurred in the search for natural resources as well as the determination of the technical feasibility and commercial viability of extracting those resources.

When the technical feasibility and commercial viability of extracting natural resources become demonstrable, previously recognised exploration and evaluation assets are reclassified as mining rights. These assets are assessed for impairment before reclassification, and any impairment loss is recognised in profit or loss.

(i) 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(s).

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(n)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investments in securities *(Continued)*

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(s)(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(s)(iii). When these investments are derecognised or impaired (see note 2(n)), 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.

(j) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets or disposal groups, are recognised at the lower of their carrying amounts and fair values less costs to sell.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised.

(k) 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)*

(l) 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.

(m) 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(n)), 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(n)).

(n) 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(n)(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)*

(n) 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)*

(n) 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;

— intangible assets;

— exploration and evaluation assets;

— lease prepayments; 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.

Notes to the Consolidated Financial Statements

For the year ended 31st December, 2010 (Expressed in Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

(ii) Impairment of other assets (Continued)

— 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.

(o) 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.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Provisions and contingent liabilities

(i) 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(q)(iii). Contingent liabilities acquired in a business combination that cannot be reliably fair valued are disclosed in accordance with note 2(q)(iii).

(ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(r) Employee benefits and termination 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.

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(s) 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Revenue recognition *(Continued)*

(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.

(t) 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.

(u) Repairs and maintenance expenses

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

(v) Research and development expenses

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

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible assets;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(w) 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.

(x) 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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Income tax *(Continued)*

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.

(y) 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)*

(z) 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 ISSUED 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 27 (Revised)	Consolidated and Separate Financial Statements
IFRS 3	Business Combinations
IFRIC 17	Distributions of Non-cash Assets to Owners
Amendments to IAS 39	Eligible Hedged Items
Amendments to IFRS 2	Share-based payment — Group Cash-settled Share — based Payment Transactions
IFRSs	Improvements to IFRSs (2009)

The initial application of these International Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented, except that IFRS 3 (Revised) and IAS 27 (Revised) made a number of clarifications and changes to the requirements on the preparation and presentation of consolidated financial statements regarding the accounting of consideration transferred, assets acquired and liabilities assumed, non-controlling interests, previously held interest in acquired subsidiaries, changes in ownership interest without loss of control and investment retained in former subsidiaries. The newly adopted accounting policies are set out in notes 2(c)(i), 2(c)(ii) and 2(i). These amendments are applied prospectively from 1st January, 2010.

For the year ended 31st December, 2010 (Expressed in Renminbi)

3. RECENTLY ISSUED ACCOUNTING STANDARDS *(Continued)*

(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
IFRS 9	Financial Instruments
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IAS 12	Deferred Tax : Recovery of Underlying Assets
Amendments to IAS 32	Classification of Rights Issues
Amendments to IFRS 7	Disclosures — Transfers of Financial Assets
Amendments to IFRIC 14	Prepayments of a Minimum Funding Requirement
Improvements to IFRSs 2010	

The Group is required to initially apply these IFRSs in its annual consolidated financial statements beginning on 1st January, 2011, except that the Group is required to initially apply Amendments to IAS 12 in its annual consolidated financial statements beginning on 1st January, 2012, and IFRS 9 in its annual consolidated financial statements beginning on 1st January, 2013.

4. SEGMENT REPORTING

The Group has adopted IFRS 8 "Operating Segments". 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; and sales of raw materials for production 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, 2010

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
REPORTABLE SEGMENT REVENUE	**1,138,483**	**28,561**	**—**	**1,167,044**
REPORTABLE SEGMENT RESULT	**92,109**	**(488)**	**—**	**91,621**
Unallocated expenses				**(2,700)**
Net finance costs				**(14,705)**
Profit before income tax				**74,216**
Income tax expense				**(18,356)**
Profit for the year				**55,860**

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities				
ASSETS				
Reportable segment assets	**1,398,415**	**41,732**	**(30,448)**	**1,409,699**
Other investments	**7,410**			**7,410**
Total assets				**1,417,109**
LIABILITIES				
Reportable segment liabilities	**(1,344,670)**	**(36,118)**	**30,448**	**(1,350,340)**
Amount due to an associate	**(1,493)**			**(1,493)**
Unallocated liabilities				**(1,716)**
Total liabilities				**(1,353,549)**

4. SEGMENT REPORTING *(Continued)*

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

For the year ended 31st December, 2010 *(Continued)*

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
OTHER INFORMATION				
Capital expenditure	**119,881**	**70**	**—**	**119,951**
Interest income	**(3,068)**	**(7)**	**1,287**	**(1,788)**
Interest expense	**10,945**	**1,287**	**(1,287)**	**10,945**
Depreciation	**69,665**	**1,784**	**—**	**71,449**
Impairment loss on trade receivables	**666**	**—**	**—**	**666**
Impairment loss on other receivables	**358**	**—**	**—**	**358**
Impairment loss on property, plant and equipment	**4,471**	**—**	**—**	**4,471**
Write-down of inventories	**3,837**	**—**	**—**	**3,837**
Reversal of write-down of inventories	**(8,501)**	**—**	**—**	**(8,501)**
Amortisation of intangible assets	**1,472**	**20**	**—**	**1,492**
Amortisation of lease prepayments	**1,005**	**136**	**—**	**1,141**

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)

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*
ASSETS				
Reportable segment assets	1,438,979	41,395	(30,448)	1,449,926
Interests in associates	1,128	—	—	1,128
Other investments				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)

	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	1,472	20	—	1,492
Amortisation of lease prepayments	745	156	—	901

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, exploration and evaluation 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 exploration and evaluation assets, and the location of operations, in the case of interests in associates.

	Revenues from external customers		**Specified Non-current assets**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
China	**1,152,497**	961,550	**805,080**	855,100
Asia	**14,380**	10,774	**—**	—
Others	**167**	88	**—**	—
	14,547	10,862	**—**	—
	1,167,044	972,412	**805,080**	855,100

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

	2010 RMB'000	2009 RMB'000
Waiver of debts	**1,853**	1,645
Government grants *(note 6(a))*	**75,383**	462
Gain on disposal of property, plant and equipment	**1,443**	—
Write off of other payables	**—**	2,224
Others	**1,531**	1,362
	80,210	5,693

Note :

(a) Included in government grants of RMB75,383,000 (2009 : RMB462,000) mainly represents :

— 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 (2009 : RMB462,000);

— according to Guo Zi Shou Yi (2011) No. 87 issued by State-owned Assets Supervision and Administration Commission, a government grant of RMB180 million from the Stated-owned Capital Operation Budget Fund was granted to CLFG for the provision of compensation to the redundant employees as a result of relocation of the production lines. CLFG allocated a portion of government grant of RMB70,558,000 to the Group to pay for the termination benefits and the amount was recognised during the year (note 7(d)(i));

— according to notices from the Luoyang Human Resources and Social Insurance Bureau and Luoyang Municipal Finance Bureau, a government grant of RMB3,186,000 was granted to the Company for financial support; and

— Mianchi County Government granted a special reward of RMB1,000,000 to Longfei for the resumption of production during the year.

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after (charging)/crediting :

	2010 *RMB'000*	2009 *RMB'000*
(a) Net finance costs :		
Interest on bank loans and other borrowings repayable within 5 years	**(10,945)**	(58,552)
Interest income	**1,788**	3,967
Net foreign exchange gain/(loss)	**382**	(110)
Bank charges	**(5,930)**	(5,367)
	(14,705)	(60,062)

	2010 *RMB'000*	2009 *RMB'000*
(b) Net investment income :		
Gain on disposal of an other investment	—	1,000
Gain on disposal of an associate *(note 19(a))*	—	18,899
Loss on disposal of interest in a subsidiary *(note 37(b))*	—	(716)
	—	19,183

	2010 *RMB'000*	2009 *RMB'000*
(c) Share of net profit of an associate	—	1,552

7. PROFIT/(LOSS) BEFORE INCOME TAX *(Continued)*

	2010 RMB'000	2009 RMB'000
(d) Staff costs (including directors' remuneration) :		
Termination benefits *(note 7(d)(i))*	**(68,486)**	—
Wages and salaries	**(54,899)**	(68,950)
Contributions to defined contribution plan	**(16,192)**	(19,951)
	(139,577)	(88,901)

Note :

(i) Pursuant to the requirements of the construction planning of Luoyang City, certain production lines of the Group have ceased production and will be relocated, which will result in redundant employees. According to the unified arrangement of CLFG and with reference to "Luobo Fa (2010) No. 223 Document - Settlement Plan for Employees of China Luoyang Float Glass (Group) Company Limited", the employees initiate applications and subject to prior consent of the Group, negotiate with the Group for termination of their respective employment contracts and provision of economic compensation to them, in accordance with the relevant laws and regulations and on the basis of openness and fairness and arm's length negotiation. The settlement plan will be closed on 31st March, 2011.

	2010 RMB'000	2009 RMB'000
(e) Other items :		
Cost of inventories sold	**(936,412)**	(848,656)
Depreciation	**(71,449)**	(83,126)
Net impairment loss of		
— trade receivables	**(666)**	(2,033)
— other receivables	**(358)**	(235)
— property, plant and equipment	**(4,471)**	(3,535)
— construction in progress	**—**	(2,795)
Write-down of inventories	**(3,837)**	(12,597)
Reversal of write-down of inventories	**8,501**	29,591
Gain/(loss) on disposal of property, plant and equipment	**1,443**	(42,468)
Loss on disposal of construction in progress	**(197)**	—
Research and development cost	**(8,231)**	—
Auditors' remuneration	**(2,700)**	(2,100)
Amortisation of intangible assets	**(1,492)**	(1,492)
Amortisation of lease prepayments	**(1,141)**	(901)

8. DIRECTORS' AND SUPERVISORS' REMUNERATION

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

	Fees	Bonuses	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	2010 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Song Fei	—	—	155	12	167
Song Jianming	—	—	309	12	321
Ni Zhisen	—	—	252	11	263
Cheng Zonghui	—	—	155	11	166
Non-executive directors					
Shen Anqin*	20	—	—	—	20
Bao Wenchun*	20	—	—	—	20
Guo Yimin	40	—	—	—	40
Zhao Yuanxiang#	13	—	—	—	13
Zhang Chengong#	13	—	—	—	13
Independent directors					
Guo Aimin	40	—	—	—	40
Zhang Zhanying	40	—	—	—	40
Huang Ping	40	—	—	—	40
Dong Jiachun	40	—	—	—	40
Supervisors					
Ren Zhenduo	20	—	—	—	20
Yao Wenjun**	12	—	—	—	12
Employee supervisors					
Lu Junfeng	10	—	33	5	48
Wang Jian##	7	—	45	5	57
Independent supervisors					
He Baofeng	20	—	—	—	20
Guo Hao	20	—	—	—	20
	355	—	949	56	1,360

* Resigned on 30th June, 2010
** Resigned on 29th July, 2010
# Appointed on 25th August, 2010
Appointed on 26th May, 2010

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

	Fees	Bonuses	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	2009 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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					
Ren Zhenduo	20	—	—	—	20
Yao Wenjun	20	—	—	—	20
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

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the 5 individuals with the highest emoluments, 5 (2009 : 5) are directors or supervisors, whose emoluments are disclosed in note 8.

10. INCOME TAX EXPENSE

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

	2010	2009
	RMB'000	*RMB'000*
Provision for the year	**18,056**	1,781
Under-provision in previous year	**300**	—
Income tax expense	**18,356**	1,781

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% (2009 : 25%) of the estimated assessable profits in accordance with the relevant income tax rules and regulations of the PRC.

On 8th November, 2010, CLFG Longhai Electronic Glass Co., Ltd. ("Longhai") was recognised as a high-tech enterprise in Henan Province and thus enjoying preferential tax reduction from 25% to 15% for the three years ended 31st December, 2012.

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

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

	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**74,216**	(170,435)
Notional PRC income tax using the Company's tax rate of 25% (2009 : 25%)	**18,554**	(42,609)
Tax effect of tax exempt revenue	**(117)**	(753)
Tax effect of non-deductible expenses	**862**	26,731
Tax effect of tax loss utilised	**(2,652)**	(3,057)
Tax losses not recognised for deferred tax	**9,953**	21,469
Under-provision in previous year	**300**	—
Effect of preferential tax rate	**(8,544)**	—
Income tax expense	**18,356**	1,781

10. INCOME TAX EXPENSE *(Continued)*

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

	2010	2009
	RMB'000	*RMB'000*
Provisions	**68,326**	68,485
Lease prepayments	**6,416**	5,953
Tax loss	**127,506**	123,354
Total	**202,248**	197,792

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, 2010 (2009 : Nil).

12. BASIC EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to equity shareholders of the Company of RMB61,947,000 (2009 : loss of RMB166,225,000) and 500,018,000 (2009 : 500,018,000) shares in issue during the year.

No diluted earnings/(loss) per share is calculated as there are no dilutive potential shares for the two years ended 31st December, 2010.

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, 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 37(b))*	(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 37(b))*	(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 37(b))*	(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

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, 2010	527,284	951,019	28,162	1,506,465
Additions	2,566	4,054	702	7,322
Transfer from construction in progress *(note 14)*	120	41,598	657	42,375
Reclassified as held for sale *(note 28)*	(157,884)	—	—	(157,884)
Disposals	(1,856)	(8,122)	(1,096)	(11,074)
At 31st December, 2010	**370,230**	**988,549**	**28,425**	**1,387,204**
Accumulated depreciation :-				
At 1st January, 2010	172,963	511,211	20,040	704,214
Charge for the year	13,528	56,533	1,388	71,449
Reclassified as held for sale *(note 28)*	(67,181)	—	—	(67,181)
Written back on disposals	(583)	(5,865)	(665)	(7,113)
At 31st December, 2010	**118,727**	**561,879**	**20,763**	**701,369**
Impairment :-				
At 1st January, 2010	4,772	4,825	164	9,761
Increase for the year	—	4,471	—	4,471
Written back on disposals	(28)	(15)	—	(43)
At 31st December, 2010	**4,744**	**9,281**	**164**	**14,189**
Net book value :-				
At 31st December, 2010	**246,759**	**417,389**	**7,498**	**671,646**

Notes :

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

(b) At 31st December, 2010, plant, machinery and equipment with net book values of RMBNil (2009 : RMB27,981,000) were pledged for certain short-term bank loans granted to the Group (note 31(a)(i)).

(c) At 31st December, 2010, the certificates of buildings with net book value of RMB152,521,000 (2009 : RMB159,484,000) have not been obtained.

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, 2010.

	2010 *RMB'000*	2009 *RMB'000*
At 1st January	**17,723**	11,761
Additions	**86,748**	13,402
	104,471	25,163
Transfer to property, plant and equipment *(note 13)*	**(42,375)**	(3,496)
Disposals	**(726)**	—
Impairment	**—**	(2,795)
Deconsolidation due to disposal of a subsidiary *(note 37(b))*	**—**	(1,149)
At 31st December	**61,370**	17,723

15. INTANGIBLE ASSETS

	Trademark, non-patented technical know-how *RMB'000*	**Mining rights** *RMB'000*	**Total** *RMB'000*
Cost :-			
At 1st January, 2009 and 31st December, 2009	18,400	100	18,500
Accumulated amortisation :-			
At 1st January, 2009	6,125	5	6,130
Charge for the year	1,472	20	1,492
At 31st December, 2009	7,597	25	7,622
Net book value :-			
At 31st December, 2009	10,803	75	10,878
Cost :-			
At 1st January, 2010	18,400	100	18,500
Additions	—	1,200	1,200
At 31st December, 2010	**18,400**	**1,300**	**19,700**
Accumulated impairment :-			
At 1st January, 2010	7,597	25	7,622
Charge for the year	1,472	20	1,492
At 31st December, 2010	**9,069**	**45**	**9,114**
Net book value :-			
At 31st December, 2010	**9,331**	**1,255**	**10,586**

16. EXPLORATION AND EVALUATION ASSETS

	2010	2009
	RMB'000	*RMB'000*
Cost :-		
At 1st January	**—**	—
Additions	**1,128**	—
At 31st December	**1,128**	—

The Company's subsidiaries, Dengfeng CLFG Silicon Co., Ltd. ("Dengfeng") and Dengfeng Hongzhai Silicon Co., Ltd. ("Hongzhai"), have undertaken various feasibility studies in relation to the mining and extraction of silicon. Dengfeng and Hongzhai have been granted exclusive rights to explore and evaluate the silicon from two pieces of land in Dengfeng City, Henan Province, the PRC.

17. LEASE PREPAYMENTS

	2010	2009
	RMB'000	*RMB'000*
Cost :-		
At 1st January	**39,622**	40,588
Additions	**23,553**	2,579
Deconsolidation due to disposal of a subsidiary *(note 37(b))*	**—**	(3,545)
At 31st December	**63,175**	39,622
Accumulated amortisation :-		
At 1st January	**6,741**	6,584
Amortised for the year	**1,141**	901
Deconsolidation due to disposal of a subsidiary *(note 37(b))*	**—**	(744)
At 31st December	**7,882**	6,741
Net book value :-		
At 31st December	**55,293**	32,881

Lease prepayments represent the land use rights on land located in the PRC. The remaining periods of the land use rights are from 33 to 50 years. At 31st December, 2010, 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 RMB22,793,000 (2009 : RMB24,119,000).

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18. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31st December, 2010, all of which are incorporated and operated in the PRC, are set out below.

Name of company	Registered capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities	Note
CLFG Longmen Glass Co., Ltd. ("Longmen")	RMB20,000,000	100.00%	—	Manufacture of float sheet glass	(a), (b)
CLFG Longfei Glass Co., Ltd. ("Longfei")	RMB74,080,000	63.98%	—	Manufacture of float sheet glass	(a), (c)
Yinan Mineral Products Co., Ltd. ("Yinan")	RMB28,000,000	52.00%	—	Exploration of minerals	(a)
CLFG Longhai Electronic Glass Co., Ltd. ("Longhai")	RMB60,000,000	100.00%	—	Manufacture of float sheet glass	(a), (c)
CLFG Longhao Glass Co., Ltd. ("Longhao")	RMB50,000,000	100.00%	—	Manufacture of float sheet glass	(a), (c)
CLFG Shawan Glass Co., Ltd. ("Shawan")	RMB9,000,000	100.00%	—	Manufacture of float sheet glass, sales of glass, processing of products, and provision of technical services	(a)
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	(a)
CLFG Longxiang Glass Co., Ltd. ("Longxiang")	RMB50,000,000	—	100.00%	Manufacture of float sheet glass	(a), (d)
Dengfeng CLFG Silicon Co., Ltd.	RMB3,000,000	—	51.00%	Exploration of minerals	(a)
Dengfeng Hongzhai Silicon Co., Ltd.	RMB2,050,000	—	50.24%	Exploration and sales of minerals	(a)

18. PRINCIPAL SUBSIDIARIES *(Continued)*

Notes :

(a) These subsidiaries are limited liability companies.

(b) On 22nd October, 2010, the Company entered into an equity transfer agreement with a third party for the acquisition of the remaining 20.94% equity interests in Longmen at a total consideration of RMB1.

(c) On 16th December, 2009, the Company entered into three equity 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.

(d) In August 2008, Longfei entered into an equity 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.

19. INTERESTS IN ASSOCIATES

	2010	2009
	RMB'000	*RMB'000*
Share of net assets	**—**	—
Amount due from an associate	**—**	1,128
Amount due to an associate	**(1,493)**	—
	(1,493)	1,128
Less : Impairment losses	**—**	—
	(1,493)	1,128

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

Details of the associates, which are unlisted corporate entities, incorporated and operated in the PRC, at 31st December, 2010 are as follows :

			Proportion of ownership interest		
Name of company	**Form of business structure**	**Registered capital**	**Group effective interest**	**Held by the Company**	**Principal activities**
Luoyang Jingxin Ceramic Co., Ltd. ("Jingxin")	Sino-foreign equity joint venture	RMB41,945,000	49.00%	49.00%	Manufacture of ceramic wall tiles
CLFG Mineral Products Co., Ltd. ("CMPC")	Limited liability company	RMB30,960,000	40.29%	40.29%	Production of silicon and refractory materials

19. INTERESTS IN ASSOCIATES *(Continued)*

Note :

(a) On 16th December, 2009, the Company entered into an equity transfer agreement with CLFG for the disposal of 49.09% equity interest in CLFG Processed Glass Co., Ltd. ("CPGC"), an associate of the Company, at a total consideration RMB1. The equity transfer transaction was completed during the year ended 31st December, 2010.

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 and CMPC totalling RMB85,946,000 (2009 : losses relating to Jingxin, CPGC and CMPC totaling RMB169,877,000) of which RMB2,855,000 was incurred in the current financial year (2009 : RMB8,978,000). The Group has no obligation in respect of those unrecognised losses.

Summarised financial information on associates :

	Assets *RMB'000*	Liabilities *RMB'000*	Equity *RMB'000*	Revenues *RMB'000*	Profits/ (losses) *RMB'000*
2010					
100 per cent	**156,761**	**(232,395)**	**(75,634)**	**29,487**	**(6,126)**
Group's effective interest	**74,077**	**(74,077)**	**—**	**11,881**	**—**
2009					
100 per cent	594,462	(721,859)	(127,397)	161,411	(18,831)
Group's effective interest	289,141	(289,141)	—	76,737	—

20. OTHER INVESTMENTS

	2010 ***RMB'000***	2009 *RMB'000*
Unlisted available-for-sale securities, at cost	**25,201**	25,201
Less : Impairment losses	**17,791**	17,791
	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.

21. INVESTMENT DEPOSIT

In December 2009, Dengfeng paid a deposit of RMB1,030,000 to set up a subsidiary named "Dengfeng Hongzhai Silicon Co., Ltd.", with a third party. Dengfeng owned 50.24% equity interest in the subsidiary which was incorporated on 13th January, 2010. The incorporation process of Hongzhai was completed during the year and the investment deposit was reallocated to as capital contribution to this subsidiary.

22. DEPOSITS WITH A NON-BANK FINANCIAL INSTITUTION

The balances at 31st December, 2009 represented the overdue time deposits at Guangzhou International Trust & Investment Corporation ("GZITIC"), after a 75% impairment made.

On 29th September, 2010, the Company and CLFG entered into a loan assignment agreement, pursuant to which the Company assigned to CLFG its rights and obligations in respect of the deposits owed by GZITIC at a consideration of RMB35,000,000. CLFG has fully paid the consideration to the Company during the year ended 31st December, 2010.

23. INVENTORIES

	2010	2009
	RMB'000	*RMB'000*
Raw materials	**183,558**	152,103
Work in progress	**9,832**	10,151
Finished goods	**37,762**	26,330
	231,152	188,584
Less : Write-down	**29,086**	33,750
	202,066	154,834

The reversal of write-down of inventories of RMB8,501,000 (2009 : RMB29,591,000) made in this year including RMB8,501,000 (2009 : RMB23,721,000) arose due to inventories sold and RMBNil (2009 : RMB5,870,000) arose due to disposal of obsolete inventories.

24. TRADE AND BILLS RECEIVABLES

	2010	2009
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**60,178**	62,969
— subsidiaries of the controlling shareholder company	**27,206**	16,624
	87,384	79,593
Less : Allowances for impairment of doubtful debts	**46,088**	45,422
	41,296	34,171
Bills receivable	**53,531**	66,387
	94,827	100,558

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

	2010	2009
	RMB'000	*RMB'000*
Within 1 month	**55,984**	17,978
Between 1 month and 1 year	**23,582**	75,481
Between 1 and 2 years	**12,787**	7,066
Between 2 and 3 years	**2,474**	33
	94,827	100,558

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.

24. TRADE AND BILLS RECEIVABLES *(Continued)*

At 31st December, 2010, the Group's trade and bills receivables of RMB38,843,000 (2009 : RMB82,580,000) 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, 2010, the Group's trade and bills receivables of RMB46,088,000 (2009 : RMB45,422,000) 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 :

	2010	2009
	RMB'000	*RMB'000*
Between 1 and 2 years	**370**	2,228
Between 2 and 3 years	**2,491**	32
More than 3 years	**43,227**	43,162
	46,088	45,422

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

	2010	2009
	RMB'000	*RMB'000*
At 1st January	**45,422**	45,265
Impairment loss recognised	**666**	2,033
Deconsolidation due to disposal of a subsidiary *(note 37(b))*	**—**	(1,876)
At 31st December	**46,088**	45,422

Included in trade and bills receivables is the following amount denominated in a currency other than the functional currency of the entity to which it relates :

	2010	2009
	'000	*'000*
United States Dollars	**807**	907

25. OTHER RECEIVABLES

	2010 RMB'000	2009 RMB'000
Amount due from the controlling shareholder company	**20,685**	7,017
Amounts due from subsidiaries of the controlling shareholder company	**4,497**	3,419
Advance payments, accounts receivables and prepayments	**114,066**	121,572
	139,248	132,008
Less : Allowances for impairment of doubtful debts	**55,503**	55,145
	83,745	76,863

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 RMB55,503,000 (2009 : RMB55,145,000) 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 :

	2010 RMB'000	2009 RMB'000
At 1st January	**55,145**	57,316
Impairment loss recognised	**358**	235
Deconsolidation due to disposal of a subsidiary *(note 37(b))*	**—**	(2,406)
At 31st December	**55,503**	55,145

26. PLEDGED DEPOSITS WITH BANKS

	2010 RMB'000	2009 RMB'000
Deposits with banks (pledged)	**113,000**	192,800

At 31st December, 2010, deposits with banks of RMB113,000,000 (2009 : RMB192,800,000) were pledged to secure bills payable of the Group.

27. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

	2010	2009
	RMB'000	*RMB'000*
Cash in hand	**826**	1,058
Deposits with banks and non-bank financial institutions with an original maturity within 3 months	**19,382**	32,131
Cash and bank balances	**20,208**	33,189
Restricted bank balances *(note 27(a))*	**—**	—
	20,208	33,189

Note :

(a) At 31st December, 2009, bank balance of RMB86 of the Group was restricted by courts during the year (note 40).

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

	2010	2009
	'000	*'000*
Hong Kong Dollars	**7**	7
United States Dollars	**19**	3

28. ASSETS CLASSIFIED AS HELD FOR SALE

		2010	2009
	Note	***RMB'000***	*RMB'000*
Lease prepayments	(a), (b)	**—**	—
Buildings *(note 13)*	(a)	**90,703**	—
		90,703	—

28. ASSETS CLASSIFIED AS HELD FOR SALE *(Continued)*

Notes :

(a) Certain land use rights and the buildings and ancillary structures are presented as assets classified as held for sale following the sales agreement signed between the Company and the Luoyang Land Reserves Coordination Centre ("Luoyang Land Centre"), a state-owned business unit belonging to the Government of Luoyang City and an independent third party, on 31st January, 2011. As requested by the Government of Luoyang City for the purpose of planning and development, Luoyang Land Centre entered into the agreement with the Company for acquisition of the land use rights and the buildings and ancillary structures located at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC, a place inside the relics of the Luoyang City of the Sui and Tang Dynasties. The agreement was approved and confirmed by the shareholders of the Company at the Extraordinary General Meeting held on 21st March, 2011 in accordance with Listing Rules.

(b) The land use rights was injected by CLFG at zero consideration when the Company was incorporated.

(c) The net proceeds from the realisation of these assets are expected to be exceed the net carrying amounts of the relevant assets and accordingly, no impairment loss has been recognised.

29. TRADE AND BILLS PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Trade payables		
— third parties	**299,955**	296,248
— subsidiaries of the controlling shareholder company	**369**	270
	300,324	296,518
Bills payable	**148,000**	174,000
	448,324	470,518

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

	2010	2009
	RMB'000	*RMB'000*
Due within 1 month or on demand	**448,324**	470,518

30. OTHER PAYABLES

	2010	2009
	RMB'000	*RMB'000*
Amount due to the controlling shareholder company	**156**	2
Amounts due to subsidiaries of the controlling shareholder Company	**2,082**	890
Accrued expenses, other payables and receipts in advance	**183,865**	236,917
	186,103	237,809

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.

31. BANK AND OTHER LOANS

		Interest	**Interest**	**2010**	2009
	Note	**rate**	**type**	***RMB'000***	*RMB'000*
Secured bank loans	(a), (b), (d)	0.00%-10.62%	Free, fixed and floating	**661,799**	641,795
Unsecured bank loans		9.23%	Fixed	**4,000**	4,000
Unsecured loans from a controlling shareholder company	(c)	5.13%-5.56%	Floating	**48,600**	95,000
				714,399	740,795

31. BANK AND OTHER LOANS *(Continued)*

Notes :

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

(i) Assets

	2010 **RMB'000**	2009 RMB'000
Plant, machinery and equipment	—	27,981

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

(b) Included in secured bank loans to a subsidiary of RMB4,863,000 (2009 : RMB6,363,000) has become overdue for payment.

(c) Included in unsecured loans from a controlling shareholder company of the Company of RMBNil (2009 : RMB45,000,000) has become overdue for payment.

(d) During the year ended 31st December, 2010, CLFG had been negotiated with relevant financial institutions on the specific terms relating to debt restructuring for the Group. Upon negotiation with the lending banks, the Group has entered into several amendment agreements or supplemental agreements in respect of the loan agreements and guarantee agreements with its six lending banks and CNBMG. The original term of the bank loans of RMB637,600,000 was changed to 31st January, 2017. The Group is not required to repay the principal in the first two years (i.e., from 1st February, 2010 to 31st January, 2012). In the following five years, the Group will repay 7.2% of the principal to the lending banks every year. All interests related to these loans are exempted up to 31st January, 2017.

The bank and other loans are repayable as follows :

	2010 ***RMB'000***	2009 *RMB'000*
Within 1 year		
— short-term loans	**23,863**	735,463
— current portion of long-term loans	**456**	508
	24,319	735,971
Between 1 and 2 years	**456**	508
Between 2 and 5 years	**49,969**	1,523
After 5 years	**639,655**	2,793
	690,080	4,824
	714,399	740,795

31. BANK AND OTHER LOANS *(Continued)*

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

Repayment terms and last repayment date	Interest rate	Interest type	2010 RMB'000	2009 RMB'000
Secured bank loans				
Euro denominated :				
Payable quarterly in 2011/2010	2.50%	Fixed	**456**	508
Payable quarterly from 2012/2011 through 2019	2.50%	Fixed	**3,880**	4,824
RMB denominated :				
Payable monthly from 2012 through 2017	0.00%	Free	**637,600**	—
			641,936	5,332
Unsecured other loans				
RMB denominated :				
Payable in 2013	5.13%-5.56%	Floating	**48,600**	—
			48,600	—
			690,536	5,332
Total long-term loans			**690,536**	5,332
Less : Current-portion repayable within 1 year			**456**	508
Non-current portion of long-term loans			**690,080**	4,824

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

31. BANK AND OTHER LOANS *(Continued)*

Included in bank loans is the following amount denominated in a currency other than the functional currency of the entity to which it relates :

	2010 '000	2009 '000
Euro	**492**	544

Short-term loans

The weighted average interest rate on short-term loans of the Group was 7.14% per annum (2009 : 6.01% per annum).

Details of the Group's liquidity management policy are set out in note 42(I)(c).

32. 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 (2009 : RMB462,000).

33. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) During the year ended 31st December, 2010, the Group acquired additional interests in a subsidiary at a total consideration of RMB1. The difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration of RMB1,359,000 was recognised directly in equity and attributed to equity shareholders of the Company (note 18(b)).

(b) 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 (notes 18(c) and (d)).

34. SHARE CAPITAL

	2010		2009	
	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 of the year	**179,018**	**179,018**	179,018	179,018
Decrease as a result of revised share reform	**(20,000)**	**(20,000)**	—	—
At end of the year	**159,018**	**159,018**	179,018	179,018
Domestic listed shares ("A Shares") of RMB1.00 each				
At beginning of the year	**71,000**	**71,000**	71,000	71,000
Increase as a result of revised share reform	**20,000**	**20,000**	—	—
At end of the year	**91,000**	**91,000**	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

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.

On 6th September, 2010, the Company received a notification from CLFG stating that CLFG had sold 20,000,000 domestic shares of the Company (representing 4% of the total issued share capital of the Company) via the Block Trading System of the Shanghai Stock Exchange on 3rd September, 2010. After the sale of the shares, CLFG still holds 159,018,242 domestic shares of the Company, all being non-restricted circulating shares and representing 31.80% of the total issued share capital of the Company, and remains the controlling shareholder of the Company. In accordance with the revised share reform, CLFG and CNBMG signed a supplemental agreement for the share pledge agreement on 21st September, 2010. The number of domestic shares pledged was changed from 179,018,242 to 159,018,242 (representing approximately 35.80% to 31.80% of the total issued share capital of the Company and 100% of the domestic shares held by CLFG).

35. SHARE PREMIUM

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

36. RESERVES

	Share premium	Statutory surplus reserve	Excess over share capital	Other reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 35	*Note (a)*	*Note (b)*	*Note (c)*		
At 1st January, 2009	540,028	61,076	(106,949)	—	(796,314)	(302,159)
Acquisition of additional interests in subsidiaries *(notes 18(c) and 33(b))*	—	—	—	(28,823)	—	(28,823)
Total comprehensive loss for the year	—	—	—	—	(166,225)	(166,225)
At 31st December, 2009 and at 1st January, 2010	540,028	61,076	(106,949)	(28,823)	(962,539)	(497,207)
Acquisition of additional interests in a subsidiary *(notes 18(b) and 33(a))*	—	—	—	(1,359)	—	(1,359)
Total comprehensive income for the year	—	—	—	—	61,947	61,947
At 31st December, 2010	540,028	61,076	(106,949)	(30,182)	(900,592)	(436,619)

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) Other reserve represents the difference between the fair value of consideration paid and payable and the carrying amount of net assets attributable to the additional interests in the subsidiaries being acquired from non-controlling interests during the year. The directors consider that it is more clear to present such difference under a separate reserve in the equity of the Company.

(d) 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, 2010, there was no reserve available for distribution (2009 : Nil).

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit/(loss) before income tax to cash used in operations :

	2010	2009
	RMB'000	*RMB'000*
Profit/(loss) before income tax	**74,216**	(170,435)
Share of net profit of an associate	**—**	(1,552)
Amortisation and depreciation	**74,082**	85,519
Interest income	**(1,788)**	(3,967)
Interest expense	**10,945**	58,552
Impairment loss on property, plant and equipment	**4,471**	3,535
Impairment loss on construction in progress	**—**	2,795
Net impairment loss on receivables	**1,024**	2,268
Waiver of debts	**(1,853)**	(1,645)
Write off of long-term payables	**—**	(2,224)
Write-down of inventories	**3,837**	12,597
Reversal of write-down of inventories	**(8,501)**	(29,591)
Net (gain)/loss on disposal of property, plant and equipment	**(1,443)**	42,468
Net loss on disposal of construction in progress	**197**	—
Loss on disposal of interest in a subsidiary	**—**	716
Gain on disposal of an other investment	**—**	(1,000)
Gain on disposal of an associate	**—**	(18,899)
(Increase)/decrease in inventories	**(42,568)**	113,097
Increase in trade and bills receivables	**(11,942)**	(3,691)
Increase in other receivables	**(17,023)**	(37,275)
Decrease in trade and bills payables	**(65,216)**	(152,807)
(Decrease)/increase in other payables	**(57,744)**	9,204
Decrease in deferred income	**(462)**	(462)
Decrease in restricted bank balances	**—**	9,809
Decrease in pledged deposits	**79,800**	8,836
Cash generated from/(used in) operations	**40,032**	(74,152)

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

(b) Disposal of a subsidiary

In accordance with the equity 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 Xiangfang Luoshen Auto Glass Co., Ltd. ("Luoshen") at a total consideration of RMB4,500,000 to the independent third party. The transaction was completed on 19th February, 2009 and the assets and liabilities arising from the disposal are as follows :

	2009 *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
Trade and bills payables	(2,296)
Other payables	(3,211)
Non-controlling interests	(2,608)
Net assets disposed	5,216
Loss on disposal of interest in a subsidiary	(716)
Total consideration	4,500
Bills received in previous year	(4,500)
Cash and cash equivalents disposed	(28)
Net cash outflow arising on disposal of interest in a subsidiary	(28)

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

(c) Major non-cash items

(i) In August 2008, Longfei entered into an equity 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, 2010, cash of RMB5,970,000 (2009 : RMB4,970,000) and float sheet glass of RMB6,983,000 (2009 : RMB10,409,000) were paid and the remaining balance of cash and float sheet glass of RMB4,254,000 (2009 : RMB10,224,000) and RMBNil (2009 : RMB6,983,000) were still outstanding.

(ii) During the year ended 31st December, 2009, the consideration of RMB4,500,000 in relation to the disposal of Luoshen as mentioned in note 37(b) was settled by bills.

(iii) In January 2009, the Company and CLFG entered into an equity 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.

(iv) During the year ended 31st December, 2009, the Company completed the disposal of another investment with a carrying amount of RMBNil at a total consideration of RMB1,000,000 which was settled by bills.

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

38. 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.

On 6th September, 2010, the Company received a notification from CLFG stating that CLFG had sold 20,000,000 domestic shares of the Company (representing 4% of the total share capital of the Company) via the Block Trading System of the Shanghai Stock Exchange on 3rd September 2010. After the sale of the shares, CLFG still hold 159,018,242 domestic shares of the Company, all being non-restricted circulating shares and representing 31.80% of the total issued share capital of the Company, and remains the controlling shareholder 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.

38. 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), 22, 24, 25, 29, 30 and 31(a), (c) and (d), 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	**2010** **RMB'000**	2009 *RMB'000*
Sales of goods from the Group to the affiliates of CNBMG and CLFG	(i)	**80,796**	41,205
Provision of utilities provided by the Company to CLFG and the affiliates of CLFG	(ii)	**17,495**	11,624
Supply of raw materials from the Company to an affiliate of CLFG	(iii)	**143,323**	139,434
Supply of raw materials from the Company to subsidiaries of the Company	(xi)	**—**	334,593
Composite services provided by the Company to an affiliate of CLFG	(iv)	**2,841**	3,612
Composite services provided by the Company to subsidiaries of the Company	(xi)	**—**	7,152
Purchases of finished goods from an affiliate of CLFG by the Company	(v)	**116,182**	58,935
Purchases of finished goods from the subsidiaries of the Company by the Company	(xi)	**—**	516,117
Purchases of raw materials from an affiliate of CLFG by the Group	(vi)	**3,297**	—
Guarantees provided by the Company to subsidiaries of the Company	(xi)	**—**	55,000
Composite services provided by an affiliate of CLFG to the Group	(vii)	**2,820**	5,474
Composite services provided by CLFG to the Company	(viii)	**2,000**	4,082
Rental income received from the affiliates of CLFG by the Company	(ix)	**471**	471

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

(I) Connected persons *(Continued)*

(a) Continuing connected transactions as defined in Chapter 14A of Listing Rules (Continued)

	Note	2010 RMB'000	2009 RMB'000
Rental expense paid to an affiliate of CLFG by the Company	(x)	**1,000**	2,650

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 RMB37,172,000 for the year ended 31st December, 2010 (2009 : RMB14,025,000).

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 the Longhai supplies float sheet glass to Huayi at market price. As the transaction amount for the year ended 31st December, 2009 has exceeded the annual cap amount for the year ended 31st December, 2009, a supplemental agreement was entered into between the two parties on 10th June, 2010 and the new annual cap amount for the year ended 31st December, 2010 was increased from RMB31,430,000 to RMB80,020,000.

(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 RMB25,881,000 for the year ended 31st December, 2010 (2009 : RMB24,714,000).

(iii) The Company has entered into an agreement with 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 Longxin at market price with the annual cap amount of RMB797,100,000 for the year ended 31st December, 2010 (2009 : RMB722,860,000).

(iv) The Company has entered into a composite services agreement with an affiliate of CLFG, Longxin, effective from 13th July, 2009, which is expired on 31st December, 2011. In accordance with the agreement, the Company provides technology, staff training, transportation and storage services, etc., to Longxin at market price with the annual cap amount of RMB5,000,000 for the year ended 31st December, 2010 (2009 : RMB5,000,000).

(v) The Company has entered into an agreement with an affiliate of CLFG, Longxin, effective from 13th July, 2009, which is expired on 31st December, 2011, by which Longxin supplies float sheet glass to the Company at market price with the annual cap amount of RMB301,433,000 for the year ended 31st December, 2010 (2009 : RMB274,030,000).

(vi) The Company has entered into an agreement with a CLFG's subsidiary, CLFG Minerals Products Co., Ltd. ("CMPC"), effective from 13th July, 2009, which is expired on 31st December, 2011, by which CMPC supplies silicon powder to the Group at market price with the annual cap amount of RMB37,295,000 for the year ended 31st December, 2010 (2009 : RMB29,280,000).

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

(I) Connected persons *(Continued)*

(a) *Continuing connected transactions as defined in Chapter 14A of Listing Rules* (Continued)

Notes (Continued) :

(vii) 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 RMB6,850,000 for the year ended 31st December, 2010 (2009 : RMB6,430,000).

(viii) 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, 2010 (2009: RMB5,000,000).

(ix) The Company has entered into an agreement with an associate, CLFG Processed Glass Co., Ltd. ("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 an 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.

(x) The Company has entered into an agreement with a CLFG's subsidiary, Luoyang Luobo Logistics Co., Ltd. ("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.

(xi) During the year ended 31st December, 2009, the Company additionally acquired from CLFG of the remaining 20% equity interest in Longhao, the remaining 20% equity interest in Longhai, and additional 9.98% equity interest in Longfei. Longhai, Longhao, and Longfei became a non-connected person of CLFG under the definition in Chapter 14A of Listing Rules. Any transactions with Longhai, Longhao, and Longfei do not need to disclose as continuing connected transactions for the year ended 31st December, 2010.

The transactions (i) to (vi) are subject to annual cap approved by independent shareholders of the Company.

The directors of the Company are of the opinion that the above transaction 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.

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

(I) Connected persons *(Continued)*

(b) Others

	Note	**2010** *RMB'000*	2009 *RMB'000*
Acquisition of additional non-controlling interests in subsidiaries	18(c)	**—**	8,242
Guarantees issued by CLFG to the banks in favour of the Group		**—**	120,000
Indirect guarantee	(i)	**2,970**	2,970
Domestic shares pledged by CLFG to CNBMG in respect of entrusted loans and guarantees in favour of the Group	(ii)	**637,600**	550,000
Transportation income from an affiliate of CLFG		**4**	18
Interest paid and payable to CLFG and CNBMG		**6,024**	1,371
Interest received and receivable		**—**	1
Sales of raw materials to an affiliate of CLFG		**3,335**	—
Provision of technical services to an affiliate of CLFG		**380**	—
Construction design service fee paid to an affiliate of CLFG	(iii)(1), (iii)(6)	**610**	—
Purchase of equipment from an affiliate of CLFG	(iii)(2), (iii)(3)	**770**	—
Construction design service fee paid to an affiliate of CNBMG	(iii)(7)	**1,100**	—

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

(I) Connected persons *(Continued)*

(b) Others *(Continued)*

	Note	**2010** **RMB'000**	2009 *RMB'000*
Construction consultancy service fee paid to an affiliate of CNBMG	(iii)(4), (iii)(5)	**150**	—

Notes :

(i) 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.

(ii) In accordance with the supplemental agreement for the share pledge agreement signed between CLFG and CNBMG on 21st September, 2010, CLFG agreed to pledge 159,018,242 (2009 : 179,018,242) domestic shares of the Company (representing approximately 31.80% (2009 : 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.

(iii) For the purposes of moving, constructing and repairing glass production lines of the Group and replacing old equipment of the glass production lines, the Company, Longfei and Longmen entered into a series of agreements with China Building Material International Engineering Company Limited ("China Building Material International"), an indirect non wholly-owned subsidiary of CNBMG, and CLFG International Engineering Company Limited ("CLFG International Engineering"), a wholly-owned subsidiary of CLFG during the year ended 31st December, 2010, as follows :

(1) Construction Design Agreement (300 t/d)

Pursuant to the Construction Design Agreement (300 t/d) signed on 8th January, 2010, CLFG International Engineering agreed to provide Longfei with construction design services in relation to the cool-repairing of the "300 t/d float glass production line" of Longfei in Mianchi County, San Men Xia City, Henan Province, the PRC with the service fee of RMB110,000.

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

(I) Connected persons *(Continued)*

(b) Others *(Continued)*

Notes : (Continued)

(iii) *(Continued)*

(2) First Equipment Purchase Agreement

Pursuant to the First Equipment Purchase Agreement signed on 2nd February, 2010, Longfei agreed to purchase a L-type hanging wall and a constricted hanging wall from CLFG International Engineering, at a total consideration of RMB650,000.

(3) Second Equipment Purchase Agreement

Pursuant to the Second Equipment Agreement signed on 18th March, 2010, Longfei agreed to purchase and CLFG International Engineering agreed to sell and provide installment services of a control cabinet of cinder scraper driven by linear motor, a pair of head piece of cinder scraper driven by linear motor, two transformers and two water knockout drums, at a total consideration of RMB120,000.

(4) Construction Consultancy Agreement (250 t/d)

Pursuant to the Construction Consultancy Agreement (250 t/d) signed on 18th August, 2010, China Building Material International agreed to conduct a feasibility study on the construction of the "250 t/d super thin and white glass and transparent conducting oxide (TCO) glass production line" for the Company and provide it with a report thereof within 20 days upon receipt of all the requisite information from the Company, with the service fee of RMB100,000.

(5) Construction Consultancy Agreement (600 t/d)

Pursuant to the Construction Consultancy Agreement (600 t/d) signed on 18th August, 2010, China Building Material International agreed to conduct a feasibility study on the movement and construction of the "600 t/d float glass production line" for the Company and provide it with a report thereof within 30 days upon receipt of all the requisite information from the Company, with the service fee of RMB200,000.

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

(I) Connected persons *(Continued)*

(b) Others *(Continued)*

Notes : (Continued)

(iii) *(Continued)*

(6) Construction Design Agreement (250 t/d)

Pursuant to the Construction Design Agreement (250 t/d) signed on 18th August, 2010, CLFG International Engineering agreed to provide Longmen with construction design services in relation to the construction of the "250 t/d super thin and white float glass production line" of Longmen in Yiluo Industrial Park, Luoyang City, Henan Province, the PRC, with the service fee of RMB500,000.

(7) Construction Design Agreement (600 t/d)

Pursuant to the Construction Design Agreement (600 t/d) signed on 18th August, 2010, China Building Material International agreed to provide the Company with construction design services in relation to the movement and construction of the 600 t/d float glass production line of the Company with the service fee of RMB2,200,000.

(8) Technical Services Agreement

Pursuant to the Technical Services Agreement signed on 16th November, 2010, CLFG International Engineering agreed to provide the Company with technical services in relation to the relocation of the "600 t/d high quality float glass production-line" of the Company in Neibu Village, Ruyang County, Luoyang City, Henan Province, the PRC, with the service fee of RMB1,400,000.

(iv) On 12th November, 2010 the Company entered into a custodian agreement with CLFG, pursuant to which CLFG has entrusted the Company to manage the Longxin equity on behalf for twelve months from 1st January, 2011 to 31st December, 2011 for a service fee of 15% of the profit attributable to shareholders of Longxin for the financial year ending 31st December, 2011, where such service fee will not be less than RMB1,000,000 but not more than RMB3,000,000 ("Custodian Agreement"). The reason for the custody was to group the similar nature of business and target customers between the Company and Longxin, solving competition in the same industrial sector. The directors are of the view that the entering into of the Custodian Agreement would be beneficial to the planning and development of the Company's business.

The agreements as mentioned in note 38(I)(b)(iii)(8) and 38(I)(b)(iv) had not taken effect during the year ended 31st December, 2010.

(II) Related parties, other than connected persons

Apart from the transactions as disclosed in note 19, the Group had no other material transaction with its related parties, other than connected persons, during the year.

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

(III) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors (executive and non-executive) as disclosed in note 8 is as follows :

	2010	2009
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**977**	1,307
Contribution to defined contribution plan	**46**	102
	1,023	1,409

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 CNBMG 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 41.

39. CAPITAL COMMITMENTS

Capital commitments outstanding at 31st December, 2010 not provided for in the consolidated financial statements were as follows :

	2010	2009
	RMB'000	*RMB'000*
Contracted for		
— construction project	**21,001**	4,619
— upgrade accounting system	**775**	—
	21,776	4,619

40. CONTINGENT LIABILITIES

At 31st December, 2010, contingent liabilities were as follows :

Litigation

At 31st December, 2010, the Group has received numerous claims from various parties, being most suppliers total approximately RMB19,349,000 (2009 : RMB19,350,000), being the 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 RMB19,163,000 (2009 : RMB16,486,000), and the remaining balance of approximately RMB186,000 (2009 : RMB2,864,000) has not been judged by the court.

41. 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.

42. 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 minimise potential adverse effects on the Group's financial performance. These risks are limited by the Group's financial management policies and practices described below.

(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, Euro and Hong Kong Dollars.

During the year of 2010, 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.

		2010			2009		
	Note	***US$'000***	***EUR'000***	***HK$'000***	*US$'000*	*EUR'000*	*HK$'000*
Assets							
Trade and bills receivables	24	**807**	**—**	**—**	907	—	—
Cash and cash equivalents	27	**19**	**—**	**7**	3	—	7
Liability							
Bank loans	31	**—**	**(492)**	**—**	—	(544)	—
Exposure arising from recognised assets and liabilities		**826**	**(492)**	**7**	910	(544)	7

42. 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 profit/(loss) 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.

	2010 Increase/ (decrease) in foreign exchange rates in %	Effect on profit after income tax and accumulated losses *RMB'000*	Effect on other components of equity *RMB'000*	2009 Increase/ (decrease) in foreign exchange rates in %	Effect on loss after income tax and accumulated losses *RMB'000*	Effect on other components of equity *RMB'000*
United States Dollars	**5%**	**272/(272)**	**—**	5%	(296)	—
	(5%)	**(272)/272**	**—**	(5%)	296	—
Euro	**5%**	**(216)/216**	**—**	5%	254	—
	(5%)	**216/(216)**	**—**	(5%)	(254)	—
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 profit/(loss) 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 2009.

42. 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 :

	2010		2009	
	Effective interest rate	***RMB'000***	Effective interest rate	*RMB'000*
Bank and other loans at fixed rate (included in non-current liabilities)	**0.00%-2.50%**	**641,480**	2.58%	4,824
Bank and other loans at fixed rate (included in current liabilities)	**2.50%-10.62%**	**19,456**	2.50%-9.35%	624,608
Bank and other loans at floating rate (included in non-current liabilities)	**5.13%-5.56%**	**48,600**	—	—
Bank and other loans at floating rate (included in current liabilities)	**8.26%**	**4,863**	5.84%-8.26%	111,363
Cash and -bank balances	**0.36%**	**133,208**	0.36%	225,989

(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, 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after income tax and increase/decrease accumulated losses as at 31st December, 2010 by approximately RMB341,000 (2009 : increase/decrease the Group's loss after income tax and accumulated losses of approximately RMB824,000). Other components of equity would not be affected (2009 : Nil) by the changes in interest rates.

42. 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 lesser extent. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade receivables are set out in note 24.

At the end of the reporting period, the Group has a certain concentration of credit risk as 61% (2009 : 47%) and 84% (2009 : 70%) 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, 2010 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.

42. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(c) *Liquidity risk*

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 :

	2010					
	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	**714,399**	**723,460**	**27,601**	**3,295**	**190,020**	**502,544**
Trade and bills payables	**448,324**	**448,324**	**448,324**	**—**	**—**	**—**
Other payables	**186,103**	**186,103**	**186,103**	**—**	**—**	**—**
Amount due to an associate	**1,493**	**1,493**	**1,493**	**—**	**—**	**—**
	1,350,319	**1,359,380**	**663,521**	**3,295**	**190,020**	**502,544**

	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

42. 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 trade, bills and other payables, amount due to an associate and bank and other loans) 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, 2010 and 2009 were as follows :

	Note	**2010** *RMB'000*	2009 *RMB'000*
Current liabilities			
Trade and bills payables	29	**448,324**	470,518
Other payables	30	**186,103**	237,809
Amount due to an associate	19	**1,493**	—
Bank and other loans	31	**24,319**	735,971
		660,239	1,444,298
Non-current liability			
Bank and other loans	31	**690,080**	4,824
Total debts		**1,350,319**	1,449,122
Less : Cash and cash equivalents	27	**20,208**	33,189
Adjusted net debt		**1,330,111**	1,415,933
Total equity		**63,560**	6,680
Net debt-to-capital ratio		**2,093%**	21,197%

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

42. 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, 2010, the Group did not have any financial instruments carried at fair value. During the year ended 31st December, 2010, 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, 2010 and 2009 due to their short maturities except the following :

	2010		2009	
	Carrying amount ***RMB' 000***	**Fair *value*** ***RMB' 000***	Carrying amount *RMB' 000*	Fair *value* *RMB' 000*
Non-current bank and other loans	**690,080**	**685,003**	4,824	4,142

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 be determined with precision. Changes in assumptions could significantly affect the estimates.

43. 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(n)(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.

43. ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised 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 and amortisation 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 and amortisation expense for future periods are adjusted if there are significant changes from previous estimates.

PRC enterprise income tax

The Group is subject to income taxes in Mainland China. As a result of the fact that certain matters relating to the income taxes have not been confirmed by the local tax bureau, objective estimate and judgment based on currently enacted tax laws, regulations and other related policies are required in determining the provision of income taxes to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have impact on the income tax and tax provision in the period in which the differences realise.

44. POST BALANCE SHEET EVENTS

(a) On 31st January, 2011, the Company entered into a sales agreement with the Luoyang Land Centre relating to the disposal of the land use rights and the buildings and ancillary structures located at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC, at a total consideration of RMB177,900,000 (the "Disposal").

(b) On 11th March, 2011, the Company passed a resolution at the meeting of the Board of Directors of disposing the Company's No. 2 float glass production line which had been stopped production since February, 2006, due to expiry of kiln age. In light of the environmental protection requirements of Luoyang and the Disposal as mentioned in note 44(a), the production line cannot be resumed on the original site. The Company has authorised the management to dispose the assets.

Auditors' Report

Daxin Shen Zi [2011] No. 2-0158

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") , including balance sheet and consolidated balance sheet as of December 31, 2010, 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 for 2010, and notes to the financial statements.

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. The responsibility includes: (1) designing, implementing and maintaining internal controls relevant to the preparation of the financial statements that are free from material misstatement whether due to fraud or error; (2) selecting and applying appropriate accounting policies; (3) making reasonable accounting estimates.

II. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Chinese Auditing Standards issued by the Chinese Institute of Certified Public Accountants. Those standards require that we comply with professional ethics, plan and perform the audit to obtain a reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal controls relevant to the entity's preparation of 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 controls. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. AUDIT OPINION

In our opinion,the Company's financial statements have been prepared in accordance with Accounting Standards for Business Enterprises, and they fairly present, in all material respects, the financial position of the Company as of December 31, 2010, and the results of its operations and its cash flows for year then ended.

DaXin Certified Public Accountants Co., Ltd. *Chinese Certified Public Accountant:* **Suo Baoguo**

Beijing •China *Chinese Certified Public Accountant:* **Qiao Guanfang**

March 28, 2011

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**December 31, 2010**	December 31, 2009
Current assets:			
Bank balance and cash	V.1	**133,207,882.32**	225,988,517.81
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial liabilities			
Notes receivable	V.2	**53,530,753.33**	66,386,606.60
Accounts receivable	V.3	**41,296,294.64**	34,613,030.50
Prepayments	V.4	**31,556,070.66**	41,430,880.91
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables	V.5	**52,316,188.40**	37,403,229.32
Financial assets purchased under agreements to resell			
Inventory	V.6	**202,066,328.31**	154,833,492.34
Non-current assets due within one year			
Other current assets			
Total current assets		**513,973,517.66**	560,655,757.48
Non-current assets:			
Entrusted loans and advances granted			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V.7	**7,410,000.00**	7,410,000.00
Investment properties	V.9	**15,231,066.17**	15,726,020.13
Fixed assets	V.10	**685,824,554.04**	725,133,679.14
Construction in progress	V.11	**136,851,711.48**	84,760,271.11
Construction materials	V.12	**861,265.93**	79,022.74
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	V.13	**78,234,598.38**	56,449,865.17
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets	V.15	**1,128,010.00**	35,000,000.00
Total non-current assets		**925,541,206.00**	924,558,858.29
Total assets		**1,439,514,723.66**	1,485,214,615.77

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2010	December 31, 2009
Current liabilities:			
Short-term loans	V.17	**23,862,776.00**	735,462,776.00
Loans from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			
Notes payable	V.18	**148,000,000.00**	174,000,000.00
Accounts payable	V.19	**301,945,298.97**	296,519,022.87
Payments received in advance	V.20	**78,936,991.80**	105,092,634.97
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payables	V.21	**33,558,352.67**	29,527,521.60
Taxes payable	V.22	**1,812,433.42**	15,764,225.14
Interest payable			
Dividends payable			
Other payables	V.23	**66,667,555.51**	84,969,831.52
Reinsurance accounts payable			
Reserve for insurance contracts			
Customer deposits for trading in securities			
Customer deposits for underwriting			
Non-current liabilities due within one yea	V.24	**456,456.39**	507,800.94
Other current liabilities			
Total current liabilities		**655,239,864.76**	1,441,843,813.04
Non-current liabilities:			
Long-term loans	V.25	**690,079,874.01**	4,824,102.92
Debentures payable			
Long-term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**690,079,874.01**	4,824,102.92
Total liabilities		**1,345,319,738.77**	1,446,667,915.96

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**December 31, 2010**	December 31, 2009
Owners' equity:			
Paid-up capital (or share capital)	V.26	**500,018,242.00**	500,018,242.00
Capital reserve	V.27	**858,478,043.16**	897,472,376.93
Less: Treasury stock			
Special reserve	V.28	**36,552.97**	36,552.97
Surplus reserve	V.29	**51,365,509.04**	51,365,509.04
General risk provision			
Retained earnings	V.30	**-1,294,342,695.81**	-1,355,130,500.12
Currency translation differences			
Total equity attributable to the equity holders of the Company		**115,555,651.36**	93,762,180.82
Minority interests		**-21,360,666.47**	-55,215,481.01
Total owners' equity		**94,194,984.89**	38,546,699.81
Total liabilities and shareholders' equities		**1,439,514,723.66**	1,485,214,615.77

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2010	December 31, 2009
Current assets:			
Bank balance and cash		**113,753,492.71**	130,912,481.30
Held-for-trading financial assets			
Notes receivable		**25,495,242.62**	94,295,214.60
Accounts receivable	XIII.1	**339,192,086.41**	206,204,535.66
Prepayments		**24,329,627.91**	42,484,191.46
Interest receivable			
Dividends receivable			
Other receivables	XIII.2	**99,924,435.64**	424,249,266.48
Inventory		**21,761,218.08**	25,146,206.14
Non-current assets due within one year			
Other current assets			
Total current assets		**624,456,103.37**	923,291,895.64
Non-current assets:			
Available-for-sale financial assets			
Hold-to-maturity investment		**320,561,665.00**	
Long-term receivables			
Long-term investment in equity	XIII.3	**164,801,782.21**	155,801,782.21
Investment properties		**15,231,066.17**	15,726,020.13
Fixed assets		**150,940,081.78**	177,300,439.04
Construction materials		**10,754,132.11**	
Construction materials		**15,564.95**	15,564.95
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		**33,405,353.87**	34,399,107.47
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			35,000,000.00
Total non-current assets		**695,709,646.09**	418,242,913.80
Total assets		**1,320,165,749.46**	1,341,534,809.44

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2010	December 31, 2009
Current liabilities:			
Short-term loans:			670,100,000.00
Held-for-trading financial liabilities			
Notes payable		**163,000,000.00**	139,500,000.00
Accounts payable		**197,299,908.52**	201,305,131.75
Payments received in advance		**79,961,823.43**	98,509,933.01
Staff remuneration payable		**14,202,445.13**	19,117,782.05
Taxes payable		**10,548,088.24**	10,098,489.00
Interest payable			
Interests payable			
Other payables		**80,429,825.58**	40,399,762.32
Non-current liabilities due within one year		**456,456.39**	507,800.94
Other current liabilities			
Total current liabilities		**545,898,547.29**	1,179,538,899.07
Non-current liabilities:			
Long-term loans		**650,079,874.01**	4,824,102.92
Debentures payable			
Long-term payable			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**650,079,874.01**	4,824,102.92
Total liabilities		**1,195,978,421.30**	1,184,363,001.99
Owners' equity			
Paid-up capital (or share capital)		**500,018,242.00**	500,018,242.00
Capital reserve		**894,103,784.06**	894,103,784.06
Less: Treasury stock			
Special reserve			
Surplus reserve		**51,365,509.04**	51,365,509.04
General risk provision			
Retained earnings		**-1,321,300,206.94**	-1,288,315,727.65
Total owners' equity		**124,187,328.16**	157,171,807.45
Total liabilities and owners' equities		**1,320,165,749.46**	1,341,534,809.44

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	Notes	2010	2009
I. Total operating revenue		**1,168,481,659.06**	972,949,859.17
Including: Operating revenue	V.31	**1,168,481,659.06**	972,949,859.17
Interest income			
Premiums earned			
Handling charges and commission income			
II. Total operating costs		**1,172,656,240.40**	1,126,478,245.36
Including: Operating costs	V.31	**937,518,077.98**	851,195,596.89
Interest expenses			
Handling charges and commission expenses			
Surrender payment			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Policyholder dividend expenses			
Reinsurance costs			
Business taxes and surcharges	V.32	**7,999,140.34**	5,753,941.49
Selling expenses	V.33	**32,685,675.00**	30,034,815.32
Administration expenses	V.34	**170,417,195.06**	162,396,993.92
Finance expenses	V.35	**14,705,477.35**	60,062,033.61
Impairment loss on assets	V.37	**9,330,674.67**	17,034,864.13
Add: Gains from changes in fair value			
Investment income (losses are represented by "-")	V.36	**1.00**	20,734,975.58
Including: Gains from investment in associates and joint ventures			1,552,278.90
Gains from currency exchange (losses are represented by "-")			
III. Operating profit (loss is represented by "-")		**-4,174,580.34**	-132,793,410.61
Add: Non-operating income	V.38	**78,571,028.05**	4,025,097.28
Less: Non-operating expenses	V.39	**1,411,972.49**	42,898,238.01
Including: Loss from disposal of non-current assets		**44,034.35**	4,697,629.96
IV. Total profit(total loss is represented by "-")		**72,984,475.22**	-171,666,551.34
Less: Income taxes expenses	V.40	**18,356,189.14**	1,780,934.50
V. Net profit(net loss is represented by "-")		**54,628,286.08**	-173,447,485.84
Including: Net profit attributable to the owners of the Company		**60,787,804.31**	-141,822,269.14
Minority interests		**-6,159,518.23**	-31,625,216.70
VI. Earnings per share:			
(I) Basic earnings per share (RMB/share)		**0.1216**	-0.2836
(II) Diluted earnings per share (RMB/share)		**0.1216**	-0.2836
VII. Other comprehensive income			
VIII. Total comprehensive income		**54,628,286.08**	-173,447,485.84
Including: Total comprehensive income attributable to owners of the Company		**60,787,804.31**	-141,822,269.14
Total comprehensive income attributable to minority interests		**-6,159,518.23**	-31,625,216.70

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Income Statement

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item			Notes	2010	2009
I.	**Operating revenue**		XIII.4	**1,298,386,689.57**	1,099,286,947.54
	Less:	Operating costs	XIII.4	**1,273,018,946.05**	1,078,319,183.32
		Business taxes and surcharges		**3,300,752.34**	2,322,054.01
		Selling expenses		**7,486,172.10**	9,070,357.20
		Administration expenses		**92,970,828.65**	101,275,105.17
		Finance expenses		**-1,744,199.74**	21,079,329.36
		Impairment loss on assets		**10,976,147.21**	58,996,561.02
	Add:	Gains from changes in fair value			
		Investment income	XIII.5	**14,657,131.12**	36,155,983.13
	Including:	Gains from investment in associates and joint ventures			1,552,278.90
II.	**Operating Profit**			**-72,964,825.92**	-135,619,659.41
	Add:	Non-operating income		**40,330,840.11**	2,637,231.86
	Less:	Non-operating expenses		**350,493.48**	13,467,322.38
	Including:	Net loss from disposal of non-current assets			
III	**Total profit**			**-32,984,479.29**	-146,449,749.93
	Less:	Income tax expenses			
IV.	**Net profit**			**-32,984,479.29**	-146,449,749.93
V.	**Earnings per share**				
	(I)	Basic earnings per share *(RMB/share)*			
	(II)	Diluted earnings per share *(RMB/share)*			
VI.	**Other comprehensive income**				
VII.	**Total comprehensive income**			**-32,984,479.29**	-146,449,749.93

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	Notes	2010	2009
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		**683,659,634.68**	655,740,100.30
Net increase in customer and interbank deposits			
Net increase in loans from central bank			
Net increase in loans from other financial institutions			
Cash received from premiums under original insurance contract			
Net cash received from reinsurance business			
Net increase in deposits of policy holders and investment			
Net increase in disposal of held-for-trading financial assets			
Cash received from interest, handling charges and commissions			
Net increase in loans			
Net increase in income from repurchase business			
Tax rebates			
Other cash received from activities related to operation	V.42	**165,924,088.34**	99,376,343.67
Sub-total of cash inflow from operating activities		**849,583,723.02**	755,116,443.97
Cash paid for goods purchased and services rendered		**506,678,635.59**	534,188,123.76
Net increase in loans and advances from customers			
Net increase in deposits with central bank and interbank deposits			
Cash paid for compensation payments under original insurance contracts			
Cash paid for interest, handling charges and commissions			
Cash paid for insurance policy dividend			
Cash paid to and on behalf of employees		**149,154,017.01**	95,372,585.68
Tax payments		**100,587,926.78**	71,927,140.94
Other cash paid for activities related to operation	V.42	**70,223,656.65**	136,195,250.20
Sub-total of cash outflow from operating activities		**826,644,236.03**	837,683,100.58
Net cash flow from operating activities		**22,939,486.99**	-82,566,656.61
II. Cash flow from investment activities:			
Cash received from disposal of investment		**35,000,000.00**	39,956,904.33
Cash received from return of investments			1,552,278.90
Net cash received from disposal of fixed assets, intangible assets and other long term assets		**1,977,000.00**	120,050,105.46
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		**36,977,000.00**	161,559,288.69
Cash paid for purchase and construction of fixed assets, intangible assets and other long term assets		**34,790,719.66**	7,109,781.47
Cash paid for investment		**1.00**	14,699,695.56
Net increase in pledged loans			
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment	V.42	**715,036.88**	
Sub-total of cash outflow from investment activities		**35,505,757.54**	21,809,477.03
Net cash flow from investment activities		**1,471,242.46**	139,749,811.66

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	2010	2009
III. Cash flow from financing activities:			
Cash received from investments		**1,020,000.00**	980,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment			
Proceeds from loans		**540,500,000.00**	768,500,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflow from financing activities		**541,520,000.00**	769,480,000.00
Repayment of loans		**566,369,244.95**	800,791,614.87
Cash paid for dividends, profit, or interest payments		**12,534,094.00**	57,255,105.39
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities			
Sub-total of cash outflow from financing activities		**578,903,338.95**	858,046,720.26
Net cash flow from financing activities		**-37,383,338.95**	-88,566,720.26
IV. Effects of changes in exchange rate on cash and cash equivalents		**-8,025.99**	-5,660.75
V. Net increase in cash and cash equivalents		**-12,980,635.49**	-31,389,225.96
Add: beginning balance of cash and cash equivalents	V.42	**33,188,517.81**	64,577,743.77
VI. Ending balance of cash and cash equivalents		**20,207,882.32**	33,188,517.81

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	Notes	2010	2009
I. Cash flow from operating activities:			
Cash received from sale of goods and provision of services		**429,735,123.68**	672,650,897.69
Tax rebates			
Other cash received from activities related to operation		**95,556,520.86**	80,514,543.21
Sub-total of cash inflow from operating activities		**525,291,644.54**	753,165,440.90
Cash paid for goods purchased and service rendered		**409,278,116.64**	725,295,084.82
Cash paid to and on behalf of employees		**70,820,223.30**	41,665,007.01
Taxes payments		**21,968,951.45**	34,291,431.69
Other cash paid for activities related to operation		**46,290,248.96**	81,632,156.47
Sub-total of cash outflow from operating activities		**548,357,540.35**	882,883,679.99
Net cash flow from operating activities		**-23,065,895.81**	-129,718,239.09
II. Cash flow from investment activities:			
Cash received from disposal of investments		**561,081,679.12**	481,056,904.33
Cash received from return of investments		**16,298,455.90**	3,174,819.62
Net cash received from disposal of fixed assets,intangible assets and other long term assets		**70,000.00**	120,001,067.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from activities related to investment			
Sub-total of cash inflow from investment activities		**577,450,135.02**	604,232,790.95
Cash paid for purchase and construction of fixed assets,intangible assets and other long term assets		**2,509,934.86**	193,856.79
Cash paid for investment		**518,700,001.00**	8,241,782.21
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment		**715,036.88**	
Sub-total of cash outflow from investment activities		**521,924,972.74**	8,435,639.00
Net cash flow from investment activities		**55,525,162.28**	595,797,151.95
III. Cash flow from financing activities			
Cash received from investments			
Proceeds from loans		**481,500,000.00**	709,500,000.00
Cash received from issuing bonds			
Other cash received from activities related to financing			10,251,659.74
Sub-total of cash inflow from financing activities		**481,500,000.00**	719,751,659.74
Repayment of loans		**505,869,244.95**	671,791,614.87
Cash paid for dividends, profit, or interest payment		**9,940,984.12**	48,599,523.41
Other cash paid for financing-related activities			496,179,200.00
Sub-total of cash outflow from financing activities		**515,810,229.07**	1,216,570,338.28
Net cash flow from financing activities		**-34,310,229.07**	-496,818,678.54
IV. Effects of changes in exchange rate on cash and cash equivalents		**-8,025.99**	-5,660.75
V. Net increase in cash and cash equivalents		**-1,858,988.59**	-30,745,426.43
Add: beginning balance of cash and cash equivalents		**2,612,481.30**	33,357,907.73
VI. Ending balance of cash and cash equivalents		**753,492.71**	2,612,481.30

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2010										
	Equity attributable to equity holders of the company										
Item	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's equity
I. Balance at the end of last 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
Add: Effects of changes in accounting policies							59,083,263.20		59,083,263.20	-59,083,263.20	–
Effects of correction of prior year errors									–		–
Others									–		–
II. Balance at the beginning of the year	500,018,242.00	897,472,376.93	–	36,552.97	51,365,509.04	–	-1,355,130,500.12	–	93,762,180.82	-55,215,481.01	38,546,699.81
III. Increase/decreased in the year (decrease is represented by "-")	–	-38,994,333.77	–	–	–	–	60,787,804.31	–	21,793,470.54	33,854,814.54	55,648,285.08
(I) Net profit							60,787,804.31		60,787,804.31	-6,159,518.23	54,628,286.08
(II) Other comprehensive income									–		–
Sub-total of above (I)and (II)	–	–	–	–	–	–	60,787,804.31	–	60,787,804.31	-6,159,518.23	54,628,286.08
(III) Owners' contribution and decrease in capital	–	–	–	–	–	–	–	–	–	1,020,000.00	1,020,000.00
1. Owners' capital contribution								–	–	1,020,000.00	1,020,000.00
2. Share based payments credited to owners' equity									–		–
3. Others									–		–
(IV) Profit distribution	–	–	–	–	–	–	–	–	–	–	–
1. Appropriation to surplus reserve									–		–
2. Appropriation to general risk provision									–		–
3. Distribution to owners									–		–
4. Others									–		–
(V) Internal carry-forward of owners' equity	–	–	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserve into capital									–		–
2. Conversion of surplus reserve into capital									–		–
3. Making good of loss with surplus reserve									–		–
4. Others									–		–
(VI) Special reserve	–	–	–	–	–	–	–	–	–	–	–
1. Amount withdrawn in the year									–		–
2. Amount utilized in the year									–		–
(VII) Others		-38,994,333.77							-38,994,333.77	38,994,332.77	-1.00
IV. Balance at the end of the year	500,018,242.00	858,478,043.16	–	36,552.97	51,365,509.04	–	-1,294,342,695.81	–	115,555,651.36	-21,360,666.47	94,194,984.89

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2009										
	Equity attributable to equity holders of the company										
Item	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total shareholder's equity
I. 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
Add: Effects of changes in accounting policies							26,689,196.90		26,689,196.90	-26,689,196.90	—
Effects of correction of prior year errors									—		—
Others									—		—
II. Balance at the beginning of the year	500,018,242.00	927,739,780.43	—	—	51,365,509.04	—	-1,223,278,288.86	—	255,845,242.61	4,035,318.16	259,880,560.77
III. Increase/decreased in the year (decrease is represented by "-")	—	-30,267,403.50	—	36,552.97	—	—	-131,852,211.26	—	-162,083,061.79	-59,250,799.17	-221,333,860.96
(I) Net profit							-141,822,269.14		-141,822,269.14	-31,625,216.70	-173,447,485.84
(II) Other comprehensive income									—		—
Sub-total of above (I)and (II)	—	—	—	—	—	—	-141,822,269.14	—	-141,822,269.14	-31,625,216.70	-173,447,485.84
(III) Owners' contribution and decrease in capital	—	—	—	—	—	—	—	—	—	—	—
1. Owners' capital contribution									—		—
2. Share based payments credited to owners' equity									—		—
3. Others	—	—									
(IV) Profit distribution	—	—	—	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserve									—		—
2. Appropriation to general risk provision									—		—
3. Distribution to owners									—		—
4. Others									—		—
(V) Internal carry-forward of owners' equity	—	—	—	—	—	—	—	—	—	—	—
1. Conversion of capital reserve into capital									—		—
2. Conversion of surplus reserve into capital									—		—
3. Making good of loss with surplus reserve									—		—
4. Others									—		—
(VI) Special reserve	—	—	—	36,552.97	—	—	—	—	36,552.97	—	36,552.97
1. Amount withdrawn in the year				36,552.97					36,552.97		36,552.97
2. Amount utilized in the year									—		—
(VII) Others		-30,267,403.50					9,970,057.88		-20,297,345.62	-27,625,582.47	-47,922,928.09
IV. Balance at the ending of the year	500,018,242.00	897,472,376.93	—	36,552.97	51,365,509.04	—	-1,355,130,500.12	—	93,762,180.82	-55,215,481.01	38,546,699.81

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2010							
Item	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Total owners' equity
I. Balance at the end of last year	500,018,242.00	894,103,784.06	—	—	51,365,509.04	—	-1,288,315,727.65	157,171,807.45
Add: Effects of changes in accounting policies								—
Effects of correction of prior year errors								—
Others								—
II. Balance at the beginning of the year	500,018,242.00	894,103,784.06	—	—	51,365,509.04	—	-1,288,315,727.65	157,171,807.45
III. Increase/decreased in the year (decrease is represented by "-")	—	—	—	—	—	—	-32,984,479.29	-32,984,479.29
(I) Net profit							-32,984,479.29	-32,984,479.29
(II) Other comprehensive income								—
Sub-total of above (I) and (II)	—	—	—	—	—	—	-32,984,479.29	-32,984,479.29
(III) Owners' contribution and decrease in capital	—	—	—	—	—	—	—	—
1. Owners' capital contribution								—
2. Share based payments credited to owners' equity								—
3. Others								—
(IV) Profit distribution	—	—	—	—	—	—	—	—
1. Appropriation to surplus reserve								—
2. Appropriation to general risk provision								—
3. Distribution to owners								—
4. Others								—
(V) Internal carry-forward of owners' equity	—	—	—	—	—	—	—	—
1. Conversion of capital reserve into capital								—
2. Conversion of surplus reserve into capital								—
3. Making good of loss with surplus reserve								—
4. Others								—
(VI) Special reserve	—	—	—	—	—	—	—	—
1. Amount withdrawn in the year								—
2. Amount utilized in the year								—
(VII) Others								—
IV. Balance at the ending of the year	500,018,242.00	894,103,784.06	—	—	51,365,509.04	—	-1,321,300,206.94	124,187,328.16

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2010
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2009							
Item	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Total owners' equity
I. 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
Add: Effects of changes in accounting policies								
Effects of correction of prior year errors								
Others								
II. Balance at the beginning of the year	500,018,242.00	894,103,784.06			51,365,509.04		-1,141,865,977.72	303,621,557.38
III. Increase/decreased in the year (decrease is represented by "-")							-146,449,749.93	-146,449,749.93
(I) Net profit							-146,449,749.93	-146,449,749.93
(II) Other comprehensive income								
Sub-total of above (I) and (II)							-146,449,749.93	-146,449,749.93
(III) Owners' contribution and decrease in capital								
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others								
(IV) Profit distribution								
1. Appropriation to surplus reserve								
2. Appropriation to general risk provision								
3. Distribution to owners								
4. Others								
(V) Internal carry-forward of owners' equity								
1. Conversion of capital reserve into capital								
2. Conversion of surplus reserve into capital								
3. Making good of loss with surplus reserve								
4. Others								
(VI) Special reserve								
1. Amount withdrawn in the year								
2. Amount utilized in the year								
(VII) Others								
IV. 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

Corporate representative: *Chief accountant:* *Person in charge of accounting department:*

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 People's Republic of China 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"《上市公司股權分置改革業務操作指引》) 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.

On 3 September 2010, CLFG sold 20,000,000 non-restricted circulating shares of the Company (representing 4% of the total share capital of the Company) via the Block Trading System of the Shanghai Stock Exchange. After the sale of the shares, CLFG still holds 159,018,242 shares of the Company, all being non-restricted circulating shares and representing 31.80% of the total issued share capital of the Company, and remains the biggest controlling shareholder of the Company.

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

The financial statements of the Company have been prepared on a going concern in respect of the actual transactions and events in accordance with the requirements of "Accounting Standards for Business Enterprises-Basic Standard" and 38 Specific Accounting Standards issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS"), and based on the following significant accounting policies and estimates. 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.

2. Declaration on compliance with Enterprises Accounting Standards

The financial statements of the Company were prepared under the requirements of Accounting Standards for Business Enterprises, reflecting the Company's financial positions for the year ended 31 December 2010, and operating results, cash flows and other relevant information for the year 2010 on a true and complete basis.

3. Accounting year

Accounting year of the Company is the calendar year from January 1 to December 31.

4. Measurement currency

The Company's reporting currency is the Renminbi ("RMB").

5. The accounting treatment of business combination under common control and and not under common control

(1) Business combination 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.

The direct costs of the combining enterprise arising from the business combination shall be charged to profit or loss in the period in which they are incurred.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

5. The accounting treatment of business combination under common control and and not under common control *(Continued)*

(2) Business combination not 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 agency fee paid by the acquirer such as audit, legal service and evaluation consultation and other management fees shall be recognised as the profit or loss in the period when the costs are incurred. The trading expenses for the equity securities or debt securities issued by the acquirer as the combination consideration shall be included in the amount of initial recognition of the equity securities or debt securities. In case of the provision regarding future events that may affect the combination cost in the combination contract, if the future events are estimated on the acquisition date to be very likely occur, and the amount affecting the combination cost can be reliably measured, such amount shall also be included in the combination cost.

The recognizable and identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the business combination not under the same control shall be measured at fair value on the acquisition date. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized as goodwill. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference shall be recognized in profit or loss for the current period if it is actual after reassessment.

6. Preparation 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.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

7. Recognition of Cash and cash equivalents

In preparation of the cash flow statement, cash represent the Company's treasury cash and deposit withdrawn on demand.

Cash equivalents defined in preparation of the cash flow statement by the Company refer to short-term, highly liquid investments held by the Company that are readily convertible to known amounts of cash and which are subject to an insignificant risk on change in value.

8. Foreign currency transactions and translation of financial statements denominated in foreign currency

(1) Translation of business denominated in foreign currency

In initial recognition of foreign currency business, it shall be translated at the spot exchange rate of the transaction date.

At the balance sheet date, monetary items denominated in foreign currencies are translated to RMB using the spot exchange rate at that date. Exchange differences arising from the difference between the spot exchange rate on the balance sheet date on which foreign currency monetary items are translated at the spot exchange rate and the spot exchange rate at the time of initial recognition or on the last balance sheet date shall be recorded into the profit or loss for the period.

Non-monetary items denominated in foreign currency measured at historical cost shall continue to be translated into the reporting currency at the spot exchange rate at the date of transaction with the amount of its functional currency unchanged. The foreign currency nonmonetary items measured at fair value shall be translated into the amount in its bookkeeping base currency at the spot exchange rate on the date the fair value was determined, the exchange gains and losses arising therefrom shall be treated as the change in fair value (including the change in exchange rate), and included in the gains and losses for the current period or recognised as other comprehensive income and recorded in the capital reserve.

(2) Translation of Financial Statements Denominated in Foreign Currency

If the functional currencies used as the bookkeeping base currency by the subsidiaries, joint ventures and associates under the control of the Company are different from that of the Company, their financial statements denominated in foreign currencies shall be translated to perform accounting and prepare the consolidated financial statements.

The assets and liabilities of foreign operations are translated into functional currency at the spot exchange rates at the balance sheet date. Except the item "Undistributalbe profit", the owner's equity items are translated into functional currency at the transaction dates. The income and expenses of foreign operations in the income statement are translated into functional currency at the spot exchange rates at the transaction dates. The resulting exchange differences are recognized in a separate component of owner's equity in the balance sheet.

The cash flow of foreign currency which can be determined by the systematic and reasonable system shall be translated at the spot exchange rate at the transaction date. The effect of exchange movement shall be included separately in the cash flow statement.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

8. Foreign currency transactions and translation of financial statements denominated in foreign currency *(Continued)*

(2) *Translation of Financial Statements Denominated in Foreign Currency (Continued)*

On disposed of foreign operations, exchange differences arising from the translation of financial statements denominated in foreign currencies related to the disposed foreign operation shall be transferred to profit or loss in proportionate share in the period in which the disposal took place.

9. Financial instruments

(1) *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 Company 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. Subsequent measurement shall be dealt with according to the classification: The financial assets measured at fair value through profit or loss, financial assets available for sale and financial liabilities measured at fair value through profit or loss shall be measured at fair value. The financial guarantee contracts and loan commitments with the interest rate lower than the market rate are measured subsequently at the higher of the amount determined in accordance with the Accounting Standards for Business Enterprises No.13-Contingent Liabilities, and the residual value of the amount initially recognized less accumulated amortization in accordance with the principles of"Accounting Standards for Business Enterprises No.14-Income, after initial recognition. The held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortised cost.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

9. Financial instruments *(Continued)*

(1) Recognition,classification and measurement (Continued)

The gains or losses resulting from the change in the fair value in the subsequent measurement of the Company's financial assets or financial liabilities, except for those related to hedging, shall be dealt with according to the following methods: (1) The gains or losses resulted from the change in the fair value of the financial assets or financial liabilities which are measured at fair values through profit and loss for the current period shall be included in the profit or loss of the change in fair value; the interest or the dividend gained in the period of holding the assets shall be recognised as the investment gains. When disposing, the differences between the amount actually gained and the amount of the initial account shall be recognised as the investment gains and meanwhile adjusts the profit or loss of the movement in fair values. (2) The change in the financial assets available for sale shall be recorded in the capital reserve. The interest calculated by using the effective interest method in the period of holding the assets shall be recorded in the investment gains. The dividend income from the investment in available-for-sale equity instruments is recognized in investment gains when the investee declares the dividends. When disposing, the differences between the actually gained amount and the amount that the book value deducts the accumulative amount of changes in the fair value which has been recognized directly in the capital reserve shall be recognized as the investment gains.

(2) Recognition and measurement of Transfer of financial assets

Recognition of Transfer of financial assets of the Company: 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 transfer of financial assets of the Company: 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.

If the transfer of partial financial asset satisfies the conditions to terminate recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been terminated and the portion whose recognition has not been terminated, be apportioned according to their respective relative fair value, and the differences between the book value of the portion whose recognition has been terminated and the sum of consideration received from the portion whose recognition has been terminated and the accumulative amount of changes in the fair value which has been recognized directly in the capital reverse shall be included in the profit or loss of the current period.

(3) Derecognition of financial liabilities

Derecognition of financial liabilities of the Company: All or part of the current obligation to the financial liabilities are terminated, and then derecognize financial liability or part of it.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

9. Financial instruments *(Continued)*

(4) 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.

(5) 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 Company shall carry out independent impairment test for financial assets of significant single amounts. With regard to the financial assets with insignificant single amounts, an independent impairment test shall be included in a combination of financial assets with similar credit risk characteristics so as to carry out an impairment test. In the event, upon independent test, the financial asset (including those financial assets with significant single amounts and those with insignificant amounts) has not been impaired, it shall be included in a combination of financial assets with similar characteristics so as to conduct another impairment test. Financial assets that have conducted independent test as impairment loss shall not be included in a combination of financial assets with similar risk characteristics so as to conduct another impairment test.

When held-to-maturity investments, loans and accounts receivables has been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow, the writedown amount is recorded as impairment loss and written into profit or loss of the current period. When there is impairment occurred in the available-for-sale financial assets, the accumulated losses that are originally recorded in the capital reserve due to the fall of fair value are reversed and recorded in profit or loss of the current period. The reversed accumulated loss is the balance of the initial income cost of the said asset less the recovered principal, amortized amounts, current fair value as well as impairment loss originally recorded into profit or loss of the current period.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

9. Financial instruments *(Continued)*

(6) 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:

1) There is no available financial funds to support constantly until it is maturity;

2) The management has no intention to hold to maturity;

3) It is hard to hold to maturity for a restriction of law or administrative regulations or other reason;

4) Other indications present that there is no capability of the Company to hold to maturity.

The reclassification of significant undue held-to-maturity investment as held-for-sale financial assets shall be subject to consideration and approval by the board of directors.

10. Accounts receivable

The receivables include accounts receivable, long-term 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.

(1) Accounts receivable which single amount is significant and is individually charged bad debts reserves:

Basis and criteria for determining significant single amount	5% or more of net assets
Provision for accounts receivable which single amount is significant and is individually charged bad debts reserves	Conduct individual impairment test, and in absence of impairment, use the same aging analysis

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

10. Accounts receivable *(Continued)*

(2) Accounts receivable with provision for bad debts in group;

Basis for group determination	
The group with provision for bad debts based on aging analysis	Accounts receivable of not significant single amount but higher risk in the group after grouped according to the credit risk characteristics the group. Accounts receivable with the same age have similar credit risk characteristics.
The group without provision for bad debts	(1) Various margins and deposits related to the production and operations that are fully recoverable upon maturity; (2) Accounts receivable incurred between the Company and related party which has good financial position. (3) Other amounts that have positive evidence indicating they are fully recoverable.
Provision methods for bad debts in group	
The group with provision for bad debts based on aging analysis	Aging analysis method
The group without provision for bad debts	—

In the group, the provision for bad debts based on aging analysis:

Age	Percentage of accounts receivable provided for *(%)*	Percentage of other receivables provided for *(%)*
Within 1 year (or 1 year)	0	0
1-2 years	30	30
2-3 years	50	50
Over 3 years	100	100

(3) Accounts receivable of not significant single amount but individually provided for bad debts

Reason of the individual provision for bad debts	Positive evidence indicates that there is obvious difference in recoverability
Provision method for bad debts	For the provision for bad debts by using individual determination method, the accounts receivable from the related party shall be fully provided for in the event that it is estimated that it cannot be fully recovered.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

11. Inventory

(1) Categories

Inventories are assets held for sale in the ordinary course of business, in the process of production of such sale, 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.

(2) Measurement for delivered inventories

Upon delivery of inventories, the actual cost of delivery will be determined by using weighted average method.

(3) Determination of net realizable value and provision for loss on realization of inventories

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.

Net realizable value of inventories:(1)net realizable value of products are the selling expense 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. (3) for held-for-sale materials,etc, net realizable values are their market prices.

(4) Record policy

The Company adopts perpetual inventory record policy.

(5) 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.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

12. Long-term equity investment

(1) Measurement of investment cost

1) 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;

2) for a long-term equity investment acquired by cash, the initial investment cost shall be the total purchase price;

3) 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;

4) 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;

5) for a long-term equity investment acquired by abandoning non-cash assets or debt restructuring, the initial investment cost is recognized according to related Enterprises Accounting Standard.

(2) Method for subsequent measurement and profit or loss recognition

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)*

(3) 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.

2) Judgment of significant influence: the acquirer helds 20% to 50% of equity interests with voting rights in the investee; or though less than 20%, but one of the following conditions is satisfied:

1. There is the representative of acquirer in the board of directors or other similar organization of the acquire;

2. The acquirer takes part in the acquire's decision-making process;

3. There is the manager of acquirer takes part in the operation of acquire's;

4. The technology or technical information of acquirer is significant to the acquiree's operation;

5. such other circumstances which are sufficient to evidence the acquirer's significant influence on the investee

(4) Impairment test and provision of impairment

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.

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 sale agreement for fair transaction does not exist but there is an active market of asset or trading prices for similar assets in the industry,it should be the market value less relevant tax.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

13. Investment property

(1) Category and measurement of investment property

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.

(2) Adoption of accounting policy at costs

The Company uses average ageing depreciation policy for leased buildings,as the same depreciation method for fixed assets.

The Company uses straight-line depreciation policy for leased land use rights, land use rights held for sale after appreciation, as the same amortization method for intangible assets.

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.

14. Fixed assets

(1) 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. They are recognized when all the following conditions are satisfied:

1) Economic benefits in relation to the fixed assets are very likely to flow into the enterprise;

2) The cost of the fixed assets can be calculated in a reliable way.

(The amount is expressed in RMB unless otherwise specified)

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

14. Fixed assets *(Continued)*

(2) Classification and depreciation of fixed assets

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

(3) Impairment test of fixed assets and impairment provision

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.

The recoverable amount should base on the higher value between the net amount of the fair value less disposal expense and present value of estimated cash flow in the future. The net amount of the fair value less disposal expense shall be the sales agreement price less the amount which may be directly attributable to the asset disposal expense if the sales agreement price in fair transaction exists; or if the sale agreement for fair transaction does not exist but there is an active market of asset or trading prices for similar assets in the industry,it should be the market value less disposal expense.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

14. Fixed assets *(Continued)*

(4) 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: (1) the lessor transfer the ownership of asset to the lessee by the end of the lease term; (2) 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; (3) the lease term is for the major part of the economic life of the asset even if the title is not transferred; (4) 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; (5) 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.

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:

1) The entity of constructed fixed asset including installation has completed;

2) 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;

3) The expense of constructing is remote or nearly no occurring;

4) The constructed fixed asset has achieved or almost achieved the requirement of design or contract.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

15. Construction in progress *(Continued)*

(3) Impairment test and provision of impairment of construction in progress

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.

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.

(2) Calculation 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.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

17. Intangible assets

(1) Measurement of intangible assets

Intangible assets of the Company mainly include land use right, mining right, mineral exploration right and the right to use trademark. 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.

Subsequent measurement of the Company's intangible assets: (1) 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. Specifically, the land use right is amortised based on the average useful life of the land transfer from the starting day of land transfer. The intangible assets with limited useful life are averagely amortized according to the shortest of the estimated useful life, contracted beneficial useful life and legally effective useful life. the amortized amount shall be recorded into the cost of relevant assets and profit or loss for the current period in accordance with the benefited object. (2) 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.

The exploration right of the Company is included in other non-current liabilities as the net after the cost less the provision for impairment. The charge for the use of the exploration right, the cost of the exploration right and other costs paid by the Company for acquiring the exploration right is included into "the exploration and development cost" when it is actually incurred. Once it can be reasonably confirmed that the mine can be used for commercial production and the relevant mining right can be obtained, the exploration and development cost incurred can be transferred to "intangible asset"-mining right and amortised using the straight-line method. In the event that any project has been abandoned at the development stage or cannot proceed due to the failure to obtain the mining right, the total expenses shall be written-off and included in the expenses for the current period.

(2) Estimated useful life of the intangible assets with limited useful lives

As for the intangible assets with limited useful life, the Company generally considers the following factors when estimating its useful life: (1) the information about the ordinary useful life of the products made by using the assets and the useful life of the obtainable similar assets; (2) the estimates of the current conditions and future development trends in the technology and process, etc; (3) the market demand for the products made by the assets and provision of labour services; (4) the action expected to be taken by the current and potential competitors; (5) the expected maintenance expenses for maintaining the economic benefits brought by such asset, and the estimated ability of the company to pay the relevant expenses; (6) relevant legal provisions or similar restrictions for the control of such asset, such as franchised period and leasehold period; (7) the relevance to the useful life of other assets held by the Company, etc.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

17. Intangible assets *(Continued)*

(3) Judgement of intangible assets with indefinite useful lives

An intangible asset is regarded as having an indefinite useful life when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Company.

This is for the judgement of intangible assets with definite useful life: (1) derived from the contractual rights or other legal rights but the contract or the law does not specify certain useful life; (2) in light of the conditions of the competitors and the opinions of relevant experts, the specific period that intangible asset can generate economic benefits to the Company still can not be determined.

At the end of each year, the useful life shall be reviewed for those intangible assets with indefinite useful life by mainly using the bottom-up method. The relevant department that uses intangible asset will perform the basic review and evaluate whether there are changes in the basis for judgements of the indefinite useful life, etc.

(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.

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.

(5) The specific standards at the research stage and development stage of an internal research and development project, and the specific standards of the expenditures at the development stage satisfying the capitalization condition.

As for internal research and development, expenditure arising from the research phase is recognized into profit or loss in the current period in which it is incurred. Expenses incurred during the development stage that satisfy the following conditions are recognized as intangible assets: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) the intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate economic benefits including there is evidence that the products produced using the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and (5) the ability to measure reliable the expenditure attributable to the intangible asset during its development.

The specific standards for the classification of the research stage and the development stage of an internal research and development project: the research stage can be determined as the planned investigation stage for obtaining the new technology and knowledge, etc characterized by the plan and exploration; the development stage can be determined as the stage where the research findings or other knowledge can be applied to the certain plan and design to produce new ot substantially innovate material, equipment, product,etc which is characterized by pertinence and higher possibility to generate the results.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

18. Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have 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 deferred expenses are amortized evenly over the estimated benefit period of the expense item. In the case that the long-term deferred expense cannot benefit the future accounting period, the residue value of such projects not amortized yet shall all be transferred to the profit or loss in the current period.

19. Accrued liability

(1) Recognition

If an obligation in relation to contingency is the present obligation of the Company and the performance of such obligation is likely to lead to the outflow of economic benefits which amount can be reliably calculated, such obligation shall be recognized as accrued liability.

(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.

20. Share-based payments and equity instruments

1. 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.

2. 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.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

20. Share-based payments and equity instruments *(Continued)*

3. The fair value of equity instruments are determined in the following way:

   (1) to adopt the quoted prices in active markets if such active markets exist;

   (2) 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.

4. 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.

5. According to the latest vesting worker to make a best estimate of vested equity instruments.

21. Revenue recognition

(1) Revenue from sales of goods

Revenue from the sale of goods shall be recognized only when all the following conditions are satisfied: the enterprise has transferred to the buyer the significant risks and rewards of ownership of the goods; the enterprise retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the enterprise; and the costs incurred or to be incurred in respect of the transaction 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.

(2) Revenue from rendering of services

When 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. The Company determines the stage of completion of the transaction involving the rendering of services (percentage of completion) based on the measurement of the completed part.

At the balance sheet date when the outcome of the transaction cannot be estimated reliably, it shall be dealt with in the following way: If the cost of services incurred is expected to be compensated, the revenue from the rendering of services shall be recognized in accordance with the amount of the cost of services incurred, and the cost of services shall be carried forward at the same amount; or If the cost of services incurred is not expected to be compensated, the cost incurred should be included in the current profits and losses, and no revenue from the rendering of services may be recognized.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

21. Revenue recognition *(Continued)*

(3) Revenue from abalienating the right to use assets

The Company recognizes the revenues from abalienating the right to use assets when economic benefits in relation to abalienating the right to use assets are very likely to flow in and the amount of revenue can be measured reliably.

22. Government grants

(1) Types of government grants

Government grants consist of the government grants related to assets and government grants related to income.

(2) Presentation of government grants

Government grants related to an asset shall be recognized as deferred income in profit or loss of the period on an even basis over the useful life of the asset. Government grants measured at nominal amount shall be recorded directly in profit and loss of the period. Government grants related to income shall be treated in the following (1) those used to compensate relevant expenses or losses to be incurred by the enterprise in subsequent periods are recognized as deferred income and recorded in profit and loss of the period when such expenses are recognized; (2) those used to compensate relevant expenses or losses that have been incurred by the enterprise are recorded directly in profit and loss of the period.

23. Deferred income tax assets and deferred income tax liabilities

Recognition of the deferred income tax assets and deferred income tax liabilities of the Company:

(1) The deferred income tax assets and income tax liabilities shall be calculated and recognized at the applicable tax rate during which such asset are expected to be recovered or such liabilities can be settled, based on the difference between the carrying amount of assets and liabilities and their tax basis (for the projects that have not been recognized as the assets and liabilities and whose taxable basis can be determined according to the tax law, the taxable basis can be determined as its difference)

(2) The deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized. At the balance sheet date, if there is positive evidence indicating that sufficient taxable profits can be obtained in the future period to a lawful deductible temporary differences, and the unrecognized deferred income tax asset in the previous accounting period shall be recognized. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized.

(3) As for taxable temporary difference related to the investments of subsidiaries and associated enterprises, the deferred income tax liabilities are recognized unless the company can control the time for the reversal of temporary differences and such differences are much likely not to be reversed in the foreseeable future. As for the deductible temporary difference related to investments of subsidiaries and associated enterprises, the deferred income tax assets shall be recognized when such temporary differences are much likely to be reversed in the foreseeable future and the taxable profit are much likely to be obtained to the lawful deductible temporary differences.

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

24. 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 rent-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.

25. Assets held for sale

(1) Recognition

Assets held 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 held for sale

Estimate net residual value of an asset held 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 held 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 held for sale, including individual asset item and disposal asset group which is a group of assets held for sale as a whole or disposal together, should be measured according to above principles.

26. Changes of significant accounting policies and accounting estimates

(1) Changes of significant accounting policies

The group has changed the previous treatment of excess loss into the following methods: when the loss exceeds the owners' interest in such subsidiary at the beginning of the period attributable to the minority shareholders, if the Articles of Association of the subsidiary or the agreement stipulates that the minority shareholders have the obligations to assume and the minority shareholders have the ability to compensate the losses, such excess loss shall be written off from the minority interests. Otherwise, such excess loss shall be written off from the owners' interest of the parent company, and if such subsidiary makes profits in the subsequent period, all the profits will be attributable to the owners' interest of the parent company, before compensating its minority losses assumed by the owners' interest of the parent company.

(The amount is expressed in RMB unless otherwise specified)

II. MAIN ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

26. Changes of significant accounting policies and accounting estimates *(Continued)*

(1) Changes of significant accounting policies (Continued)

In accordance with other relevant accounting regulations of the bulletin No. 4 of "Accounting Standards for Business Enterprise", if in the consolidated financial statements, the losses for the current period attributable to the minority shareholders of a subsidiary exceed the owner' interests of the minority shareholders in such subsidiary at the beginning of the period, its balance shall be written off against the minority interests. The Company retrospectively adjusted the excess loss of the subsidiary shared by the minority shareholders according to the proportion of their capital contribution, therefore the undistributable profits at the beginning of the year increased RMB59,083,263.20, the minority interest at the beginning of the year decreased RMB59,083,263.20, and the net profit attributable to the parent company for 2009 increased RMB25,633,993.86 and the profits or losses of the minority shareholders for 2009 decreased RMB25,633,993.86.

(2) Changes of significant 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	The value-added part of sales revenue, and revenue from processing and repair, repair and labour services	13%-17%
Resource tax	Sales volume	RMB3 /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	15%, 25%

On 8th November 2010 the Company's subsidiary, Longhai, was examined and identified as high-tech enterprise by Henan Scientific and Technological Department, and awarded "High-tech Enterprise Certificate" with the effective period of three years. In accordance with Paragraph 2 of Article 28 of the Enterprise Income Tax Law of the PRC, Article 93 of the Regulation on the Implementation of Enterprise Income Tax Law of PRC and the relevant provisions of the Notice of the State Administration of Taxation concerning Relevant Issues for Implementating Tax Preferential Treatment for High-Technology Enterprises (Guo Shui Han [2009] No. 203), Longhai enjoys 15% enterprise income tax from 1st January 2010 for three consecutive years.

The applicable enterprise income tax for the Company and other 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.

(The amount is expressed in RMB unless otherwise specified)

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of the Company's consolidated financial statements includes the 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.

1. Basic situation of subsidiaries

(1) Subsidiaries acquired through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Principal activities	Registered address	Scope of operation	Investment cost at the end of 2010	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 balanceof 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") III	Other subsidiary	Yanshi China	Processing and selling	20,000,000.00	Manufacture of float sheet glass	64,513,390.18	205,000,000.00	100	100	Yes		-1,431,478.41	
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	-25,943,711.28	-4,423,302.44	
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	2,694,112.24	-55,662.72	
CLFG Long Hai Electronic Glass Limited ("LongHai")	Other subsidiary	Yanshi China	Processing and selling	60,000,000.00	Manufacture of float sheet glass and electronic glass	48,941,425.28	120,000,000.00	100	100	Yes			
CLFG Long Hao Glass Limited ("Long Hao")	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")	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")	Other subsidiary	Dengfeng China	Mining and selling	3,000,000.00	Silica sand sale	1,530,000.00		51	51	Yes	999,602.90	-118,404.33	
Dengfeng Hongzhai Silicon Co.. Ltd. ("Hongzhai")I	Other subsidiary	Dengfeng China	Mining and selling	2,050,000.00	Silica sand sale	1,030,000.00		50.24	50.24	Yes	889,329.67	-130,670.33	
CLFG Shawan Glass Co. Ltd("Shawan") II	Other subsidiary	Shawan China	Processing and selling	9,000,000.00	Manufacture of float sheet glass	9,000,000.00		100	100	Yes			
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			

(The amount is expressed in RMB unless otherwise specified)

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

1. Basic situation of subsidiaries *(Continued)*

(1) Subsidiaries acquired through set-up or investment *(Continued)*

Note 1. Dengfeng Hongzhai Silicon Co.. Ltd. was jointly invested and established by Silica Sand Company, Henan Haide Mineral Development Co., Ltd. and Hu Aifen on 13 January 2010. It has a registered capital of RMB2,050,000, among which Silica Sand Company invested RMB1,030,000, accounting for about 50.24% of the total registered capital of Hongzhai Company, while Henan Haide Mineral Development Co., Ltd. invested RMB920, 000, accounting for 44.88% of the total capital, and Hu Aifen invested RMB100,000, accounting for 4.88% of the total capital. As a subsidiary of Silica Sand Company, Hongzhai Company shall be included in the consolidation scope of the Company's financial statements from 13 January 2010.

II. On 2 August 2010, the Company established CLFG Shawan Glass Co., Ltd. with a registered capital of RMB9,000,000.00 and planed to build a production line of multi-functional float glass with output of 350 tons per day. Its business scope includes the production and sales of float glass, the processing of glass and the sale of relevant raw fuel materials and minerals.

III. On 29 September 2010, the Company signed an acquisition agreement for the transfer of 20.94% equity interests in Longmen Company with the Yanshi Administration State-owned Assets , pursuant to which, the Company should pay the Yanshi Administration State-owned Assets RMB1 as the consideration for the share transfer. Both parties agreed that from the effective date of the agreement to the completion date of the share transfer, all the resulting profit or loss during the period shall be borne the Company. The relevant formality for the change of shareholding was accomplished on 26 November 2010.

(2) There is no subsidiary obtained under common control.

(3) There is no subsidiary obtained not under common control.

2. Changes of consolidation scope

(1) The consolidation scope doesn't include the subsidiary which the Company only holds half or less of its voting rights.

(2) There is no investee which the Company holds half or more of its voting rights but fails to include in the consolidation scope.

3. Entities newly incorporated in the consolidation scope

Name	Net assets at 31 December 2010	Net profits of the reporting period
Dengfeng CLFG Silicon Company Limited	1,787,398.86	-262,601.14
CLFG Shawan Glass Co., Ltd.	8,717,968.14	-282,031.86

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank balance and cash

(1) Category:

Items	31 December 2010 Foreign currency balance	Exchange rate	RMB (equivalent)	31 December 2009 Foreign currency balance	Exchange rate	RMB (equivalent)
Cash:			826,247.60			1,057,896.68
— Renminbi			826,247.60			1,057,896.68
— US Dollars						
— HK Dollars						
Deposits at banks:			19,381,529.40			32,130,516.00
— Renminbi			19,252,055.22			32,105,290.70
— US Dollars	18,629.49	6.6227	123,377.44	2,770.50	6.8282	18,917.53
— HK Dollars	7,158.60	0.8509	6,091.46	7,157.34	0.8805	6,301.89
— Euro Dollars	0.60	8.8000	5.28	0.60	9.8000	5.88
Other monetary funds:			113,000,105.32			192,800,105.13
— Renminbi			113,000,105.32			192,800,105.13
— US Dollars						
Total			133,207,882.32			225,988,517.81

(2) Other monetary funds list

Item	31 December 2010	31 December 2009
Security for bank deposits	113,000, 000.00	192,800,000.00
Other	105.32	105.13
Total	113,000,105.32	192,800,105.13

Note: As at 31 December 2010, monetary funds of RMB113,000,000.00 was pledged as security for the notes payable.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

2. Notes receivable

(1) Category:

Item	31 December 2010	31 December 2009
Bank acceptance notes	**53,530,753.33**	66,386,606.60
Customer acceptance notes		
Total	**53,530,753.33**	66,386,606.60

(2) 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	18 August 2010	18 February 2011	14,250,000.00	Endorsed by the Company's headquarters
Zhengzhou Nanyangzhai Branch of Zhongchu Development Stock Co., Ltd	16 November 2010	16 May 2011	10,000,000.00	Endorsed by the Company's headquarters
Pinghu Dafang Glass Company Limited	2 July 2010	2 January 2011	5,000,000.00	Endorsed by the Company's headquarters
Zhongchu Development Stock Co., Ltd.	16 November 2010	16 May 2011	4,000,000.00	endorsed by Longfei Company
Xinxiang City Xinri Heat-treated Glass Co., Ltd.	13 September 2010	13 March 2011	2,460,000.00	Endorsed by the Company's headquarters
Total			35,710,000.00	

(3) Other illustration:

Note: As at 31 December 2010, undue notes amounted to RMB381,702,223.67 had been discounted with maturity date from 2 January 2011 to 30 June 2011.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable

(1) Category:

	31 December 2010			
	Carrying amount		Bad debt	
Category	Amount	Rate (%)	Amount	Rate (%)
1. Account receivables with significant single amount and individual provision for bad debts				
2. Accounts receivable provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	87,384,173.42	100.00	46,087,878.78	52.74
The group without provision for bad debts				
Group subtotal	87,384,173.42	100.00	46,087,878.78	52.74
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	87,384,173.42	100.00	46,087,878.78	52.74

	31 December 2009			
	Carrying amount		Bad debt	
Category	Amount	Rate (%)	Amount	Rate (%)
1. Account receivables with significant single amount and individual provision for bad debts				
2. Accounts receivable provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	75,570,400.49	94.42	45,422,667.63	60.11
The group without provision for bad debts	4,465,297.64	5.58		
Group subtotal	80,035,698.13	100.00	45,422,667.63	56.75
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	80,035,698.13	100.00	45,422,667.63	56.75

Note: Accounts receivable with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(1) *Category:* *(Continued)*

In the group, accounts receivable with the provision based on the aging analysis

Ages	31 December 2010 Carrying amount	Rate (%)	Bad debt	31 December 2009 Carrying amount	Rate (%)	Bad debt
Within 1 year	**37,958,838.51**	**43.45**		25,829,655.23	34.18	
1-2 years	**1,233,497.07**	**1.41**	**370,049.12**	6,496,535.30	8.60	2,210,947.67
2-3 years	**4,948,016.36**	**5.66**	**2,474,008.18**	64,980.00	0.09	32,490.00
3-4 years	**64,980.00**	**0.07**	**64,980.00**	42,592,892.23	56.36	42,592,892.23
4-5 years	**42,592,503.75**	**48.74**	**42,592,503.75**	85,128.96	0.11	85,128.96
Over 5 years	**586,337.73**	**0.67**	**586,337.73**	501,208.77	0.66	501,208.77
Total	**87,384,173.42**	**100.00**	**46,087,878.78**	75,570,400.49	100.00	45,422,667.63

(2) *Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company.*

As at 31 December 2010, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(3) *Top five largest accounts receivable:*

Name	Relationship with the Company	Amount	Age	Percentage (%)
Luoyang Longxin Glass Company Limited	Fellow for controlling of CLFG	25,224,421.03	Within 1 year	28.87
Shanghai Shunsheng Glass Sales Cooperation Company	Not related party	3,654,900.00	1-2 years	4.18
Australia AMDENLUOYANG GLASS P/L	Not related party	2,820,625.92	4-5 years	3.23
Luobo Qingdao Joint Adventure	Not related party	2,796,175.91	4-5 years	3.20
Henan Building Materials Company	Not related party	2,548,928.08	4-5 years	2.92
Total		37,045,050.94		42.40

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. Accounts receivable *(Continued)*

(4) Accounts receivable of related parties:

Name	Relationship with the Company	Amount	Percentage (%)
Luoyang Longxin Glass Company Limited	Fellow for controlling of CLFG	25,224,421.03	28.87
Anhui Province Bengbu Huayi Conductive Film Glass Co., Ltd.	With same actual controller	1,525,786.76	1.75
CLFG Processed Glass Company Limited	Fellow for controlling of CLFG	455,901.40	0.52
Total		27,206,109.19	31.14

4. Prepaid expenses

(1) Ageing analysis:

Ages	31 December 2010 Amount	Rate (%)	31 December 2009 Amount	Rate (%)
Within 1 year	**29,469,570.93**	**93.39**	39,198,221.67	94.61
1-2 years	**421,813.39**	**1.34**	1,231,218.01	2.97
2-3 years	**997,938.34**	**3.16**	468,317.99	1.13
Over 3 years	**666,748.00**	**2.11**	533,123.24	1.29
Total	**31,556,070.66**	**100.00**	41,430,880.91	100.00

(2) Top five largest prepayment:

Name	Relationship with the Company	Amount	Rate (%)	Age	Reason
Zhengzhou Baichuantong Glass Products Co,. Ltd	Not related party	11,094,222.80	35.16	Within 1 year	Unsettled
Henan Yuehai Industrial Co., LTD	Not related party	9,046,117.30	28.67	Within 1 year	Unsettled
Akali Industry Branch of Tongbai Anpeng Akali Minerals Limited Liability Company	Not related party	1,535,730.75	4.87	Within 1 year	Unsettled
Henan Zhongyuan hemistry Co.,LTD	Not related party	1,097,398.24	3.48	Within 1 year	Unsettled
Shangxi Qinshui Shuntai Energy Development Co., Ltd.	Not related party	1,000,000.00	3.17	Within 1 year	Unsettled
Total		23,773,469.09	75.35		

Note: Zhengzhou Baichuantong Glass Products Company Ltd and Henan Yuehai Industrial Co,. Ltd are the main suppliers of alkali to the Group.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. Prepaid expenses *(Continued)*

(3) Prepaid expenses due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2010, no prepaid expense is due from a shareholder who holds 5% or more of the voting shares of the Company.

5. Other receivables

(1) Category:

	31 December 2010			
	Carrying amount		Bad debt	
Category	Amount	Rate (%)	Amount	Rate (%)
1. Other receivables with significant single amount and individual provision for bad debts	**10,808,704.00**	**10.15**	**10,808,704.00**	**100.00**
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	**82,216,175.05**	**77.18**	**39,330,400.95**	**47.84**
The group without provision for bad debts	**9,430,414.30**	**8.85**		
Group subtotal	**91,646,589.35**	**86.03**	**39,330,400.95**	**42.92**
3. Other receivables with insignificant single amount and individual provision for bad debts	**4,071,810.65**	**3.82**	**4,071,810.65**	**100.00**
Total	**106,527,104.00**	**100.00**	**54,210,915.60**	**50.89**

	31 December 2009			
	Carrying amount		Bad debt	
Category	Amount	Rate (%)	Amount	Rate (%)
1. Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	11.84	10,808,704.00	100.00
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	69,269,507.80	75.91	38,972,360.79	56.26
The group without provision for bad debts	7,106,082.31	7.79		
Group subtotal	76,375,590.11	83.70	38,972,360.79	51.03
3. Other receivables with insignificant single amount and individual provision for bad debts	4,071,810.65	4.46	4,071,810.65	100.00
Total	91,256,104.76	100.00	53,852,875.44	59.01

Note: Other receivables with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(1) *Category: (Continued)*

In the group, accounts receivable with the provision based on the aging analysis

Ages	31 December 2010 Carrying amount	Rate (%)	Bad debt	31 December 2009 Carrying amount	Rate (%)	Bad debt
Within 1 year	**41,488,107.04**	**50.46**		28,887,857.82	41.69	
1-2 years	**1,141,502.43**	**1.39**	**301,636.25**	1,458,774.31	2.11	492,572.38
2-3 years	**1,093,466.88**	**1.33**	**546,733.44**	905,970.67	1.31	462,883.41
3-4 years	**809,781.41**	**0.98**	**798,713.97**	13,722,702.32	19.81	13,722,702.32
4-5 years	**13,693,989.02**	**16.66**	**13,693,989.02**	17,970.42	0.03	17,970.42
Over 5 years	**23,989,328.27**	**29.18**	**23,989,328.27**	24,276,232.26	35.05	24,276,232.26
Total	**82,216,175.05**	**100.00**	**39,330,400.95**	69,269,507.80	100.00	38,972,360.79

Note: Other receivables at the end of the period increased by 39.87% compared with the beginning of the period, mainly due to the staff settlement fund of the government grants receivable.

Other receivables of not significant single amount but individually provided for bad debts at the end of the period

Item	Carrying amount	Bad debt	Rate (%)	Reason
Henan Mianchi Fufa Glass Factory	4,071,810.65	4,071,810.65	100.00	Provision for bad debts due to failure to collect
Total	4,071,810.65	4,071,810.65	100.00	

(2) *Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company*

Other receivables due from China Luoyang Float Glass (Group) Company Limited, being a shareholder who holds 5% or more of the voting shares of the Company, was RMB20,685,332.17.

(3) *Nature of content of other receivables of relatively significant amount*

Name	Amount	Nature of content of other receivables
CLFG Mineral Products Company Limited	20,685,332.17	Including grants for staff settlement
Zhengzhou Xili branch of China Construction Bank	10,808,704.00	Time deposit, provided for bad debts in full
Total	31,494,036.17	

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. Other receivables *(Continued)*

(4) *Top five largest other receivables:*

Name	Relationship with the Company	Amount	Age	Percentage (%)
China Luoyang Float Glass (Group) Company Limited	Not related party	20,685,332.17	Within 1 year	19.42
Zhengzhou Xili branch of China Construction Bank	Not related party	10,808,704.00	Over 5 years	10.15
Government of Zhuge State	Not related party	9,856,832.00	4-5years	9.25
Chengzhou Bada Glass Company Ltd	Not related party	4,897,820.61	Over 5 years	4.60
Shenzhen New Xiya Industrial Co., LTD	Not related party	4,600,000.00	Over 5 years	4.32
Total		50,848,688.78		47.74

(5) *Other receivables of related parties*

Name	Relationship with the Company	Amount	Percentage (%)
China Luoyang Float Glass (Group) Company Limited	Terminal controller	20,685,332.17	19.42
CLFG Processed Glass Company Limited	Fellow for controlling of CLFG	1,410,554.01	1.32
Luoyang Xingxin Industrial Co., Ltd	Fellow for controlling of CLFG	1,358,803.36	1.28
Luoyang Longxin Glass Co., Ltd	Fellow for controlling of CLFG	1,099,390.50	1.03
CLFG Longmen Sugang Co., Ltd	Fellow for controlling of CLFG	326,362.60	0.31
Henan Zhonglian Glass Co., Ltd	With same actual controller	160,000.00	0.15
CLFG Mineral Products Company Limited	Fellow for controlling of CLFG	127,810.28	0.12
CLFG (Beijing)Internation EngineeringLimited	Fellow for controlling of CLFG	93,081.82	0.09
CLFG Jingwei Glass Fibre Co., Ltd	Fellow for controlling of CLFG	47,904.78	0.04
Luoyang Jingxin Ceramic Co. Ltd.	Fellow for controlling of CLFG	3,000.00	0.00
CLFG jinghua Industry Company	Fellow for controlling of CLFG	809.5	0.00
Total		25,313,049.02	23.76

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

6. Inventories

(1) Inventories comprised:

Items	31 December 2010 Carrying amount	31 December 2010 Provision	31 December 2010 Net book value	31 December 2009 Carrying amount	31 December 2009 Provision	31 December 2009 Net book value
Raw materials	**174,163,273.34**	**25,552,195.59**	**148,611,077.75**	142,394,326.62	32,262,812.44	110,131,514.18
Work in progress	**9,831,943.16**		**9,831,943.16**	10,151,155.97		10,151,155.97
Commodity inventories	**37,762,029.58**	**3,533,935.44**	**34,228,094.14**	26,329,481.02	1,448,980.89	24,880,500.13
Circulation materials	**9,395,213.26**		**9,395,213.26**	9,708,952.10	38,630.04	9,670,322.06
Total	**231,152,459.34**	**29,086,131.03**	**202,066,328.31**	188,583,915.71	33,750,423.37	154,833,492.34

(2) Provision for diminution in value of inventories:

Items	Opening balance	Increase in the period	Decrease in the period Reversal	Decrease in the period Write-off	Closing balance
Raw materials	32,262,812.44	**791,450.81**		**7,502,067.66**	**25,552,195.59**
Commodity inventories	1,448,980.89	**3,045,172.55**		**960,218.00**	**3,533,935.44**
Circulation materials	38,630.04			**38,630.04**	
Total	33,750,423.37	**3,836,623.36**		**8,500,915.70**	**29,086,131.03**

(3) Note of provision

Item	Reason for provision	Reason for reversal	Percentage
Raw materials	Cost is higher than net realizable value		
Commodity inventories	Cost is higher than net realizable value		
Circulation materials			

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. Investment to joint venture and associates

(1) There is no joint venture.

(2) Associates as follows:

Names	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets on 31 December 2010	Total liabilities on 31 December 2010	Total net assets on 31 December 2010	Total revenues in 2010	Net profit in 2010
Luoyang Jingxin Ceramic Co. Ltd.	49.00	49.00	125,351,727.93	188,068,688.15	-62,716,960.22	—	-4,440,134.81
CLFG Mineral Products Company Limited	40.29	40.29	31,408,915.74	44,326,190.56	-12,917,274.82	29,487,473.34	-1,685,964.80

8. Long-term equity investment

(1) Details of long-term equity investment

Investees	Measurement	Initial Investment	Opening balance	Increase/ Decrease	Closing balance	Equity held by the Company (%)	Voting right held by the Company (%)	Reason for the differences of voting right held by the Company and	Impairment	Impairment in 2010	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 limited *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		
Yanshi Rural Credit Union	cost method	410,000.00	410,000.00		410,000.00	0.67	0.67				
Sanmenxia Credit Union	cost method	7,000,000.00	7,000,000.00		7,000,000.00	4.99	4.99				
Sub-total		20,201,217.53	20,201,217.53		20,201,217.53				12,791,217.53		
Luoyang Jingxin Ceramic Co. Ltd.	equity method	20,553,050.00				49.00	49.00				
CLFG Processed Glass Company Limited	equity method	89,095,600.00				49.09	49.09	Disposal			
CLFG Mineral Products Company Limited	equity method	12,475,313.63				40.29	40.29				
Sub-total		122,123,963.63									
Total		142,325,181.16	20,201,217.53		20,201,217.53				12,791,217.53		

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

8. Long-term equity investment *(Continued)*

(1) *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. On 16 December 2009, the Company signed the Share Transfer Contract with CLFG, pursuant to which the Company would transfer its 49.09%equity of CLFG Processed Glass Company Limited at the consideration of RMB1. On 12 June 2010, the Company received the consideration of RMB1 and the equity settlement procedures were completed.

9. Investment property

(1) *Investment property measured at cost*

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total of original amount	18,762,440.39		**250,821.47**	**18,511,618.92**
Buildings	480,936.20		**250,821.47**	**230,114.73**
Land use rights	18,281,504.19			**18,281,504.19**
II. Total of accumulated depreciation or accumulated amortization	3,036,420.26	**449,225.26**	**205,092.77**	**3,280,552.75**
Buildings	240,837.66	**14,012.50**	**205,092.77**	**49,757.39**
Land use rights	2,795,582.60	**435,212.76**		**3,230,795.36**
III. Total of impairment provision				
Buildings				
Land use rights				
IV. Total of carrying amount	15,726,020.13			**15,231,066.17**
Buildings	240,098.54			**180,357.34**
Land use rights	15,485,921.59			**15,050,708.83**

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. It's not necessary to handle procedures for the building ownership certificate of the rental housing located at No. 9 Tang Gong Zhong Lu, for details of which see "the section XI Subsequent Events"

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Fixed assets

(1) Details of fixed assets and accumulated depreciation:

Items	Opening balance	Increase in the period		Decrease in the period	Closing balance
I. Total of original value	1,378,651,088.81	49,953,683.52		89,045,174.14	**1,339,559,598.19**
Buildings	525,632,169.55	3,325,401.93		79,826,926.65	**449,130,644.83**
Machinery and equipment	821,390,334.97	45,421,127.29		8,118,110.98	**858,693,351.28**
Transportation equipment	28,162,374.72	1,086,928.87		1,096,136.51	**28,153,167.08**
Others	3,466,209.57	120,225.43		4,000.00	**3,582,435.00**
		New increase in the period	Provision in the period		
II. Total of accumulated depreciation	648,429,829.19	1,886,405.31	69,715,630.26	75,812,297.09	**644,219,567.67**
Buildings	172,490,437.71	18,766.10	13,100,292.30	35,893,517.44	**149,715,978.67**
Machinery and equipment	455,323,073.62	1,852,547.44	55,138,608.34	34,797,823.49	**477,516,405.91**
Transportation equipment	20,001,935.11	13,054.55	1,186,517.24	5,119,641.00	**16,081,865.90**
Others	614,382.75	2,037.22	290,212.38	1,315.16	**905,317.19**
III. Total net book value of fixed assets	730,221,259.62				**695,340,030.52**
Buildings	353,141,731.84				**299,414,666.16**
Machinery and equipment	366,067,261.35				**381,176,945.37**
Transportation equipment	8,160,439.61				**12,071,301.18**
Others	2,851,826.82				**2,677,117.81**
IV. Impairment Total	5,087,580.48	4,470,800.00		42,904.00	**9,515,476.48**
Buildings	733,902.14	632,001.88		28,200.79	**1,337,703.23**
Machinery and equipment	4,312,226.16	3,835,584.17		14,703.21	**8,133,107.12**
Transportation equipment	41,452.18	3,213.95			**44,666.13**
Others					
V. Total of net carrying amount	725,133,679.14				**685,824,554.04**
Buildings	352,407,829.70				**298,076,962.93**
Machinery and equipment	361,755,035.19				**373,043,838.25**
Transportation equipment	8,118,987.43				**12,026,635.05**
Others	2,851,826.82				**2,677,117.81**

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

10. Fixed assets *(Continued)*

(1) *Details of fixed assets and accumulated depreciation: (Continued)*

Note:

1. As at 31 December 2010, the Company did not obtain the building ownership certificate for the building with net book value of RMB152,521,461.71, of which net value of the Company's buildings located at No. 9 Tang Gong Zhong Lu, Luoyang was RMB47,874,928.46. The building was invested by CLFG as contribution for the establishment of the Company; and it's not necessary to handle relevant procedures for the building ownership certificate, for details of which see "the section XI Subsequent Events"

2. At the end of the year, total amount of fixed assets transferring from construction-in-progress was RMB45,752,328.90, and total amount of depreciation was RMB71,602,035.57

3. At the end of the year, the original amount of fixed assets that were made full depreciation but still in use was RMB181,595,562.14.

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 RMB4,470,800.00 according to the valuation reports of Ya Ping Bao (2011) No. 5, No.11, No.19 and No. 20 made by Henan Yatailianhua Assets Evaluation Co., Ltd.

5. As at 31 December 2010, the Company has no pledge of fixed assets.

(2) *Fixed assets available for sale*

Items	Net book value	fair value	Estimated disposal expenses	Estimated disposal time
Land and buildings on the ground located at No. 9 Tanggong Middle Road	116,365,678.03	177,900,000.00		21 March 2011

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Construction in progress

(1) Basic details:

Items	Closing balance Carrying amount	Closing balance Impairment	Closing balance Net book value	Opening balance Carrying amount	Opening balance Impairment	Opening balance Net book value
The Company - Relocation of No.1 production line	**10,256,182.27**		**10,256,182.27**			
The Company - Relocation of No.3 production line	**497,949.84**		**497,949.84**			
Longhai - Workshop installation project				19,434.68		19,434.68
Silica - Mine road project	**321,600.00**		**321,600.00**	321,600.00		321,600.00
Longfei - smelting pits and secondary cold repair construction of 300t/d float glass production line	**2,815,500.30**	**2,793,722.16**	**21,778.14**	9,907,472.97	2,793,722.16	7,113,750.81
Sporadic works of Longfei	**483,720.00**		**483,720.00**	483,720.00		483,720.00
Longfei - Glass mold powder machine	**152,000.00**		**152,000.00**			
Longfei - New substation	**839,576.00**		**839,576.00**			
Longxiang - Furnace flue gas dust removal and desulfurization	**790,000.00**		**790,000.00**			
Finished products warehouse 4#of Longxiang				430,000.00		430,000.00
Polluted source of longxiang				3,784,850.77		3,784,850.77
Longmen - 250t/ d ultrathin ultrawhite glass production line technological rennovation project	**126,228,398.32**	**4,673,714.91**	**121,554,683.41**	77,124,392.56	4,673,714.91	72,450,677.65
Waste heat generation and Smoke test project of Longhao	**156,237.20**		**156,237.20**	156,237.20		156,237.20
Longhao - Desulfurization project	**1,777,984.62**		**1,777,984.62**			
Total	**144,319,148.55**	**7,467,437.07**	**136,851,711.48**	92,227,708.18	7,467,437.07	84,760,271.11

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. Construction in progress *(Continued)*

(2) Changes of major construction in progress

Project name	Budget	Opening balance	Increase in the period	Transferred to fixed assets	Decrease in others	Closing balance	Percentage of proejct investment to budget (%)	Construction progress (%)	Accumulated amount of interest capitalization	including: Amount of interest capitalization in the period	Rate of interest capitalization in the period (%)	Source of funds
The Company - Relocation of No.1 production line			10,256,182.27			10,256,182.27						Funds raised by itself
The Company - Relocation of No.3 production line			497,949.84			497,949.84						Funds raised by itself
Longhai - Workshop installation project		19,434.68	940,170.90	940,170.90	19,434.68			100.00				Funds raised by itself
Silica - Mine road project	500,000.00	321,600.00				321,600.00						Funds raised by itself
Longfei - smelting pits and secondary cold repair construction of 300t/d float glass production line		9,907,472.97	39,946,514.69	35,578,415.91	11,460,071.45	2,815,500.30						Funds raised by itself
Sporadic works of Longfei		483,720.00				483,720.00						Funds raised by itself
Longfei - Glass mold powder machine			152,000.00			152,000.00						Funds raised by itself
Longfei - New substation			839,576.00			839,576.00						Funds raised by itself
Longxiang - Furnace flue gas dust removal and desulfurization			790,000.00			790,000.00						Funds raised by itself
Finished products warehouse 4#of Longxiang		430,000.00	50,000.00	480,000.00				100.00				Funds raised by itself
Polluted source of longxiang		3,784,850.77	4,968,891.32	8,753,742.09				100.00				Funds raised by itself
Longmen - 250t/d ultrathin ultrawhite glass production line technological rennovation project		77,124,392.56	49,552,010.97		448,005.21	126,228,398.32						Funds raised by itself
Waste heat generation and Smoke test project of Longhao	40,000,000.00	156,237.20				156,237.20						Funds raised by itself
Longhao - Desulfurization project			1,777,984.62			1,777,984.62						Funds raised by itself
Total		92,227,708.18	109,771,280.61	45,752,328.90	11,927,511.34	144,319,148.55						

(3) Impairment provision:

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reason
Sporadic works of Longfei	2,793,722.16			**2,793,722.16**	
Equipment modification of Longmen	4,673,714.91			**4,673,714.91**	
Total	7,467,437.07			**7,467,437.07**	

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. Constructive materials

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special equipment consumables	79,022.74	782,243.19		861,265.93
Total	79,022.74	782,243.19		861,265.93

13. Intangible assets

(1) Basic details:

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total of original value	80,392,688.37	24,753,396.50		105,146,084.87
Land use rights	61,892,688.37	23,552,916.50		85,445,604.87
Trademark and non-patent technology	18,400,000.00			18,400,000.00
Exploration right	100,000.00	1,200,480.00		1,300,480.00
II. Total of accumulated amortization	23,942,823.20	2,968,663.29		26,911,486.49
Land use rights	16,321,148.15	1,476,659.29		17,797,807.44
Trademark and non-patent technology	7,596,675.00	1,472,004.00		9,068,679.00
Exploration right	25,000.05	20,000.00		45,000.05
III. Total of carrying amount	56,449,865.17			78,234,598.38
Land use rights	45,571,540.22			67,647,797.43
Trademark and non-patent technology	10,803,325.00			9,331,321.00
Exploration right	74,999.95			1,255,479.95
IV. Total of impairment provision				
Land use rights				
Trademark and non-patent technology				
Exploration right				
V. Total of net book value	56,449,865.17			78,234,598.38
Land use rights	45,571,540.22			67,647,797.43
Trademark and non-patent technology	10,803,325.00			9,331,321.00
Exploration right	74,999.95			1,255,479.95

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. Please see the section "XI. Subsequent Events".

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. Intangible assets *(Continued)*

(2) Expenditures of development projects

Items	Opening balance	Increase in the period	Decrease in the period: Included in the profit or loss during the period	Decrease in the period: Recognised as intangible assets	Closing balance
Longhai: development of 0.8mm electronic glass		**645,776.88**	**645,776.88**		
Longhai: development of 0.9mm electronic glass		**799,708.40**	**799,708.40**		
Longhai: improvement of life up rollers technology		**1,687,681.72**	**1,687,681.72**		
Longhai: reduce the scraps on the plate and improve the glass quality		**2,153,706.86**	**2,153,706.86**		
Longhai: reasonably control the 0.55mm parameter and improve the percentage of pass		**2,944,597.60**	**2,944,597.60**		
Total		**8,231,471.46**	**8,231,471.46**		

Note: The development expenditures during the period account for 100% of the total expenditures of research and development expenditures during the period, and the internal research and development of Longhai did not generate intangible assets.

14. Details of impairment provision:

Items	Opening balance	Provision in the period	Decrease in the period: Reversal	Decrease in the period: Written-off	Closing balance
I. Provision for bad debts	99,275,543.07	**1,067,987.62**		**44,736.31**	**100,298,794.38**
II. Provision for diminution in value of inventory	33,750,423.37	**3,836,623.36**		**8,500,915.70**	**29,086,131.03**
III. Provision for impairment of available-for-sale financial assets					
IV. Provision for impairment of held-to-maturity investment					
V. Provision for impairment of long-term equity investment	12,791,217.53				**12,791,217.53**
VI. Provision for impairment of real estate investment					
VII. Provision for impairment of fixed assets	5,087,580.48	**4,470,800.00**		**42,904.00**	**9,515,476.48**
VIII. Provision for impairment of construction materials	943,451.44				**943,451.44**
IX. Provision for impairment of construction in progress	7,467,437.07				**7,467,437.07**
X. Provision for productive biological assets impairment including: provision for mature productive biological assets Impairment					
XI. Provision for oil & gas assets impairment					
XII. Provision for intangible assets impairment					
XIII. Provision for goodwill impairment					
XIV. Others	110,657,113.55			**110,657,113.55**	
Total	269,972,766.51	**9,375,410.98**		**119,245,669.56**	**160,102,507.93**

Note: Other written-off was RMB110,657,113.55. See "V. 15 Other non-current assets, note 3".

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. Other non-current assets

Items	Closing balance	Opening balance
Other receivables (Guangzhou International Trust & Investment Corporation)		35,000,000.00
Survey and Exploration Right of Quartzite Glass in Xiaohongzhai Mine Zone of Dengfeng City	**1,021,050.00**	
Survey and Exploration Right of Quartzite Glass in Shilashan Mine Zone of Dengfeng City	**106,960.00**	
Total	**1,128,010.00**	35,000,000.00

Note:

1. In accordance with the Notice concerning the Integration of the Quartzite Resources along Milashan and Xiaohongzhai at the intersection of Ruzhou City and Dengfeng City issued by Department of Land and Resources of Henan Province (yu guo tu fa No.[2008]93), Hongzhai Company, a subsidiary of the Company, ("Party A") and Henan Haide Mineral Exploitation Company Limited ("Party B") entered into the Exploration Right Transfer Agreement regarding the Integration of Quartzite Resources, pursuant to which Hongzhai Company shall pay RMB1,020,000 to Party B as the total consideration to obtain Xiaohongzhai mine zone exploration right held by Party B. Hongzhai Company obtained "Permit For Survey and Exploration of Quartzite Glass in Xiaohongzhai Mine Zone of Dengfeng City" with the license number T41120080503008194.

2. In accordance with the Reply on the Proposal concerning the Integration of the Quartzite Resources in Dengfeng City issued by the Department of Land and Resources of Henan Province (yu guo tu zi han No.[2008]740), Dengfeng CLFG Silicon Company Limited, a subsidiary of the Company, applied to the Department of Land and Resources of Henan Province for the survey and exploration right of the quartzite resources along Milashan at market price. Silicon Company obtained "Permit For Survey and Exploration Right of Quartzite Glass in Milashan Mine Zone of Dengfeng City" with the license number T41520100403040105.

3. In September 2010, the Company and CLFG entered into the Creditor's Right Transfer Agreement, pursuant to which the Company shall transfer all its creditor's rights in Guangzhou International Trust and Investment Co. Ltd to CLFG at the total consideration of RMB35,000,000. The original value of such creditor's right of RMB145,657,113.55, of which RMB110,657,113.55 was provided for bad debts. As at 31st December 2010, all the payment for the creditor's right transfer was received in full.

16. Assets under restricted ownership

Items	Closing balance	Reason for restriction on ownership or use right
I. Assets for guarantee		
Monetary funds	**113,000,000.00**	Security for notes payable
II. Assets under restricted ownership for other reasons		
Total	**113,000,000.00**	

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. Short-term loans

(1) *Category:*

Items	Closing balance	Opening balance
Pledged loan		
Mortgage loan		
Guaranty loan	**19,862,776.00**	731,462,776.00
Credit loan	**4,000,000.00**	4,000,000.00
Total	**23,862,776.00**	735,462,776.00

Note: See VII. Related party relationship and transactions 5.(4) for details.

(2) *The mature but outstanding short-term loans:*

Creditor	Amount	Rate	Usage	Reason for overdue payment	Expected date of repayment
Yanshi City Branch of Agricultural Bank of China	4,862,776.00		Resumed operation	The maturity date is 9 October 2007 and the extension procedure is still in progress.	N/A
Total	4,862,776.00				

18. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	**148,000,000.00**	174,000,000.00
Trade acceptance		
Total	**148,000,000.00**	174,000,000.00

Note:

1. There were no notes payable to shareholders holding 5% or more of the voting rights of the Company at the end of the period.

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.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19. Accounts payable

(1) Ageing analysis:

Item	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	**190,878,587.54**	**63.23**	120,234,065.65	40.55
1-2 years	**24,889,512.15**	**8.24**	145,687,316.72	49.13
2-3 years	**68,416,466.48**	**22.66**	19,543,629.56	6.59
3-4 years	**9,433,512.71**	**3.12**	10,909,280.64	3.68
4-5 years	**8,286,939.09**	**2.74**	80,595.02	0.03
Over 5 years	**40,281.00**	**0.01**	64,135.28	0.02
Total	**301,945,298.97**	**100.00**	296,519,022.87	100.00

(2) Accounts payable to the shareholder who holds 5% or more of the voting rights of the Company

In the closing balance, accounts payable to China Luoyang Float Glass (Group) Company Limited, being the shareholder who holds 5% or more of the voting rights of the Company, was RMB29,392.00.

(3) Accounts payable with significant amount and the age of over 1 year

Name	Relationship with the Company	Closing balance	Age	Reason for unsettlement
Gongyi City Xiaoyi Sub-district Office Xiaonan village Committee	Not related party	**11,400,000.00**	2-3 years	Unsettled
Anlu City Mingfa Industry & Trade Co., Ltd.	Not related party	**9,914,547.66**	2-3 years	Unsettled
Gongyi City Yuxiang Plastic Packaging Co., Ltd.	Not related party	**6,680,909.00**	2-3 years	Unsettled
Anyang City Baoshuo Tar Oil Chemical Industry Co., Ltd.	Not related party	**5,469,383.52**	2-3 years	Unsettled
Alkali Plant of Tianjin Bohai Chemical Industry Limited Liability Company	Not related party	**3,315,791.45**	2-3 years	Unsettled
Total		**36,780,631.63**		

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

20. Payments received in advance

(1) Ageing analysis:

Item	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	**70,801,251.32**	**89.70**	94,896,708.40	90.30
1-2 years	**2,588,611.52**	**3.28**	7,516,026.87	7.15
2-3 years	**3,248,026.46**	**4.11**	2,071,760.17	1.97
3-4 years	**1,690,962.97**	**2.14**	608,139.53	0.58
4-5 years	**608,139.53**	**0.77**		
Over 5 years				
Total	**78,936,991.80**	**100.00**	105,092,634.97	100.00

(2) Advances from the shareholder or related party who holds 5% or more of the voting rights of the Company in the advances from customers.

There were no advances from the shareholder or related party who holds 5% or more of the voting rights of the Company in the closing balance of the advances from customers. Please see the section "VII. Related Party and Related Party Transactions 6. Accounts receivable and payable from related party" for details.

(3) Payments received in advance with significant amount and the age of more than one year.

There were no payments received in advance with significant amount and the age of more than one year in closing balance of the advances.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

21. Staff remuneration payables

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Salary, bonus, allowance and subsidy	9,705,522.22	**61,358,158.54**	**67,137,514.46**	**3,926,166.30**
II. Staff's welfare	87,749.63	**5,532,921.02**	**5,532,921.02**	**87,749.63**
III. Social insurance premium	9,024,477.37	**40,072,951.87**	**44,863,045.72**	**4,234,383.52**
including: Medicare	1,906,080.28	**8,415,993.04**	**9,677,063.87**	**645,009.45**
Basic endowment insurance	6,250,982.89	**28,727,686.88**	**31,785,490.16**	**3,193,179.61**
Annuity				
Unemployment insurance	419,121.71	**1,447,014.85**	**1,693,594.16**	**172,542.40**
Labor injury insurance	266,181.54	**885,610.21**	**1,012,584.10**	**139,207.65**
Birth insurance	182,110.95	**596,646.89**	**694,313.43**	**84,444.41**
IV. Housing accumulation fund	3,985,273.02	**5,762,102.52**	**5,308,348.60**	**4,439,026.94**
V. Labor union expenses and employee education expenses	6,724,539.36	**2,030,069.66**	**927,599.28**	**7,827,009.74**
VI. Non-monetary welfares				
VII. Compensation for dismissal		**68,486,387.32**	**55,442,370.78**	**13,044,016.54**
including: 1. Compensation for cancellation of labor relation and early retirement		**68,486,387.32**	**55,442,370.78**	**13,044,016.54**
2. Budgeted expenses for early retiree				
VIII. Others	-40.00	**423,935.00**	**423,895.00**	
including: Cash-settled share-based payment				
Total	29,527,521.60	**183,666,525.93**	**179,635,694.86**	**33,558,352.67**

Note:

1. In accordance with the "Luobo Fa [2010] No.223 Document - Settlement Plan for Employees of China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司職工安置方案)" a total of 1,244 employees accepted voluntarily the settlement plan. As at 31 December 2010, RMB57,221,100.16 was paid to employees as settlements subsidies, and the remaining will be paid by the end of March 2011.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22. Tax payable

Items	Closing balance	Opening balance	Remarks
Value-added tax	**3,211,023.26**	14,421,539.42	13%. 17%
Business tax	**274,608.50**	443,823.11	
Consumption tax			
City maintenance tax	**535,442.90**	817,956.78	5%-7% of value-added tax. Business tax paid
Enterprise income tax	**-5,127,115.12**	-2,709,657.27	15%. 25%
Individual income tax	**37,084.45**	36,251.84	
Property tax	**831,143.47**	463,548.87	Original value *70%*1.2%
Land-use tax	**1,434,825.51**	1,435,139.67	
Vehicle and vessel usage tax	**3,168.00**	0.00	
Stamp tax	**110,958.89**	110,603.29	
Resource tax	**6,883.80**	-7,463.10	
Tariff			
Education surcharges	**316,189.36**	515,262.13	3% of value added-tax and business tax paid
Other tax	**178,220.40**	237,220.40	
Total	**1,812,433.42**	15,764,225.14	

Note:

1. For calculation standards and tax rates of main taxes refer to III. Taxation.

2. At the end of the period, tax payable decreased by 88.50% compared with the beginning of the period, mainly due to the payment of VAT and the prepayment of enterprise income tax by Longhai and Longhao.

23. Other payables

(1) Ageing analysis:

Item	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	**45,716,316.08**	**68.58**	62,416,551.11	73.46
1-2 years	**4,581,806.17**	**6.87**	12,691,441.65	14.94
2-3 years	**8,980,481.38**	**13.47**	7,106,140.47	8.36
3-4 years	**4,980,199.81**	**7.47**	816,538.14	0.96
4-5 years	**532,545.68**	**0.80**	154,325.46	0.18
Over 5 years	**1,876,206.39**	**2.81**	1,784,834.69	2.10
Total	**66,667,555.51**	**100.00**	84,969,831.52	100.00

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

23. Other payables *(Continued)*

(2) *Other payables to the shareholder or related party who holds 5% or more of the voting rights of the Company*

In the closing balance, other payables to China Luoyang Float Glass (Group) Company Limited, being the shareholder China Luoyang Floor related party who holds 5% or more of the voting rights of the Company, were RMB207,582.77.

(3) *Other payables with significant amount and the age of more than one year*

Name	Relationship with the Company	Closing balance	Age	Reason for unsettlement
Henan Yinji Real Estate Development Co., Ltd.	Not related party	**3,000,000.00**	3-4 years	Unsettled
Jingmen Tianneng New Energy Development Co., Ltd	Not related party	**1,600,000.00**	2-3 years	Unsettled
Sewage fees	Not related party	**998,130.00**	2-3 years	Unsettled
Total		**5,598,130.00**		

(4) *Details of other payables with significant amount*

Names	Amount	Nature
Withholding bulletin fees	5,064,419.83	Fees for Wonderful Sky and Li & Partner
Henan Yinji Real Estate Development Co., Ltd.	3,000,000.00	Project expenses
Withholding audit fees	1,716,120.81	Auditing fee for PKF
Bengbu Triumph Engineering & Technology Co., Ltd.	1,136,100.00	Project expenses
Luoyang Luobo Logistics Co., Ltd.	1,081,110.20	Lease fees
Total	11,997,750.84	

24. Non-current liabilities due within one year

(1) *Categories:*

Items	Closing balance	Opening balance
Long-term loans due within one year	**456,456.39**	507,800.94
Total	**456,456.39**	507,800.94

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. Non-current liabilities due within one year *(Continued)*

(2) Long-term loans due within one year

a. Long-term loans due within one year

Items	**Closing balance**	Opening balance
Pledged loan		
Mortgage loan		
Guaranty loan	**456,456.39**	507,800.94
Credit loan		
Total	**456,456.39**	507,800.94

b. Top five long-term loans due within one year

Creditor	**Beginning date of loan**	**Termination date of loan**	**Currency**	**Interest rate (%)**	**Closing balance Amount of foreign currency**	**Closing balance RMB (equivalent)**
Bank of China Luoyang Branch	**9 Apr. 1989**	**15 Feb. 2019**	**Euro Dollars**	**2.50**	**51,831.76**	**456,456.39**
Total					**51,831.76**	**456,456.39**

Creditor	Beginning date of loan	Termination date of loan	Currency	Interest rate (%)	Opening balance Amount of foreign currency	Opening balance RMB (equivalent)
Bank of China Luoyang Branch	Apr. 1989	Feb. 2019	Euro Dollars	2.50	51,831.76	507,800.94
Total					51,831.76	507,800.94

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. Long-term loans

(1) Categories:

Items	Closing balance	Opening balance
Pledged loan		
Mortgage loan		
Guaranty loan	641,479,874.01	4,824,102.92
Entrusted loan	48,600,000.00	
Total	690,079,874.01	4,824,102.92

(2) Top five long-term loans

Creditor	Beginning date of loan	Termination date of loan	Currency	Interest rate (%)	Closing balance Amount of foreign currency	Closing balance RMB (equivalent)
Luoyang Xigong Sub-branch of Bank of China Limited	2010.2.1	2017.1.31	Renminbi	0		167,000,000.00
Luoyang Branch of Bank of Communications Co., Ltd.	2010.2.1	2017.1.31	Renminbi	0		143,500,000.00
Luoyang Branch of China Construction Bank	2010.2.1	2017.1.31	Renminbi	0		111,600,000.00
Luoyang Kaidong Sub-branch	2010.2.1	2017.1.31	Renminbi	0		110,000,000.00
Luoyang Branch of Industrial and Commercial Bank of China	2010.2.1	2017.1.31	Renminbi	0		55,500,000.00
Total						587,600,000.00

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

25. Long-term loans *(Continued)*

(2) Top five long-term loans *(Continued)*

Creditor	Beginning date of loan	Termination date of loan	Currency	Interest rate (%)	Closing balance Amount of foreign currency	Closing balance RMB (equivalent)
Shuangyushu Sub-branch of Bank of Beijing	2009.5.20	2010.5.20	Renminbi	6.2127%		50,000,000.00
Shuangyushu Sub-branch of Bank of Beijing	2008.8.4	2008.12.15	Renminbi	7.80%		45,000,000.00
Luoyang Branch of China Citic Bank	2009.11.27	2010.11.26	Renminbi	5.31%		50,000,000.00
Luoyang Xigong Sub-branch of Bank of China Limited	2009.6.25	2010.6.24	Renminbi	5.841%		27,000,000.00
Luoyang Branch of Bank of Communications Co., Ltd.	2009.7.8	2010.5.20	Renminbi	5.841%		26,000,000.00
Total						198,000,000.00

Note: In 2010, the Company concluded the debt restructuring agreements of interest free and delayed repayment of principal, respectively, with certain financial institutions, i.e. Bank of Communications Luoyang Branch, Bank of China Luoyang Branch Xigong Sub-Branch, China Construction Bank Luoyang Branch, Luoyang Bank Kaidong Branch, Industrial & Commercial Bank of China Luoyang Branch, under which interests are exempted from the period of 1 February 2010 to 31 January 2017 and repayment of principal can be delayed after the first two years. The principals will be paid in the following five years according to the agreed proportion.

26. Share capital

Item	Opening balance	Changes in this year (+,-) New shares	Dispatched shares	Premium transferred to shares	Others	Sub-total	Closing balance
I. Shares subject to selling restrictions							
state-owned legal person shares	179,018,242.00				-179,018,242.00		
II. Shares not subject to selling restrictions							
RMB ordinary shares	71,000,000.00				179,018,242.00		250,018,242.00
Overseas listed foreign shares	250,000,000.00						250,000,000.00
III. Total shares	500,018,242.00						500,018,242.00

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26. Share capital *(Continued)*

Note:

1. On 17 May 2010, the restricted circulating shares of the Company held by CLFG commenced trading. On 3 September 2010, CLFG sold 20,000,000 non-restricted circulating shares of the Company (representing 4% of the total share capital of the Company) via the Block Trading System of the Shanghai Stock Exchange. After the sale of the shares, CLFG still holds 159,018,242 shares of the Company, all being non-restricted circulating shares and representing 31.80% of the total issued share capital of the Company, and remains the biggest controlling shareholder of the Company.

2. On 21 September 2010, CLFG and China National Building Material Group Corporation (CNBM) signed the Supplementary Agreement of the Share Pledge Contract. According to the Share Pledge Contract and its Supplementary Agreement, CLFG agreed to pledge its 159,018,242 domestic shares of the Company to CNBM for the purpose of providing security guarantees of the entrusted loans and guarantees that CNBM provided to CLFG and the Company.

27. Capital reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	827,321,459.44		38,994,333.77	788,327,125.67
Other capital reserve	70,150,917.49			70,150,917.49
Total	897,472,376.93		38,994,33.77	858,478,043.16

Note: On 29 September 2010, the Company signed an acquisition agreement for the transfer of 20.94% equity interests in Longmen Company with the Yanshi Administration State-owned Assets , pursuant to which, the Company should pay the Yanshi Administration State-owned Assets RMB1 as the consideration for the share transfer. The acquisition of minority interests in Longmen led to a decrease of RMB38,994,333.77 in the Group's capital reserve.

28. Surplus reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	51,365,509.04			51,365,509.04
Free surplus reserve				
Reserve funds				
Enterprise expansion funds				
Others				
Total	51,365,509.04			51,365,509.04

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

29. Special reserves

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Funds for special reserves	36,552.97			**36,552.97**
Total	36,552.97			**36,552.97**

30. Undistributed profits

(1) Details of undistributed profits

Items	Amount	Percentage of withdrawal or distribution
Undistributed profit at the end of the previous year before adjustment	-1,414,213,763.32	
Total of adjustment of undistributed profit at the beginning of the year (+/-)	59,083,263.20	
Undistributed profit at the beginning of the year after adjustment	-1,355,130,500.12	
Add: net profit attributable to owners of parent company during the period	60,787,804.31	
Less: Withdrawal of Statutory surplus reserve		
Withdrawal of Free surplus reserve		
Withdrawal of general risk provisions		
Dividend of ordinary shares payable		
Dividend of ordinary shares transferred into the share capital		
Undistributed profit at the end of the period	-1,294,342,695.81	

Note: In accordance with other relevant accounting regulations of the bulletin No. 4 of "Accounting Standards for Business Enterprise", if in the consolidated financial statements, the losses for the current period attributable to the minority shareholders of a subsidiary exceed the owner' interests of the minority shareholders in such subsidiary at the beginning of the period, its balance shall be written off against the minority interests. The Company retrospectively adjusted the excess loss of the subsidiary shared by the minority shareholders according to the proportion of their capital contribution, therefore the undistributable profits at the beginning of the year increased RMB59,083,263.20 and the minority interest at the beginning of the year decreased RMB59,083,263.20.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Operating income and operating cost

(1) Details of operating income:

Items	2010	2009
Income from principal operations	**976,413,502.94**	790,010,280.89
Other operating income	**192,068,156.12**	182,939,578.28
Total	**1,168,481,659.06**	972,949,859.17

(2) Details of operating costs:

Items	2010	2009
Cost from principal operations	**760,506,938.54**	679,671,987.29
Other operating cost	**177,011,139.44**	171,523,609.60
Total	**937,518,077.98**	851,195,596.89

(3) Business segments

	2010		2009	
Name of Industry	**Income from principal operations**	**Cost from principal operations**	Income from principal operations	Cost from principal operations
Float glass siliceous sand	**976,413,502.94**	**760,506,938.54**	790,010,280.89	679,671,987.29
Raw materials, water, electricity, gas and technical service, etc.	**192,068,156.12**	**177,011,139.44**	182,939,578.28	171,523,609.60
Total	**1,168,481,659.06**	**937,518,077.98**	972,949,859.17	851,195,596.89

Note: During the year, gross margin from principal operations of the Company was 22.11%, increased by 54.83% over the previous year, mainly because there were significant changes in the production and marketing structure of the subsidiary Longhai Company, and the ultra-thin electronic glass with high added value like 0.55mm glass, 0.7mm glass, 1.1mm glass played a leading role in production and marketing and had bigger profit contribution.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

31. Operating income and operating cost *(Continued)*

(4) Main business by products separately Included as follows

	2010		2009	
Name of products	**Income from principal operations**	**Cost from principal operations**	Income from principal operations	Cost from principal operations
Float glass	**947,852,434.20**	**746,679,086.88**	770,970,218.67	668,617,438.24
Siliceous sand	**28,561,068.74**	**13,827,851.66**	19,040,062.22	11,054,549.05

(5) Geographical segments

	2010		2009	
Item	**Income from principal operations**	**Cost from principal operations**	Income from principal operations	Cost from principal operations
Domestic	**1,153,935,519.20**	**925,843,934.30**	960,519,092.61	840,320,407.72
Asia	**14,379,508.29**	**11,537,236.27**	12,219,235.36	10,690,128.83
Americas	**166,631.57**	**136,907.41**	122,990.47	107,599.53
Other region			88,540.73	77,460.81
Total	**1,168,481,659.06**	**937,518,077.98**	972,949,859.17	851,195,596.89

(6) The five largest clients are as follows:

Items	**Operating revenues**	**Percentage in the total operating income of the Company** *(%)*
Luoyang Longxing Glass Co,.Ltd	143,323,199.53	12.27
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	73,105,979.40	6.26
Wuhu Token Sciences Co., LTD.	35,892,927.84	3.07
Zhengzhou New Central Glass Products Co,.Ltd	33,282,057.14	2.85
Henan Huaqi Glass Limited	32,098,365.11	2.75
Total	317,702,529.02	27.20

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

32. Business tax and surcharges

Items	Tax base	2010	2009
Business tax	5%	**1,865,220.44**	124,011.71
Consumption tax			
Resource tax	RMB3/t	**1,024,390.50**	818,691.29
Land value increment tax			
Property tax			
Land-use tax			
City maintenance tax	5-7% of value added-tax and business tax paid	**3,148,962.03**	2,958,498.00
Education surcharges	3% of value added-tax and business tax paid	**1,960,567.37**	1,852,740.49
Others			
Total		**7,999,140.34**	5,753,941.49

Note: During the period, business tax and surcharges is increased by 39.02% compared with the previous period, mainly due to the increase of business tax paid in the period.

33. Selling expenses

Items	2010	2009
Staff's salary and welfare	**8,884,195.12**	9,263,444.26
Employee education expenses	**88,851.84**	94,141.34
Labour union expenses	**118,467.88**	135,299.82
Social insurance premium	**2,884,258.01**	2,957,914.96
Depreciation expenses	**1,977,240.40**	1,965,621.08
Repairs	**1,045,577.28**	698,114.34
Material consumption	**2,949,005.55**	2,581,196.56
Amortisation of low-value consumables	**104,801.64**	50,384.77
Office expenses	**120,910.25**	80,783.10
Travel expense	**731,952.11**	850,298.37
Entertainment charges	**162,357.91**	125,478.80
Communication expenses	**162,506.48**	185,052.58
Motor vehicle fees	**11,203.41**	21,357.48
Energy charges	**63,726.54**	29,635.72
Transportation costs	**7,919,508.73**	5,946,032.33
Handling charges	**2,745,484.12**	2,745,599.38
Insurance premium	**58,264.91**	72,064.80
Other selling expenses	**2,657,362.82**	2,232,395.63
Total	**32,685,675.00**	30,034,815.32

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

34. Administrative expenses

Items	2010	2009
Organization costs	**282,031.86**	148.00
Staff's salary and welfare	**24,535,946.97**	37,453,274.68
Labor union expenses	**637,747.19**	870,039.79
Employee education expenses	**479,353.52**	624,142.03
Social insurance premium	**7,244,838.20**	9,322,246.77
Housing accumulation fund	**1,012,517.86**	1,222,570.02
Depreciation of fixed assets	**18,617,880.56**	33,941,835.72
Amortization of intangible assets	**2,968,663.29**	2,722,740.54
Office expenses	**452,876.68**	568,829.83
Travel expenses	**1,854,012.45**	1,843,591.05
Communication fees	**619,583.74**	575,327.61
Transportation expenses	**12,444.00**	107,331.03
Usage fee of car	**347,573.15**	324,010.26
Allowances for repairs and maintenance	**2,223,732.19**	2,961,717.07
Water and electricity charge	**2,802,295.70**	6,363,413.34
Property management fees	**104,084.50**	124,016.06
Property insurance premium	**137,245.75**	148,036.07
Lease fees	**1,714,951.00**	3,278,567.34
Labor protection fees	**260,820.33**	371,114.66
Sewage fees	**1,191,880.00**	749,903.00
Meeting fees	**8,315.72**	114,795.50
Board of directors' expenses(including meeting allowance for members of Broad of Directors and Travel expenses, etc)	**416,120.00**	10,742.70
Intermediary engagement fees	**8,276,095.14**	15,436,692.65
Consult fees (including consultant fees)	**4,713,029.00**	9,096,249.29
Legal cost	**163,594.00**	71,449.00
Entertainment charges	**1,488,338.55**	1,543,959.93
Taxes	**6,216,866.10**	6,493,582.85
Technology transfer fees	**616,988.80**	753,360.80
Research and development fees	**8,231,471.46**	
Other administrative expenses	**4,299,510.03**	25,303,306.33
Staff resettlement expenses	**68,486,387.32**	
Total	**170,417,195.06**	162,396,993.92

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

35. Financial expenses

Items	2010	2009
Interest expense	**10,944,782.20**	59,878,608.99
Less: interest income	**1,787,753.65**	3,879,237.23
Exchange loss	**595,814.30**	475,361.85
Less: exchange income	**977,582.84**	365,828.48
Commission charge expense		2,566,956.94
Other finance expenses	**5,930,217.34**	1,386,171.54
Total	**14,705,477.35**	60,062,033.61

Note: Financial expense decreased by 75.52% compared with the previous period, mainly due to the debt restructuring agreement between the Group and several banks with interest free and delayed repayment of principal. See "V. 25 Long-term borrowings" for details.

36. Investment income

(1) *Details of investment income as following:*

Items	2010	2009
Long-term equity investment income measured by cost method		
Long-term equity investment income measured by equity method		1,552,278.90
Income from disposal of long-term equity investment	**1.00**	19,182,696.68
Investment income from financial assets held for trading		
Investment income from investments held for maturity		
Investment income from financial assets available for sale		
Investment income from disposal of financial assets for trading		
Investment income from disposal of financial assets held for maturity		
Investment income from disposal of financial assets available for sale		
Others		
Total	**1.00**	20,734,975.58

Note: Please see "V. 8. Long-term equity investment" for gains on disposal of long-term equity.

(2) *Long-term equity investment income measured by equity method*

Investee	2010	2009	Reason for changes
China Luoyang Float Glass Group Financial Company Limited		1,552,278.90	
Total		1,552,278.90	

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

37. Assets impairment losses

Items	2010	2009
1 Bad debt losses	**1,023,251.31**	2,268,450.99
2 Losses from inventory impairments	**3,836,623.36**	8,438,187.38
3 Losses from available-for-sale financial asset impairment		
4 Losses from held-to-maturity investment impairment		
5 Loss on impairment of long-term equity investment		
6 Losses from investment property impairments		
7 Losses from fixed asset impairments	**4,470,800.00**	1,597,317.58
8 Losses from constructive material impairments		
9 Losses from construction in progress		4,730,908.18
10 Losses from productive biological asset impairments		
11 Losses from oil & gas asset impairments		
12 Losses from intangible asset impairments		
13 Losses from goodwill impairments		
14 Others		
Total	**9,330,674.67**	17,034,864.13

38. Non-operating income

(1) Details of non-operating income as following:

Item	2010 Amount	2010 Amount of non-recurring profits or losses recognized in the current Year	2009 Amount	2009 Amount of non-recurring profits or losses recognized in the current Year
1. Gain on disposal of non-current assets	**1,711,861.17**	**1,711,861.17**	8,742.55	8,742.55
(1) Gain on disposal of fixed assets	**1,711,861.17**	**1,711,861.17**	8,742.55	8,742.55
(2) Gains on disposal of construction in progress				
(3) Gain on disposal of intangible assets				
(4) Gains on disposal of other non-current assets				
2. Gains on exchange of non-monetary assets				
3. Income from debt restructuring	**1,853,191.25**	**1,853,191.25**	3,847,224.48	3,847,224.48
4. Government subsidy	**74,921,373.03**	**74,921,373.03**		
5. Inventory profit				
6. Donated profit				
7. Amercement income	**10,904.00**	**10,904.00**	27,849.00	27,849.00
8. Other	**73,698.60**	**73,698.60**	141,281.25	141,281.25
Total	**78,571,028.05**	**78,571,028.05**	4,025,097.28	4,025,097.28

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

38. Non-operating income *(Continued)*

(2) *Details of government subsidy as follows:*

Item	2010	2009	Remarks
Staff resettlement	**70,557,469.03**		
Social security subsidy	**3,186,454.00**		
Reward for resumption of production	**1,000,000.00**		
Fume emission and monitoring facilities subsidy	**120,250.00**		
Crystal yellow glass research subsidy	**50,000.00**		
Radiation on-line monitoring system subsidy transferred by Environmental Protection Agency	**7,200.00**		
Total	**74,921,373.03**		

Note:

1. According to the Notice concerning the Matters in relation to the Adjustment to Operation Budget for State-owned Assets in 2010 of China National Building Material Group Corporation (Guo Zi Shou Yi (2011) no.87) issued by State-owned Assets Supervision and Administration Commission of the State Council, and with reference to the "Luobo Fa [2010] No.223 Document - Settlement Plan for Employees of China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司職工安置方案)", as at 31 December 2010, the compensation subsidies receivable for the settlement of employees were RMB70,557,469.03.

2. In accordance with "Luoyang H&S Employment [2010]No.13 Document-Notice on confirming that 9 enterprises including Luoyang Glass Company Limited are needy enterprises" (《關於認定洛陽玻璃股份有限公司等9家企業為困難企業的通知》(洛人社就業字[2010]13號))issued by Luoyang Human Resource and Labor and Social Security Bureau and Finance Bureau, as at 31 December 2010, the Company received social insurance subsidies of RMB3,186,454.00.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

39. Non-operating expenses

Item	**2010** Amount	**2010** Amount of non-recurring profits or losses recognized in the current Year	2009 Amount	2009 Amount of non-recurring profits or losses recognized in the current Year
1. Loss on disposal of non-current assets	**44,034.35**	**44,034.35**	107,951.55	107,951.55
(1) Loss on disposal of fixed assets	**44,034.35**	**44,034.35**	107,951.55	107,951.55
(2) Loss on disposal of construction in progress				
(3) Loss on disposal of intangible assets				
(4) Other loss on disposal of non-current assets				
2. Profit or loss of non-monetary asset exchange				
3. Loss from debt restructuring			324,011.96	324,011.96
4. Donation expenditure	**212,000.21**	**212,000.21**		
5. Extraordinary losses				
6. Inventory losses				
7. Loss of assets retirement and damage	**414,056.13**	**414,056.13**	42,207,543.76	42,207,543.76
8. Amercement outlay	**496,724.14**	**496,724.14**	40,086.91	40,086.91
9. Returned government subsidy				
10. Expected losses on guarantee				
11. Expected loss of pending action				
12. Expected loss of restructuring				
13. Penalty	**235,507.66**	**235,507.66**	24,000.00	24,000.00
14. Other	**9,650.00**	**9,650.00**	194,643.83	194,643.83
Total	**1,411,972.49**	**1,411,972.49**	42,898,238.01	42,898,238.01

40. Income tax expenses

Items	**2010**	2009
Income tax expenses for the year according to tax law	**18,356,189.14**	1,780,934.50
Deferred income tax		
Total	**18,356,189.14**	1,780,934.50

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

41. 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 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》(「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	2010	2009
Net profit attributable to common shareholders of the Company *(I)*	P0	**60,787,804.31**	-141,822,269.14
Net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses *(II)*	P0	**52,673,738.58**	-130,622,403.97
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		
Weighted average of outstanding ordinary shares	S		
Basic earnings per share *(I)*		**0.1216**	-0.2836
Basic earnings per share *(II)*		**0.1053**	-0.2612
Adjusted net profit attributable to common shareholders during the period *(I)*	P1	**60,787,804.31**	-141,822,269.14
Adjusted net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses *(II)*	P1	**52,673,738.58**	-130,622,403.97
Weighted average of ordinary shares increased by warrant, stock option and convertible bond			
Weighted average of diluted outstanding ordinary shares			
Diluted earnings per share *(I)*		**0.1216**	-0.2836
Diluted earnings per share *(II)*		**0.1053**	-0.2612

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

41. Calculation of basic earnings per share and diluted earnings per share *(Continued)*

(1) Basic earnings per share

Basic earnings per share= P0÷ S

S= S0+S1+Si×Mi÷M0- Sj×Mj÷M0-Sk

Where

P0 is the net profit attributable to ordinary shareholders of the Company or net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses;

S is the weighted average of outstanding ordinary shares;

S0 is total of the shares at the beginning of year;

S1 is the number of additional shares resulting from reserve capitalization or allocation of dividends during the reporting period;

Si is the number of additional shares resulting from new issue or debt to equity during the reporting period;

Sj is the number of reduced shares resulting from share repurchase during the reporting period;

Sk is the number of reduced shares during the reporting period;

M0 is the number of months during the reporting period;

Mi is accumulated months from the following month of increasing shares to the ending of reporting period;

Mj is accumulated months from the following month of decreasing shares to the ending of reporting period.

(2) Diluted earnings per share

Diluted earnings per share =P1/(S0+S1+Si×Mi÷M0-Sj×Mj÷M0-Sk+Addition of weighted 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 non-recurring gains and losses, 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 the effect of all diluted potential ordinary shares on the net profit attributable to ordinary shareholders or the net profit attributable to ordinary shareholders with deduction of non-recurring gains and losses as well as the 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.

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Information of cash flow statement

(1) Cash received relating to other operating activities:

Items	2010	2009
Recovered bill deposit	**79,800,000.00**	
Government subsidy	**61,372,804.16**	
China Luoyang Float Glass (Group) Company 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	**1,787,753.65**	3,899,476.39
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	**1,764,300.00**	2,109,153.67
Li Yucui		2,055,116.00
Social insurance premium payable to associates		1,612,286.07
Deposit payables		1,390,019.23
Yang Weiqun		1,050,000.00
Rent of lease		210,458.72
Other related amounts	**21,199,230.53**	39,817,116.45
Total	**165,924,088.34**	99,376,343.67

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

42. Information of cash flow statement *(Continued)*

(2) *Cash paid relating to other operating activities:*

Items	2010	2009
China Luoyang Float Glass (Group) Company Limited		22,454,646.31
Luoyang Longxin Glass Company Limited.		19,672,910.48
Consultation and audit, assessment, legal fees, bulletin fees	**12,656,098.17**	12,399,638.92
Ruyang Craft and Art Benefit Factory		7,600,242.45
Transportation costs	**1,017,190.08**	3,849,732.34
Commission charge expense	**1,456,271.86**	2,151,223.11
Travel expense	**2,247,286.07**	2,068,134.99
Repairs	**3,269,309.47**	1,714,989.83
Entertainment charges	**874,947.35**	920,409.53
Sewage charges	**773,599.00**	815,334.00
Water and electricity charge	**802,295.70**	401,417.09
Office expenses	**281,751.73**	186,741.04
Non-operating expenses	**953,882.01**	22,414.96
Handling charges	**110,656.10**	20,042.79
Propagandize fee		7,576.10
Insurance	**44,082.29**	4,104.11
Other expenses	**17,725,114.79**	20,049,020.43
Other current accounts	**28,011,172.03**	41,856,671.72
Total	**70,223,656.65**	136,195,250.20

(3) *Cashes paid and related to the investment activities*

Items	2010	2009
Longbo equity assignment fee for Property Rights Transaction Centre of Luoyang City	**80,000.00**	
Commission for entrusted loan	**635,036.88**	
Total	**715,036.88**	

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Items	2010	2009
1. Net profit adjusted to cash flow of operating activities		
Net profit	**54,628,286.08**	-173,447,485.84
Add: Provision for assets impairment	**9,330,674.67**	17,034,864.13
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	**71,602,035.57**	83,048,644.86
Amortization of intangible assets	**2,968,663.29**	2,722,740.54
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-"for gains)	**-1,667,826.82**	102,923.10
Losses on scrapping of fixed assets ("-"for gains)	**414,056.13**	42,207,543.76
Loss from fair value change ("-"for gains)		
Finance expenses ("-"for gains)	**10,944,782.20**	57,495,076.67
Investment losses ("-"for gains)	**-1.00**	-20,734,975.58
Decrease in deferred income tax assets ("-" for increase)		
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	**-47,232,835.97**	97,182,166.71
Decrease in operating receivables ("-" for increase)	**67,084,100.69**	-39,419,695.58
Increase in operating payables ("-" for decrease)	**-145,132,447.85**	-148,758,459.38
Others		
Net cash flow from operating activities	**22,939,486.99**	-82,566,656.61
2. Significantly investing and financing activities that do not involve cash receipts and payment		
Conversion of debt into capital		
Convertible bond due within one year		
Fixed assets financed by finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	**20,207,882.32**	33,188,517.81
Less: Opening balance of cash	**33,188,517.81**	64,577,743.77
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	**-12,980,635.49**	-31,389,225.96

(The amount is expressed in RMB unless otherwise specified)

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

43. Supplementary information of cash flow statement *(Continued)*

(2) Information about disposal or acquirement of subsidiaries or other operating enterprises:

Item	Amount
I. Information about acquirement of subsidiaries or other operating enterprises	
1. Consideration for acquiring subsidiaries and other operating enterprises	
2. Cash and cash equivalents paid for acquiring subsidiaries and other operating enterprises	
Less: Cash and cash equivalents held by subsidiaries	
3. Net cash paid for the acquisition	
4. Net assets obtained from acquirement of subsidiaries	
Current Assets	
Non-current Assets	
Current liabilities	
Non-current liabilities	
II. Information about disposal of subsidiaries or other operating enterprises	
1. Price of disposal	1.00
2. Cash and cash equivalents received from disposal of subsidiaries or other operating enterprises	1.00
Less: Cash and cash equivalents held by subsidiaries	
3. Net cash received from disposal of subsidiaries and other operating enterprises	1.00
4. Net assets obtained from subsidiaries	
Current Assets	
Non-current Assets	
Current liabilities	
Non-current liabilities	

(3) Cash and cash equivalents

Items	2010	2009
1. Cash	**20,207,882.32**	33,188,517.81
Including: Cash on hand	**826,247.60**	1,057,896.68
Bank deposit available for payment at any time	**19,381,529.40**	32,130,516.00
Other monetary funds available for payment at any time	**105.32**	105.13
Deposits from central bank used for payment		
Deposit in other banks		
Loan to other banks		
2. Cash equivalents		
Including: Bond investment due in three months		
3. Cash and cash equivalents at the end of year	**20,207,882.32**	33,188,517.81

44. Note to Statement of Changes in Owners' Interests

See "II. 26 Changes of significant accounting policy".

(The amount is expressed in RMB unless otherwise specified)

VI. ACCOUNTS OF ASSETS SECURITIZATION BUSINESS

None

VII. RELATED PARTY AND RELATED PARTY 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 Limited ("CLFG")	Parent company and the largest shareholder	Limited liability company (Solely owned by the State)	Luoyang China	Zhao Yuanxiang	Production of glass, related raw materials and equipment	1,286,740,000.00	31.80%	31.80%	否	16995844-1
China Building Materials Glass Company ("CBM Glass")	Actual controller	State-owned enterprise	Beijing China	Xing Ning	Glass and relevant materials, the processing and sales of Non-Metallic Minerals and the products made from them	33,436,000.00			否	10192351-7
China Building Materials Group Company of Limited ("CNBMG")	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			是	10000048-9

2. Subsidiaries

Name of subsidiaries	Type of subsidiaries	Type of entity	Registered address	Registered capital	Principal activities	Registered capital	Held by the Company (%)	Voting right held by the Company (%)	Code of entity
CLFG Longmen Glass Co. Ltd ("Longmen")	Other subsidiary	Limited liability company	Yanshi China	Song Jianming	Processing and selling	20,000,000.00	100	100	706542258
CLFG Long Fei Glass Co. Ltd ("Long Fei")	Other subsidiary	Limited liability company	Mianchi China	Song Jianming	Processing and selling	74,080,000.00	63.98	63.98	721838225
Yinan Mineral Products Ltd ("Yinan")	Other subsidiary	Limited liability company	Yi'nan China	Ni Zhisen	Mining and selling	28,000,000.00	52	52	614023573
CLFG Long Hai Electronic Glass Limited ("LongHai")	Other subsidiary	Limited liability company	Yanshi China	Song Jianming	Processing and selling	60,000,000.00	100	100	776503385
CLFG Long Hao Glass Limited ("Long Hao")	Other subsidiary	Limited liability company	Ruyang China	Ni Zhisen	Processing and selling	50,000,000.00	100	100	776516215
CLFG Longxiang Glass Co. Ltd ("Longxiang")	Other subsidiary	Limited liability company	Mianchi China	Song Jianming	Processing and selling	50,000,000.00	100	100	174849944
Dengfeng CLFG Silicon Company Limited ("Silicon Company")	Other subsidiary	Limited liability company	Dengfeng China	Song Jianming	Mining and selling	3,000,000.00	51	51	66886639X
Dengfeng Hongzhai Silicon Co.. Ltd. ("Hongzhai")	Other subsidiary	Limited liability company	Dengfeng China	Zhang Yuandong	Mining and selling	2,050,000.00	50.24	50.24	69995888-7
Luoyang Glass Industrial Co., LTD ("Shiye")	Other subsidiary	Limited liability company	Luoyang China	Ni Zhisen	Trading	5,000,000.00	100	100	68177597-8
CLFG Shawan Glass Co. Ltd ("Shawan")	Other subsidiary	Limited liability company	Shawan China	Ni Zhisen	Processing and selling	9,000,000.00	100	100	55649809-4

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

3. Joint ventures and associates

(1) Associates

Name of entity	Type of entity	Registered address	Legal representative	Principal activities	Held by the Company (%)	Voting right held by the Company (%)	Relationship	Code of entity
Luoyang Jingxin Ceramic Co. Ltd.	Limited liability company	Luoyang China	Guo Xiaohuan	Production and sales of glazed porcelain with color pattern and other ceramic products, etc	49	49	Associate	61483173-0
CLFG Mineral Products Company Limited	Limited liability company	Luoyang China	Ni Zhisen	Production and sales of silica raw materials and products, add air embolism product, siliceous materials and refractory materials and products, etc	40.29	40.29	Associate	71562129-X

(2) Other invested entities

Name of entity	Type of entity	Registered address	Legal representative	Principal activities	Held by the Company (%)	Voting right held by the Company (%)	Relationship	Code of entity
CLFG Luoyang Hoisting Machinery Co Ltd	Limited liability company	Luoyang China	Jin Yushun	Design,making and development and technical consultancy of cranes and glass machine, assembling of spring armand inducer and the crane installation and maintenance	36.68	36.68	Other investee enterprise	17107162-0
CLFG New Lighting Company Limited	Limited liability company	Luoyang China	Li Jianxing	Production and sales of lighting fixture and source material	29.45	29.45	Other investee enterprise	17107290-6
CLFG Jingwei Glass fibre Co Ltd	Limited liability company	Luoyang China	Lan Hongjun	Production and sales of glass fiber and pure water products	35.9	35.9	Other investee enterprise	X1480002-5
CLFG Luoyang Jingjiu Glass Products Co. Ltd.	Limited liability company	Luoyang China	Han Qicheng	Technical development, consultancy, transfer, training and coordination of glass products; wholesale and retail of daily use articles	31.08	31.08	Other investee enterprise	87107235-X

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

4. Other related parties

Name of entity	Relationship with the Company	Code of entity
CLFG Processed Glass Company Limited	Subsidiary of the largest shareholder CLFG	71562208-1
Luoyang Longxin Glass Company Limited.	Subsidiary of the largest shareholder CLFG	75389012-4
CLFG (Beijing) International Engineering Co., Ltd.	Subsidiary of the largest shareholder CLFG	67236379-5
CLFG Luoyang Jinrun Coating Glass Co.	Subsidiary of the largest shareholder CLFG	61480816-X
Luoyang New Jinrun Engineering Glass Co., Ltd.	Subsidiary of the largest shareholder CLFG	67006782-9
CLFG Luoyang Glass Engineering Design and Research Co.,Ltd.	Subsidiary of the largest shareholder CLFG	74577378-8
Luoyang Jiayuan Property Co.,Ltd.	Subsidiary of the largest shareholder CLFG	71672508-2
CLFG Warehousing & Logistics Company Limited	Subsidiary of the largest shareholder CLFG	6672781-X
Luoyang Xiangyu Industry Company	Subsidiary of the largest shareholder CLFG	17109279-8
Luoyang Xinxing Property Management Ltd.	Subsidiary of the largest shareholder CLFG	78805717-5
CLFG Xinxing Industry Development Co., Ltd.	Subsidiary of the largest shareholder CLFG	
Luoyang Luobo Glass Fibre Co., Ltd.	Subsidiary of the largest shareholder CLFG	69217037-6
Luoyang Zhicheng Construction Supervision Ltd.	Subsidiary of the largest shareholder CLFG	72183978-9
CLFG Longmen Sugang Co., Ltd.	Subsidiary of the largest shareholder CLFG	17140008-4
CLFG jinghua Industry Company	Subsidiary of the largest shareholder CLFG	17120093-9
China Triumph International Engineering Group Company Limited	With same ultimate controller	
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

(1) Purchase of goods and receiving of services

Name of entity	Type of related party transaction	Pricing method and decision-making procedure of related party transaction	2010 Amount	2010 Percentage in the same type of transactions (%)
Luoyang Longxin Glass Company Limited.	Purchasing of glass	Market price	**116,182,118.09**	**15.28**
CLFG Mineral Products Company Limited	Purchasing of silicon	Market price	**3,297,076.65**	**0.43**
China Luoyang Float Glass (Group) Company Limited	Ancillary and social services	State price. Market price	**2,000,000.00**	**1.17**
Luoyang Xinxing Property Management Ltd.	Ancillary and social services	State price. Market price	**2,820,000.00**	**1.65**
China Triumph International Engineering Group Company Limited	Counselling and technical services	Market price	**1,250,000.00**	**1.05**
CLFG (Beijing) International Engineering Co., Ltd.	Technical services	Market price	**610,000.00**	**0.51**
CLFG (Beijing) International Engineering Co., Ltd.	Purchasing	Purchasing of equipment	**770,000.00**	**0.65**
Total			**126,929,194.74**	

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(1) *Purchase of goods and receiving of services (Continued)*

Name of entity	Type of related party transaction	Pricing method and decision-making procedure of related party transaction	2009 Amount	2009 Percentage in the same type of transactions (%)
Luoyang Longxin Glass Company Limited.	Purchasing of glass	Market price	58,934,907.92	8.67
China Luoyang Float Glass (Group) Company Limited	Ancillary and social services	State price. Market price	4,081,688.29	0.42
Luoyang Xinxing Property Management Ltd.	Ancillary and social services	State price. Market price	5,473,500.00	0.56
Total			68,490,096.21	9.65

(2) *Sale of goods and provision of services*

Name of entity	Type of related party transaction	Pricing method and decision-making procedure of related party transaction	2010 Amount	2010 Percentage in the same type of transactions (%)
CLFG Processed Glass Company Limited	Selling glass	Market price	391,631.86	0.04
Luoyang New Jinrun Engineering Glass Co., Ltd.	Selling glass	Market price	7,298,079.80	0.75
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling glass	Market price	73,105,979.40	7.49
Henan Zhonglian Glass Co., Ltd.	Selling silicon	Market price	3,335,309.23	0.34
Luoyang Longxin Glass Company Limited.	Selling materials	Market price	143,323,199.65	74.62
CLFG Processed Glass Company Limited	Loading services	RMB1,800 per load	3,600.00	0.00
Luoyang Longxin Glass Company Limited.	Comprehensive services	RMB0.8 per load	2,841,231.20	1.48
Henan Zhonglian Glass Co., Ltd.	Engineering service	Market price	380,000.00	0.20
Luoyang Luobo Glass Fibre Co., Ltd.	Use of water, electricity and gas	Cost and tax surcharge	8,745,629.03	4.55
Luoyang Xinxing Property Management Ltd.	Use of water, electricity and gas	Cost and tax surcharge	7,305,220.16	3.80
CLFG Xinxing Industry Development Co., Ltd.	Use of water, electricity and gas	Cost and tax surcharge	33,773.01	0.02
CLFG jinghua Industry Company	Use of water, electricity and gas	Cost and tax surcharge	193,498.67	0.10
CLFG Processed Glass Company Limited	Use of water, electricity and gas	Cost and tax surcharge	1,040.37	0.00
China Luoyang Float Glass (Group) Company Limited	Use of water, electricity and gas	Cost and tax surcharge	1,215,875.26	0.63
Total			248,174,067.64	

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) Sale of goods and raw materials and provision of services (Continued)

Name of entity	Type of related party transaction	Pricing method and decision-making procedure of related party transaction	2009 Amount	2010 Percentage (%)
CLFG Processed Glass Company Limited	Selling glass	Market price	583,529.00	0.07
Luoyang New Jinrun Engineering Glass Co., Ltd.	Selling glass	Market price	7,963,707.32	1.01
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling glass	Market price	32,645,228.83	4.13
CLFG Processed Glass Company Limited	Selling glass cullet	Market price	12,157.00	0.00
Luoyang Longxin Glass Company Limited.	Selling materials	Market price	139,491,859.12	77.29
Luoyang Longxin Glass Company Limited.	Comprehensive services	RMB0.8 per load	3,611,392.80	2.00
China Luoyang Float Glass (Group) Company Limited	Comprehensive services	Cost	1,423,573.26	0.79
Luoyang Longxin Glass Company Limited.	Loading services	RMB1,800 per load	16,560.00	0.01
CLFG Processed Glass Company Limited	Loading services	RMB1,800 per load	1,800.00	0.00
CLFG Jingwei Glass fibre Co Ltd	Use of water, electricity and stream	Cost and tax surcharge	7,278,432.00	4.03
Luoyang Xinxing Property Management Ltd.	Use of water, electricity and stream	Cost and tax surcharge	3,574,077.43	1.98
China Luoyang Float Glass (Group) Company Limited	Use of water, electricity and stream	Cost and tax surcharge	25,373.57	0.01
CLFG jinghua Industry Company	Use of water, electricity and stream	Cost and tax surcharge	151,602.98	0.08
CLFG Processed Glass Company Limited	Use of water, electricity and stream	Cost and tax surcharge	536.16	0.00
China Luoyang Float Glass (Group) Company Limited	Use of water, electricity and stream	Cost and tax surcharge	594,147.16	0.33
Total			197,373,976.63	

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) *Sale of goods and raw materials and provision 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 24 April 2009 expiring on 31 December 2011, pursuant to 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 24 April 2009 expiring on 31 December 2011, pursuant to 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 1 January 2010 and expired on 31 December 2010. 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 24 April 2009 to 31 December 2011 by which the Company provides service of management skills and expertise to Luoyang Longxin Glass Co., Ltd. The fee is RMB0.8 / 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 24 April 2009 to 31 December 2011, for provision of utilities such as water, electricity, steam and plant and fixed assets to CLFG and its subsidiaries or entities. Under the agreement, the Company agreed to provide utilities such as water, electricity, steam and use of assets to CLFG. The Company is to determine price with reference to regulations issued from time to time and market price. The provision of water, electricity and heat is on normal commercial terms.

vi. The Company has entered into 'an agreement of comprehensive services' with CLFG from 24 April 2009 to 31 December 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.

vii. The Company has entered into 'an agreement of social services' with a CLFG's subsidiary, CLFG Xinxing Co. ("Xinxing") effective from 24 April 2009 to 31 December 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%.

viii. On 8 January 2010, Longfei Company and CLFG (Beijing) International Engineering Co., Ltd. signed the Building Design Agreement, pursuant to which, CLFG (Beijing) International Engineering Co., Ltd. provides design services for the cold repair of the 300 t/d Float Glass Production Line of Longfei Company at a total charge of RMB110,000.00, which was determined at market price.

ix. On 2 February 2010, Longfei Company and CLFG (Beijing) International Engineering Co., Ltd. signed the Sale and Purchase Contract of Industrial and Mineral Products, pursuant to which, CLFG (Beijing) International Engineering Co., Ltd. provides L backwall for glass doghouse and neck suspended wall for the building project to Longfei Company at the total consideration of RMB650,000.00, which was determined at market price.

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) Sale of goods and raw materials and provision of services *(Continued)*

x. On 18 March 2010, Longfei Company and CLFG (Beijing) International Engineering Co., Ltd. signed the Equipment Purchase Contract, pursuant to which, CLFG (Beijing) International Engineering Co., Ltd. provides one set of controller of linear motor slag machine, a pair headstock of linear motor slag machine, two sets of transformers and two sets of water segregators, including equipment installation to Longfei Company at the total consideration of RMB120,000.00, which was determined at market price.

xi. On 13 June 2010, Longmen Company and CLFG (Beijing) International Engineering Co., Ltd. signed the Building Design Contract of Ultraplate and Ultrawhite Float Glass Production Line, pursuant to which, CLFG (Beijing) International Engineering Co., Ltd. provides design service for the building project of 250 t/d Ultraplate and Ultrawhite Float Glass Production Line of Longmen Company at a total charge of RMB500,000.00, which was determined at market price.

xii. On 3 June 2010, the Company and Henan Zhonglian Glass Co., Ltd. signed the Conontract for Float No. 3 Production Line Operation Project , pursuant to which, the Company provides engineering services for the 700 t/d Float Glass Production Line project of Henan Zhonglian Glass Co., Ltd., at the total charge of RMB380,000.00, which was determined at market price.

On 18 August 2010, the Company and China Triumph International Engineering Co., Ltd. signed the Engineering Consultation Agreements in respect of the Feasibility Study of 250 t/d Ultraplate and Ultrawhite and Transparent Conducting Oxide (TCO) Glass Production Line and the Feasibility Study of Relocation and Construction of 600 t/d Float Glass Production Line at the consultation service charge of RMB100,000.00 and RMB200,000.00, respectively, which were determined at market price. On the same day, the Company and China Triumph International Engineering Co., Ltd. signed the Building Design Service Agreement for the 250 t/d Ultraplate and Ultrawhite and Transparent Conducting Oxide (TCO) Glass Production Line of Longmen Glass at a total charge of RMB2,200,000, which was determined at market price.

(3) Rider Joe Lease of related party

I. Company rent is included in the following form

Lessor	Lessee	Lease assets	Beginning date of lease	Terminal date of lease	Pricing policy	Annually-confirmed Lease profits
Luoyang Glass Company Limited	CLFG Processed Glass Company Limited	Use of land	1 January 2008	31 December, 2011	Market price	470,000.00

Note: 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. Company lease is included in the following form

Lessor	Lessee	Lease assets	Beginning date of lease	Terminal date of lease	Pricing policy	Annually-confirmed Lease profits
CLFG Warehousing & Logistics Company Limited	Luoyang Glass Company Limited	Use of land	1 January 2010	31 December 2010	Market price	1,000,000.00

Note: The Company has entered into an agreement of land leasing, effective from 1 January 2010 expiring on 31 December 2010 by which the total rent was RMB1,000,000.00.

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(4) Related party providing guarantees

Guarantor	Guarantee for	Guarantee Amount	Beginning date of guarantee	Terminal date of guarantee	Guarantee due or not
Luoyang Glass Company Limited	CLFG Longxiang Glass Co. Ltd	15,000,000.00	26 February 2010	22 February 2011	No
Luoyang Glass Company Limited	CLFG Longmen Glass Co. Ltd	4,862,776.00	10 October 2006	Overdue	No
China Building Materials Group Company of Limited	CLFG Long Hao Glass Limited	10,000,000.00	1 February 2010	31 January 2017	No
China Building Materials Group Company of Limited	CLFG Long Hao Glass Limited	10,000,000.00	1 February 2010	31 January 2017	No
China Building Materials Group Company of Limited	CLFG Long Hai Electronic Glass Limited	10,000,000.00	1 February 2010	31 January 2017	No
China Building Materials Group Company of Limited	CLFG Long Hai Electronic Glass Limited	10,000,000.00	1 February 2010	31 January 2017	No
China Building Materials Group Company of Limited	Luoyang Glass Company Limited	597,600,000.00	1 February 2010	31 January 2017	No

i. On 21 September 2010, CLFG and China National Building Material Group Corporation (CNBM) signed the Supplementary Agreement of the Share Pledge Contract. According to the Share Pledge Contract and its Supplementary Agreement, CLFG agreed to pledge its 159,018,242 domestic shares to CNBM for the purpose of providing security guarantees of the entrusted loans and guarantees of RMB1,316,000,000 in total that CNBM provided to CLFG, its controlled enterprises and the Company.

ii. As at 31 December 2010, guarantees were 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.

(5) Entrusted loans of related party

i. As at 31 December 2010, the Company provided entrusted loans of RMB509,700,000.00 to each subsidiary through bank.

ii. As at 31 December 2010, CLFG entrusted Shuangyushu Branch of Beijing Bank to grant a loan of RMB48,600,000.00 to the Company, and the interests paid by the Company during the period was RMB1,182,035.93.

iii. As at 31 December 2010, 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 RMB4,841,898.45 this year.

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

6. Receivables and payables of related party

I. Receivables of related party are included in the following form

		Closing Balance		Opening Balance	
Item	**Related party**	**Carrying amount**	**Bad debt**	Carrying amount	Bad debt
Accounts receivable	Luoyang Longxin Glass Company Limited.	**25,224,421.03**	**68,580.00**	16,302,158.34	68,580.00
Accounts receivable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	**1,525,786.76**			
Accounts receivable	CLFG Processed Glass Company Limited	**455,901.4**		435,680.90	
Other receivables	China Luoyang Float Glass (Group) Company Limited	**20,685,332.17**		2,579,200.00	
Other receivables	CLFG Processed Glass Company Limited	**1,410,554.01**			
Other receivables	Luoyang Xinxing Property Management Ltd.	**1,358,803.36**		1,373,020.94	
Other receivables	Luoyang Longxin Glass Company Limited.	**1,099,390.50**		1,164,172.77	
Other receivables	CLFG Longmen Sugang Co., Ltd.	**326,362.60**		456,142.51	
Other receivables	Henan Zhonglian Glass Co., Ltd.	**160,000.00**		550,000.00	
Other receivables	China Luoyang Float Glass (Group) Company Limited	**127,810.28**			
Other receivables	CLFG (Beijing) International Engineering Co., Ltd.	**93,081.82**	**18,000.00**		
Other receivables	CLFG Jingwei Glass Fibre Co., Ltd.	**47,904.78**		123,091.65	
Other receivables	Luoyang Jingxin Ceramic Co. Ltd.	**3,000.00**	**3,000.00**		
Other receivables	CLFG jinghua Industry Company	**809.50**			

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY RELATIONSHIP AND TRANSACTIONS *(Continued)*

6. Receivables and payables of related party *(Continued)*

II. Payables of related party are included in the following form

Item	Related party	Closing Balance	Opening Balance
Accounts payable	China Luoyang Float Glass (Group) Company Limited	**1,620,965.62**	
Accounts payable	Luoyang Longxin Glass Company Limited.	**262,643.79**	270,121.95
Accounts payable	CLFG (Beijing) International Engineering Co., Ltd.	**77,000.00**	
Accounts payable	China Luoyang Float Glass (Group) Company Limited	**29,392.00**	
Accounts payable	CLFG Luoyang Hoisting Machinery Co Ltd		376,506.90
Payments received in advance	CLFG Processed Glass Company Limited	**11,841.22**	
Payments received in advance	CLFG Luoyang Jinrun Coating Glass Co.	**7,752.72**	19,471.93
Payments received in advance	CLFG jinghua Industry Company	**750.00**	
Payments received in advance	Luoyang New Jinrun Engineering Glass Co., Ltd.	**712.26**	104,940.59
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.		-321,795.50
Payments received in advance	China Luoyang Float Glass (Group) Company Limited		875,000.00
Other payables	CLFG Warehousing & Logistics Company Limited	**1,081,110.20**	81,110.20
Other payables	Luoyang Xiangyu Industry Company	**555,279.00**	555,279.00
Other payables	China Luoyang Float Glass (Group) Company Limited	**207,582.77**	
Other payables	Luoyang Longxin Glass Company Limited.	**98,176.40**	98,176.40
Other payables	Luoyang Xinxing Property Management Ltd.	**78,414.41**	
Other payables	CLFG Processed Glass Company Limited	**60,000.00**	244,000.00
Other payables	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	**32,500.00**	
Other payables	Luoyang Jiayuan Property Co.,Ltd.	**6,300.00**	6,300.00
Other payables	CLFG Luoyang Jinrun Coating Glass Co.	**2,317.51**	
Other payables	CLFG Luoyang Glass Engineering Design and Research Co.,Ltd.		93,399.50
Other payables	CLFG Luoyang Jinrun Coating Glass Co.		2,317.51
Other payables	Luoyang New Jinrun Engineering Glass Co., Ltd.		115,200.00
Other payables	CLFG Luoyang Hoisting Machinery Co Ltd		263,848.00

VIII. DIVIDENDS PAID

None

(The amount is expressed in RMB unless otherwise specified)

IX. CONTINGENT LIABILITIES

i. As at 31 December 2010, the Company provided guarantees to banks in favor of subsidiaries amounted to RMB19,862,776.00.

ii. As at 31 December 2010, the bills that the Group had discounted or endorsed but still unexpired amounted to RMB381,702,223.67.

X. CAPITAL COMMITMENTS

At 31 December 2010, capital commitments of the Company are summarized as follows

Item	31 December 2010	31 December 2009
Contracted for but not provided for		
— construction project	**21,776,000.00**	4,619,000.00

XI. EVENTS AFTER BALANCE SHEET DATE

1. As requested by the government of Luoyang City for the purpose of planning and development, Luoyang Land Reserve Consolidation and Rehabilitation Center (hereinafter referred to as Luoyang Land Centre) entered into the agreement with the Company for acquisition of the remaining 264.41 mu land use rights and the assets and facilities on the ground, which are situated at the core protection area for the cultural relics of Luoyang city of the Sui and Tang Dynasties (No. 9 Tang Gong Zhong Lu). On 31 January 2011, the Company entered into a sales agreement with the Luoyang Land Centre relating to the disposal of the land use rights and the buildings and ancillary structures located at No. 9 Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC, at a total consideration of RMB177,900,000 (the "Disposal"). the Company signed the National Land Use Right Acquisition Agreement of Luoyang City with Luoyang Land Center, pursuant to which the Company agreed to sell the 264.41 mu land use right (including the assets and facilities on the ground) to the government at the consideration of RMB177.9 million. On 18 March 2011, the Company received the first instalment of RMB110 million as the land payment.

Important explanation about the events after the balance sheet date

Item	Content	Effect of financial position and retained earnings	Reasons why the effect cannot be estimated
Land and buildings on the ground located at No. 9 Tanggong Middle Road	government purchasing and storage	61,534,321.97	

2. In December 2010 the Company entered into the Custodian Agreement with CLFG, pursuant to which CLFG has entrusted the Company to manage its 50% equity interest in Longxin, and the Company will not be responsible for the losses of rights and interests of such entrusted equity. The service fee is 15% of the profit attributable to shareholders of Longxin Glass for the current financial year (irrespect of the unrecovered deficit of Longxin Company in the previous years), where such service fee will not be less than RMB1,000,000 but not more than RMB3,000,000. The custody period is from 1 January 2011 to 31 December 2011.

XII. OTHER SIGNIFICANT EVENTS

Main litigation matters as at 31 December 2010

(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 20 August 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. As at 31 December 2011, the Company paid RMB4,236,201.32 for goods after the judgment took effect and the rest is still in enforcement.

(2) Luoyang Zhuoyuan Trading Co., Ltd. (hereinafter referred to as "Zhuoyuan Company") prosecuted the Company for payment dispute case

In May 2007, Zhuoyuan Company negotiated with the Company that they would provide the Company and Longxin Company with coal, but Zhuoyuan Company was of the view that the Company did not pay on delivery as agreed. On 8 October 2008, the Company issued the evidence to Kaiyu Company showing that the Company has an outstanding payment of RMB2,360,482.31. Due to the outstanding payment, Zhuoyuan Company filed a suit to the court, demanding the payment of those amounts due together with interest losses by the Company. On 9 June 2009, a judgment of payment of RMB809,478.4 including interests was 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 took the creditor's right of Zhuoyuan, and the Company and Jiangsu Chenzhou Company reached an agreement on installment payment of the debt. As at 31 December 2010, amount of RMB380,000.00 was paid and the remaining amount is still in process.

(3) 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. As at 31 December 2011, the Company paid RMB6,887,000.00 for goods after the judgment took effect and the rest is still in enforcement.

(4) 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 aount of RMB3,487,289.10 in arrears. At 25 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. Both parties reached a settlement to pay in instalments. As at 31 December 2010, Longhao Company paid RMB1,700,000.00 for goods after the judgment took effect and the rest is still in enforcement.

(The amount is expressed in RMB unless otherwise specified)

XII. OTHER SIGNIFICANT EVENTS *(Continued)*

(5) The case of Henan Baoshuo Tar Chemical Co., Ltd. accusing the Company of loan

As at 31 December 2009 the joint-stock company defaulted on the loan of RMB11,887,586.62 in the economic activities between Baoshuo and the Company, so Baoshuo Company filed a suit to the Intermediate People's Court of Luoyang. In the process of placing the case on file, both parties negotiated a settlement of installments through mediation. As at 31 December 2010, the Company paid RMB2,590,180.00 and the remaining payment is still in process.

(6) The debt case of Tianjin Soda Plant of Tianjin Bohai Chemical Co., Ltd.

This debts case concerns the long-term business relationship between the Company and Tianjin Soda Plant of Tianjin Bohai Chemical Co., Ltd. In the economic activities, the Company owed some debts to Tianjin Soda Plant. In October 2010, Tianjin Soda Plant filed a lawsuit and demanded for the payment of RMB3,405,993.93 and the interest of RMB74,006.07. Finally, the Company lost the lawsuit and the case entered into execution.

(7) The debt case of Boai Hongda Chemical Co., Ltd.

In 2009, Boai Hongda Chemical Co., Ltd. provided fuels to the Company, resulting in arrears. In October 2010, Boai Hongda Co., Ltd. filed a lawsuit and demanded for the payment of RMB688,045.96. Through the conciliation of the court, both parties reached a settlement and the Company can pay in installments. As at 31 December 2011, the Company paid RMB200, 000.00 for goods after the judgment took effect and the rest is still in enforcement.

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Categories:

	Closing Balance			
	Carrying amount		Bad debt	
Item	Amount	Rate (%)	Amount	Rate (%)
1. Account receivables with significant single amount and individual provision for bad debts				
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	372,178,691.89	96.90	44,901,946.48	12.06
The group without provision for bad debts	11,915,341.00	3.10		
Group subtotal	384,094,032.89	100.00	44,901,946.48	11.69
3. Accounts receivable with insignificant single amount and individual provision for bad debts				
Total	384,094,032.89	100.00	44,901,946.48	11.69

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

1. Accounts receivable *(Continued)*

(1) Categories: *(Continued)*

Item	Opening Balance Carrying amount Amount	Rate (%)	Bad debt Amount	Rate (%)
1. Account receivables with significant single amount and individual provision for bad debts				
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	163,752,149.67	65.36	44,316,182.28	27.06
The group without provision for bad debts	86,768,568.27	34.64		
Group subtotal	250,520,717.94	100.00	44,316,182.28	17.69
3. Accounts receivable with insignificant single amount and individual provision for bad debts				
Total	250,520,717.94	100.00	44,316,182.28	17.69

Note: Other receivables with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

In the group, accounts receivable with the provision based on the aging analysis

Ages	Closing Balance Carrying amount	Rate (%)	Bad debt	Opening Balance Carrying amount	Rate (%)	Bad debt
Within 1 year	**324,508,593.08**	**87.19**		116,383,989.26	71.07	
1-2 years	**1,103,242.41**	**0.30**	**330,972.72**	4,792,680.81	2.93	1,740,702.68
2-3 years	**3,991,765.28**	**1.07**	**1,995,882.64**			
3-4 years				42,575,479.60	26.00	42,575,479.60
4-5 years	**42,575,091.12**	**11.44**	**42,575,091.12**			
Over 5 years						
Total	**372,178,691.89**	**100.00**	**44,901,946.48**	163,752,149.67	100.00	44,316,182.28

Note: Accounts receivable at the end of the period increased by 64.49% compared with the beginning of the period, mainly due to the failure in collecting money from selling materials to the subsidiary.

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

1. Accounts receivable *(Continued)*

(2) Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company.

As at 31 December 2010, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(2) Top five largest accounts receivable

Name	Relationship with the Company	Amount	Age	Percentage (%)
CLFG Long Fei Glass Co. Ltd	Subsidiary	94,527,996.61	Within 1 year	24.61
CLFG Long Men Glass Co. Ltd	Subsidiary	74,934,398.49	Within 1 year	19.51
CLFG Longxiang Glass Co. Ltd	Subsidiary	74,617,834.14	Within 1 year	19.43
CLFG Long Hao Glass Limited	Subsidiary	50,205,716.33	Within 1 year	13.07
Luoyang Longxin Glass Company Limited.	Fellow subsidiary of CLFG	25,153,069.83	Within 1 year	6.55
Total		319,439,015.40		83.17

(3) Accounts receivable of related party

Name	Relationship with the Company	Amount	Percentage (%)
CLFG Long Fei Glass Co. Ltd	Subsidiary	94,527,996.61	24.61
CLFG Long Men Glass Co. Ltd	Subsidiary	74,934,398.49	19.51
CLFG Longxiang Glass Co. Ltd	Subsidiary	74,617,834.14	19.43
CLFG Long Hao Glass Limited	Subsidiary	50,205,716.33	13.07
Luoyang Longxin Glass Company Limited.	Fellow subsidiary of CLFG	25,153,069.83	6.55
Luoyang Glass Industrial Co., LTD	Subsidiary	11,915,341.00	3.10
CLFG Processed Glass Company Limited	Fellow subsidiary of CLFG	455,901.40	0.12
Total		331,810,257.80	86.39

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables

(1) Categories

Item	Closing Balance Carrying amount Amount	Rate (%)	Bad debt Amount	Rate (%)
1. Other receivables with significant single amount and individual provision for bad debts	**41,401,798.44**	**27.60**	**25,808,704.00**	**62.34**
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	**51,700,367.71**	**34.47**	**24,252,790.62**	**46.91**
The group without provision for bad debts	**56,883,764.11**	**37.93**		
Group subtotal	**108,584,131.82**	**72.40**	**24,252,790.62**	**22.34**
3. Other receivables with insignificant single amount and individual provision for bad debts				
Total	**149,985,930.26**	**100.00**	**50,061,494.62**	**33.38**

Item	Opening Balance Carrying amount Amount	Rate (%)	Bad debt Amount	Rate (%)
1. Other receivables with significant single amount and individual provision for bad debts	246,454,080.56	37.70	205,191,962.68	83.26
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	402,944,338.87	61.64	24,275,045.04	6.02
The group without provision for bad debts	4,317,854.77	0.66		
Group subtotal	407,262,193.64	62.30	24,275,045.04	5.96
3. Other receivables with insignificant single amount and individual provision for bad debts				
Total	653,716,274.20	100.00	229,467,007.72	35.10

Note: Other receivables with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables *(Continued)*

(1) Categories *(Continued)*

In the group, accounts receivable with the provision based on the aging analysis

Ages	Closing Balance Carrying amount	Closing Balance Rate (%)	Closing Balance Bad debt	Opening Balance Carrying amount	Opening Balance Rate (%)	Opening Balance Bad debt
Within 1 year	**26,936,059.85**	**52.10**		377,955,089.25	93.81	
1-2 years	**340,203.77**	**0.66**	**66,283.85**	690,038.27	0.17	
2-3 years	**475,194.65**	**0.92**	**237,597.33**	45,427.50	0.01	21,261.19
3-4 years						
4-5 years				17,970.42		17,970.42
Over 5 years	**23,948,909.44**	**46.32**	**23,948,909.44**	24,235,813.43	6.01	24,235,813.43
Total	**51,700,367.71**	**100.00**	**24,252,790.62**	402,944,338.87	100.00	24,275,045.04

(2) Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company

In the closing balance, other receivables due from China Luoyang Float Glass (Group) Company Limited, being a shareholder who holds 5% or more of the voting shares of the Company, was RMB9,166,893.58.

(3) Nature or content of other receivables with larger amount

Name	Amount	Nature of content of other receivables
CLFG Longmen Glass Co. Ltd	48,076,244.01	Loan of double super-production line building pad loan
Yinan Mineral Products Ltd	30,593,094.44	Correspondent payment
Total	78,669,338.45	

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

2. Other receivables *(Continued)*

(4) Top five largest other receivables

Name	Relationship with the Company	Amount	Age	Percentage (%)
CLFG Longmen Glass Co. Ltd	Subsidiary	48,076,244.01	Within 1 year	32.05
Yinan Mineral Products Ltd	Subsidiary	30,593,094.44	4-5 years	20.40
Zhengzhou Xili Sub-branch of China Construction Bank	Not related party	10,808,704.00	Over 5 years	7.21
China Luoyang Float Glass (Group) Company Limited	Terminal controller	9,166,893.58	1-3 years	6.11
Hunan Chenzhou Bada Glass Co. Ltd.	Not related party	4,897,820.61	Over 5 years	3.27
Total		103,542,756.64		69.04

(5) Other receivables of related party

Name	Relationship with the Company	Amount	Percentage (%)
CLFG Longmen Glass Co. Ltd	Subsidiary	48,076,244.01	32.05
Yinan Mineral Products Ltd	Subsidiary	30,593,094.44	20.40
China Luoyang Float Glass (Group) Company Limited	Terminal controller	9,166,893.58	6.11
CLFG Longhao Glass Co. Ltd	Subsidiary	4,673,749.17	3.12
CLFG Longfei Glass Co. Ltd	Subsidiary	3,127,310.80	2.09
CLFG Longxiang Glass Co. Ltd	Subsidiary	2,042,359.42	1.36
CLFG Processed Glass Company Limited	Fellow subsidiary of CLFG	1,410,554.01	0.94
Luoyang Xinxing Property Management Ltd.	Fellow subsidiary of CLFG	1,314,538.36	0.88
Luoyang Longxin Glass Company Limited.	Fellow subsidiary of CLFG	1,099,390.50	0.73
CLFG Shawan Glass Co. Ltd	Subsidiary	203,090.00	0.14
Henan Zhonglian Glass Co., Ltd.	With same actual controller	160,000.00	0.11
China Luoyang Float Glass (Group) Company Limited	Fellow subsidiary of CLFG	127,810.28	0.09
CLFG (Beijing) International Engineering Co., Ltd.	Fellow subsidiary of CLFG	70,284.87	0.05
CLFG Jingwei Glass fibre Co Ltd	Fellow subsidiary of CLFG	47,904.78	0.03
Luoyang Jingxin Ceramic Co. Ltd.	Fellow subsidiary of CLFG	3,000.00	0.00
CLFG jinghua Technical Industry Company	Fellow subsidiary of CLFG	809.50	0.00
Total		102,117,033.72	68.10

(The amount is expressed in RMB unless otherwise specified)

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	Investment cost	Opening Balance	Increase/ decrease in the period	Closing Balance	Equity interest in the Company (%)	Voting share in the Company (%)	Reason for difference of voting share and equity interest in the Comp	Impairment provision	Impairment provision this year	Bonus
CLFG Longmen Glass Co. Ltd	Cost method	64,513,389.18	64,513,389.18	1.00	64,513,390.18	100.00	100.00		64,513,389.18	1.00	
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	48,941,425.28	48,941,425.28		48,941,425.28	100.00	100.00				
CLFG Long Hao Glass Limited	Cost method	47,300,356.93	47,300,356.93		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				
CLFG Shawan Glass Co. Ltd	Cost method	9000,000.00		9,000,000.00	9,000,000.00	100.00	100.00				
Yinan Mineral Products Ltd.	Cost method	14,560,000.00	14,560,000.00		14,560,000.00	52.00	52.00				
Sub-total		229,315,171.39	220,315,171.39	9,000,001.00	229,315,172.39				64,513,389.18	1.00	–
CLFG Luoyang Hoisting Machinery Co Ltd	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		
Sub-total		12,791,217.53	12,791,217.53		12,791,217.53				12,791,217.53		–
Luoyang Jingxin Ceramic Co. Ltd.	Equity method	20,553,050.00			–	49.00	49.00				
CLFG Processed Glass Company Limited	Equity method	89,096,000.00			–			Disposed during the period			
China Luoyang Float Glass (Group) Company Limited	Equity method	12,475,313.63			–	40.29	40.29				
Sub-total		122,124,363.63									
Total		364,230,752.55	233,106,388.92	9,000,001.00	242,106,389.92				77,304,606.71	1.00	

Note: Please see "V.8 Long-term equity investment " in details for disposal of equity of CLFG Processed Glass Company Limited.

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

4. Operating income and operating cost

(1) Details of operating income as following:

Item	2010	2009
Income from principal operations	682,732,655.99	581,775,969.29
Other operating income	615,654,033.58	517,510,978.25
Total	1,298,386,689.57	1,099,286,947.54

(2) Details of operating cost as following

Item	2010	2009
Income from principal operations	679,555,669.64	579,935,765.64
Other operating cost	593,463,276.41	498,383,417.68
Total	1,273,018,946.05	1,078,319,183.32

(3) Business segments:

Items	2010 Principal operating income	2010 Principal operating cost	2009 Principal operating income	2009 Principal operating cost
Principal operations (glass)	682,732,655.99	679,555,669.64	581,775,969.29	579,935,765.64
Other operating (material)	615,654,033.58	593,463,276.41	517,510,978.25	498,383,417.68
Total	1,298,386,689.57	1,273,018,946.05	1,099,286,947.54	1,078,319,183.32

(4) Principal operating by products as follows

Items	2010 Principal operating income	2010 Principal operating cost	2009 Principal operating income	2009 Principal operating cost
Principal operations (glass)	682,732,655.99	679,555,669.64	581,775,969.29	579,935,765.64
Total	682,732,655.99	679,555,669.64	581,775,969.29	579,935,765.64

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

4. Operating income and operating cost *(Continued)*

(5) The five largest clients are as follows:

Item	Operating income	Percentage (%)
Luoyang Longxin Glass Company Limited.	143,323,199.53	11.04
Zhengzhou New Central Glass Products Limited	33,282,057.14	2.56
Henan Huaqi Glass Limited	32,098,365.11	2.47
Guangzhou Lizhen Trading Company Limited	29,967,077.43	2.31
Zhengzhou Baichuantong Glass Products Co,. Ltd	23,336,070.34	1.80
Total	262,006,769.55	20.18

5. Investment income

(1) Details of investment income as follows:

Item	**2010**	2009
Income of long-term equity investment measured by cost method		
Income of long-term investment measured by equity method		1,552,278.90
Income from disposal of long-term equity investment	**1.00**	24,399,058.16
Investment income from financial assets held for trading		
Investment income from investments held for maturity	**14,657,130.12**	10,204,646.07
Investment income from financial assets available for sale		
Investment income from disposal of financial assets for trading		
Investment income from disposal of financial assets held for maturity		
Investment income from disposal of financial assets available for sale		
Other		
Total	**14,657,131.12**	36,155,983.13

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

5. Investment income *(Continued)*

(2) Income of long-term investment measured by equity method

Name	2010	2009	Reason of changes
CLFG Finance Company Limited		1,552,278.90	Disposal CLFG Finance Company Limited
Total		1,552,278.90	

6. Supplementary information of cash flow statement

Item	2010	2009
1. Net profit adjusted to cash flow of operating activities		
Net profit	**-32,984,479.29**	-146,449,749.93
Add: Provision for assets impairment	**10,976,147.21**	58,996,561.02
Depreciation of fixed assets	**15,870,990.91**	24,745,052.20
Amortization of intangible assets	**993,753.60**	993,753.60
Amortization of long-term prepaid expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets	**-315,581.72**	
Losses on scrapping of fixed assets	**13,444,907.42**	
Loss from fair value change(gains: negative)		
Finance expenses	**8,753,353.98**	18,928,166.19
Investment losses	**-14,657,131.12**	-36,155,983.13
Decrease in deferred income tax assets(gains: negative)		
Increase in deferred income tax assets(decrease: negative)		
Decrease in inventories	**3,384,988.06**	23,187,941.65
Decrease in operating receivables	**-41,532,114.29**	-19,300,970.11
Increase in operating receivables	**26,444,176.85**	-68,107,918.00
other		
Net cash flow from operating activities	**-23,065,895.81**	-129,718,239.09
2. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents		
Convertible bond due within one year		
Fixed assets financed by finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash and cash equivalents	**753,492.71**	2,612,481.30
Less: Opening balance of cash and cash equivalents	**2,612,481.30**	33,357,907.73
Add: Closing balance of cash		
Less: Opening balance of cash		
Net increase in cash and cash equivalents	**-1,858,988.59**	-30,745,426.43

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION

1. Details of extraordinary profit and loss in 2010

(1) 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:

Item	Amount	Note
1. Profit or loss on disposal of non-current assets	1,253,770.69	
2. Ultra vires approval, return, deduction and exemption of taxes surpassing approval or without official approval document		
3. Government grant recognized in current year, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations	74,921,373.03	V.38
4. Included in the profit or loss against the non-financial enterprises funds occupation fee collected		
5. Profits and losses arising from business combination when the combination cost is less that the recognized fair value of net assets of the combined company		
6. Profit or loss of non-monetary asset exchange		
7. Profit or loss from entrusting others to invest or managing the assets		
8. Provision of impairment of all assets due to force majeure such as suffering from natural disaster		
9. Profit or loss of debt restructuring	1,853,191.25	
10. Enterprise restructured expenses such as employee relocating compensation and integration expense, etc	-68,486,387.32	V.34
11. Profit or loss from transactions with obvious unfair transaction price		
12. Subsidiaries' Year-to-Date net profit/loss arising from business combination of entities controlled by a same company		
13. Profits or losses arising from other accrued liabilities which are not related to company's main business		
14. Profits or losses on change in fair value from tradable financial assets and tradable financial liabilities, as well as investment income from disposal of tradable financial assets and tradable financial liabilities and financial assets available for sales except for effective hedging related with normal businesses of the Company		
15. Impairment reserves of account receivables individually taking the impairment tests		
16. Profits or losses from outside entrusted loans		
17. Profits or losses from change in fair value of investment real estate adopting the fair value mode to do the follow-up measurement		
18. The influence of the once-off adjustment of current period profits or losses on the profits or losses in current period in accordance with the laws and rules of tax and accounting		
19. Fee and commission incomes arising from trusted customer asset management business		
20. Other non-operating income and expenses except listed above items	-869,279.41	
21. Other non-recurring profits or losses in line with the definition of profit or loss items		
22. Effect of minority interest	396,937.87	
23. Effect of income taxation	161,664.64	
Total	8,114,065.73	

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Accounting differences arising from preparement in accordance with the PRC Accounting Standards and IFRSs

(1) The main difference is summarized below:

	Net profit attributable to parent company		Net assets attributable to parent company	
	2010	2009	**Closing Balance**	Opening Balance
As prepared under PRC Accounting Standards	**60,787,804.31**	-141,822,269.14	**115,555,651.36**	93,762,180.82
As prepared under IFRS (including adjustment)				
— Gains on sales of use of land			**34,657,279.62**	34,657,279.62
— Gains on disposal of subsidiary Amortization of re-appraisal value of use of land			**15,833,763.66**	15,833,763.66
— amortization of revaluation on the use of land	**769,889.52**	769,889.52	**-75,011,850.10**	-75,781,739.62
— Difference arising from consolidated under different accounting standards	**388,839.43**	461,538.00	**-2,262,392.33**	-2,723,924.00
— Difference arising from recognition of package materials under different accounting standards			**2,721,957.50**	2,721,957.50
— Equity differences caused by the excess loss of a subsidiary under different accounting standards		-25,633,993.86	**-21,521,930.15**	-59,083,263.20
— Other			**-6,575,000.00**	-6,575,000.00
As prepared under IFRS	**61,946,533.26**	-166,224,835.48	**63,397,479.56**	2,811,254.78

(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. The PRC Accounting Standards requires that the Company retrospectively adjusted the excess loss of the subsidiary shared by the minority shareholders according to the proportion of their capital contribution, therefore the undistributable profits at the beginning of the year increased RMB59,083,263.20, the minority interest at the beginning of the year decreased RMB59,083,263.20, and the net profit attributable to the parent company for 2009 increased RMB25,633,993.86 and the profits or losses of the minority shareholders for 2009 decreased RMB25,633,993.86. However, in accordance with the International Accounting Standards (IAS), the prospective approach shall be adopted for the excess loss of the above subsidiaries by the minority shareholders according to the proportion of their capital contribution, so the retrospective adjustment was not made to the data at the beginning of the period.

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

3. Return on net assets and earnings per share

According to "Information Disclosure and preperement 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 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》(「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) 2010

Profit for the year	**Return on net weighted average assets (%)**	**Earnings per share Basic earnings per share**	**Earnings per share Diluted earnings per share**
Net profit attributable to shareholders of the Company	**53.13**	**0.1216**	**0.1216**
Net profit attributable to shareholders of the Company after deducting extraordinary item	**46.04**	**0.1053**	**0.1053**

(2) 2009

Profit for the year	Return on net weighted average assets (%)	Earnings per share Basic earnings per share	Earnings per share Diluted earnings per share
Net profit attributable to shareholders of the Company	-83.93	-0.2836	-0.2836
Net profit attributable to shareholders of the Company after deducting extraordinary item	-77.30	-0.2612	-0.2612

XV. APPROVAL OF FINANCIAL STATEMENTS

The Company's annual financial statements are approved by the board of directors at 28 March 2011.

According to the regulations, the financial statements will be supplied to shareholders' meeting.

Luoyang Glass Company Limited
28 March 2011

Documents available for inspection

1. Original copies of the financial statements signed and sealed by the Chairman, the General Manager and the Chief Financial Controller.

2. Original copy of the auditors' report stamped by Daxin Certified Public Accountants and signed by PRC certified public accountants together with the financial statements prepared under the PRC Accounting Standards; original copy of the auditors' report signed by PKF Certified Public Accountants together with the financial statements prepared under International Financial Reporting Standards.

3. All original copies of the Company's documents and the original drafts of the Company's announcements as disclosed in the newspapers designated by the CSRC during the reporting period.