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)

H Share Stock Code ◆ 1108

A Share Stock Code ◆ 600876

2011 ANNUAL REPORT

Contents

Important Notice

(I) 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.

(II) Mr. Huang Ping, an independent non-executive Director of the Company, was unable to attend the Board meeting due to business travel and entrusted Mr. Dong Jiachun, an independent non-executive Director, to exercise voting rights on his behalf in respect of all matters considered at the meeting. The other nine Directors attended the Board meeting.

(III) The financial statements of the Company were prepared in accordance with the Accounting Standards and Regulations for Business Enterprises of the People's Republic of China ("PRC") ("PRC GAAP") and International Financial Reporting Standards ("IFRSs") respectively. Daxin Certified Public Accountants Co., Ltd. and PKF Certified Public Accountants have issued auditors' reports with standard unqualified opinions.

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

(V) There was no utilization of funds by the controlling shareholders and their related parties during the reporting period.

(VI) There was no external guarantee in violation of the stipulated decision-making procedures during the reporting period.

Company Profile

1.	Registered company name in Chinese: Company's short name: Registered company name in English:	洛陽玻璃股份有限公司 Luoyang Glass Luoyang Glass Company Limited (Abbreviation: LYG)
2.	Legal representative:	Song Jianming
3.	Secretary to the Board: Correspondence address:	Song Fei Secretary Office of the Board of Luoyang Glass Company Limited No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC
	Telephone: Fax: Email:	86-379-63908507, 63908588 86-379-63251984 lbjtsf@163.com
4.	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: Internet website: Corporate email:	471009 http://www.zhglb.com/ gfbgs@clfg.com
5.	Newspapers for information disclosure:	China Securities Journal, Shanghai Securities News, Securities Daily
	The website for publishing the annual report: Company's annual report available at:	http://www.sse.com.cn, http://www.hkexnews.hk Secretary Office of the Board of Luoyang Glass Company Limited
6.	A Shares - Place of Listing: Stock Code: Stock Name: H Shares - Place of Listing: Stock Code: Stock Name:	Shanghai Stock Exchange 600876 Luoyang Glass The Stock Exchange of Hong Kong Limited 1108 Luoyang Glass
7.	Date of the First Registration of the Company: Place of the Registration of the Company:	6 April 1994 Luoyang Administration for Industry and Commerce
8.	Date and Place of Registration Change of the Company:	19 April 1995 at the Luoyang Administration for Industry and Commerce 9 August 1996 at Luoyang Administration for Industry and Commerce (Approved by the State Administration for Industry and Commerce).
9.	Legal Person Business Registration Number of the Company:	410300400003275
10.	Taxation Registration Number of the Company:	41030300100100027

Company Profile

11.	Enterprise Code Certificate:	61480889-9
12.	Accounting firms appointed by the Company	
	The PRC:	Daxin Certified Public Accountants 7-8/F Blk. A-B, Golden Resources World Centre, 1166 Zhongshan Ave, Wuhan, the PRC
	International:	PKF Certified Public Accountants 26/F., Citicorp Centre, 18 Whitfield Road, Causeway Bay, Hong Kong
13.	Legal Advisors	
	Legal advisor of the PRC:	Henan Jiudu Law Firm（河南九都律師事務所）
	Address:	4F, Zhongyuan Building, 550 Zhongzhou East Road, Luoyang, Henan, the PRC
	Legal advisor of Hong Kong:	Li & Partners Solicitors
	Address:	21/F, World Wide House, Central, Hong Kong
14.	Custodian for the Company's Non-circulating Shares:	Guotai Junan Securities Co., Ltd.
15.	Share Registrars for H Shares:	Hong Kong Registrars Limited Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Summary of Accounting and Business Data

(Unless specific illustration, the following data disclosed in (I) to (IV) 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"))

(I) Major accounting data

Items	Amount *(RMB)*
Operating profit	-89,652,165.08
Total profit	2,931,576.70
Net profit attributable to shareholders of the Company	12,334,559.60
Net profit attributable to shareholders of the Company after deducting extraordinary profit or loss	-67,761,804.10
Net cash flow from operating activities	-61,673,525.63

(II) Differences between the PRC GAAP and IFRSs

Differences of net profit and net assets in the financial reports prepared under the PRC GAAP and the IFRS respectively

Unit: RMB

	Net profit		Net assets	
	2011	2010	**2011**	2010
As prepared under PRC GAAP	**12,334,559.60**	60,787,804.31	**127,013,633.44**	115,555,651.36
Items and amounts as adjusted under IFRSs:				
— Gains on sales of land use right	**25,662,985.62**	—	**60,320,265.24**	34,657,279.62
— Gains on disposal of subsidiary	**—**	—	**15,833,763.66**	15,833,763.66
— Amortisation of revaluation of land use right	**—**	769,889.52	**-75,011,850.10**	-75,011,850.10
— Special fiscal subsidy	**461,538.00**	388,839.43	**-1,800,854.33**	-2,262,392.33
— Difference in accounting for consolidation	**—**	—	**2,721,957.50**	2,721,957.50
— Equity differences caused by the excess loss of a subsidiary under different accounting standards	**—**	—	**-21,521,930.15**	-21,521,930.15
— Others	**—**	—	**-6,630,274.82**	-6,575,000.00
Under IFRSs	**38,459,083.22**	61,946,533.26	**100,924,710.44**	63,397,479.56

Explanations of the differences

The reason for the major difference:

1. The land use right disclosed under the PRC GAAP is measured at fair value, with revaluation surplus of the land use right (allocated by the holding company at nil consideration) through assessment. But under IFRSs, cost model is adopted, which represents the cost of such land as nil and causes cost differences, which resulted in a difference of RMB25,662,985.62 in gain on sales of land use right.

2. The PRC GAAP requires retrospective adjustment to be made to the portion of subsidiaries' excess losses borne by minority shareholders in proportion to their contributions. However, under the IFRSs, adjustment to the portion of excess losses to be borne by minority shareholders in proportion to their contributions would be prospectively applied, and no adjustment would be made to opening balances, as a result, a difference of RMB21,521,930.15 was incurred.

(III) Extraordinary items and amounts

Unit: RMB

Items	2011	2010	2009
Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	**78,304,342.47**	1,253,770.69	-16,355,415.70
Government subsidies (except for the grants which are closely related to the Company's business and have the standard amount and quantities in accordance with the national standard) attributable to profits and losses for the period	**22,015,985.76**	74,921,373.03	—
Profit/loss from debt restructuring	**2,321,333.90**	1,853,191.25	3,523,212.52
Costs of corporate reorganisation, i.e. expenses for staff settlement, integration costs, etc	**-18,157,247.47**	-68,486,387.32	—
Other non-operating income and expenses other than the aforesaid items, net	**-4,057,920.35**	-869,279.41	-4,822.07
Other profit/loss items within the definition of extraordinary items			
Aggregate effect of extraordinary items on total profit	**80,426,494.31**	8,672,668.24	-12,837,025.25
Less: Amount of effect on income tax	**374,472.00**	161,664.64	-16,033.81
Less: Amount of effect on minority interest	**-44,341.39**	396,937.87	14,509.94
Extraordinary profit or loss effect attributable to the Company	**80,096,363.70**	8,114,065.73	-12,838,549.12

Summary of Accounting and Business Data

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

Unit: RMB

Major Accounting Data	**2011**	2010	Increase/ decrease of the year from last year *(%)*	2009
Operating revenue	**920,942,939.77**	1,168,481,659.06	-21.18	972,949,859.17
Operating profit	**-89,652,165.08**	-4,174,580.34	N/A	-132,793,410.61
Total profit	**2,931,576.70**	72,984,475.22	-95.98	-171,666,551.34
Net profit attributable to shareholders of the Company	**12,334,559.60**	60,787,804.31	-79.71	-141,822,269.14
Net profit attributable to shareholders of the Company after deducting extraordinary profit or loss	**-67,761,804.10**	52,673,738.58	-228.64	-130,622,403.97
Net cash flow from operating activities	**-61,673,525.63**	22,939,486.99	-368.85	-82,566,656.61

	As at 31 December 2011	As at 31 December 2010	Increase/ decrease of the year from last year *(%)*	As at 31 December 2009
Total assets	**1,415,785,144.79**	1,439,514,723.66	-1.65	1,485,214,615.77
Total liabilities	**1,337,075,948.08**	1,345,319,738.77	-0.61	1,446,667,915.96
Owners' equity attributable to shareholders of the Company	**127,013,633.44**	115,555,651.36	9.92	93,762,180.82
Total share capital	**500,018,242.00**	500,018,242.00	—	500,018,242.00

Summary of Accounting and Business Data

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

Major Financial Indicators	2011	2010	Increase/ decrease of the year from last year *(%)*	2009
Basic earnings per share *(RMB)*	**0.0247**	0.1216	-79.69	-0.2836
Diluted earnings per share *(RMB)*	**0.0247**	0.1216	-79.69	-0.2836
Basic earnings per share after deducting extraordinary profit or loss *(RMB)*	**-0.1355**	0.1053	-228.68	-0.2612
Weighted average return on net assets *(%)*	**10.17**	53.13	Decreased by 42.96 percentage points	-83.93
Weighted average return on net assets after deducting extraordinary profit or loss *(%)*	**-55.88**	46.04	Decreased by 101.92 percentage points	-77.3
Net cash flow from operating activities per share *(RMB)*	**-0.12**	0.05	-340	-0.17

	As at 31 December 2011	As at 31 December 2010	Increase/ decrease of the year from last year *(%)*	As at 31 December 2009
Net assets per share attributable to shareholders of the Company *(RMB)*	**0.25**	0.23	9.92	0.19
Gearing ratio *(%)*	**94.44**	93.46	Increased by 0.98 percentage point	97.40

Change in Share Capital and Particulars of Shareholders

(I) Changes in share capital

1. Changes in shares 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	—	—	—	—	—	—	—	—	—
1. State-owned shares	—	—	—	—	—	—	—	—	—
2. State-owned legal person shares	—	—	—	—	—	—	—	—	—
3. Other domestic shares	—	—	—	—	—	—	—	—	—
Including: shares held by non-state-owned 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	500,018,242	100	—	—	—	—	—	500,018,242	100
1. Ordinary shares denominated in RMB	250,018,242	50	—	—	—	—	—	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

2. Changes in shares subject to trading moratorium

During the reporting period, there was no change in shares subject to trading moratorium.

(II) Issuance and listing of securities

1. Issuance of securities in the past three years

For the three years before the end of the reporting period, the Company has not issued or listed any securities.

2. Changes in the total number of shares and shareholding structure of the Company

During the reporting period, there was no change in the total number of shares and shareholding structure of the Company due to issue of bonus shares, placement of shares or other reasons.

3. Existing internal employee's shares

There was no internal employee's shares of the Company as at the end of the reporting period.

Change in Share Capital and Particulars of Shareholders

(III) Shareholders and de facto controller

1. Number and shareholding of shareholders

Unit: share

Total number of shareholders at the end of 2011	22,726, including 22,671 holders of A shares and 55 holders of H shares.	Total number of shareholders at the end of the month prior to publication of this annual report	22,727, including 22,671 holders of A shares and 56 holders of H shares.

Shareholdings of the top 10 shareholders

Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Total number of shares held at the end of 2011	Increase/ decrease during the reporting period	Number of shares subject to trading moratorium held	Number of shares pledged or frozen
HKSCC Nominees Limited	Foreign shareholder	49.59	247,960,998	+238,000	0	0
China Luoyang Float Glass (Group) Company Limited	Holder of state-owned shares	31.80	159,018,242	0	0	159,018,242 (Pledged)
Zhang Lixin	Individual shareholder	0.263	1,313,344	+1,313,344	0	Unknown
Feng Ruolei	Individual shareholder	0.159	795,600	+795,600	0	Unknown
Lin Huiping	Individual shareholder	0.133	666,100	+666,100	0	Unknown
Li Ru	Individual shareholder	0.130	648,000	+648,000	0	Unknown
Chen Hong	Individual shareholder	0.113	565,614	+565,614	0	Unknown
Yao Xuan	Individual shareholder	0.094	472,516	+472,516	0	Unknown
Wang Changqiu	Individual shareholder	0.087	434,793	+434,793	0	Unknown
Zhao Yumei	Individual shareholder	0.085	424,672	+424,672	0	Unknown

Change in Share Capital and Particulars of Shareholders

(III) Shareholders and de facto controller *(Continued)*

1. Number 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	247,960,998	Overseas listed foreign shares
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB
Zhang Lixin	1,313,344	Ordinary shares denominated in RMB
Feng Ruolei	795,600	Ordinary shares denominated in RMB
Lin Huiping	666,100	Ordinary shares denominated in RMB
Li Ru	648,000	Ordinary shares denominated in RMB
Chen Hong	565,614	Ordinary shares denominated in RMB
Yao Xuan	472,516	Ordinary shares denominated in RMB
Wang Changqiu	434,793	Ordinary shares denominated in RMB
Zhao Yumei	424,672	Ordinary shares denominated in RMB

Connected relationship or parties acting in concert among the aforesaid shareholders	There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies（上市公司股東持股變動信息披露管理辦法）among the top ten shareholders of the Company, including CLFG and 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.

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 and domestic sales of processing technology of glass, 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 controller *(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:	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%

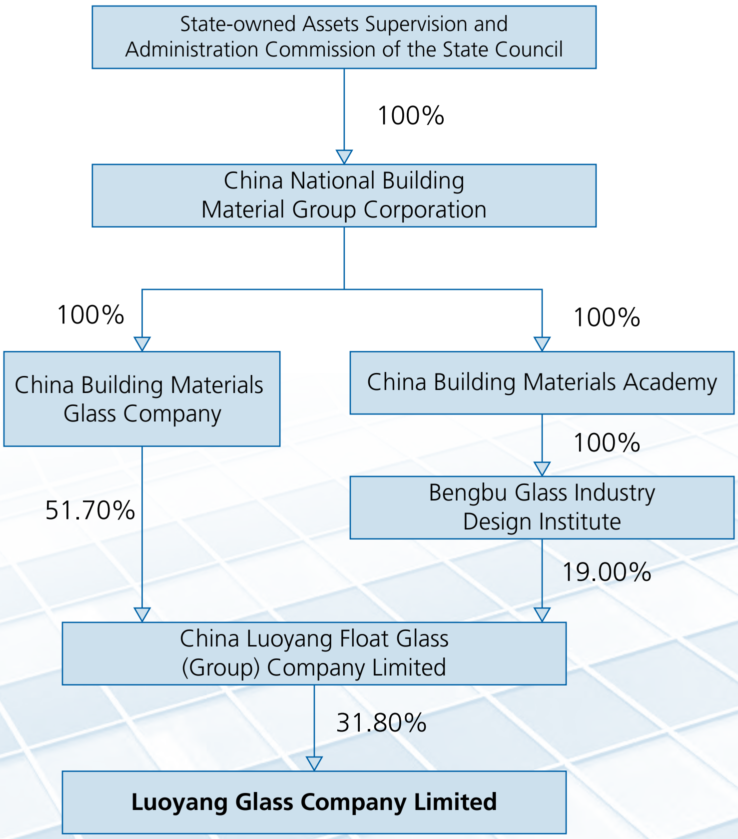
4. Changes of controlling shareholder and de facto controller

During the reporting period, there was no change in the controlling sharheolder and de factor controller of the Company.

Change in Share Capital and Particulars of Shareholders

(III) Shareholders and de facto controller *(Continued)*

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	Shareholding at the end of the year	Reason for change	Total remuneration (before tax) received from the Company during the reporting period *(RMB0'000)*	Whether received remuneration from corporate shareholders or other connected parties
Song Jianming	Chairman	Male	55	30 June 2008 (Director) 27 May 2009 (Chairman)	18 May 2012	0	0	N/A	37.3	No
Ni Zhisen	Executive Director General Manager	Male	40	27 May 2009 (General Manager) 28 September 2009 (Director)	18 May 2012	0	0	N/A	31	No
Song Fei	Executive Director, Chief Financial Controller & Secretary to the Board	Female	48	14 April 2008 (Chief Financial Controller) 30 June 2008 (Director) 11 December 2008 (Secretary to the Board)	18 May 2012	0	0	N/A	21	No
Cheng Zonghui	Former Executive Director & Deputy General Manager	Male	49	24 July 2007 (Deputy General Manager) 28 September 2009 (Director)	3 February 2012	0	0	N/A	20.8	No
Guo Yimin	Non-executive Director	Male	47	28 September 2009	18 May 2012	0	0	N/A	4	Yes
Zhao Yuanxiang	Non-executive Director	Male	43	25 August 2010	18 May 2012	0	0	N/A	4	Yes
Zhang Chengong	Non-executive Director	Male	39	25 August 2010	18 May 2012	0	0	N/A	4	Yes
Guo Aimin	Independent Director	Male	57	10 April 2006	18 May 2012	0	0	N/A	4	No
Zhang Zhanying	Independent Director	Male	54	10 April 2006	18 May 2012	0	0	N/A	4	No
Huang Ping	Independent Director	Male	43	18 May 2009	18 May 2012	0	0	N/A	4	No
Dong Jiachun	Independent Director	Male	55	28 September 2009	18 May 2012	0	0	N/A	4	No
Ren Zhenduo	Chairman of the Supervisory Committee	Male	47	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	40	10 September 2007	18 May 2012	0	0	N/A	2	No
Guo Hao	Independent Supervisor	Male	54	18 May 2009	18 May 2012	0	0	N/A	2	No
Lu Junfeng	Former Employee Supervisor	Male	41	10 September 2007	18 April 2011	0	0	N/A	1.5	No
Wang Jian	Employee Supervisor	Male	36	26 May 2010	18 May 2012	0	0	N/A	11.7	No
Ip Pui Sum	Company Secretary	Male	52	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)*

Notes: (1) Save as disclosed above, as at 31 December 2011, none of the Directors, supervisors or 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 at 31 December 2011, 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 corporations.

(3) Total remuneration above amounted to approximately RMB1.69 million.

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

Directors:

Mr. Song Jianming, aged 55, 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 40, 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 48, 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 head of planning and financial department of CLFG and assistant financial controller of CLFG.

Mr. Cheng Zonghui, aged 49, senior engineer with a bachelor's degree. He is a former 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. Guo Yimin, aged 47, a senior economist with bachelor's degree, Non-executive Director of the Company. He presently serves as chief accountant of CLFG. Mr. Guo had served as deputy general manager of CLFG Financial Company, head of Investment Department of CLFG, and assistant financial controller of CLFG.

Mr. Zhao Yuanxiang, aged 43, a holder of master's degree and an engineer, is a Non-executive Director of the Company. Mr. Zhao currently serves as the vice chairman and general manager of CLFG. Mr. Zhao worked for China United Cement Group Corporation Limited and South Cement Company Limited and served as the vice president of South Cement Company Limited, the vice managing president of Hunan South Cement Group Company Limited and the chairman of Shaofeng South Cement Group Company Limited*（韶峰南方水泥集團有限公司）. Since January 2010, Mr. Zhao held the position of the general manager of CLFG and served as the vice chairman of CLFG since June 2010.

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

Directors: *(Continued)*

Mr. Zhang Chengong, aged 39, a Non-executive Director of the Company, currently serves as the deputy general manger of China Building Material Glass Company. Mr. Zhang held the positions of assistant to general manager and general manager of Beijing New Building Material Company Limited.

Mr. Guo Aimin, aged 57, 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 54, 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. Huang Ping, aged 43, 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 head of the finance department of Luoyang Yutong Automobile Company Limited. He has worked in Luoyang China Certified Public Accountants since 1997.

Mr. Dong Jiachun, aged 55, 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. 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 47, holder of bachelor's degree. He is chairman of the supervisory committee of the Company. He is also a director and the deputy party secretary of CLFG. He successively served as general manager of Luoyang Longxin Glass Co., Ltd. ("Longxin Glass") which is a subsidiary of CLFG and deputy party secretary of the Company. Mr. Ren has served as a director and the deputy party secretary of CLFG since June 2009 and September 2009 respectively.

Mr. He Baofeng, aged 40, is a PRC certified public 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).

Mr. Guo Hao, aged 54, 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. Lu Junfeng, aged 41, is a technician of float glass and a former employee Supervisor of the Company with associate degree. He is head of float melting department of CLFG Luoyang Longhao Glass Company Limited.

Mr. Wang Jian, aged 36, an employee Supervisor of the Company. He joined Luoyang Glass in November 1993. He had served as the section chief and supervisor assistant and deputy director of the Technology Section. He is currently serving as the supervisor of united float workshop of Longhai Company.

Directors, Supervisors, Senior Management and Employees

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

Senior Management

Mr. Ip Pui Sum, aged 52, 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 2011.

3. Particulars of Directors and Supervisors holding positions in the Company's shareholder

Name	Name of the shareholder entity	Position held	Term of office	Whether receiving remuneration or allowance from shareholder entity
Zhao Yuanxiang	China Luoyang Float Glass (Group) Company Limited	Vice chairman, general manager	Since January 2010 (general manager) Since June 2010 (vice chairman)	Yes
Ren Zhenduo	China Luoyang Float Glass (Group) Company Limited	Director, Deputy party secretary	Since September 2009 Since June 2009	Yes
Guo Yimin	China Luoyang Float Glass (Group) Company Limited	Chief Accountant	Since January 2010	Yes
Song Jianming	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	Since May 2009	No
Ni Zhisen	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	Since January 2010	No

Position in other entities

Name	Name of entity	Position held	Term of office	Whether receiving remuneration or allowance
Zhang Chengong	China Building Material Glass Company	Deputy general manager	Since 17 March 2010	Yes

4. 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 Board and the Supervisory Committee draft the proposal for the remuneration of Directors and Supervisors respectively and submit to the general meeting for consideration. The propsal for the remuneration of senior management shall be determined by the Board.

(2) Basis for determination of remuneration for Directors, Supervisors and Senior Management

The actual remuneration shall be distributed with reference to the achievement status of annual operational targets and performance assessment.

(3) Actual payment of remuneration for Directors, Supervisors and Senior Management

Based on the basic salary standards as set in the remuneration proposal, the HR Department shall distribute in advance 1/12 of such salary on the monthly basis, and effect the payment based on the final performance assessment result.

The remuneration for external Directors and Supervisors shall be paid in one lump sum by the Company.

The total remuneration for Directors, Supervisors and senior management was RMB1.67 million for 2011.

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

On 18 April 2011, Mr. Lu Junfeng resigned his position as Supervisor.

Subsequent event: On 3 February 2012, Mr. Cheng Zonghui resigned his position as Director and Deputy General Manager of the Company.

6. Employees

As at 31 December 2011, the Company had 1,945 employees, including 1,305 production staff, 42 sales personnel, 114 engineering technicians, 51 financial personnel, 312 administrative personnel and 121 other staff members. Among them, 198 employees graduated from universities, representing 10.18% of the staff and 676 employees graduated with a college diploma, representing 34.76% of the staff. There were 2,229 retired employees for whom the Company is required to bear expenses.

Corporate Governance Structure

(I) Improvement of Corporate Governance

The Company has been operating in strict compliance with the requirements in the relevant laws and regulations 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.

(II) Performance of Duties by Directors

All Directors of the Company have understood their rights, obligations and responsibilities, performed their duty of honesty and diligence, dedicated enough time to the handling of the Company's affairs, attended Board meetings in a timely manner, reviewed all the resolutions of Board meetings and general meetings, and made decisions in line with the interests of shareholders and the long-term development target of the Company.

During the reporting period, a total of 17 Board meetings were held. Attendance of Directors in Board meetings are as follows:

Name	Required attendance to the Board meetings	Attendance in person (times)	Attendance by communication (times)	Attendance by proxy (times)	Absence (times)
Song Jianming	17	17	0	0	0
Ni Zhisen	17	17	0	0	0
Song Fei	17	17	0	0	0
Cheng Zonghui	17	17	0	0	0
Zhao Yuanxiang	17	17	0	0	0
Guo Yimin	17	17	0	0	0
Zhang Chengong	17	10	7	0	0
Guo Aimin	17	10	7	0	0
Zhang Zhanying	17	10	7	0	0
Huang Ping	17	10	7	0	0
Dong Jiachun	17	10	7	0	0

(III) Establishment and Improvement of Relevant Work Systems for Independent Directors, Major Contents Thereof, and Performance of Duties by Independent Directors

The Company formulated the Work System for Independent Directors of Luoyang Glass Company Limited, and the Annual Report Work System for Independent Directors of Luoyang Glass Company Limited, setting out specific provisions on the appointment qualifications, election and replacement, powers and obligations of Independent Directors, as well as the responsibilities and obligations in the preparation for and disclosure of annual reports, pursuant to the Company Law of the People's Republic of China, the Code on Corporate Governance Practices for Listed Companies, the Guiding Opinions of CSRC on the Establishment of Independent Directors System in Listed Companies, the Articles of the Association of Luoyang Glass Company Limited, and other relevant regulations.

During the reporting period, all Independent Directors performed their duties with due diligence, timely grasped the production and operation data about the Company, participated in the Company's material decision-making, exerted their respective expertise, reviewed and gave independent opinions on the relevant matters considered by the Board, performed their duties independently, objectively and justly, concretely protected the legitimate rights and 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)	Remarks
Guo Aimin	17	17	0	0	
Zhang Zhanying	17	17	0	0	
Huang Ping	17	17	0	0	
Dong Jiachun	17	17	0	0	

(IV) Independence of the Company from the Controlling Shareholder

1. With respect to business, the Company independently carries out operations, and has no competition with the Controlling Shareholder with decision-making powers on independent operation. The operation of Company is not dependant on the Controlling Shareholder and its associated companies.

2. With respect to personnel, the Company has been adequately staffed in respect of production, technology and management, and its management over labor, personnel and remuneration is completely independent.

3. With respect to assets, there is a clear delineation in property title relations between the Company and the Controlling Shareholder. The assets of the Company are completely independent of the Controlling Shareholder.

4. With respect to organization, the Company has a sound organization structure. All the organs have their respective terms of reference, completely independent of each other, and are not subordinated to the Controlling Shareholder and its functional departments.

5. With respect to finance, the Company has its independent finance department and established an independent accounting and auditing system and financial management system. It has implemented independent accounting and auditing, capital operation and tax payment.

Corporate Governance Structure

(V) Establishment and Improvement of the Internal Control System of the Company

1. Overall Plan for Construction of Internal Control

In accordance with the requirements of various administrative regulations such as the Company Law, the Securities Law, the Guidelines for Internal Control of Listed Companies and the Basic Standards for Enterprise Internal Control, and the Notice of CSRC Henan Branch on Properly Implementing Internal Control Standards for Listed Companies (《關於做好上市公司內部控制規範有關工作的通知》), on 28 March 2011, the Company issued the Work Plan for Implementation of Internal Control Standards of Luoyang Glass Company Limited ([2011] No. 40), specifying the guiding opinions, control targets, work principles, organizational structure and action plan for the construction of the Company's internal control system.

Guiding opinions:

Under the guidance of the Basic Standards for Enterprise Internal Control, vigorously establish an internal control and prevention system, based on risk management, centred on explicit definition of responsibilities, guaranteed by further improvement and implementation of relevant systems, and bolstered by process streamlining standards, so as to ensure sustained and healthy development of the Company.

Overall target:

Through regulation and implementation of the 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 realization of the Company's development strategies.

Work principles:

(1) Globality. The internal control system shall run through the whole process of decision-making, execution and supervision, and cover various businesses and matters of the headquarters and the subsidiaries.

(2) Priority. On the basis of all-round control, the internal control system shall give priority to key business issues and high-risk sectors.

(3) Checks and balances. The internal control system shall put in place checks and balances and mutual supervision in respect of governance structure, organization structuring, allocation of rights and duties and business process, and give consideration to operating efficency at the same time.

(4) Adaptability. The internal control system shall adapt to the operating scale, business scope, competition status and risk level of the Company, and be ajusted in time as the circumstance changes.

(5) Cost effectiveness. The internal control system shall take into account both the implementation cost and the estimated effect and aim at effective control with appropriate costs.

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

1. Overall Plan for Construction of Internal Control *(Continued)*

Organizational leadership:

(1) The Company has established a leading group for internal control standards and relevant implementation. The group is headed by Chairman Song Jianming and General Manager Ni Zhisen who respectively act as head and deputy head, with other deputy general managers as its members. The leading group is fully in charge of the construction of the internal control system and implementation of relevant standars and other related work.

(2) The Company has established an office for the implementation of internal control. The office, headed by the Secretary to the Board and staffed with the heads of all departments and subsidiaries, is responsible for formulating detailed implementation plans for internal control and coordinating for execution.

2. Work Plan for Establishment and Improvement of the Internal Control System and Implementation thereof

Throughout the last three quarters of 2011, the Company established an internal control and prevention system with advanced concepts, sound structure and mechanism, strong measures and distinguished form, and appointed consulting agencies for planning, guidance and assistance in respect of relevant work.

(1) Implemented internal control trainings to unify thinking and raise awareness in April 2011

At the beginning of April 2011, the Company organized and sent more than 230 administrative staff at mid- and higher-level and key employees from production to internal control mobilization meetings and training programs, lecturing them on Enterprise Internal Control Standards and the relevant guidelines, and related systems and documents of securities regulatory authorities. Through such training programs, the Company unified the thinking and raised the awareness of its employees and ensured smooth implementation of the internal control work.

(2) Appointed agencies to conduct internal control test to the Company

The Company appointed Zhongjing Ruixin Management Consulting Company（中京睿信管理咨詢公司）to plan for and instruct its internal control work, evaluate and test its internal control position, and help the Company to properly implement internal control, thus ensuring the quality of the Company's internal control work.

(3) Straightened out the internal control process, understood the management status and identified existing defects between May and June of 2011

In accordance with relevant requirements of the Enterprise Internal Control Standards, the Company, together with the consutling agency, examined its internal control risks, fully grasped the system design, establishment and implementation of the work process in respect of the Company's internal control by means of surveys, interviews, data analysis, walk-through test, and review and analysis of control documents, set up a risks list, analyzed existing risks through benchmarking, and prepared internal control evaluation reports so as to fully evaluate the current risk control system of the Company, locate its risks and defects, and work out relevant rectification and improvement plans.

Corporate Governance Structure

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

2. Work Plan for Establishment and Improvement of the Internal Control System and Implementation thereof *(Continued)*

(4) Implemented defect rectification, formulated the internal control manual and improved the internal control system between August and November of 2011

Through on-site testing, the Company analyzed and identified problems in the internal control in respect of processes including fundraising management, investment management, working capital management, bulk goods/materials purchasing, fixed assets management, contract management, comprehensive budget management, internal information transfer, information system management, and connected transaction management, and rectified accordingly. The Company prepared its internal control manual, composed of three parts: I. Rules and Regulations of the Company; II. Business Flow Chart; III. Risk Control Matrix, the contents of which have covered five major elements and eighteen guidelines in respect of enterprise internal control, and contained 125 management systems, 23 level-1 business processes, 20 risk matrixes covering 325 risk points. The internal control manual was put into trial practice in October 2011. Its formulation has enabled the Company to strengthen and improve its internal control system project, and will have far-reaching and conducive effect on preventing corporate risks, standardizing corporate management, and facilitating sustained corporate development.

(5) Carried out self-assessment and produced evaluation report from December 2011 to February 2012

Pursuant to the requirements of the guidelines on enterprise internal control evalaution, the Company made an internal control evaluation plan in January 2012 and implemented relevant evaluation work upon approval by the Board of such plan. During the evaluation process, no material defects were located based on the defect identification standard. As regards general defects, a notice on rectification was issued, followed by specific remedial measures and internal control self-assessment reports.

(6) External audit of the internal control work

Pursuant to the requirements of the Audit Guidelines for Enterprise Internal Control (《企業內部控制審計指引》), the Company appointed Daxin Certified Public Accountants Co., Ltd., a qualified securities practitioner, to audit the effectiveness of its internal control design and operation. No material defects about internal control were located in respect of financial reporting and non-financial reporting, hence the effectiveness of the design and operation of the Company's internal control system was recognized.

3. Setup of the Examination and Supervision Department of Internal Control

The Supervisory Committee conducts supervision over 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 the effective implementation of internal control, coordinating audits of internal control and other related matters and reviewing the Company's financial information and its disclosure.

The Company has set up an Audit Department, staffed with professional audit officers, which is responsible for organizing day-to-day work in respect of the internal control management such as implementation, supervision and evaluation.

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

4. Implementation of Internal Supervision and Self-assessment of Internal Control

In accordance with relevant provisions and requirements of the Basic Standards for Enterprise Internal Control, the Assessment Guidelines for Enterprise Internal Control, the Articles of Association, and the Internal Control Manual of Luoyang Glass Company Limited, the Company formulated the Implementation Plan for Internal Control Evaluation for 2011 and carried out such evaluation upon consideration by the Board. The evaluation was organized and headed by the Company's Audit Department and joined in by key business personnel from relevant organs familiar with the matter. Members of the evaluation team abstained from internal control evaluation of their respective departments. The evaluation scope covered 14 functional departments, the controlled subsidiaries and wholly-owned subsidiaries of the Company within the internal control system. By means of on-site tests, separate interviews, questionnaires, seminars, walk-through tests, field inspection, spot-checks and comparative analysis, the evaluation team fully collected the evidence on the effectiveness of the internal control design and operation of the evalued entities, grasped the Company's internal control design and actual implementation status, and truthfully filled out the evaluation worksheet based on the specific evaluation contents. On 20 January 2012, the evaluation team conducted an overall defects identification with no material or major defects located, organized rectification of the discovered general defects and produced a self-assessment report on internal control.

5. The Board's Arrangement of Related Work of Internal Control

Corporate internal control is a long-term systematic project. 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 Finance-related Internal Control System

In accordance with relevant systems and regulations such as the Accounting Law, the Enterprise Accounting System, domestic and overseas accounting standards, the Company formulated and implemented the Administrative Measures for Basic Accounting Work, the Financial Management Regulations, and the Guarantee Management System, established a relatively sound framework of financial accounting and management to regulate financial management and accounting behaviours of the Company and its subsidiaries, which explicitly stipulate the 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 respect of accounting and financial management is relatively complete, reasonable and effective; and the handling procedures regarding accounting vouchers, accounting books and financial accounting reports are explicit, providing guarantee for the truthfulness, accuracy and fairness of accounting information of the Company.

7. Defects in Internal Control and Rectification

Through self-examination, no material defects were located in the Company's internal control. Rectification of general defects was completed pursuant to the requirements of the Company's internal control procedures.

Corporate Governance Structure

(VI) Assessment of and Incentives for Senior Management

An annual objective accountability assessment system was adopted for performance appraisal of the Company's senior management, based on the completion of the annual operational objectives. The remuneration for senior management was determined based on the assessment result.

(VII) Establishment of the Accountability System for Significant Errors in Information Disclosure of Annual Reports

In accordance with the relevant requirements of the CSRC, and the stock exchanges in Shanghai and Hong Kong, the Company formulated the Management System for Information Disclosure Matters of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司信息披露事務管理制度》), specificly stipulating the procedures, requirements and penal measures for rule breaches of information disclosure including annual lreports, so as to ensure the quality of annual reports information disclosure.

During the reporting period, the Company has no significant accounting errors or material omissions.

(VIII) Horizontal Competition

After China Building Materials Glass Company ("CBM Glass") become the controller of the Company through transfer of state-owned equity interests at nil consideration, there has been horizontal competition between its subsidiaries Henan Zhonglian Glass Co., Ltd. and Huaguang Glass Co., Ltd. (華光玻璃公司) and the Company. CBM Glass has undertaken not to engage in, directly or indirectly, any business or activities that may constitute competition with the Company's principal operations in any means.

As there was horizontal competition between the Company and Longxin Glass, a subsidiary of CLFG (the controlling shareholder of the Company), the Company gradually resolved the issue by entering into the Equity Custodian Agreement pursuant to which the Company was entrusted to manage CLFG's 50% equity interests in Longxin Glass.

(IX) Corporate Governance Report

1. Compliance with the Code on Corporate Governance Practices

The Company made its best endeavour to comply with the provisions of Code on Corporate Governance Practices throughout 2011.

2. Securities Transactions by 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 and Supervisors have confirmed that they had fully complied with relevant requirements of the Model Code throughout the year of 2011.

3. The Board

During the reporting period, the Board of the Company convened 17 meetings.

Please refer to Parts (I) and (II) of this chapter for the 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 the Chairman and the General Manager.

(IX) Corporate Governance Report *(Continued)*

4. Operation of the Board

The Board of the Company is elected by and is responsible for general meeting. 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 profit distribution proposal; material events involving development, acquisition and organization restructuring of the Company. The Company has always attached great importance to the construction of the Board and strived to enhance the operating efficiency of the Board. All Directors could act in the best interests of the Company and its shareholders, discharge their duties with diligence, and determine the significant decisions as well as appointment, dismissal and supervision of the members of the executive organization of the Company.

The Company has established the independent Director system. There are four independent non-executive Directors in members of the Board, which is in compliance with requirement for minimum number of independent non-executive directors under the Listing Rules of the Hong Kong Stock Exchange. The Company has received the confirmation on independence from four independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company is in opinion that the four independent non-executive Directors are completely independent of the Company, 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, possesses professional qualifications in accounting and financial management, which complies with the requirements under Rule 3.10 of the Listing Rules. 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 the 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 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 deputy general managers, 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.

(IX) Corporate Governance Report *(Continued)*

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 and reappointment upon expiry. However, the term of office for independent non-executive Directors shall be not more than six years.

7. 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 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, and biographies of the candidates. 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. 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:

(1) to study the criteria and procedures to select Directors and management personnel and make recommendations to the Board;

(2) to review the structure, number and composition of the Board, and to make recommendations on any proposed change to the Board to complement the Company's development strategies or tactics;

(3) to identify individuals with suitable qualification to become Directors or Managers and select or make recommendations to the Board on the selection of individuals nominated for Directors or Managers;

(4) to examine the qualifications of senior management candidates who shall be appointed by the Board and make recommendations in respect of such candidates;

(5) to assess the independence of independent non-executive Directors;

(6) to make recommendations to the Board in respect of the appointment or re-appointment of Directors and the succession planning for Directors (in particular, the Chairman and the General Manager).

Duties and work rules for the committee are clearly specified in the Implementation Rules for 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 the work of the Nomination Committee during the reporting period.

(IX) Corporate Governance Report *(Continued)*

8. Remuneration and Review Committee

The Remuneration and Review 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 in the Implementation Rules for the Remuneration and Review Committee, which are available on the Company's website: http://www.zhglb.com/.

The principal duties of the Remuneration and Review Committee of the Company are:

(1) to make recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(2) to review and approve the management's compensation proposals with reference to Board's corporate goals and objectives;

(3) to determine the remuneration packages of individual executive Directors and senior management with authorization granted by the Board; or to make recommendation to the Board on remuneration packages of individual executive Directors and senior management;

(4) to consult the Chairman of the Board or the General Manager in respect of compensation proposed for other executive Directors, and seek independent professional opinions if necessary;

(5) to make recommendations to the Board on the remuneration of non-executive Directors;

(6) to consider salaries paid by comparable companies, time commitment and responsibilities, and the employment conditions elsewhere in the Company;

(7) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with relevant contractual terms, and is otherwise fair and not excessive;

(8) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with relevant contractual terms and otherwise reasonable and appropriate;

(9) to ensure no Director or any of his associates is involved in deciding his/her own remuneration;

(10) to review the performance of duty on the part of Directors (non-independent Directors) and senior management and undertake annual performance assessment;

(11) to monitor the implementation of the Company's remuneration plans.

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

(IX) Corporate Governance Report *(Continued)*

9. Audit Committee

The Company's Audit Committee comprises three independent non-executive Directors. The chairman of the committee shall be an independent Director and all the committee's resolutions must be put to a vote by all its members for approval. Its duty and work rules are specified in the Implementation Rules for the Audit Committee, which are available on the Company's website: http://www.zhglb.com/.

Major duties of the Company's Audit Committee include:

(1) to propose appointment, re-appointment and removal of external auditors to the Board, approve the remuneration and terms of appointment for the auditors and deal with any matters in relation to the resignation or dismissal of such auditors;

(2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; to discuss with the auditors the nature, scope of the audit and the reporting obligations before the commencement of the audit;

(3) to be responsible for communication function in respect of internal and external audit;

(4) to develop and implement policies on engaging an external auditor to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(5) to monitor integrity of the financial statements and annual reports and accounts, half-year report and quarterly report, review significant financial reporting judgments contained in them, understand their development and make recommendations or reports to the Board;

(6) in respect to the preceding paragraph, to (1) members of the committee should liaise with the Board and senior management and the committee must meet, at least twice a year, with the Company's auditors ; (2) the committee should consider any significant or unusual matters that are, or may need to be reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's accounting and financial staff, internal audit personnel or auditors;

(7) to review the Company's financial controls, internal control and risk management systems and audit the Company's major connected transactions;

(8) to discuss the internal control system with management to ensure that the management has performed its duty to have an effective internal control systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions;

(9) to consider major investigation findings on internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(10) to review the Company's financial and accounting policies and practices;

(11) to review the External Auditor's Management Letter, any material enquiries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(12) to ensure that the Board will provide a timely response to the issues raised in the External Auditor's Management Letter;

(IX) Corporate Governance Report *(Continued)*

9. Audit Committee *(Continued)*

(13) to establish a whistleblowing policy and system for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company;

(14) to review the arrangement that employees can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangement are in place for fair and independent investigation of these matters and for appropriate follow-up actions;

(15) to act as the Company's key representative body for overseeing the Company's relation with the external auditors.

For details of the work of the Audit Committee 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 during the reporting period, please refer to the Brief notes on general meetings in this annual report.

The convening, holding and voting procedures of the Company's general meetings are implemented in strict compliance with relevant laws, the Articles of Association and the Rules of Procedures of General Meetings of the Company. The Company ensures equal rights of all shareholders, especially minority shareholders and warrants all shareholders can fully exercise their rights on a pro rata basis. 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.

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 for 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, accurate and complete view of the operating position 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 2010 Annual General Meeting of the Company

The Company held its 2010 Annual General Meeting (the "AGM") on 7 June 2011. A total of 2 shareholders and proxies attended the AGM. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) the working report of the Board of the Company for the year 2010;

(2) the working report of the supervisory committee of the Company for the year 2010;

(3) the audited financial report of the Company for the year 2010;

(4) the profit distribution plan of the Company for the year 2010;

The "Proposal in relation to amendments to certain articles of the Articles of Association" was considered and passed by way of special resolution at the AGM.

The announcement of the resolutions passed at the AGM was published on China Securities Journal and Shanghai Securities News on 8 June 2011.

2. The First Extraordinary General Meeting 2011 of the Company

The Company held its First Extraordinary General Meeting (the "EGM") 2011 on 21 March 2011. It was attended by 3 shareholder and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve and confirm the land transfer 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 Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Agreement they may in their discretion consider to be desirable and in the interests of the Company, and all the Directors' acts as aforesaid.

The announcement of the resolutions passed at the first EGM was published on China Securities Journal and Shanghai Securities News on 22 March 2011.

3. The Second EGM 2011 of the Company

The Company held its Second EGM 2011 on 20 July 2011. It was attended by 2 shareholders and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve and confirm the framework agreement between the Company and Huayi Glass in relation to purchase and sale of super-thin glass, the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof, and the Revised 2011 Annual Cap;

(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 framework agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the framework agreement they may in their discretion consider to be desirable and in the interests of the Company, and all the Directors' acts as aforesaid;

(3) To approve the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2011 respectively and authorization to the Board for determining their remunerations.

The announcement of the resolutions passed at the second EGM was published on China Securities Journal and Shanghai Securities News on 21 July 2011.

4. The Third EGM 2011 of the Company

The Company held its third EGM 2011 on 28 December 2011. It was attended by 3 shareholders and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

(1) To approve and confirm the Product Sale Framework Agreement between the Company and CLFG, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(2) To approve and confirm the Composite Services Agreement between the Company and CLFG, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(3) To approve and confirm the Equity Custodian Agreement between the Company and CLFG, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(4) To approve and confirm the Water and Electricity Framework Agreement between the Company and CLFG, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(5) To approve and confirm the Composite Services Agreement between CLFG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(6) To approve and confirm the Raw Materials Sale Framework Agreement between CLFG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(7) To approve and confirm the Engineering Technical Services Framework Agreement between CLFG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(8) To approve and confirm the Engineering Technical Services Framework Agreement between CNBMG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

Brief Notes on General Meetings

4. The Third EGM 2011 of the Company *(Continued)*

(9) To approve and confirm the Engineering Materials Sale Framework Agreement between CNBMG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(10) To approve and confirm the Raw Materials Sale Framework Agreement between the Company and CLFG, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(11) To approve and confirm the Product Sale Framework Agreement between CLFG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(12) To approve and confirm the Ultra-thin Glass Sale Framework Agreement between the Company and Huayi Glass, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(13) To approve and confirm the Financial Services Framework Agreement between CNBMG and the Company, the terms and conditions thereof, its proposed New Caps, the transaction contemplated thereunder and the implementation thereof;

(14) 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 authorize signing, executing, perfecting and delivering all such documents and deeds, to do or authorize 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 Product Sale Framework Agreement, Composite Services Agreement, Equity Custodian Agreement, Water and Electricity Framework Agreement, CLFG Composite Services Agreement, CLFG Raw Materials Sale Framework Agreement, CLFG Engineering Technical Services Framework Agreement, CNBMG Engineering Technical Services Framework Agreement, CNBMG Engineering Materials Sale Framework Agreement, Raw Materials Sale Framework Agreement, CLFG Product Sale Framework Agreement, Huayi Glass Product Sale Framework Agreement, and CNBMG Financial Services Framework Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the New CCT Agreements that may in their discretion consider to be desirable and in the interest of the Company and all the Directors' acts as aforesaid.

The announcement of the resolutions passed at the third EGM was published on China Securities Journal and Shanghai Securities News on 29 December 2011.

Management Discussion and Analysis

(I) Business Review

1. The Company's position in the industry and its major products

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 the glass industry in the PRC. The Company is mainly engaged in the manufacturing and sales of float sheet glass. Capable of producing 0.50mm-25mm colorless and tinted float glass, the Company currently holds a leading position in terms of the production technology of ultra-thin as well as ultra-thin and ultra-white glass.

2. Overall operation of the Company during the reporting period

In 2011, closely centred on its annual targets, the Company managed to explore its internal potentials through proactive planning and lean management, captured favorable business opportunities by putting more efforts in both ends of the industry chain, strengthened process and technology management for stable output, higher quality and lower energy consumption, and accelerated disposal of idle assets to maximize its income sources. Meanwhile, the Company reinforced internal control, operated in compliance with relevant regulations and cemented the foundation for development so as to enhance its risk resistance capability. By integrating human resources, the Company further optimized its organizational structure. In 2011, the Company managed to ensure steady and orderly production and operation, and further maintained its profitability. On 19 April, the Company successfully removed the "ST" label on its A shares, reinventing the corporate image and laying a favorable foundation for its future growth.

Under the PRC GAAP, the operating revenue of the Group for 2011 was RMB920,942,900, representing a decrease of RMB247,538,700 from the corresponding period of last year. Profit before tax amounted to RMB2,931,600, representing a decrease of RMB70,052,900 from the corresponding period of last year. Net profit attributable to shareholders of the listed company was RMB12,334,600, representing a decrease of RMB48,453,200 from the corresponding period of last year. Basic earmings per share attributable to the shareholders of the listed company was RMB0.0247.

Under IFRSs, the operating revenue of the Group for 2011 was RMB917,308,000, representing a decrease of RMB249,736,000 from the corresponding period of last year. Profit before tax amounted to RMB29,056,000, representing a decrease of RMB45,160,000 from the corresponding period of last year. Net profit attributable to shareholders of the listed company was RMB38,459,000, representing a decrease of RMB23,488,000 from the corresponding period of last year. Basic earning per share attributable to the shareholders of the listed company was RMB0.08.

In 2011, major measures taken by the Company include:

Report of the Directors

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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

(1) Adjusting product mix and advancing technological innovation by adopting a market-oriented approach

Firstly, by stepping up efforts for breakthroughs in the ultra-thin glass production technology and in the promotion and application of technological achievements, the Company fully exerted the technological and market advantages of its ultra-thin products, widened product series and continuously boosted product quality to shorten the gap with imported products. Meanwhile, by firmly seizing the opportunity of strong demands for ultra-thin glass in the first half of 2011 and giving the top priority to the economic benefit, the Company reinforced production and sales of products with high gross margin, duly raised sales prices and secured robust production and sales of its ultra-thin glass. Currently, the Company's ultra-thin glass products have gained high market awareness in the PRC and won universal recognition of customers in terms of product supply, quality and after-sales service. At present, the Company's 0.5mm-1.3mm series ultra-thin products have secured relatively large market share in China, with its ultra-thin production technology further enhanced. Two technological achievements of the Company, i.e. Reasonable Control of 0.55㎜ Technological Parameters for Higher Gross Yield Rate（《合理控制0.55㎜工藝參數、提高總成品率》）and Development of 0.8㎜ and 0.9㎜ Ultra-thin Electronic Float Glass（《0.8㎜和0.9㎜電子用超薄浮法玻璃的開發》）were granted the first prize respectively in the technological renovation category and the technological development category in the 2011 "Zoomlion Cup" Technological Innovation Award Competition of the Building Material Industry in Henan Province. In 2011, the production and sales volume and sales price of the 0.50-1.1mm premium ultra-thin float glass of Longhai Glass posted record highs, which warranted the profit of the Company.

Secondly, the Company leveraged the advantage of its stained glass products, implemented differentiated product tactics and reduced losses.

(2) Accelerating disposal of idle assets to create economic benefit for the Company.

In order to accelerate disposal of and liquidation of idle assets, the Company set up an asset disposal leading group, and formulated the Disposal Scheme for Idle Assets of Luoyang Glass Company Limited. The Company also engaged competent and experienced tendering and auction companies to dispose of its idle assets through public tenders or auctions, and stepped up monitoring of the entire process to ensure the openness and transparency of every asset disposal and maximization of gains on such disposal. As at the end of 2011, the Company has organized tenders or auctions for a total of 15 subject assets and realized gains of over RMB17 million on such disposals.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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

(3) Strengthening internal control and improving the internal control prevention system.

Pursuant to the provisions of the "Notice on Printing and Issuing the Relevant Guidelines on Internal Control of Enterprises (State Cai Kuai [2010] No. 11)（國家財會[2010]11號《關於印發企業內部控制配套指引的通知》）and the requirements of the Notice on the Relevant Work Concerning Internal Control Standards Pilot Program Among Listed Companies in the Jurisdiction (CSRC Henan Branch Document No. 51)（中國證監會河南監管局第51號文《關於做好轄區上市公司內部控制規範試點有關工作的通知》）, the Company set up a leading group and a general office to take charge of internal control system standardization and implementation, appointed the agency Zhongjing Ruixin（中京睿信）to provide relevant training and tutoring to the Company, and stipulated detailed implementation plan. Furthermore, in line with the internal control principle of legitimacy, full-roundness, importance, validity, balance, accommodation, and cost effectiveness and to put in place effective internal control measures at each step of all business segments, the Company, aimed at risk analysis and control, established an internal control system and internal control manuals with effective control over 325 risk points comprising 125 management systems, 23 business processes and 20 risk control matrixes. Through such efforts, the Company exercised control over various key components of its operation and management such as financial management, connected transactions, external guarantees, major investments and information disclosure, which can ensure healthy operation of the Company's various business segments, control over operational risks, and the effectiveness of its internal control system, and complies with relevant laws, regulations and the requirements of securities regulatory authorities. Meanwhile, the agency has issued its audit opinion on the Company's internal control, being of opinion that the Company has maintained effective internal control of financial reports in all material aspects in compliance with the Basic Standards for Enterprise Internal Control and other relevant provisions.

(4) Stepping up consolidation of mineral resources and reducing management hierarchies

In order to cater for its future development, in August 2011, the Company acquired the 51% equity interests in Dengfeng CLFG Silicon Company Limited ("Dengfeng Silcon") held by Longhai Glass and the 16% equity interests in Dengfeng Silicon held by Dengfeng Guo'an. Meanwhile, the Company controlled 67% equity interests in Dengfeng Silicon by increasing capital in the latter while Dengfeng Silicon was turned into a tier-2 company from the original tier-3 one, thus reducing management hierarchies.

Report of the Directors

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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

(5) Further implementing lean management and solidifying management foundation.

1) By virtue of the "Do a good job" campaign, the Company further implemented lean management in all aspects ranging from business process, technological process, to specific posts and working procedures, and promoted dedication to every task.

2) Deepening benchmarking management. By means of monthly benchmarking meetings, the Company analyzed fulfillment of various indicators by itself and its subsidiaries, put them in ranking based on such fulfillment result and urged them to sum up lessons, locate weaknesses and work out countermeasures so as to promote continued improvement of production, operation and management.

3) Achieving concrete results in informationized management. The Company enhanced its financial information management level and capital operation efficiency by upgrading its financial software and setting up the financial information management and capital management platform in 2011.

4) Lowering costs by taking various measures concurrently.

Firstly, the Company adopted replacement of raw materials and fuel to reduce manufacturing costs. Amid the technological renovation for ultra-white and ultra-thin glass products of Longmen Glass, the Company improved the combustion system and effectively lowered fuel costs by replacing heavy fuel oil and part of dense soda ash respectively with coal bed methane and smaller particles of dense soda ash.

Secondly, the Company cut procurement costs and stabilized the quality of raw materials and fuel. By virtue of CBM Glass's centralized procurement platform, the Company broadened procurement channels, raised the direct procurement percentage of raw materials and fuel, reduced procurement costs, as well as short-distance logistics cost and packaging charge by purchasing bulk stone materials.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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

(6) Intensifying safety management and vigorously facilitating energy conservation and emission reduction.

1) Implementing safe production objectives management. The Company put forth the "000320" control objective (i.e. zero heavy casualty accident, zero occupational death accident, serious injury accident rate≤0.03%, and injury rate per 1000 people≤0.2%), divide up indicators among all immediate entities (including tier-2 companies) based on the Company's general control objectives and executed objectives management. The head of each entity, as the chief responsible person thereof, entered into the Safe Production Accountability Contract with the Company, and each accountable entity split safety objectives further among workshops and even individual employees to determine safety accountability by level.

2) Stepping up environmental protection governance and promoting energy conservation and emission reduction.

In strict compliance with the requirements of relevant governmental departments, the Company relentlessly carried out environmental protection rectifications, issued the plan for advancing environmental protection to all its subsidiaries with rectification requirements, completion timeline and responsible chiefs specified, intensified supervision and monitoring by disclosing task completion results on a monthly basis, and actively communicated and coordinated with provincial and municipal environmental protection authorities for support and assistance.

(7) Steadily pressing ahead with staffing streamlining

In accordance with the "Placement 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》), and based on actual conditions of the Company, the Company formulated the 2011 Plan of Luoyang Glass Company Limited for Employees Placement and Employment Through Competition (《洛陽玻璃股份有限公司2011年職工安置及競爭上崗方案》) for appropriate placement of surplus staff, and implemented employment through competition company-wide in March 2011.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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.

3. Principal operations and operational status

Statement of the principal operations by products

By industry or products	Revenue from principal operations *(RMB)*	Cost of principal operations *(RMB)*	Gross profit *(%)*	Increase/ decrease of revenue from principal operations as compared with last year *(%)*	Increase/ decrease of cost from principal operations as compared with last year *(%)*	Increase/ decrease of gross profit as compared with last year *(%)*
Float glass	798,550,288.57	729,614,641.01	8.63	-15.75	-2.29	-12.59
Silica sand	26,924,288.84	13,487,454.61	49.91	-5.73	-2.46	-1.68

Principal operations by regions

Regions	Revenue from principal operations *(RMB)*	Increase/decrease of revenue from principal operations as compared with last year *(%)*
PRC	813,227,895.78	-15.45
Exports	12,246,681.33	-15.81

Top 5 suppliers and top 5 customers

Top 5 suppliers

Total purchase from top 5 suppliers *(RMB)*	154,044,437.63	Percentage in total purchase	23.21%

Top 5 customers

Total sales to the top 5 customers *(RMB)*	264,557,366.54	Percentage in total sales	28.73%

Save as disclosed above, none of the Company's Directors, 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.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

4. Explanation for substantial year-on-year changes during the Reporting Period in the composition of assets

(1) Bank balance and cash increased by 75.77% year on year, mainly due to rise in cash driven by the RMB110 million of consideration received for transfer of land during the period;

(2) Notes receivable decreased by 28.44% year on year, mainly due to decline in both sales volume and selling prices of products during the period;

(3) Accounts receivable increased by 83.94% year on year, mainly due to more receivables from Longxin Glass for provision of materials

(4) Prepayments decreased by 71.29% year on year, mainly due to decrease in prepayments for materials as a result of contracted production capacity during the period;

(5) Other receivables increased by 82.41% year on year, which is mainly because part of the consideration for transfer of land was not recovered during the period;

(6) Construction in progress decreased by 84.17% year on year, mainly due to the reclassification of the completed constructions as the fixed assets during the period;

(7) Intangible assets decreased by 32.64% year on year, mainly due to decrease in lands upon transfer of land during the period;

(8) Short-term borrowings increased by 25.09% year on year, mainly due to increase in entrusted loans from CLFG;

(9) Notes payable increased by 84.46% year on year, mainly due to increase in the limit of bank acceptance during the period;

(10) Receipts in advance decreased by 46.71% year on year, mainly due to decline in sales volume of products during the period;

(11) Staff remuneration payable decreased by 36.49% year on year, which is mainly because the figure for last year included the staff resettlement compensation which were payable but were not paid;

(12) Taxes payable decreased by 1280.2% year on year, mainly due to the year-on-year decrease in VAT as a result of lower prices of products during the period;

(13) Non-current liabilities due within one year increased by 10365.81% year on year, mainly due to transfer of bank loan of RMB42.08 million from long-term borrowings into the non-current liabilities due within one year;

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

5. Explanation for substantial year-on-year changes during the Reporting Period in the composition of profits

(1) Operating revenue decreased by 21.18% year on year, mainly due to decline in both sales volume and selling prices of products during the period;

(2) Administrative expenses decreased by 22.25% year on year, mainly due to the year-on-year decrease in staff resettlement allowances incurred during the period;

(3) Non-operating income increased by 32.75% year on year, mainly due to more income from transfer of land and buildings erected thereon during the period;

(4) Non-operating expenses increased by 730.13% year on year, mainly due to the retirement of smelting furnaces of subsidiaries during the period;

6. Explanation for substantial year-on-year changes during the Reporting Period in the composition of cash flows

(1) Cash received from sale of goods and rendering of services decreased by 45.70% year on year, mainly due to less sales revenue during the period;

(2) Other cash received from activities related to operation decreased by 63.87% year on year, mainly due to rise in limit of bank acceptance and drop in net recovered amount of margin deposits for notes during the period which resulted in less cash inflow;

(3) Cash paid for purchase of goods and receipt of services decreased by 64.28% year on year, mainly due to a year-on-year drop in materials payment as a result of a decline in production capacity during the period;

(4) Cash paid to and on behalf of employees decreased by 29.36% year on year, mainly due to a year-on-year drop in staff resettlement allowances and social security contribution paid during the period;

(5) Other cash paid for activities related to operation increased by 81.41% year on year, mainly due to rise in both limit of bank acceptance and net expenses for margin deposits for notes during the period which resulted in more cash outflow this year;

(6) Cash received from disposal of investment decreased by 82.86% year on year, mainly due to a decline in debts recovered from Guangzhou International Trust and Investment Corporation during the period as compared with last year;

(7) Net cash received from disposal of fixed assets, intangible assets and other long term assets increased by 6485.81% year on year, mainly due to receipt of payment for transfer of land and disposal of assets during the period;

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

6. Explanation for substantial year-on-year changes during the Reporting Period in the composition of cash flows *(Continued)*

(8) Cash paid for purchase and construction of fixed assets, intangible assets and other long term assets decreased by 75.29% year on year, mainly due to payment made by subsidiaries for construction projects and acquired land last year;

(9) Cash received from investments increased by 223.53% year on year, mainly due to the capital increase in Dengfeng Silicon by its other shareholders;

(10) Proceeds from loans decreased by 87.06% year on year, mainly due to the renewal of part of the bank loans after repayment last year and the cessation of use of cash for circulation for bank loans included in the debt reduction program during the period;

(11) Cash used for payment of loans decreased by 79.99% year on year, mainly due to the renewal of part of the bank loans after repayment last year and the cessation of use of cash for circulation for bank loans included in the debt reduction program during the Period;

(12) Cash paid for dividends, profit, or interest payments decreased by 74.01% year on year, mainly due to a decline in interest expenses as a result of drop in entrusted loan, and exemption of interest by financial institutions under the debt reduction program during the period.

7. Change in equipment and principal technicians of the Company

During the reporting period, three production lines of the Company stopped production due to extended service. Currently, the Company is assessing the technical renovation plan and makingrelevant preparation.

During the reporting period, a handful of technicians left the Company. In order to replenish its technological strength and build its talents pool for future growth, the Company is now organizing recruitment of 150 college students.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

8. 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 *(RMB)*
CLFG Longmen Glass Company Limited	Production and sales	Ultra-thin glass	20,000,000.00	252,750,658.86	-219,011,113.65	-29,872,778.65
CLFG Luoyang Longhai Electric Glass Company Limited	Production and sales	Ultra-thin glass	60,000,000.00	445,645,825.34	219,453,270.09	110,268,406.31
CLFG Luoyang Longhao Glass Company Limited	Production and sales	Float glass	50,000,000.00	213,012,493.79	-31,427,306.90	-95,706,814.80
CLFG Longfei Glass Company Limited	Production and sales	Float glass	74,080,000.00	136,346,577.01	-143,206,413.86	-104,478,180.01
CLFG Luoyang Longxiang Glass Company Limited	Production and sales	Float glass	50,000,000.00	112,367,981.82	-11,950,445.50	-36,669,273.75
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	39,893,739.76	6,070,262.03	351,247.06
Luoyang Luobo Industrial Co., Ltd.	Sales of products	Glass and raw materials and fuel	5,000,000.00	26,955,700.44	3,478,067.22	-276,683.93
CLFG Shawan Glass Co., Ltd.	Production and sales	Float glass	9,000,000.00	8,543,881.69	8,539,837.47	-178,130.67
Dengfeng CLFG Silicon Company Limited	Production and sales	Silica sand raw materials	13,000,000.00	13,853,644.03	12,227,634.03	55,697.30
Dengfeng Hongzhai Silicon Co., Ltd.	Production and sales	Silica sand raw materials	2,050,000.00	3,078,473.03	1,468,472.03	-318,926.83
Luoyang Jingxin Ceramic Co., Ltd.	Production and sales	Inner wall tile	41,945,000.00	123,491,012.67	-68,092,670.73	-4,371,597.45
CLFG Minerals Products Co., Ltd.	Production and sales	Silica sand raw materials	30,960,055.81	23,474,858.64	-17,372,239.50	-4,401,201.21

9. 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.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

10. 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

Turnover decreased as compared with the corresponding period of last year, mainly attributable to decline in both sales volume and selling prices of products during the period.

Operating expenditures

Operating expenditures decreased as compared with the corresponding period of last year, mainly due to contracted production capacity during the period.

Staff remuneration cost

Staff remuneration cost decreased as compared with the same period of last year, mainly because certain production lines of the Group have stopped production and will be relocated, pursuant to the requirements of Luoyang city's construction plan, resulting in surplus staff. According to the overall arrangement of CLFG and with reference to the employee resettlement plan of CLFG (No. 223 document of CLFG), after submitting applications and obtaining the consent of the Group, employees could negotiate with the Group over termination of their respective contracts and be provided with economic compensation on the principle of openness, justice, and equal negotiation. The resettlement plan terminated on 31 March 2011.

Depreciation, impairment and amortisation

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

Selling and administrative expenses

Selling and administrative expenses decreased as compared with same period of last year, mainly due to the year-on-year decrease in staff resettlement allowances, transportation expenses and handling charges.

Operating profit

Operating profit decreased as compared with the same period of last year, mainly due to the decline in both sales volume and selling prices of products during the period.

Net foreign exchange loss

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

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

10. 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. *(Continued)*

Net interest expenditures

Net interest expenditures decreased as compared with the corresponding period of last year, mainly due to decrease in entrusted loans and exemption from interest payment arising from the implementation of the policy of financial debt relief during the period.

Profit before taxation

Profit before taxation decreased as compared with the corresponding period of last year, mainly due to the decline in both sales volume and selling prices of products during the period.

Taxation

Taxation increased as compared with the corresponding period of last year, mainly due to the increase in income tax of CLFG Longhai Electronic Glass Co., Ltd., a subsidiary of the Company as a result of higher profit.

Net profit

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

11. Five-year financial highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2011 as prepared under IFRSs are summarised below:

Operating results

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Turnover	**917,308**	1,167,044	972,412	1,314,946	1,444,535
Share of profit of associated companies	**—**	—	1,552	5,868	2,194
Profit/(loss) before taxation	**29,056**	74,216	(170,435)	3,142	(77,658)
Taxation	**20,564**	18,356	1,781	(2,651)	3,412
Profit/(loss) after taxation	**8,492**	55,860	(172,216)	5,793	(81,070)
Profit/(loss) attributable to non-controlling interests	**(29,967)**	(6,087)	(5,991)	(48,247)	19,019
Profit/(loss) attributable to shareholders of the Company	**38,459**	61,947	(166,225)	54,040	(100,089)

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

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

Assets and liabilities

	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Fixed assets	**626,922**	671,646	792,490	923,256	1,067,166
Construction in progress	**22,134**	61,370	17,723	11,761	7,113
Interest in associates	**—**	—	1,128	120,906	116,922
Other investments	**7,410**	7,410	7,410	7,410	410
Non-current assets	**723,153**	807,433	898,540	1,185,137	1,310,212
Net current liabilities	**38,049**	50,563	883,344	949,016	1,078,274
Non-current liabilities	**611,012**	693,310	8,516	9,410	11,020
Shareholders' equity	**100,926**	63,399	2,811	197,859	143,819
Non-controlling interests	**(26,834)**	161	3,869	28,852	77,099

12. Others

Bank and other loans

Details of the bank and other loans of the Company and the Group for the year ended 31 December 2011 are set out in notes 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 2011.

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 was no land appreciation tax payable by the Company and the Group.

Reserves

Movements in the reserves of the Company and the Group for the year ended 31 December 2011 are set out in notes to the financial statements of this annual report prepared under IFRSs.

Management Discussion and Analysis *(Continued)*

(I) Business Review *(Continued)*

12. Others *(Continued)*

Accumulated losses

As at 31 December 2011, the accumulated loss of the Company was RMB862,133,000.

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.

Transactions with related parties

The material related party transactions of the Company for the year ended 31 December 2011 are set out in notes to the financial statements prepared under IFRSs.

(II) Outlook on the Company's Future Development

1. Analysis of the future situation

According to information published by NDRC, there were 21 new float glass production lines and new production capacity of 101 million boxes. In 2011, as supply outweighed demand and prices of raw materials remained high, the glass industry suffered widespread loss and a total of 25 sheet glass production lines were closed down as of December 2011. Nonetheless, the industry does not slow down its expansion drive. It is expected that additional 15 glass production lines will be put into production and new production capacity will amount to 57 million boxes in 2012. The base number for glass production capacity will still be considerable.

Demand from downstream industries:

Property industry: we are not optimistic about the demand for glass from this industry against the backdrop of the government's relentless regulation on the property market.

Auto industry: the auto industry experienced a notable slowdown in 2011 amid macroeconomic downturn and property-purchase restrictions in some cities. It is expected that demand for glass from the auto industry will remain flat from 2011 or record a slight increase.

ITO industry: in 2011, the domestic ITO glass market was riding high before it pulled back amid the European and American debt crisis and weak overseas demands, leading to the blockade of products of downstream manufacturers. In 2012, with the increase in ultra thin glass production lines in China, the Company will have to face competition and challenges in such product lines.

Considering all the above factors, there will still be a glut in the domestic glass industry in 2012, which does not bode well for the market prospect.

Management Discussion and Analysis *(Continued)*

(II) Outlook on the Company's Future Development *(Continued)*

1. Analysis of the future situation *(Continued)*

On the other hand, the government has sped up the construction of subsidized housing and introduced policies in the 12th Five-Year Plan for the glass industry about strict control of new glass production capacity, elimination of obsolete capacity, adjustment of the industrial structure, increase of industry concentration and development of high-value-added glass products. These factors are conducive to the healthy development of the glass industry. The Company's advantages in technology and brand as well as the strong support from its de facto controller will give the Company additional edges to compete in the fierce market competition.

2. Business Plan for 2012

Output of float glass: 3,266,900 boxes

Sales: 5,859,100 boxes

Operating revenue: RMB791,686,200

Cost and expenses as a proportion of the sales revenue: 99.71 %

3. Countermeasures

(1) Straighten up systems and strengthen internal control, ensure implementation and enhance management.

1) Take advantage of the internal audit to ensure the full implementation of systems, improve the risk prevention system and keep the production, operation and risk prevention under control to promote the sustainable, healthy and steady development of the Company.

2) Promote the "three standards and one system" and the safety standardized integration certification based on practical production and operation.

The system certification focuses on effectiveness and continuing improvement is important for the system operation. The Company will base the system implementation and operation management on the day-to-day production, operation and management and integrate on-hand experience to formulate and keep improving a management system covering all the important areas and major parts such as production, R&D, finance, investment, procurement, sales, environment protection and safety.

3) Strengthen benchmarking management and further reduce cost.

To strengthen benchmarking management means to identify weaknesses against the standards, come up with measures and ensure implementation so as to enhance management, which will in turn promote efficiency.

Management Discussion and Analysis (Continued)

(II) Outlook on the Company's Future Development

3. Countermeasures *(Continued)*

(1) Straighten up systems and strengthen internal control, ensure implementation and enhance management. *(Continued)*

4) Improve the informationization system to enhance management and promote management efficiency.

Based on the informationization of financial accounting and capital settlement, strengthen the integration of resources of other information systems in light of the guiding principles of information integration. Establish and perfect informationization management systems for all parts of the operation including goods entry, sale, storage, production and management. Set up gradually a sound informationized platform to improve the overall management level of the Company.

(2) Expedite the change in product mix through technological innovation to sharpen our core competitiveness.

The Company will invest more in R&D and put more effort into promotion and application of R&D achievements, concentrate technology and production resources on R&D of ultra thin glass less than 0.5mm thick and strive for a breakthrough. Success in this regard will lead to a wider application field and help improve the Company's market competitiveness and technical innovation capabilities and boost our potential for further development; at the same time, we will step up efforts for research and development of technologies for ultra-white and ultra-thin products, keep improving product quality and speed up the product commercialization.

(3) Step up marketing and tighten procurement management to gain foresight, make accurate judgment, take quick actions and seize business opportunities.

1) Keep a close eye on and exercise judgment of market conditions and grasp market trends; change the product mix at due times, adopt flexible pricing and marketing strategies; increase the sales-output ratio and strengthen payment collection efforts; improve quick reaction capability and seize business opportunities emerging in the market to make profit.

2) Make elaborate planning for the marketing of ultra-white and ultra-thin products, establish a stable customer base as soon as possible, build a market image as a premium ultra-white and ultra-thin products producer, keep increasing the sales-output ratio and generate more profit.

3) Continue to implement the bidding procedure for procurement, increase the proportion of goods bought directly from manufacturers to reduce the procurement cost; improve the quality of raw material procurement, maintain reasonable inventory of raw materials to ensure the long-term stability of production.

Management Discussion and Analysis (Continued)

(II) Outlook on the Company's Future Development

3. Countermeasures *(Continued)*

(4) Press ahead with projects development.

Pay attention to and understand market demand to identify new development opportunities; conduct vigorous research and development for new projects in line with the industry development trend and change the product mix as soon as possible.

(5) Continue to handle asset disposal and reuse idle assets.

(6) Perfect the remuneration system, step up efforts for talents development and build outstanding teams.

1) Place emphasis on staff development and backup; embrace the idea of "make the enterprises stronger and more successful leveraging on talents"; keep improving the skills and comprehensive quality of our staff by providing training and other learning programs. We intend to recruit around 150 undergraduates this year to supply sustained and strong human resources for the long-term development of the Company.

2) Adhere to the principle of growth of staff's income and the Company's profit in tandem, establish a scientific mechanism for reasonable increase of staff's remuneration income, further improve remuneration system, and leverage the incentive and restrictive functions of the remuneration system.

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 Company 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: the Ministry of Industry and Information Technology emphasized in the 12th Five-Year Plan for sheet glass the shift of the growth mode from "increasing quantity and boosting scale" during the 11th Five-Year Plan period to "improving quality and enhancing efficiency" during 12th Five-Year Plan period. And the objectives and missions are: strict control on new glass production capacity, elimination of backward capacity, marked improvement of the industrial structure, increased industry concentration, higher rate of intensive glass processing, more high-value-added glass products including display substrate glass, photovoltaic glass, coated glass, fireproofing substrate glass. These are favorable policies beneficial to the Company's development and without risks.

(2) Market or business risks: the State's resolute property tightening, continual decline of the property market activities and the slowdown of the auto industry will weigh on the overall demand from the glass industry. Meanwhile, taking account of the existing huge production capacity, it will be difficult to reverse the oversupply situation in 2012.

(3) Financial Risks: there exist some financial risks due to rise in raw material prices and labor costs and decline in sale prices of products. In order to reduce such risks, the Company will cut down product costs and improve efficiency by taking various measures such as technological upgrade, change in product mix and expansion into new product markets.

Management Discussion and Analysis (Continued)

(II) Outlook on the Company's Future Development

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

(4) Exchange rate risks: As the amount of foreign exchange transactions of the Group was insignificant, exchange rate fluctuations would not have material impact on the Group.

(5) Technological risks: The Company is not exposed to technological risks as our core products are high quality products independently developed with indigenous intellectual property, and the technology and quality of ultra-white and ultra-thin glass, in particular, are leading in China.

(III) Daily Work of the Board

1. Board meetings held and the resolutions passed:

(1) The Company held the 19th meeting of the sixth Board on 31 January 2011, at which the resolution in relation to disposal of land use rights of a 264.41mu land and the buildings and ancillary structure was considered and approved.

The announcement of the resolution was published on China Securities Journal and Shanghai Securities News on 1 February 2011.

(2) The Company held the 20th meeting of the sixth Board on 11 March 2011, at which the resolution in relation to authorization to the management to deal with matters regarding the disposal of the original No. 2 float glass production line was considered and approved.

The announcement of the resolution was published on China Securities Journal and Shanghai Securities News on 14 March 2011.

(3) The Company held the 21st meeting of the sixth Board on 28 March 2011, at which the following resolutions were considered and approved:

The working report of the Board of the Company for the year 2010; the working report of the general manager of the Company for the year 2010; the final accounts report of the Company for the year 2010; the 2010 annual report of the Company and its summary; the financial budget report of the Company for the year 2011; the Company's profit distribution plan for the year 2010; the Company's Self-assessment Report on Internal Control for the year 2010; the implementation proposal on internal control standards of the Company; the Social Responsibility Report of the Company for the year 2010; the Report on Continuing Connected Transactions of the Company for the year 2010; the proposal for amendments to certain articles of the Articles of Association of the Company; the proposal for cancellation of "other special treatment" on trading of shares of the Company; the explanations on retrospective adjustment matters of the Company for 2010; the proposal for the convening of the 2010 Annual General Meeting; the intention of the Company to invest and construct a 500t/d ultra-white solar glass production line; the intention of the Company to invest and construct a 600t/d on-line Low-E coating glass production line project.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 29 March 2011.

Management Discussion and Analysis *(Continued)*

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

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

(4) The Company held the 22nd meeting of the sixth Board on 27 April 2011, at which the First Quarterly Report 2011 of the Company and the Work Rules for Secretary to the Board of Luoyang Glass Company Limited were considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 28 April 2011.

(5) The Company held the 23rd meeting of the sixth Board on 13 May 2011, at which the resolution in relation to the Master Agreement on ultra-thin glass purchase and sales with Huayi Glass, and the disposal result of the original No. 2 float glass production line were considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 16 May 2011.

(6) The Company held the 24th meeting of the sixth Board on 26 May 2011, at which the resolution in relation to reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the Company's domestic and international auditors for the year 2011 was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 27 May 2011.

(7) The Company held the 25th meeting of the sixth Board on 8 June 2011, at which the resolution in relation to authorization to the management to dispose of the assets of the original No. 3 float glass production line was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 9 June 2011.

(8) The Company held the 26th meeting of the sixth Board on 4 July 2011, at which the resolution in relation to the disposal result of the original No. 3 float glass production line was considered and approved.

(9) The Company held the 27th meeting of the sixth Board on 6 July 2011, at which the resolution in relation to the Plan of Luoyang Glass Company Limited for Insider Trading Prevention and Control (《洛陽玻璃股份有限公司內幕交易防控方案》) was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 7 July 2011.

(10) The Company held the 28th meeting of the sixth Board on 21 July 2011, at which the resolution in relation to the shutdown of Longfei Glass production line and adjustment to product mix was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 22 July 2011.

Management Discussion and Analysis *(Continued)*

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

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

(11) The Company held the 29th meeting of the sixth Board on 29 August 2011, at which the following resolutions were considered and approved:

The 2011 interim report of the Company and its summary; the resolution in relation to the acquisition and merger of the equity interests in Dengfeng Silicon and Dengfeng Hongzhai Silicon Co., Ltd.; the resolution in relation to the pledge of lands and properties by Longhai for a credit facility of RMB30 million from a financial institution.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 30 August 2011.

(12) The Company held the 30th meeting of the sixth Board on 1 September 2011, at which the resolution in relation to the Agency Payment Agreement (《代付資金協議書》) was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 2 September 2011.

(13) The Company held the 31st meeting of the sixth Board on 18 October 2011, at which the resolution in relation to the 13 CCT Framework Agreements entered into respectively between the Company, CLFG, CNBMG and Huayi Glass was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 19 October 2011.

(14) The Company held the 32nd meeting of the sixth Board on 26 October 2011, at which the Third Quarterly Report 2011 of the Company was considered and approved.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 27 October 2011.

(15) The Company held the 33rd meeting of the sixth Board on 28 November 2011, at which the resolution in relation to the Materials Purchase and Sale Framework Agreement and the Materials Sale Agreement entered into between the Company and Longxin Glass and CLFG Mineral Company Limited respectively.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 29 November 2011.

(16) The Company held the 34th meeting of the sixth Board on 1 December 2011, at which the Insiders Registration Management System for Insider Information of Luoyang Glass Company Limited, and the resolution in relation to authorization to the management to dispose at their full discretion of the assets of the original No.1 float glass production line.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 2 December 2011.

Management Discussion and Analysis *(Continued)*

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

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

(17) The Company held the 35th meeting of the sixth Board on 23 December 2011, at which the following resolutions were considered and approved:

The Agency Payment Agreement entered into between the Company and CBM Glass; the resolution in relation to proposed participation by Longmen Glass (a wholly-owned subsidiary of the Company) in an public auction for the assets of CLFG Longmen Fibre reinforced Plastic Company Limited under bankruptcy liquidation; the resolution in relation to cancellation of CLFG Shawan Glass Co., Ltd.

The announcement of the resolutions was published on China Securities Journal and Shanghai Securities News on 26 December 2011.

Please refer to the Corporate Governance part for details of attendance of each of the Directors.

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

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

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

(1) 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 departments and personnel, etc. Seven meetings were held by the Audit Committee altogether to perform audit on four regular reports, examine the improvement and implementation of the Company's internal control system, during the reporting period. In particular, during the process of completing 2010 annual report, the Audit Committee performed the following duties in accordance with the document issued by the CSRC, the Notice of the Shanghai Stock Exchange on Proper Preparation of Annual Reports and "Rule No.15 on Information Disclosure and Financial Records of Companies Publicly Issuing Securities - General Provisions on Financial Reports":

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;

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;

Management Discussion and Analysis *(Continued)*

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

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

(1) Audit Committee (Continued)

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 2010 annual report truly, accurately and comprehensively reflects the financial and operating conditions of the Company and shareholders' equity interest.

Attendance of individual members at Audit Committee meetings in 2011

Number of meetings 7

Name	Attendance	Attendance by proxy
Huang Ping	7	0
Guo Aimin	7	0
Dong Jiachun	7	0

(2) Remuneration and Review Committee

The Remuneration and Review Committee of the Company convened one special meeting during the reporting period for examining the remuneration for Directors, supervisors and senior management as disclosed in the annual report, advising on the Company's remuneration policy based on the principle of combination of responsibilities, powers and rights as well as the reality of the Company.

Attendance of individual members at Remuneration and Review Committee meetings in 2011

Number of meetings 1

Name	Attendance	Attendance by proxy
Dong Jiachun	1	0
Zhao Yuanxiang	1	0
Zhang Zhanying	1	0

Management Discussion and Analysis *(Continued)*

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

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

(3) Nomination Committee

The Nomination Committee carefully performed its duties during the reporting period and convened one special meeting, at which the committee gave professional opinions on by-election of supervisors.

Attendance of individual members at Nomination Committee meetings in 2011

Number of meetings 1

Name	Attendance	Attendance by proxy
Song Jianming	1	0
Guo Aimin	1	0
Huang Ping	1	0

(4) Strategic Committee

The Strategic Committee of the Company held two special meetings during the reporting period: at which 1) the proposal on disposal of the Company's remaining lands was considered; it was recommended that the Company, by leveraging the opportunity of relocation, adjust product mix, boost overall competitiveness and build a brand-new enterprise; 2) the proposal on proposed acquisition and merger by the Company of equity interests in Dengfeng Silicon and Dengfeng Hongzhai Silicon Co., Ltd. was considered; it was of the opinion that the equity consolidation by the Company of the two subject companies was conducive to the Company's control of mining resources, of great significance to the Company's strategic development, and should be implemented as soon as possible.

Attendance of individual members at Strategic Committee meetings in 2011

Number of meetings 2

Name	Attendance	Attendance by proxy
Song Jianming	2	0
Zhang Zhanying	2	0
Ni Zhisen	2	0
Zhao Yuanxiang	2	0
Zhang Chengong	2	0

Management Discussion and Analysis *(Continued)*

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

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

(5) Compliance Committee

The Compliance Committee of the Company carefully performed its duties during the reporting period and convened three special meetings: for discussing the compliant operation of significant events, including the connected transaction in respect of sicilon sand purchase and sale between Yinan Mineral Products Co., Ltd. and Henan Zhonglian Glass Co., Ltd. ("Zhonglian Glass"), the continuing connected transaction between the Company and Huayi Glass, and waiver from approval of continuing connected transactions of the Company in the next three years (2012-2014), and major connected transactions, and putting forth compliance recommendations to ensure compliant and legitimate operation of the Company.

Attendance of individual members at Compliance Committee meetings in 2011

Number of meetings 3

Name	Attendance	Attendance by proxy
Guo Aimin	3	0
Guo Yimin	3	0
Lo Wai Keung, Eric	3	0
Ip Pui Sum	3	0

4. 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 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.

The Board has assessed relevant internal controls over the financial report in accordance with the requirements of the Basic Standards for Enterprise Internal Control, and considered such assessment was valid as at 31 December 2011 (reference date).

Management Discussion and Analysis *(Continued)*

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

5. Establishment and improvement of the Company's Management System for Outside Information Users

The Company formulated and issued the Insiders Registration Management System for Insider Information of Luoyang Glass Company Limited, which explicitly provided that: where outside information using entities request the submission of annual statistic statements, financial statements and etc. with no legal or regulatory basis, the Company shall reject such requests. Where submission is required by laws and regulations, relevant outside information users shall be registered as insiders for future reference, and reminded in writing of their confidentiality obligations. Relevant agencies, upon appointment, shall fill up the Company's archive of insiders and sign the confidentiality agreement.

6. Establishment and improvement of the Company's Insiders Management System for Inside Information and its implementation

In October 2009, the Company formulated and issued the Insiders Filing Management system for Inside Information. In 2011, in accordance with relevant requirements of the CSRC and its Henan Branch, the Company successively formulated the Plan for Prevention and Control of Insider Trading, revised, improved and formed the Insiders Registration Management System for Insider Information, and put into effect upon consideration and approval of the Board.

During the reporting period, the Company strictly implemented relevant management systems, and conducted registration management of insiders. Through self-examination, the Company found no cases in which insiders used insider information to deal in the Company's shares before disclosure of material sensitive information that may impact the Company's share prices.

7. Significant environmental protection or other major social security issues of the Company

During the reporting period, the Company had no significant environmental protection or other major social security issues.

(IV) Formulation and implementation of cash dividend policies

The profit distribution policy of the Company is:

(1) Provide shareholders with reasonable investment returns on the condition of ensuring the Company's normal operation and long-term development;

(2) Dividend may be distributed by means of cash or stock. The profit distributed in cash cumulatively in the last three years shall be not less than 30% of the average annual distributable profit realized in the last three years. Profit distribution policy shall maintain continuity and stability.

Management Discussion and Analysis *(Continued)*

(V) Profit Distribution Plan or Proposal for Transfer of Capital Reserve for 2011

Under the IFRSs, the net profit of the Company attributable to shareholders of the listed company for 2011 was RMB38.46 million, plus the accumulated loss of RMB900.59 million at the beginning of the year, accumulative loss amounted to RMB862.13 million at the end of the year. Therefore, the Company will not distribute profit for 2011 or transfer capital reserve to the share capital.

Under the PRC GAAP, the net profit of the Company attributable to shareholders of the listed company for 2011 was RMB12.33 million, plus the accumulated loss of RMB1,294.34 million at the beginning of the year, accumulative loss amounted to RMB1,282.01 million at the end of the year. Therefore, the Company will not distribute profit for 2011 or transfer capital reserve to the share capital.

(VI) The Reason for No Profit Distribution in Cash Despite Profitability during the Reporting Period

Though the Company posted profit during the reporting period, losses for the previous years still cannot be made up. The Articles of Association clearly provide that "The Company shall not distribute profit to shareholders before making up loss and drawing statutory reserve fund and statutory common welfare fund", therefore, no profit would be distributed, and no capital reserve be transferred to share capital for 2011.

(VII) Dividend Distribution or Transfer of Capital Reserve and Bonus of the Company in the Last Three Years

Year of bonus	Bonus share per 10 shares *(share)*	Dividend per 10 shares *RMB*	Transfer of capital reserve per 10 shares *(share)*	Cash bonus (tax inclusive)	Net profit attributable to shareholders of the Company in consolidated statements in the year of bonus *RMB*	Percentage of net profit attributable to shareholders of the Company in consolidated statements *(%)*
2008	0	0	0	0	23,469,642.64	0
2009	0	0	0	0	–141,822,269.14	0
2010	0	0	0	0	60,787,804.31	0

Management Discussion and Analysis *(Continued)*

(VIII) Others

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 reporting 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 of Hong Kong Limited 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 Hong Kong Stock Exchange.

The Board of Directors
Luoyang Glass Company Limited
Chairman
Song Jianming

27 March 2012

Report of the Supervisory Committee

(I) Work of the Supervisory Committee

1. The Supervisory Committee of the Company held the 2011 first meeting on 28 March 2011, at which the 2010 Work Report of the Supervisory Committee, the 2010 Annual Report and its summary were considered and approved.

2. The Supervisory Committee of the Company held the 2011 second meeting on 27 April 2011, at which the First Quarterly Report for 2011 was reviewed and analysed.

3. The Supervisory Committee of the Company held the 2011 third meeting on 27 August 2011, at which the 2011 Interim Report and its summary were reviewed and analysed.

4. The Supervisory Committee of the Company held the 2011 fourth meeting on 26 October 2010, at which the Third Quarterly Report for 2011 was reviewed and analysed.

The Supervisory Committee attended the Board meetings and general meetings as non-voting participants and exercised effective supervision over the legitimacy of such meetings and assurance of shareholders' rights and interests.

(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. Review opinions of the Supervisory Committee on the Company's financial status

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

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

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

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

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

During the reporting period, the transaction considerations for assets acquisition and disposal of the Company were reasonable. No insider 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 and shareholders.

6. Opinions of the Supervisory Committee on self-assessment report on internal control

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.

Significant Events

(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)*	Source of shares
Yanshi Credit and Cooperatives (偃師市信用合作聯社)	410,000	0.16	410,000	—	Original Investment
Sanmenxia Urban Credit and Cooperatives (三門峽市城市信用合作社)	7,000,000	2.92	7,000,000	—	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 disposed of	Date of disposal	Price of the asset disposal	Profit/loss incurred by the disposal	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred	Connected relations
Luoyang Land Reserves Coordination Centre	Land and structures erected thereon	31 January 2011	177,900,000	61,534,321.97	No	Yes	Yes	
Henan Shenhe Industrial Group Co., Ltd. (河南神和實業集團有限公司)	No. 2 production line and ancillary equipment	13 May 2011	9,000,000	-1,572,255.85	No	Yes	Yes	
Zhengzhou Huibao New Materials Co., Ltd. (鄭州匯寶新材料有限公司)	No. 2 refractory materials	13 May 2011	4,000,000	4,000,000	No	Yes	Yes	
Xingtai Tianfeng Zhihe Renewable Resources Recycling Co., Ltd. (邢臺天峰治合再生資源回收有限公司)	No. 3 machinery equipment	4 July 2011	6,760,000	6,089,523.05	No	Yes	Yes	
Blast Branch of Luoyang Construction Engineering Group Co., Ltd (洛陽建工集團有限公司爆破分公司)	No. 3 furnace scrap refractory bricks	11 February 2011	1,950,000	1,620,594.52	No	Yes	Yes	
Longxin Glass	Refractory materials, accessory materials, bulk raw materials, glass cullet, materials for hot repair, etc.	December 2011	11,280,559.05	335,215.54	Yes, market price	Yes	Yes	Subsidiary controlled by the parent company
CLFG Mineral Company Limited	Idle machinery equipment, electronic components, steel rails and other materials	December 2011	1,142,647.79	—	Yes, book value	Yes	Yes	Subsidiary controlled by the parent company

(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 contributed to the Company from the date of acquisition to the end of the year	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	Connected relations
Dengfeng Guo'an Silicon Co., Ltd.	16% equity interest in Dengfeng CLFG Silicon Company Limited	August 2011	1,260,000.00	-18,480.39	No	Yes	Yes	
Longxin Glass	Zircon bricks, zirconium steel brickes, certain fixed assets	December 2011	246658.5	—	Yes, book value	Yes	Yes	Subsidiary controlled by the parent company

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

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

(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 products to related parties		Provision of services to related parties		Purchase of products from related parties		Receiving services from related parties	
	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*	Amount of transactions	Percentage to similar type of transactions in terms of amount *(%)*
Longxin Glass	—	—	—	—	143,016,605.67	19.25	—	—
China Luoyang Float Glass (Group) Company Limited	—	—	—	—	4,177,789.58	0.56	—	—
Longxin Glass	—	—	—	—	231,119.26	100.00	—	—
Luoyang Xinxing Property Management Co., Ltd. (洛陽新興物業管理有限公司)	—	—	—	—	—	—	2,350,000.00	10.24
China Luoyang Float Glass (Group) Company Limited	—	—	—	—	—	—	2,000,000.00	8.71
China Triumph International Engineering Co., Ltd.	—	—	—	—	—	—	550,000.00	71.43
CLFG (Beijing) International Engineering Co., Ltd.	—	—	—	—	—	—	220,000.00	28.57
Anhui Province Bengbu Huayi Conductive Film Glass Co., Ltd.	105,387,152.50	12.77	—	—	—	—	—	—
Longxin Glass	69,070,589.84	72.35	—	—	—	—	—	—
Longxin Glass	1,946,914.80	25.04	—	—	—	—	—	—
Luoyang Xinjingrun Engineering Glass Co., Ltd.	1,721,363.07	0.21	—	—	—	—	—	—
China Luoyang Float Glass (Group) Company Limited	—	—	1,000,000.00	100	—	—	—	—
CLFG Minerals Products Co., Ltd.	976,622.03	1.54	—	—	—	—	—	—
China Triumph International Engineering Co., Ltd.	—	—	300,000.00	3.86	—	—	—	—
CLFG Jingwei Glass Fibre Co., Ltd.	—	—	7,448,789.40	32.46	—	—	—	—
China Luoyang Float Glass (Group) Company Limited	—	—	1,821,400.98	7.94	—	—	—	—
Jinghua Industry Corporation	—	—	147,417.36	0.64	—	—	—	—
Luoyang Xinxing Property Management Co., Ltd.	—	—	17,932.31	0.08	—	—	—	—

Significant Events

(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)** *(Continued)*

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

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

Unit: RMB

Parties to the transaction or final controller	Assets disposed of	Date of disposal	Price of the asset disposal	Net profit contributed to the Company from the date of disposal to the end of the year	Net profit contributed by the asset to the Company from the beginning of the year to the end of the year (applicable to business combination involving enterprises under common control)	Whether a connected transaction (if so, please elaborate the pricing principle)	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
Longxin Glass	Refractory materials, accessory materials, bulk raw materials, glass cullet, materials for hot repair, etc.	December 2011	11280559.05	335215.54	—	Yes, market price	Yes	Yes
CLFG Mineral Company Limited	Idle machinery equipment, electronic components, steel rails and other materials	December 2011	1142647.79	—	—	Yes, book value	Yes	Yes

(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) *(Continued)*

2. Related party transactions relating to acquisition and disposal of assets *(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 contributed to the Company from the date of acquisition to the end of the year	Net profit contributed by the asset to the Company from the beginning of the year to the end of the year (applicable to business combination involving enterprises under common control)	Whether a connected transaction (if so, please elaborate the pricing principle	Whether all relevant entitlement of the assets had been transferred	Whether all related claims and debts had been transferred
Longxin Glass	Zircon bricks, zirconium steel brickes, certain fixed assets	December 2011	246658.5	—	—	Yes, book value	Yes	Yes

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

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

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

Nil

Significant Events

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

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

(2) Material guarantees

Unit: RMB

Guarantees provided	Date of occurrence (agreement execution date)	Amount of guarantee	Type of guarantee	Term of guarantee	Whether completed or not	Whether related party guarantee
Guarantees provided by the Company (excluding guarantee to controlled subsidiaries)						
N/A	—	—	—	—	—	—
Total amount of guarantee provided during the reporting period		—				
Total balance of guarantee at the end of the reporting period		—				
Guarantee provided by the Company to its controlled subsidiaries						
Total amount of guarantee provided to its controlled subsidiaries during the reporting period		12,000,000				
Total balance of guarantee provided to its controlling subsidiaries at the end of the reporting period		13,150,000				
Total guarantees provided by the Company (including guarantees to controlled subsidiaries)						
Total amount of guarantee		13,150,000				
Total amount of guaranties as a percentage to the Company's net assets (%)		10.35				
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%		13,150,000				
Total amount of guarantee over 50% of the net assets		—				
Total amount of above 3 guarantees		13,150,000				

(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 entrusted cash assets management 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 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 24th meeting of the sixth Board on 26 May 2011 and the 2011 second EGM on 20 July 2011, the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2011 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 2011	RMB1,300,000	RMB1,400,000
Travel expenses	Borne by the Company	Borne by the Company

As at the end of the reporting period, Daxin Certified Public Accountants and PKF Certified Public Accountants had provided auditing service for the Company for four years.

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

During the reporting period, there was no inspection or sanction or prohibition on access to securities markets as carried out or imposed by the CSRC on the Company, Directors, Supervisors, senior management members, shareholders, 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.

Significant Events

(X) Index of Information Disclosure

Subject matter	Newspapers for publication	Date of publication	Websites for publication and inquiry paths
Announcement in relation to Commencement of Production of the Ultra-white Ultra-thin Production Line of Longmen Glass (a subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-01-07	http://www.sse.com.cn http://www.hkexnews.hk
Announcement on Significant Events	China Securities Journal, Shanghai Securities News	2011-01-20	http://www.sse.com.cn http://www.hkexnews.hk
Announcement on the Estimated Profit in the Annual Results	China Securities Journal, Shanghai Securities News	2011-01-28	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Disposal of Land Use Rights	China Securities Journal, Shanghai Securities News	2011-02-01	http://www.sse.com.cn http://www.hkexnews.hk
Notice of the First EGM 2011	China Securities Journal, Shanghai Securities News	2011-02-01	http://www.sse.com.cn http://www.hkexnews.hk
Indicative Announcement	China Securities Journal, Shanghai Securities News	2011-02-16	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 20th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-03-14	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the First EGM 2011	China Securities Journal, Shanghai Securities News	2011-03-22	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 21st Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-03-29	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed by the Supervisory Committee	China Securities Journal, Shanghai Securities News	2011-03-29	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Removal of Other Special Treatment in Share Trading and Change of Stock Name	China Securities Journal, Shanghai Securities News	2011-04-18	http://www.sse.com.cn http://www.hkexnews.hk
Resignation of Supervisor	China Securities Journal, Shanghai Securities News	2011-04-19	http://www.sse.com.cn http://www.hkexnews.hk
Notice of Annual General Meeting 2010	China Securities Journal, Shanghai Securities News	2011-04-19	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Unusual Movements in Trading of A Shares	China Securities Journal, Shanghai Securities News	2011-04-22	http://www.sse.com.cn http://www.hkexnews.hk
Announcement on Successful and Stable Production of 1.1mm Ultra-thin Glass by Longmen Glass (a subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-04-27	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 22nd Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-04-28	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Shutdown and Cold Repair of No. 2 Float Glass Production Line of Longhao Glass (a subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-04-29	http://www.sse.com.cn http://www.hkexnews.hk
Continuing Connected Transactions	China Securities Journal, Shanghai Securities News	2011-05-16	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Reappointment of Auditors	China Securities Journal, Shanghai Securities News	2011-05-27	http://www.sse.com.cn http://www.hkexnews.hk
Notice of the Second EGM 2011	China Securities Journal, Shanghai Securities News	2011-06-03	http://www.sse.com.cn http://www.hkexnews.hk

(X) 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 2010 AGM	China Securities Journal, Shanghai Securities News	2011-06-08	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 25th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-06-09	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Shutdown and Cold Repair of Float Glass Production Line of Longxiang Glass (a subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-06-19	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Holding Online Exchange Meeting for Investors	China Securities Journal, Shanghai Securities News	2011-06-20	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 27th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-07-07	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the Second EGM 2011	China Securities Journal, Shanghai Securities News	2011-07-21	http://www.sse.com.cn http://www.hkexnews.hk
Announcement in relation to Shutdown of Float Glass Production Line of Longfei Glass (a subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-07-22	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 29th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-08-30	http://www.sse.com.cn http://www.hkexnews.hk
Connected Transactions	China Securities Journal, Shanghai Securities News	2011-09-02	http://www.sse.com.cn http://www.hkexnews.hk
Clarification Announcement in relation to the 2011 Interim Report	China Securities Journal, Shanghai Securities News	2011-09-08	http://www.sse.com.cn http://www.hkexnews.hk
Continuing Connected Transactions	China Securities Journal, Shanghai Securities News	2011-10-19	http://www.sse.com.cn http://www.hkexnews.hk
Notice of the Third EGM 2011	China Securities Journal, Shanghai Securities News	2011-11-08	http://www.sse.com.cn http://www.hkexnews.hk
Resignation of Securities Representative	China Securities Journal, Shanghai Securities News	2011-11-18	http://www.sse.com.cn http://www.hkexnews.hk
Connected Transactions	China Securities Journal, Shanghai Securities News	2011-11-29	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 34th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-12-02	http://www.sse.com.cn http://www.hkexnews.hk
Connected Transaction in relation to Agency Payment	China Securities Journal, Shanghai Securities News	2011-12-26	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the 35th Meeting of the Sixth Board	China Securities Journal, Shanghai Securities News	2011-12-26	http://www.sse.com.cn http://www.hkexnews.hk
Announcement of Resolutions Passed at the Third EGM 2011	China Securities Journal, Shanghai Securities News	2011-12-29	http://www.sse.com.cn http://www.hkexnews.hk
Connected Translation in relation to Purchase of Assets by Longmen Glass (a wholly-owned subsidiary of the Company)	China Securities Journal, Shanghai Securities News	2011-12-29	http://www.sse.com.cn http://www.hkexnews.hk

Connected Transactions

Apart from the connected transactions as disclosed in this chapter, other details of the Group's connected transactions are set out in the note 36 "connected and related party transactions" to the audited consolidated financial statements prepared under IFRS.

(I) Continuing Connected Transactions

During the entire year ended 31 December 2011, the Company and its subsidiaries ("Group") entered into the following continuing connected transactions within the meaning of Chapter 14A of the Listing Rules. A summary of these transactions is set out below.

1. Group Supply Agreement

Since 1994, the Group supplied CLFG and its subsidiaries ("CLFG Group") with float glass products. The products were priced with reference to the prevailing market price at the time the products were supplied or not be less than that offered to third party customers of the Group. During the year 2011, the total transaction amount was RMB1,722,000.

2. Longxin Raw Material Supply Agreement

The Company has been supplying since 2008 to Longxin Glass raw materials including alkali, coal, sodium sulfate, silicon powder, dolomite powder, limestone powder and potassium feldspar powder. These raw materials were supplied at a price determined by reference to the prevailing market price of the raw materials. During the year 2011, the total transaction amount was RMB59,422,000.

3. Longxin Composite Services Agreement

The Company has been since 2005 rendering various services to Longxin Glass. 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. During the year 2011, the transaction amount was RMB1,947,000.

4. 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 based on relevant PRC regulations from time to time. During the year 2011, the transaction amount was RMB9,436,000.

5. CLFG Composite Services Agreement

CLFG has been providing various services to the Company since 1994. These services included development of float glass technology services and the relevant technology consultation services; patents licensing; technology analysis and assessment; technology examination, proposal and information; products development; analysis and test services and other technology services; staff training services, management services of retired staff affairs and training of armed militiamen; civil air-raid shelters services; advertising services, etc. The price for the provision of the above services will be determined with reference to: a. the applicable price set by the state government of the PRC; or b. if there is no applicable State Price for any such services, the market price shall be used. The price for providing the same or similar services to independent third party(ies) in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price offered to the Group will not be less favourable than that offered to other independent third party(ies) on the same or similar services. During the year 2011, the transaction amount was RMB2,000,000.

(I) Continuing Connected Transactions *(Continued)*

6. Silicon Powder Supply Agreement

The Group has since 1994 purchased silicon powder from CLFG Mineral Company, a subsidiary of CLFG. 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. During the year 2011, the transaction amount was RMB4,178,000.

7. Community Property Management Services Agreement

Since 1994, Luoyang Xinxing Property Management Company Limited, a company controlled by CLFG, has been providing employees of the Group various living services. 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, etc.. The fees paid for the services were determined with reference to market rates after taking into account the 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. During the year 2011, the transaction amount was RMB2,350,000.

8. Longxin Glass Product Supply Agreement

In order to achieve economies of scale and strengthen the Group's bargaining power with the dealers, the Group adopted a centralised sales approach whereby the Company would sell the products on behalf of its subsidiaries. Since 2008, the Company has been purchasing 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 transaction. During the year 2011, the transaction amount was RMB143,017,000.

9. Huayi Glass Product Supply Agreement

Longhai Glass, a subsidiary of the Company, has since 2007 been supplying super thin float flat glass to Huayi Glass. Longmen Glass, a subsidiary of the Company, also started to supply super thin float flat glass to Huayi Glass after technological renovation in 2010. The sale price of the glass supplied was determined with reference to the prevailing market price at the time of the transaction.

Huayi Glass was a related party of the Company as it was a subsidiary of CNBMG, the ultimate controlling shareholder of the Company.

During the year 2011, the connected transaction amount was RMB105,387,000.

Connected Transactions

(I) Continuing Connected Transactions *(Continued)*

10. Yinan Huacheng Silicon Sands Agreement

Longmen Glass, a subsidiary of the Company, entered into the Silicon Sands Agreement with Yinan Huacheng on 13 May 2011, pursuant to which Yinan Huacheng has agreed to supply silicon sands to Longmen Glass. Longmen Glass has a pre-emptive right to purchase silicon sands from Yinan Huacheng. The price of the silicon sands shall be determined with reference to the prevailing market price at the time of the transaction. In addition, During the year 2011, the transaction amount was RMB1,683,000.

The Board engaged PKF Certified Public Accountants, the auditor 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 2011. The auditors confirmed that these transactions:

(1) have received the approval from the Board;

(2) were in accordance with the pricing policies of the Group;

(3) have been entered into in accordance with the relevant agreements governing the transactions;

(4) 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 2011 and confirmed that these transactions were:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties;

(3) 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.

(II) One-off Connected Transactions

1. On 28 November 2011, the Company entered into the Longxin Glass Assets Transfer Agreement with Longxin Glass, pursuant to which the Group agreed to sell assets to Longxin Glass at a consideration of RMB11,915,000 (VAT inclusive), including but not limited to refractory materials (magnesiatube bricks, heat insulation bricks), auxiliary materials, bulk raw materials, cullets, hot patching materials, etc.. In addition, the Group also agreed to purchase assets from Longxin Glass at a consideration of RMB247,000 (VAT inclusive), including but not limited to zircon bricks, zircon steel bricks, some fixed assets etc..

   On the same date, the Company also entered into the CLFG Mineral Assets Transfer Agreement with CLFG Mineral, pursuant to which the Company agreed to sell the Selling Assets at a consideration of RMB1,143,000 (VAT inclusive), including but not limited to machinery components, original apparatus for electrical appliances, steel rail, etc.

2. On 26 December 2011, Longmen Glass won the bid for the Assets owned by Longmen FRP at the Auction at a consideration of RMB3,100,000. Longmen Glass and Longmen FRP entered into relevant assets transfer agreement after the auction.

The above connected transactions are exempt from independent shareholder's approval under Chapter 14A of the Listing Rules.

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 77 to 144, which comprise the consolidated statement of financial position as at 31st December, 2011, 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 issued 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, 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PKF
Certified Public Accountants

Hong Kong, 27th March 2012

Consolidated Statement Of Comprehensive Income

For the year ended 31st December, 2011 (Expressed In Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Turnover	5	**917,308**	1,167,044
Cost of sales		**(819,238)**	(936,412)
Gross profit		**98,070**	230,632
Other operating income	6	**139,478**	80,210
Other operating expenses		**(1,558)**	(672)
Selling expenses		**(34,126)**	(40,685)
Administrative expenses		**(160,755)**	(180,564)
Profit from operations		**41,109**	88,921
Net finance costs	7(a)	**(12,053)**	(14,705)
Net investment income	7(b)	**—**	—
Profit before income tax	7	**29,056**	74,216
Income tax expense	10(a)	**(20,564)**	(18,356)
Profit for the year		**8,492**	55,860
Total comprehensive income for the year		**8,492**	55,860
Attributable to			
Equity shareholders of the Company	34	**38,459**	61,947
Non-controlling interests		**(29,967)**	(6,087)
Profit for the year		**8,492**	55,860
Basic earnings per share *(in RMB : Yuan)*	12	**0.08**	0.12

The notes on pages 82 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position

As at 31st December, 2011 (Expressed In Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**626,922**	671,646
Construction in progress	14	**22,134**	61,370
Intangible assets	15	**9,062**	10,586
Exploration and evaluation assets	16	**1,128**	1,128
Lease prepayments	17	**56,497**	55,293
Interests in associates	19	**—**	—
Other investments	20	**7,410**	7,410
		723,153	807,433
CURRENT ASSETS			
Inventories	21	**214,582**	202,066
Trade and bills receivables	22	**113,125**	94,827
Other receivables	23	**130,400**	83,745
Amount due from an associate	19	**1,232**	—
Income tax recoverable		**2,243**	5,127
Pledged deposits with banks	24	**193,000**	113,000
Restricted bank balances	25	**208**	—
Cash and bank balances	25	**40,930**	20,208
		695,720	518,973
Assets classified as held for sale	26	**23,411**	90,703
		719,131	609,676
CURRENT LIABILITIES			
Trade and bills payables	27	**531,380**	448,324
Other payables	28	**144,541**	186,103
Amount due to an associate	19	**—**	1,493
Bank and other loans	29	**72,355**	24,319
Deferred income	30	**5,729**	—
Income tax payable		**3,175**	—
		757,180	660,239
NET CURRENT LIABILITIES		**(38,049)**	(50,563)
TOTAL ASSETS LESS CURRENT LIABILITIES		**685,104**	756,870

The notes on pages 82 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement Of Financial Position

As at 31st December, 2011 (Expressed In Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	2011 RMB'000	2010 RMB'000
NON-CURRENT LIABILITIES			
Bank and other loans	29	**598,691**	690,080
Deferred income	30	**12,321**	3,230
		611,012	693,310
NET ASSETS		**74,092**	63,560
CAPITAL AND RESERVES			
Share capital	32	**500,018**	500,018
Reserves	33, 34	**(399,092)**	(436,619)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**100,926**	63,399
NON-CONTROLLING INTERESTS		**(26,834)**	161
TOTAL EQUITY		**74,092**	63,560

APPROVED AND AUTHORISED FOR ISSUE BY THE BOARD OF DIRECTORS ON 27TH MARCH, 2012

Song Jianming
CHAIRMAN

Song Fei
DIRECTOR

The notes on pages 82 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

For the year ended 31st December, 2011 (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 1.1.2010	500,018	540,028	(74,696)	(962,539)	2,811	3,869	6,680
Acquisition of additional interests in a subsidiary *(notes 18(d) and 31(b))*	—	—	(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 and 1.1.2011	500,018	540,028	(76,055)	(900,592)	63,399	161	63,560
Acquisition of additional interests in a subsidiary *(notes 18(b) and 31(a))*	—	—	(932)	—	(932)	(328)	(1,260)
Capital contribution in a subsidiary by non-controlling shareholders	—	—	—	—	—	3,300	3,300
Total comprehensive income/(loss) for the year	—	—	—	38,459	38,459	(29,967)	8,492
At 31.12.2011	500,018	540,028	(76,987)	(862,133)	100,926	(26,834)	74,092

The notes on pages 82 to 144 are an integral part of these consolidated financial statements.

Consolidated Statement Of Cash Flows

For the year ended 31st December, 2011 (Expressed In Renminbi)
(Prepared in accordance with International Financial Reporting Standards)

	Note	**2011** **RMB'000**	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash (used in)/generated from operations	35(a)	**(48,684)**	40,032
Income tax paid		**(14,505)**	(20,773)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		**(63,189)**	19,259
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,601**	1,488
Purchase of property, plant and equipment		**(1,436)**	(801)
Increase in exploration and evaluation assets		**—**	(510)
Increase in construction in progress		**(4,580)**	(9,927)
Acquisition of lease prepayments		**(2,579)**	(23,553)
(Increase)/decrease in amount due from an associate		**(1,232)**	1,128
(Decrease)/increase in amount due to an associate		**(1,493)**	1,493
Decrease in investment deposit		**—**	1,030
Proceeds from disposal of property, plant and equipment		**18,191**	5,361
Proceeds from disposal of construction in progress		**2,010**	529
Proceeds from disposal of assets classified as held for sale		**110,000**	—
Proceeds from disposal of deposits with a non-bank financial institution		**6,000**	35,000
Acquisition of additional interests in subsidiaries		**(1,260)**	(5,970)
NET CASH GENERATED FROM INVESTING ACTIVITIES		**127,222**	5,268
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(3,258)**	(12,132)
New bank and other loans		**69,950**	540,500
Repayment of bank and other loans		**(113,303)**	(566,896)
Capital contribution received from non-controlling shareholders		**3,300**	1,020
NET CASH USED IN FINANCING ACTIVITIES		**(43,311)**	(37,508)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**20,722**	(12,981)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		**20,208**	33,189
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		**40,930**	20,208
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**40,930**	20,208

The notes on pages 82 to 144 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 include 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, 2011. 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.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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)).

(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)).

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Basis of consolidation *(Continued)*

(ii) Associates (Continued)

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)).

(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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Investments in securities *(Continued)*

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)).

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(l) Inventories

Inventories 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;

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Impairment of assets *(Continued)*

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

— 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.

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.

— Reversals of impairment losses

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

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

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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 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 asset;
- 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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(x) Income tax *(Continued)*

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

(a) A person, or a close member of that person's family, is related to the Group if that person:-

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:-

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

For the year ended 31st December, 2011 (Expressed In Renminbi)

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 24 (Revised)	Related Party Disclosures
IFRIC-Int 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IFRIC-Int 14	Prepayments of a Minimum Funding Requirement
Improvements to IFRSs (2010)	

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.

(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 19 (2011)	Employee Benefits
IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 10·	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 7 (2010)	Disclosures - Transfers of Financial Assets
Amendments to IFRS 7 (2011)	Disclosures - Offsetting Financial Assets and Financial Liabilities

The Group is required to initially apply these IFRSs in its annual financial statements beginning on 1st January, 2013, except that the Group is required to initially apply amendments to IAS 12 and amendments to IFRS 7 (2010) in its annual financial statements beginning on 1st January, 2012, amendments to IAS 32 in its annual financial statements beginning on 1st January, 2014 and IFRS 9 in its annual consolidated financial statements beginning on 1st January, 2015.

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.

(a) Segments results, assets and liabilities

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

For the year ended 31st December, 2011

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
REPORTABLE SEGMENT REVENUE	**890,383**	**28,608**	**(1,683)**	**917,308**
REPORTABLE SEGMENT RESULT	**44,221**	**88**	**—**	**44,309**
Unallocated expenses				**(3,200)**
Net finance costs				**(12,053)**
Profit before income tax				**29,056**
Income tax expense				**(20,564)**
Profit for the year				**8,492**

4. SEGMENT REPORTING *(Continued)*

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

For the year ended 31st December, 2011 *(Continued)*

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
Assets and liabilities				
ASSETS				
Reportable segment assets	1,405,260	56,826	(28,444)	1,433,642
Other investments	7,410	—	—	7,410
Amount due from an associate	1,232	—	—	1,232
Total assets				1,442,284
LIABILITIES				
Reportable segment liabilities	(1,357,293)	(37,059)	28,444	(1,365,908)
Unallocated liabilities				(2,284)
Total liabilities				(1,368,192)

	Float sheet glass *RMB'000*	Silicon powder *RMB'000*	Elimination *RMB'000*	Total *RMB'000*
OTHER INFORMATION				
Capital expenditure	42,960	100	—	43,060
Interest income	(5,508)	(52)	1,287	(4,273)
Interest expense	3,258	1,287	(1,287)	3,258
Depreciation	68,238	1,737	—	69,975
Impairment loss on trade receivables	1,624	63	—	1,687
Reversal of impairment loss on other receivables	(4,534)	1	—	(4,533)
Impairment loss on property, plant and equipment	2,825	—	—	2,825
Gain on disposal of property, plant and equipment	(17,365)	42	—	(17,323)
Gain on disposal of assets classified as held for sale	(87,197)	—	—	(87,197)
Loss on disposal of construction in progress	7,202	—	—	7,202
Written off of construction in progress	1,529	—	—	1,529
Write-down of inventories	16,881	—	—	16,881
Reversal of write-down of inventories	(14,733)	—	—	(14,733)
Amortisation of intangible assets	1,472	52	—	1,524
Amortisation of lease prepayments	1,239	136	—	1,375

4. SEGMENT REPORTING *(Continued)*

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

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

(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, interests in associates and other investments ("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 and other investments.

	Revenues from external customers		Specified Non-current assets	
	2011 ***RMB'000***	2010 *RMB'000*	**2011** ***RMB'000***	2010 *RMB'000*
China	**905,061**	1,152,497	**723,153**	805,080
Asia	**12,247**	14,380	**—**	—
Others	**—**	167	**—**	—
	12,247	14,547	**—**	—
	917,308	1,167,044	**723,153**	805,080

4. SEGMENT REPORTING *(Continued)*

(b) Geographic information *(Continued)*

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2011, revenues from sales of float sheet glass to this customer, an associate of China National Building Material Group Corporation ("CNBMG"), amounted to approximately RMB105,387,000, and arose in the China regions only in which float sheet glass division is active.

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

	2011	2010
	RMB'000	*RMB'000*
Waiver of debts	**2,321**	1,853
Government grants *(note 6(a))*	**22,478**	75,383
Gain on disposal of assets classified as held for sale *(note 6(b))*	**87,197**	—
Gain on disposal of property, plant and equipment *(note 6(c))*	**17,323**	1,443
Gain on disposal of deposits with a non-bank financial institution *(note 6(d))*	**6,000**	—
Equity custody income *(note 36(I)(b)(iv))*	**1,000**	—
Others	**3,159**	1,531
	139,478	80,210

Notes:

(a) Included in government grants of RMB22,478,000 (2010: RMB75,383,000) 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 profit or loss over the useful life of the respective assets, of which RMB462,000 has been recognised during the year (2010: 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 State-owned Capital Operation Budget Fund was granted to China Luoyang Float Glass Group Company Limited ("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 RMB18,157,000 (2010: RMB70,558,000) to the Group to pay for the termination benefits and the amount was recognised in profit or loss during the year (note 7(c)(i));

6. OTHER OPERATING INCOME *(Continued)*

Notes (Continued):

(a) Included in government grants of RMB22,478,000 (2010: RMB75,383,000) mainly represents *(Continued)*:

— According to "Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalisation of Key Industries and Technical Upgrading" (Fa Gai Ban Chan Ye No. [2009]2425) issued by the National Development and Reform Commission, Longmen, a subsidiary of the Company, received a government grant of RMB9,720,000 for its ultra-thin and ultra-white glass production line project. Such grant was recognised in profit or loss over the useful life of the furnace, of which RMB1,013,000 has been recognised during the year (2010: RMBNil);

— Mianchi County Environmental Protection Bureau granted a special reward of RMB220,000 to CLFG Longfei Glass Co., Ltd. ("Longfei") for pollution control during the year (2010: RMBNil);

— According to the document Yan Guo Zi No. [2010]10 issued by the State-owned Assets Administration Bureau of Yanshi City, CLFG Longhai Electronic Glass Co., Ltd. ("Longhai"), a subsidiary of the Company, was granted the "San Tong Yi Ping" premium (generally referred to as clearance of the site and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) of RMB2,600,000 for its production site during the year (2010: RMBNil);

— During the year ended 31st December, 2010, 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

— During the year ended 31st December 2010, Mianchi County Government granted a special reward of RMB1,000,000 to Longfei for the resumption of production.

(b) During the year, the Group disposed of assets classified as held for sale, which composite of certain lease prepayments and ancillary building with net book value of RMBNil and RMB90,703,000 respectively to the government at a total consideration of RMB177,900,000.

(c) The amount mainly represents gain arising upon disposal of the Company's two float glass production lines, and anciliary equipment with net book value of RMB12,762,000 at a total consideration of RMB24,963,000, which have been stopped production for several years before, due to expiry of kiln age.

(d) 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 Guangzhou International Trust & Investment Corporation ("GZITIC") at a consideration of RMB35,000,000. CLFG has fully paid the consideration to the Company during the year ended 31st December, 2010.

During the year, CLFG sold its rights and obligations in respect of the deposits owed by GZITIC at a consideration of RMB41,800,000. Pursuant to the terms as stated in the above loan assignment agreement, the excessive portion of RMB6,000,000 after the deduction of the administrative expenses of RMB800,000 had been returned to the Company.

7. PROFIT BEFORE INCOME TAX

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

(a) Net finance costs:-

	2011 *RMB'000*	2010 *RMB'000*
Interest on bank loans and other borrowings repayable within 5 years	**(3,258)**	(10,945)
Interest income	**4,273**	1,788
Net foreign exchange (loss)/gain	**(38)**	382
Bank charges	**(13,030)**	(5,930)
	(12,053)	(14,705)

(b) Net investment income:-

	2011 *RMB'000*	2010 *RMB'000*
Gain on disposal of associate (note 19(a))	**—**	—

(c) Staff costs (including directors' remuneration):-

	2011 *RMB'000*	2010 *RMB'000*
Termination benefits (note 7(c)(i))	**(18,157)**	(68,486)
Wages and salaries	**(56,845)**	(61,616)
Contributions to defined contribution plan	**(8,232)**	(10,116)
	(83,234)	(140,218)

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 (2011) 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 was closed on 31st March, 2011.

7. PROFIT BEFORE INCOME TAX *(Continued)*

(d) Other items:-

	2011 *RMB'000*	2010 *RMB'000*
Cost of inventories sold	**(819,238)**	(936,412)
Depreciation	**(69,975)**	(71,449)
Impairment loss on		
— trade receivables	**(1,687)**	(666)
— other receivables	**—**	(358)
— property, plant and equipment	**(2,825)**	(4,471)
Reversal of impairment loss on other receivables	**4,533**	—
Write-down of inventories	**(16,881)**	(3,837)
Reversal of write-down of inventories	**14,733**	8,501
Gain on disposal of property, plant and equipment	**17,323**	1,443
Gain on disposal of assets classified as held for sale	**87,197**	—
Loss on disposal of construction in progress	**(7,202)**	(197)
Written off of construction in progress	**(1,529)**	—
Research and development cost	**(8,974)**	(8,231)
Auditors' remuneration	**(2,700)**	(2,700)
Amortisation of intangible assets	**(1,524)**	(1,492)
Amortisation of lease prepayments	**(1,375)**	(1,141)

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	2011 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors					
Song Fei	—	—	160	50	210
Song Jianming	—	—	320	53	373
Ni Zhisen	—	—	260	50	310
Cheng Zonghui*	—	—	160	48	208
Non-executive directors					
Guo Yimin	40	—	—	—	40
Zhao Yuanxiang	40	—	—	—	40
Zhang Chengong	40	—	—	—	40
Independent directors					
Guo Aimin	40	—	—	—	40
Zhang Zhanying	40	—	—	—	40
Huang Ping	40	—	—	—	40
Dong Jiachun	40	—	—	—	40
Supervisors					
Ren Zhenduo	20	—	—	—	20
Employee supervisors					
Lu Junfeng**	4	—	7	4	15
Wang Jian	10	—	87	20	117
Independent supervisors					
He Baofeng	20	—	—	—	20
Guo Hao	20	—	—	—	20
	354	—	994	225	1,573

* Resigned on 3rd February, 2012
** Resigned on 18th April, 2011

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

	Fees *RMB'000*	Bonuses *RMB'000*	Salaries, allowance and benefits allowance in kind *RMB'000*	Contributions to defined contribution plan *RMB'000*	2010 Total *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

9. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the 5 individuals with the highest emoluments, 5 (2010: 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:-

	2011	2010
	RMB'000	*RMB'000*
Provision for the year	**19,286**	18,056
Under-provision in previous year	**1,278**	300
Income tax expense	**20,564**	18,356

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% (2010: 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.

10. INCOME TAX EXPENSE *(Continued)*

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

Reconciliation between income tax expense and accounting profit at applicable tax rate:-

	2011 **RMB'000**	2010 RMB'000
Profit before income tax	**29,056**	74,216
Notional PRC income tax using the Company's tax rate of 25% (2010: 25%)	**7,264**	18,554
Tax effect of tax exempt revenue	**(22,575)**	(117)
Tax effect of non-deductible expenses	**12,017**	862
Tax effect of tax loss utilised	**(3,707)**	(2,652)
Tax losses not recognised	**39,144**	9,953
Under-provision in previous year	**1,278**	300
Effect of preferential tax rate	**(12,857)**	(8,544)
Income tax expense	**20,564**	18,356

(b) Major components of deductible temporary difference are as follows:-

	2011 **RMB'000**	2010 RMB'000
Provisions	**163,278**	273,314
Lease prepayments	**—**	25,663
Tax loss	**730,864**	700,507
Total	**894,142**	999,484

Deductible temporary difference has 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.

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, 2011 (2010: Nil).

12. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB38,459,000 (2010: RMB61,947,000) and 500,018,000 (2010: 500,018,000) shares in issue during the year.

No diluted earnings per share is calculated as there are no dilutive potential shares for the two years ended 31st December, 2011.

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, 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 26)*	(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 26)*	(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
Charge 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

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, 2011	370,230	988,549	28,425	1,387,204
Additions	249	4,423	314	4,986
Transfer from construction in progress *(note 14)*	—	87,238	—	87,238
Transfer to construction in progress *(note 14)*	(1,154)	(50,874)	—	(52,028)
Reclassified as held for sale *(note 26)*	—	(85,786)	—	(85,786)
Disposals	(39,812)	(104,046)	(2,713)	(146,571)
At 31st December, 2011	**329,513**	**839,504**	**26,026**	**1,195,043**
Accumulated depreciation:-				
At 1st January, 2011	118,727	561,879	20,763	701,369
Charge for the year	9,371	59,463	1,141	69,975
Transfer to construction in progress *(note 14)*	(234)	(26,415)	—	(26,649)
Reclassified as held for sale *(note 26)*	—	(61,880)	—	(61,880)
Written back on disposals	(35,691)	(90,843)	(2,472)	(129,006)
At 31st December, 2011	**92,173**	**442,204**	**19,432**	**553,809**
Impairment:-				
At 1st January, 2011	4,744	9,281	164	14,189
Charge for the year	—	2,825	—	2,825
Transfer to construction in progress *(note 14)*	—	(415)	—	(415)
Reclassified as held for sale *(note 26)*	—	(495)	—	(495)
Written back on disposals	(139)	(1,646)	(7)	(1,792)
At 31st December, 2011	**4,605**	**9,550**	**157**	**14,312**
Net book value:-				
At 31st December, 2011	**232,735**	**387,750**	**6,437**	**626,922**

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

Notes:

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

(b) At 31st December, 2011, plant, machinery and equipment with net book value of RMB39,271,000 (2010: RMBNil) were pledged to secure bills payable granted to the Group.

(c) At 31st December, 2011, the certificates of buildings with net book value of RMB110,478,000 (2010: RMB152,521,000) 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, 2011.

	2011	2010
	RMB'000	*RMB'000*
At 1st January	**61,370**	17,723
Additions	**34,101**	86,748
	95,471	104,471
Transfer to property, plant and equipment *(note 13)*	**(87,238)**	(42,375)
Transfer from property, plant and equipment *(note 13)*	**24,964**	—
Disposals	**(9,534)**	(726)
Written off	**(1,529)**	—
At 31st December	**22,134**	61,370

15. INTANGIBLE ASSETS

	Trademark, non-patented technical know-how *RMB'000*	Mining rights *RMB'000*	Total *RMB'000*
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 amortisation:-			
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
Cost:-			
At 1st January, 2011 and 31st December, 2011	**18,400**	**1,300**	**19,700**
Accumulated amortisation:-			
At 1st January, 2011	9,069	45	9,114
Charge for the year	1,472	52	1,524
At 31st December, 2011	**10,541**	**97**	**10,638**
Net book value:-			
At 31st December, 2011	**7,859**	**1,203**	**9,062**

16. EXPLORATION AND EVALUATION ASSETS

	2011	2010
	RMB'000	*RMB'000*
Cost:-		
At 1st January	**1,128**	—
Additions	**—**	1,128
At 31st December	**1,128**	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

	2011	2010
	RMB'000	*RMB'000*
Cost:-		
At 1st January	**63,175**	39,622
Additions	**2,579**	23,553
At 31st December	**65,754**	63,175
Accumulated amortisation:-		
At 1st January	**7,882**	6,741
Amortised for the year	**1,375**	1,141
At 31st December	**9,257**	7,882
Net book value:-		
At 31st December	**56,497**	55,293

Lease prepayments represent the land use rights on land located in the PRC. The remaining periods of the land use rights are from 32 to 49 years. At 31st December, 2011, 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 RMB22,134,000 (2010: RMB22,793,000).

At 31st December, 2011, lease prepayments with net book value of RMB15,266,000 (2010: RMBNil) were pledged to secure bills payable granted to the Group.

For the year ended 31st December, 2011 (Expressed In Renminbi)

18. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31st December, 2011, 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) , (d)
CLFG Longfei Glass Co., Ltd. ("Longfei")	RMB74,080,000	63.98%	—	Manufacture of float sheet glass	(a)
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)
CLFG Longhao Glass Co., Ltd. ("Longhao")	RMB50,000,000	100.00%	—	Manufacture of float sheet glass	(a)
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)
Dengfeng CLFG Silicon Co., Ltd. ("Dengfeng")	RMB13,000,000	67.00%	—	Exploration of minerals	(a) , (b) , (c)
Dengfeng Hongzhai Silicon Co.,Ltd.	RMB2,050,000	—	50.24%	Exploration and sales of minerals	(a)

Notes:

(a) These subsidiaries are limited liability companies.

(b) In June 2011, the Company entered into an equity transfer agreement with a subsidiary, Longhai for the acquisition of the 51.00% equity interests in Dengfeng at a total consideration of RMB4,020,000. On the same date, the Company entered into another equity transfer agreement with a non-controlling shareholder of Dengfeng for the acquisition of the 16.00% equity interests in Dengfeng at a total consideration of RMB1,260,000. After these equity transfers, Denfeng became a directly owned subsidiary of the Company.

(c) In September 2011, the registered capital of Dengfeng was increased from RMB3,000,000 to RMB13,000,000 by an additional capital of RMB10,000,000, of which RMB6,700,000 and RMB3,300,000 was paid up by the Company and a non-controlling shareholder respectively.

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

19. INTERESTS IN ASSOCIATES

	2011	2010
	RMB'000	*RMB'000*
Share of net assets	**—**	—
Amount due from an associate	**1,232**	—
Amount due to an associate	**—**	(1,493)
	1,232	(1,493)
Less: Impairment losses	**—**	—
	1,232	(1,493)

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, 2011 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

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 Group has not recognised losses of RMB90,348,000 (2010: RMB86,438,000) relating to Jingxin and CMPC, of which RMB3,910,000 was incurred in the current financial year (2010: RMB3,347,000). The Group has no obligation in respect of those unrecognised losses.

19. INTERESTS IN ASSOCIATES *(Continued)*

Summarised financial information on associates:-

	Assets *RMB'000*	Liabilities *RMB'000*	Equity *RMB'000*	Revenues *RMB'000*	Profits/ (losses) *RMB'000*
2011					
Aggregated	**146,966**	**(232,431)**	**(85,465)**	**17,678**	**(8,761)**
Group's effective interest	**69,969**	**(69,969)**	**—**	**7,122**	**—**
2010					
Aggregated	156,761	(232,395)	(75,634)	29,487	(6,126)
Group's effective interest	74,077	(74,077)	—	11,881	—

20. OTHER INVESTMENTS

	2011 ***RMB'000***	2010 *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. INVENTORIES

	2011	2010
	RMB'000	*RMB'000*
Raw materials	**139,524**	183,558
Work in progress	**6,994**	9,832
Finished goods	**99,298**	37,762
	245,816	231,152
Less: Write-down	**31,234**	29,086
	214,582	202,066

The reversal of write-down of inventories of RMB14,733,000 (2010: RMB8,501,000) made in this year including RMB10,526,000 (2010: RMB8,501,000) arose due to inventories sold and RMB4,207,000 (2010: RMBNil) arose due to disposal of obsolete inventories.

22. TRADE AND BILLS RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Trade receivables		
— third parties	**70,180**	60,178
— fellow subsidiaries	**52,412**	27,206
	122,592	87,384
Less: Allowances for impairment of doubtful debts	**47,775**	46,088
	74,817	41,296
Bills receivable	**38,308**	53,531
	113,125	94,827

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

	2011	2010
	RMB'000	*RMB'000*
Within 1 month	**19,414**	55,984
Between 1 month and 1 year	**91,546**	23,582
Between 1 and 2 years	**1,617**	12,787
Between 2 and 3 years	**548**	2,474
	113,125	94,827

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.

22. TRADE AND BILLS RECEIVABLES *(Continued)*

At 31st December, 2011, the Group's trade and bills receivables of RMB93,711,000 (2010: RMB38,843,000) 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, 2011, the Group's trade and bills receivables of RMB47,775,000 (2010: RMB46,088,000) 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:-

	2011	2010
	RMB'000	*RMB'000*
Between 1 and 2 years	**693**	370
Between 2 and 3 years	**547**	2,491
More than 3 years	**46,535**	43,227
	47,775	46,088

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

	2011	2010
	RMB'000	*RMB'000*
At 1st January	**46,088**	45,422
Impairment loss recognised	**1,687**	666
At 31st December	**47,775**	46,088

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:-

	2011	2010
	'000	*'000*
United States Dollars	**1,093**	807

23. OTHER RECEIVABLES

	2011	2010
	RMB'000	*RMB'000*
Amount due from the controlling shareholder company	**9,719**	20,685
Amounts due from fellow subsidiaries	**3,188**	4,497
Advance payments, accounts receivables and prepayments	**168,463**	114,066
	181,370	139,248
Less: Allowances for impairment of doubtful debts	**50,970**	55,503
	130,400	83,745

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

The impaired other receivables of RMB50,970,000 (2010: RMB55,503,000) are of ages over 1 year. All of the other balances of other receivables are neither past due nor impaired.

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

	2011	2010
	RMB'000	*RMB'000*
At 1st January	**55,503**	55,145
Impairment loss (reversed)/recognised	**(4,533)**	358
At 31st December	**50,970**	55,503

24. PLEDGED DEPOSITS WITH BANKS

	2011	2010
	RMB'000	*RMB'000*
Deposits with banks (pledged)	**193,000**	113,000

At 31st December, 2011, deposits with banks of RMB193,000,000 (2010: RMB113,000,000) were pledged to secure bills payable of the Group.

25. CASH AND BANK BALANCES AND RESTRICTED BANK BALANCES

	2011 **RMB'000**	2010 *RMB'000*
Cash in hand	**599**	826
Deposits with banks and non-bank financial institutions with an original maturity within 3 months	**40,331**	19,382
Cash and bank balances	**40,930**	20,208
Restricted bank balances *(note 25(a))*	**208**	—
	41,138	20,208

Note:

(a) At 31st December, 2011, bank balance of RMB208,000 (2010: RMB86) of the Group was restricted by courts during the year (note 38).

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:-

	2011 ***'000***	2010 *'000*
Hong Kong Dollars	**7**	7
United States Dollars	**19**	19

26. ASSETS CLASSIFIED AS HELD FOR SALE

	Note	**2011** **RMB'000**	2010 *RMB'000*
Lease prepayments	(a), (b), (c)	**—**	—
Buildings *(note 13)*	(a), (c)	**—**	90,703
Plant, machinery and equipment *(note 13)*	(d)	**23,411**	—
		23,411	90,703

26. 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 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 transaction was completed during the year at a total consideration of RMB177,900,000 and a total gain on disposal of RMB87,197,000 has been recognised during the year.

(d) The amount mainly represents the disposal of the Company's No.1 float sheet glass production line with the net book value of RMB20,465,000.

According to the resolutions passed at the meetings of the Board of Directors on 8th June, 2011 and 1st December, 2011, the Company decided to dispose the Company's No.1 float sheet glass production line which had been stopped production for a few years. The Company has authorised the management to dispose the assets. Therefore, the plant, machinery and equipment related to the No.1 float glass production line are separately presented as assets classified as held for sale.

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.

27. TRADE AND BILLS PAYABLES

	2011	2010
	RMB'000	*RMB'000*
Trade payables		
— third parties	**257,859**	299,955
— fellow subsidiaries	**521**	369
	258,380	300,324
Bills payable	**273,000**	148,000
	531,380	448,324

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

	2011	2010
	RMB'000	*RMB'000*
Due within 1 month or on demand	**531,380**	448,324

28. OTHER PAYABLES

	2011 RMB'000	2010 RMB'000
Amount due to the controlling shareholder company	**2,744**	156
Amount due to the intermediate holding company	**9,200**	—
Amounts due to fellow subsidiaries	**2,803**	2,082
Accrued expenses, other payables and receipts in advance	**129,794**	183,865
	144,541	186,103

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

29. BANK AND OTHER LOANS

	Note	Interest rate	Interest type	2011 RMB'000	2010 RMB'000
Secured bank loans	(a), (b), (c)	0.00%-11.51%	Free, fixed and floating	**654,346**	661,799
Unsecured bank loans		9.23%	Fixed	**—**	4,000
Unsecured loans from a controlling shareholder company		5.13%-5.56%	Floating	**—**	48,600
Unsecured loans from a controlling shareholder company		5.90%-5.99%	Fixed	**16,700**	—
				671,046	714,399

Notes:

(a) The bank loans are secured by corporate guarantees given by CNBMG, CLFG and third parties.

(b) Included in secured bank loans to a subsidiary of RMB1,150,000 (2010: RMB4,863,000) has become overdue for payment.

(c) During the year ended 31st December, 2010, CLFG had 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.

29. BANK AND OTHER LOANS *(Continued)*

The bank loans are repayable as follows:-

	2011	2010
	RMB'000	*RMB'000*
Within 1 year		
— short-term loans	**13,150**	23,863
— current portion of long-term loans	**42,505**	456
	55,655	24,319
Between 1 and 2 years	**46,330**	456
Between 2 and 5 years	**138,991**	1,369
After 5 years	**413,370**	639,655
	598,691	641,480
	654,346	665,799

The other loans are repayable as follows:-

	2011	2010
	RMB'000	*RMB'000*
Within 1 year		
— short-term loans	**16,700**	—
Between 2 and 5 years	**—**	48,600
	16,700	48,600

29. 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	2011 RMB'000	2010 RMB'000
Secured bank loans				
Euro denominated:				
Payable quarterly in 2012/2011	2.50%	Fixed	**423**	456
Payable quarterly from 2013/2012 through 2019	2.50%	Fixed	**3,173**	3,880
RMB denominated:				
Payable monthly in 2012	0.00%	Free	**42,082**	—
Payable monthly from 2013/2012 through 2017	0.00%	Free	**595,518**	637,600
			641,196	641,936
Unsecured other loans				
RMB denominated:				
Payable in 2013 *(note (a))*	5.13%-5.56%	Floating	—	48,600
			—	48,600
			641,196	690,536
Total long-term loans			**641,196**	690,536
Less: Current-portion repayable within 1 year			**42,505**	456
Non-current portion of long-term loans			**598,691**	690,080

Note:

(a) The unsecured other loans of RMB48,600,000 was early settled during the year.

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

	2011 '000	2010 '000
Euro	**441**	492

Short-term loans

The weighted average interest rate on short-term loans of the Group was 7.59% per annum (2010: 7.14% per annum).

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

30. DEFERRED INCOME

(a) 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 profit or loss over the useful life of the respective assets, of which RMB462,000 has been recognised during the year (2010: RMB462,000).

(b) According to "Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalisation of Key Industries and Technical Upgrading" (Fa Gai Ban Chan Ye No.[2009]2425) issued by the National Development and Reform Commission, Longmen, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000 for its ultra-thin and ultra-white glass production line project. Such grant was recognised in profit or loss over the useful life of the furnace, of which RMB1,013,000 has been recognised during the year (2010: RMBNil).

(c) According to the ''Notice of minutes of the meeting in connection with the land issue of Longmen'' issued by CPC Luoyang Municipal Office, Longmen, a subsidiary of the Company for the project "ultra-thin and ultra-white", acquired a land use right for a total consideration of RMB12,737,600, of which RMB5,158,000 will be borne jointly by The Yi Luo Industrial Park Administrative Committee and Luoyang Municipal Finance Bureau (''LMFB'') equally. During the year, RMB2,579,000 settled by LMFB accounted as government grant and recognised in profit or loss as income over the useful life of the land, of which RMB4,000 has been recognised as income during the year (2010: RMBNil).

(d) According to the contract of independent innovation fund projects contract of Henan Province, a government grant of RMB4,000,000 was awarded in 2011 to Longhai, a subsidiary of the Company for the "0.45mm E-glass technology research and application projects". Such grant is recognised in profit or loss based on the cost incurred in the projects, of which RMB2,000 has been recognised during the year (2010: RMBNil).

31. ACQUISITION OF ADDITIONAL INTERESTS IN SUBSIDIARIES

(a) During the year ended 31st December, 2011, the Group acquired additional interests in a subsidiary at a total consideration of RMB1,260,000. The difference between the amount by which the non-controlling interests are adjusted and the fair value of consideration of RMB932,000 was recognised directly in equity and attributed to equity shareholders of the Company (notes 18(b)).

(b) 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(d)).

32. SHARE CAPITAL

	2011		2010	
	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	**159,018**	**159,018**	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**	159,018	159,018
Domestic listed shares ("A Shares") of RMB1.00 each				
At beginning of the year	**91,000**	**91,000**	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**	91,000	91,000
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).

33. SHARE PREMIUM

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

34. RESERVES

	Share premium RMB'000 Note 33	Statutory surplus reserve RMB'000 Note (a)	Excess over share capital RMB'000 Note (b)	Other reserve RMB'000 Note (c)	Accumulated losses RMB'000	Total RMB'000
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(d) and 31(b))*	—	—	—	(1,359)	—	(1,359)
Total comprehensive income for the year	—	—	—	—	61,947	61,947
At 31st December, 2010 and as at 1st January, 2011	540,028	61,076	(106,949)	(30,182)	(900,592)	(436,619)
Acquisition of additional interests in a subsidiary *(notes 18(b) and 31(a))*	—	—	—	(932)	—	(932)
Total comprehensive income for the year	—	—	—	—	38,459	38,459
At 31st December, 2011	540,028	61,076	(106,949)	(31,114)	(862,133)	(399,092)

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, 2011, there was no reserve available for distribution (2010: RMBNil).

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2011 RMB'000	2010 RMB'000
Profit before income tax	**29,056**	74,216
Amortisation and depreciation	**72,874**	74,082
Interest income	**(4,273)**	(1,788)
Interest expense	**3,258**	10,945
Impairment loss on property, plant and equipment	**2,825**	4,471
Reversal of impairment loss on other receivables	**(4,533)**	—
Impairment loss on receivables	**1,687**	1,024
Waiver of debts	**(2,321)**	(1,853)
Write-down of inventories	**16,881**	3,837
Reversal of write-down of inventories	**(14,733)**	(8,501)
Net gain on disposal of property, plant and equipment	**(17,323)**	(1,443)
Net loss on disposal of construction in progress	**7,202**	197
Written off of construction in progress	**1,529**	—
Net gain on disposal of assets classified as held for sale	**(87,197)**	—
Gain on disposal of deposits with a non-bank financial institution	**(6,000)**	—
Increase in inventories	**(13,271)**	(42,568)
Increase in trade and bills receivables	**(19,663)**	(11,942)
Decrease/(increase) in other receivables	**23,275**	(17,023)
Increase/(decrease) in trade and bills payables	**68,936**	(65,216)
Decrease in other payables	**(41,505)**	(57,744)
Increase/(decrease) in deferred income	**14,820**	(462)
Increase in restricted bank balances	**(208)**	—
(Increase)/decrease in pledged deposits	**(80,000)**	79,800
Cash (used in)/generated from operations	**(48,684)**	40,032

(b) Major non-cash transactions

(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, 2011, cash of RMBNil (2010: RMB5,970,000) and float sheet glass of RMBNil (2010: RMB6,983,000) were paid and the remaining balance of cash and float sheet glass of RMB4,254,000 (2010: RMB4,254,000) and RMBNil (2010: RMBNil) were still outstanding.

(ii) During the year, the Group disposed of assets classified as held for sale as mentioned in note 26(a) to (c). Part of the consideration of RMB67,900,000 was still outstanding as at 31st December, 2011.

36. CONNECTED AND RELATED PARTY TRANSACTIONS

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

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, 2011. 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.

(I) Connected persons

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

Apart from the transactions as disclosed in notes 6(d), 19, 22, 23, 27, 28 and 29, the Group had the following transactions with these connected persons during the year:-

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

	Note	**2011** **RMB'000**	2010 RMB'000
Sales of goods from the Group to the affiliates of CNBMG and CLFG	(i)	**107,109**	80,796
Provision of utilities by the Company to CLFG and the affiliates of CLFG	(ii)	**9,436**	17,495
Supply of raw materials from the Company to an affiliate of CLFG	(iii)	**59,422**	143,323
Composite services provided by the Company to an affiliate of CLFG	(iv)	**1,947**	2,841
Purchases of finished goods from an affiliate of CLFG by the Company	(v)	**143,017**	116,182
Purchases of raw materials from an affiliate of CLFG by the Group	(vi)	**4,178**	3,297
Composite services provided by an affiliate of CLFG to the Group	(vii)	**2,350**	2,820
Composite services provided by CLFG to the Company	(viii)	**2,000**	2,000
Rental income received from the affiliates of CLFG by the Company	(ix)	**—**	471
Rental expense paid to an affiliate of CLFG by the Company	(x)	**—**	1,000
Sales of silicon sands from Yinan to Longmen	(xi)	**1,683**	—

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

(I) Connected persons *(Continued)*

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

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 RMB51,670,000 for the year ended 31st December, 2011 (2010: RMB37,172,000).

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 super-thin float flat glass products 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.

During the year 2011, the Company entered into the Master Agreement to replace the above agreement by which the Company and/or any of its subsidiaries supplied super-thin float flat glass products to Huayi. The new annual cap amount for the year ended 31st December, 2011 was increased from RMB100,080,000 to RMB180,000,000.

(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 RMB27,105,000 for the year ended 31st December, 2011 (2010: RMB25,881,000).

(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 RMB927,370,000 for the year ended 31st December, 2011 (2010: RMB797,100,000).

(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, 2011 (2010: 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 RMB331,699,000 for the year ended 31st December, 2011 (2010: RMB301,433,000).

(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 RMB39,250,000 for the year ended 31st December, 2011 (2010: RMB37,295,000).

36. 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 RMB7,250,000 for the year ended 31st December, 2011 (2010: RMB6,850,000).

(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, 2011 (2010: RMB5,000,000).

(ix) The Company has entered into an agreement with an ex-associate, CLFG Processed Glass Co. Ltd., effective from 1st January, 2008 by which the Company sub-leases a portion of land use rights of land located in the PRC to CPGC at the market rental.

The Company has entered into a 10-year agreement with a CLFG's subsidiary, CLFG Jinghua Industrial Corporation (head office) ("CJIH"), effective from 1st August, 2007 by which the Company sub-leases a portion of land use rights of land located in the PRC to CJIH at the market rental.

(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) The Company's subsidiary, Longmen, entered into the Silicon Sands Agreement with another subsidiary, Yinan, on 13th May, 2011, which is expired on 31st December, 2011. In accordance with the agreement, Yinan supplies a minimum of 25,000 tons of silicon sands to Longmen with the annual cap of RMB2,125,000 for the year ended 31st December, 2011.

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

The independent non-executive directors of the Company have reviewed the above transactions that took place during the year ended 31st December, 2011 and confirmed that they were conducted in the ordinary and usual course of business of the Group and on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties and 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.

36. 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):

(xii) On 18th October, 2011, the Company renewed the continuing connected transactions agreements as mentioned in notes (i) to (vi) and (viii) above with a term of three years commencing from 1st January, 2012 to 31st December, 2014, as all of the old agreements were expired on 31st December, 2011.

(xiii) On 18th October, 2011, the Company entered into following new continuing connected transactions agreements which are all effective from 1st January, 2012:-

(1) The CLFG Engineering Technical Services Framework Agreement

Pursuant to the CLFG Engineering Technical Services Framework Agreement signed on 18th October, 2011, CLFG Group agreed to provide technical services to the Group including but not limited to feasibility study, the design, the construction and the equipment of float glass production line with an annual cap from 1st January, 2012 to 31st December, 2014.

(2) The CNBMG Engineering Technical Services Framework Agreement

Pursuant to the CNBMG Engineering Technical Services Framework Agreement signed on 18th October, 2011, CNBMG Group (excluding CLFG Group) agreed to provide technical services to the Group including but not limited to feasibility study, the design and the construction of float glass production line with an annual cap from 1st January, 2012 to 31st December, 2014.

(3) The CNBMG Engineering Materials Sales Framework Agreement

Pursuant to the CNBMG Engineering Materials Sales Framework Agreement signed on 18th October, 2011, CNBMG Group agreed to supply equipment for float glass production and fire-resistant materials to the Group. The price will be determined with reference to the prevailing market price at the time of particular transaction. These transactions are subject to the annual cap from 1st January, 2012 to 31st December, 2014.

(4) Equity Custodian Agreement

Pursuant to the Equity Custodian Agreement signed on 18th October, 2011, CLFG agreed to entrust the Company to manage the Longxin equity with an annual cap for a term of three years commencing from 1st January, 2012 to 31st December, 2014. During the year, the Longxin equity has been managed by the Company according to the terms of the existing Custodian Agreement dated 12th November, 2010 as mentioned in note 36(I)(b)(iv).

(5) The CNBMG Financial Services Framework Agreement

Pursuant to the CNBMG Financial Services Framework Agreement, CNBMG Group agreed to provide certain financial services to the Group including but not limited to the entrusted loans via financial institutions and financial guarantees in respect of bank loans of the Group with an annual cap from 1st January, 2012 to 31st December, 2014.

The agreements as mentioned in notes 36(I)(a)(xii) and (xiii) had not taken effect during the year ended 31st December, 2011.

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

(I) Connected persons *(Continued)*

(b) Others

	Note	**2011** **RMB'000**	2010 RMB'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)	**687,600**	637,600
Transportation income from an affiliate of CLFG		**—**	4
Interest paid and payable to CLFG and CNBMG		**1,555**	6,024
Sales of raw materials to an affiliate of CLFG		**—**	3,335
Provision of technical services to an an affiliate of CLFG		**—**	380
Construction design service fee paid to an affiliate of CLFG		**70**	—
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)(4), (iii)(5)	**—**	150
Construction design service fee paid to an affiliate of CNBMG	(iii)(7)	**550**	1,100
Technical services fee paid to an affiliate of CLFG	(iii)(8)	**150**	—
Equity custody income from CLFG	(iv)	**1,000**	—
Provision of technical services to an affiliate of CNBMG	(v)	**300**	—
Trade payables paid on behalf by CNBMG	(vi)	**23,550**	—
Sales of assets to affiliates of CLFG	(vii)	**10,626**	—
Purchase of assets from an affiliate of CLFG	(vii)	**231**	—

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

(I) Connected persons *(Continued)*

(b) Others *(Continued)*

Notes (Continued):

(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 (2010: 159,018,242) domestic shares of the Company (representing approximately 31.80% (2010: 31.80%) 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.

(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.

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

(I) Connected persons *(Continued)*

(b) ***Others*** *(Continued)*

Notes (Continued):

(iii) *(Continued)*

(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.

(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. The agreement was terminated after total payment of RMB1,650,000, of which RMB1,100,000 was paid during the year ended 31st December, 2010 and RMB550,000 was paid during the year.

(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. The agreement was terminated during the year with the final payment of RMB150,000.

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

(I) Connected persons *(Continued)*

(b) Others *(Continued)*

Notes (Continued):

(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 and 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.

(v) Pursuant to Temperature-rising Technical Services Agreement signed on 13th July, 2011, the Company agreed to provide CNBMG International Engineering Group Company Limited with temperature-rising technical services for a float glass production line with the service fee of RMB418,000.

(vi) Pursuant to the Paid on behalf of the Funding Agreement signed on 1st September, 2011 and 23rd December, 2011, CNBMG agreed to provide settlement of the outstanding trade payables on behalf of the Company for an amount not more than RMB14,350,000 and RMB9,200,000 respectively.

(vii) Pursuant to the Longxin Glass Assets Transfer Agreement signed on 28th November, 2011, the Group agreed to sell the Selling Assets I, including but not limited to refractory materials, auxiliary materials, bulk raw materials, cullets, hot patching materials, etc., to Longxin at a consideration of RMB11,915,000 (inclusive value added tax), and the Group agreed to purchase the Acquiring Assets, including but not limited to zircon bricks, zircon steel bricks, some fixed assets etc., from Longxin at a consideration of RMB247,000 (inclusive value added tax).

On the same date, the Company signed the CLFG Mineral Assets Transfer Agreement with CLFG Mineral, pursuant to which the Company agreed to sell the Selling Assets II, including but not limited to machinery components, original apparatus for electrical appliances, steel rail, etc., to CLFG Mineral at a consideration of RMB1,143,000 (inclusive value added tax).

(viii) On 26th December 2011, a subsidiary of the Company, Longmen, won the bid for the assets owned by CLFG Longmen Fibrereinforced Plastic Company Limited ("Longmen FRP") at the auction at a consideration of RMB3,100,000. Longmen entered into a transfer agreement in respect of the assets with Longmen FRP after the auction, pursuant to which the guarantee deposit of RMB300,000 paid by Longmen before the auction becomes part of the consideration. The remaining consideration shall be settled in full before 10th January, 2012, Longmen shall carry out the handover and transfer formalities of the assets within three working days after the settlement of the remaining consideration.

(ix) Pursuant to the Trial Production Technical Services Agreement signed on 13th January, 2012, the Company agreed to provide technical services in relation to trial production of a float glass production line to CNBMG International Engineering with the service fee of RMB560,000.

The agreements as mentioned in notes 36(I)(b)(viii) and (ix) had not taken effect during the year ended 31st December, 2011.

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

(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.

(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:-

	2011	2010
	RMB'000	*RMB'000*
Salaries and other short-term employee benefits	**1,020**	977
Contribution to defined contribution plan	**201**	46
	1,221	1,023

Total remuneration is included in "staff costs" (note 7(c)).

(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 39.

37. CAPITAL COMMITMENTS

Capital commitments outstanding at 31st December, 2011 not provided for in the consolidated financial statements were as follows:-

	2011	2010
	RMB'000	*RMB'000*
Contracted for		
— acquisition of assets	**2,955**	—
— construction project	**2,257**	21,001
— upgrade accounting system	**387**	775
	5,599	21,776

38. CONTINGENT LIABILITIES

At 31st December, 2011, the bills that the Group had discounted or endorsed but still unexpired amounted to RMB239,719,000 (2010: RMB381,702,000).

39. EMPLOYEE RETIREMENT BENEFITS

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

40. FINANCIAL RISK MANAGEMENT

(I) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to 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 2011, 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.

		2011			2010		
	Note	***US$'000***	***EUR'000***	***HK$'000***	*US$'000*	*EUR'000*	*HK$'000*
Assets							
Trade and bills receivables	22	**1,093**	**—**	**—**	807	—	—
Cash and cash equivalents	25	**19**	**—**	**7**	19	—	7
Liability							
Bank loans	29	**—**	**(441)**	**—**	—	(492)	—
Exposure arising from recognised assets and liabilities		**1,112**	**(441)**	**7**	826	(492)	7

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

(i) Foreign exchange risk *(Continued)*

(3) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after income tax (and accumulated losses) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period. The sensitivity analysis includes trade and bills receivables, cash and cash equivalents and bank loans where the denomination of the balances is in a currency other than the functional currency.

	2011			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*	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*
United States Dollars	**5%**	**353/(353)**	**—**	5%	272/(272)	—
	(5%)	**(353)/353**	**—**	(5%)	(272)/272	—
Euro	**5%**	**(181)/181**	**—**	5%	(216)/216	—
	(5%)	**181/(181)**	**—**	(5%)	216/(216)	—
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 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 2010.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

(ii) Interest rate risk

(1) Interest rate profile

The Group's interest rate risk arises primarily from bank and other loans and cash at bank. Bank loans with fixed rate were insensitive to any change in market interest rates as the Group's expenses and operating cash flows are substantially independent of changes in market interest rates. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. The following table details the interest rate profile of the Group's interest-generating financial assets and interest-bearing financial liabilities at the end of the reporting period:-

	2011		2010	
	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%**	**598,691**	0.00%-2.50%	641,480
Bank and other loans at fixed rate (included in current liabilities)	**0.00%-11.51%**	**71,205**	2.50%-10.62%	19,456
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%**	**1,150**	8.26%	4,863
Cash and -bank balances	**0.50%**	**234,138**	0.36%	133,208

(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, 2011, 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, 2011 by approximately RMB405,294 (2010: RMB341,000). Other components of equity would not be affected (2010: RMBNil) by the changes in interest rates.

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(I) Financial risk factors *(Continued)*

(a) Market risks *(Continued)*

(iii) Price risk

The Group is not exposed to any equity securities risk or commodity price risk. The Company is exposed to other price risk in respect of its investments in subsidiaries and associates. The sensitivity to price risk in relation to these investments cannot be reliably determined due to numerous uncertainties regarding the future development of these subsidiaries and associates.

(b) Credit risk

(i) Trade receivables

The Group's credit risk is primarily attributable to trade receivables. Credit evaluations are performed on all customers requiring credit over a certain amount. These receivables are normally due within 30 days from the date of billing. Debtors with balances that are due 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 22.

At the end of the reporting period, the Group has a certain concentration of credit risk as 68% (2010: 61%) and 83% (2010: 84%) 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, 2011 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.

40. 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:-

	2011					
	Carrying amount *RMB'000*	**Total contractual undiscounted cash flows** *RMB'000*	**< 1 year or on demand** *RMB'000*	**1 and < 2 years** *RMB'000*	**> 2 and < 5 years** *RMB'000*	**> 5 years** *RMB'000*
Bank and other loans	**671,046**	**672,784**	**73,428**	**46,439**	**139,316**	**413,601**
Trade and bills payables	**531,380**	**531,380**	**531,380**	**—**	**—**	**—**
Other payables	**144,541**	**144,541**	**144,541**	**—**	**—**	**—**
	1,346,967	**1,348,705**	**749,349**	**46,439**	**139,316**	**413,601**

	2010					
	Carrying amount RMB'000	Total contractual undiscounted cash flows RMB'000	< 1 year or on demand RMB'000	1 and < 2 years RMB'000	> 2 and < 5 years RMB'000	> 5 years RMB'000
Bank and other loans	714,399	723,460	27,601	49,202	190,020	456,637
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	49,202	190,020	456,637

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(II) Capital risk management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively reviews and manages its capital structure in the light of changes in economic conditions so as to maintain a sound capital position.

Consistent with industry practice, the Group monitors its capital structure on the basis of a net debt-to-capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is defined as total debts (which include 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, 2011 and 2010 were as follows:-

	Note	**2011** **RMB'000**	2010 RMB'000
Current liabilities			
Trade and bills payables	27	**531,380**	448,324
Other payables	28	**144,541**	186,103
Amount due to an associate	19	**—**	1,493
Bank and other loans	29	**72,355**	24,319
		748,276	660,239
Non-current liability			
Bank and other loans	29	**598,691**	690,080
Total debts		**1,346,967**	1,350,319
Less: Cash and cash equivalents	25	**40,930**	20,208
Adjusted net debt		**1,306,037**	1,330,111
Total equity		**74,092**	63,560
Net debt-to-capital ratio		**1,763%**	2,093%

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

40. FINANCIAL RISK MANAGEMENT *(Continued)*

(III) Fair value estimation

(i) Financial instruments carried at fair value

For financial instruments carried at fair value, the amendments to IFRS 7, "Financial Instruments: Disclosures" require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:-

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments

- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data

- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

At 31st December, 2011, the Group did not have any financial instruments carried at fair value. During the year ended 31st December, 2011, 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, 2011 and 2010 due to their short maturities except the following:-

	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Non-current bank and other loans	**598,691**	**598,313**	690,080	685,003

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.

41. ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates such as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

Impairment

In considering the impairment losses that may be required for of the Group's long-lived assets (see note 2(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.

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.

42. POST BALANCE SHEET EVENT

(a) The transaction as mentioned in note 36(I)(b)(viii) was completed after the year end date.

(b) On 23rd December, 2011, the Board of Directors has passed a resolution of deregistration of a wholly-owned subsidiary, Shawan. The deregistration was completed after the year end date.

Auditors' Report

Daxin Shen Zi [2012] No. 2-0218

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 the consolidated and the Company's balance sheet as of December 31, 2011, the consolidated and the Company's income statement, the consolidated and the Company's cash flow statement and the consolidated and the Company's statement of changes in equity for 2011, and notes to the financial statements.

I. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of the financial statements. The responsibility includes: (1) preparation of the financial statements in accordance with the Accounting Standards for Business Enterprises to give a fair view; (2) designing, implementing and maintaining necessary internal controls so that the financial statements are free from material misstatement whether due to fraud or error.

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 Auditing Standards for PRC Certified Public Accountants. Those standards require that we comply with Code of Ethics for PRC Certified Public Accountants, 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 audit 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, the auditors consider the internal controls relevant to the entity's preparation and fair presentation 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 the Accounting Standards for Business Enterprises in all material aspects, and they fairly present the consolidated and the Company's financial position as of December 31, 2011, and the consolidated and the Company's operating results and cash flows for 2011.

DaXin Certified Public Accountants Co., Ltd. *Chinese Certified Public Accountant:* **Qiao Guanfang**

Beijing • the PRC *Chinese Certified Public Accountant:* **Liao Feng**

March 27, 2012

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2011	December 31, 2010
Current assets:			
Bank balance and cash	V.1	**234,137,383.86**	133,207,882.32
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Notes receivable	V.2	**38,307,354.54**	53,530,753.33
Accounts receivable	V.3	**75,958,661.80**	41,296,294.64
Prepayments	V.4	**9,061,090.40**	31,556,070.66
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables	V.5	**95,429,597.52**	52,316,188.40
Financial assets purchased under resale agreements			
Inventory	V.6	**214,581,784.76**	202,066,328.31
Non-current assets due within one year			
Other current assets			
Total current assets		**667,475,872.88**	513,973,517.66
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	**14,605,124.57**	15,231,066.17
Fixed assets	V.10	**650,334,194.36**	685,824,554.04
Construction in progress	V.11	**21,667,229.11**	136,851,711.48
Construction materials	V.12	**467,545.38**	861,265.93
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	V.13	**52,697,168.49**	78,234,598.38
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets	V.15	**1,128,010.00**	1,128,010.00
Total non-current assets		**748,309,271.91**	925,541,206.00
Total assets		**1,415,785,144.79**	1,439,514,723.66

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2011	December 31, 2010
Current liabilities:			
Short-term loans	V.17	**29,850,000.00**	23,862,776.00
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	**273,000,000.00**	148,000,000.00
Accounts payable	V.19	**258,418,710.80**	301,945,298.97
Payments received in advance	V.20	**42,067,928.09**	78,936,991.80
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payables	V.21	**21,312,263.58**	33,558,352.67
Taxes payable	V.22	**-21,390,316.14**	1,812,433.42
Interest payable			
Dividends payable			
Other payables	V.23	**77,340,752.80**	66,667,555.51
Reinsurance accounts payable			
Reserve for insurance contracts			
Customer deposits for trading in securities			
Customer deposits for underwriting			
Non-current liabilities due within one year	V.24	**47,771,852.29**	456,456.39
Other current liabilities			
Total current liabilities		**728,371,191.42**	655,239,864.76
Non-current liabilities:			
Long-term loans	V.25	**598,691,470.60**	690,079,874.01
Debentures payable			
Long-term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities	V.26	**10,013,286.06**	
Total non-current liabilities		**608,704,756.66**	690,079,874.01
Total liabilities		**1,337,075,948.08**	1,345,319,738.77

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**December 31, 2011**	December 31, 2010
Owners' equity:			
Paid-up capital (or share capital)	V.27	**500,018,242.00**	500,018,242.00
Capital reserve	V.28	**857,546,199.44**	858,478,043.16
Less: Treasury stock			
Special reserve	V.29	**91,819.17**	36,552.97
Surplus reserve	V.30	**51,365,509.04**	51,365,509.04
General risk provision			
Retained earnings	V.31	**-1,282,008,136.21**	-1,294,342,695.81
Currency translation differences			
Total equity attributable to the equity holders of the Company		**127,013,633.44**	115,555,651.36
Minority interests		**-48,304,436.73**	-21,360,666.47
Total owners' equity		**78,709,196.71**	94,194,984.89
Total liabilities and shareholders' equities		**1,415,785,144.79**	1,439,514,723.66

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited
December 31, 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	December 31, 2011	December 31, 2010
Current assets:			
Bank balance and cash		**163,534,452.44**	113,753,492.71
Held-for-trading financial assets			
Notes receivable		**26,720,000.00**	25,495,242.62
Accounts receivable	XIII. 1	**419,614,673.42**	339,192,086.41
Prepayments		**477,535.28**	24,329,627.91
Interest receivable			
Dividends receivable			
Other receivables	XIII. 2	**247,651,162.32**	99,924,435.64
Inventory		**9,696,870.75**	21,761,218.08
Non-current assets due within one year			
Other current assets			
Total current assets		**867,694,694.21**	624,456,103.37
Non-current assets:			
Available-for-sale financial assets			
Hold-to-maturity investment		**267,700,000.00**	320,561,665.00
Long-term receivables			
Long-term investment in equity	XIII. 3	**73,121,864.40**	164,801,782.21
Investment properties		**14,605,124.57**	15,231,066.17
Fixed assets		**50,142,137.32**	150,940,081.78
Construction in progress			10,754,132.11
Construction materials		**405,137.59**	15,564.95
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		**7,528,875.64**	33,405,353.87
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		**413,503,139.52**	695,709,646.09
Total assets		**1,281,197,833.73**	1,320,165,749.46

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited
December 31, 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**December 31, 2011**	December 31, 2010
Current liabilities:			
Short-term loans:		**16,700,000.00**	
Held-for-trading financial liabilities			
Notes payable		**213,000,000.00**	163,000,000.00
Accounts payable		**153,326,104.03**	197,299,908.52
Payments received in advance		**32,954,798.99**	79,961,823.43
Staff remuneration payable		**10,636,797.54**	14,202,445.13
Taxes payable		**2,887,483.59**	10,548,088.24
Interest payable			
Dividend payable			
Other payables		**199,429,658.79**	80,429,825.58
Non-current liabilities due within one year		**39,864,676.74**	456,456.39
Other current liabilities			
Total current liabilities		**668,799,519.68**	545,898,547.29
Non-current liabilities:			
Long-term loans		**561,331,470.60**	650,079,874.01
Debentures payable			
Long-term payable			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		**561,331,470.60**	650,079,874.01
Total liabilities		**1,230,130,990.28**	1,195,978,421.30
Owners' equity			
Paid-up capital (or share capital)		**500,018,242.00**	500,018,242.00
Capital reserve		**891,129,782.23**	894,103,784.06
Less: Treasury stock			
Special reserve			
Surplus reserve		**51,365,509.04**	51,365,509.04
General risk provision			
Retained earnings		**-1,391,446,689.82**	-1,321,300,206.94
Total owners' equity		**51,066,843.45**	124,187,328.16
Total liabilities and owners' equities		**1,281,197,833.73**	1,320,165,749.46

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	Notes	2011	2010
I. Total operating revenue		**920,942,939.77**	1,168,481,659.06
Including: Operating revenue	V.32	**920,942,939.77**	1,168,481,659.06
Interest income			
Premiums earned			
Handling charges and commission income			
II. Total operating costs		**1,010,595,104.85**	1,172,656,240.40
Including: Operating costs	V.32	**821,057,458.14**	937,518,077.98
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.33	**7,454,406.06**	7,999,140.34
Selling expenses	V.34	**26,671,923.01**	32,685,675.00
Administration expenses	V.35	**132,497,298.11**	170,417,195.06
Finance expenses	V.36	**12,052,817.76**	14,705,477.35
Impairment loss on assets	V.38	**10,861,201.77**	9,330,674.67
Add: Gains from changes in fair value			
Investment income (losses are represented by "—")	V.37		1.00
Including: Gains from investment in associates and joint ventures			
Gains from currency exchange (losses are represented by "—")			
III. Operating profit (loss is represented by "—")		**-89,652,165.08**	-4,174,580.34
Add: Non-operating income	V.39	**104,304,937.28**	78,571,028.05
Less: Non-operating expenses	V.40	**11,721,195.50**	1,411,972.49
Including: Net loss from disposal of non-current assets		**7,339,734.13**	44,034.35
IV. Total profit (total loss is represented by "—")		**2,931,576.70**	72,984,475.22
Less: Income taxes expenses	V.41	**20,563,646.03**	18,356,189.14
V. Net profit (net loss is represented by "—")		**-17,632,069.33**	54,628,286.08
Including: Net profit attributable to the owners of the Company		**12,334,559.60**	60,787,804.31
Minority interests		**-29,966,628.93**	-6,159,518.23
VI. Earnings per share:			
(I) Basic earnings per share *(RMB/share)*		**0.0247**	0.1216
(II) Diluted earnings per share *(RMB/share)*		**0.0247**	0.1216
VII. Other comprehensive income			
VIII. Total comprehensive income		**-17,632,069.33**	54,628,286.08
Including: Total comprehensive income attributable to owners of the Company		**12,334,559.60**	60,787,804.31
Total comprehensive income attributable to minority interests		**-29,966,628.93**	-6,159,518.23

Legal representative:	Chief accountant:	Person in charge of accounting department:
Song Jianming	**Song Fei**	**Chen Jing**

Income Statement of the Company

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item		Notes	2011	2010
I. Operating revenue		XIII. 4	**856,168,995.07**	1,298,386,689.57
Less:	Operating costs	XIII. 4	**830,619,976.77**	1,273,018,946.05
	Business taxes and surcharges		**3,449,056.23**	3,300,752.34
	Selling expenses		**3,218,127.40**	7,486,172.10
	Administration expenses		**64,500,966.74**	92,970,828.65
	Finance expenses		**-2,649,709.21**	-1,744,199.74
	Impairment loss on assets		**144,630,766.10**	10,976,147.21
Add:	Gains from changes in fair value			
	Investment income	XIII. 5	**29,638,246.68**	14,657,131.12
Including:	Gains from investment in associates and joint ventures			
II. Operating Profit			**-157,961,942.28**	-72,964,825.92
Add:	Non-operating income		**90,041,597.14**	40,330,840.11
Less:	Non-operating expenses		**2,226,137.74**	350,493.48
Including:	Net loss from disposal of non-current assets		**36,622.32**	
III Total profit			**-70,146,482.88**	-32,984,479.29
Less:	Income tax expenses			
IV. Net profit			**-70,146,482.88**	-32,984,479.29
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			**-70,146,482.88**	-32,984,479.29

Legal representative:	*Chief accountant:*	*Person in charge of accounting department:*
Song Jianming	**Song Fei**	**Chen Jing**

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**2011**	2010
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		**371,240,544.65**	683,659,634.68
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.43	**59,946,295.45**	165,924,088.34
Sub-total of cash inflow from operating activities		**431,186,840.10**	849,583,723.02
Cash paid for goods purchased and services rendered		**180,971,481.74**	506,678,635.59
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		**105,369,423.65**	149,154,017.01
Tax payments		**79,123,368.62**	100,587,926.78
Other cash paid for activities related to operation	V.43	**127,396,091.72**	70,223,656.65
Sub-total of cash outflow from operating activities		**492,860,365.73**	826,644,236.03
Net cash flow from operating activities		**-61,673,525.63**	22,939,486.99
II. Cash flow from investment activities:			
Cash received from disposal of investment		**6,000,000.00**	35,000,000.00
Cash received from return of investments			
Net cash received from disposal of fixed assets, intangible assets and other long term assets		**130,201,467.00**	1,977,000.00
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		**136,201,467.00**	36,977,000.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long term assets		**8,595,281.47**	34,790,719.66
Cash paid for investment		**1,260,000.00**	1.00
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.43	**633,697.58**	715,036.88
Sub-total of cash outflow from investment activities		**10,488,979.05**	35,505,757.54
Net cash flow from investment activities		**125,712,487.95**	1,471,242.46

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**2011**	2010
III. Cash flow from financing activities:			
Cash received from investments		**3,300,000.00**	1,020,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment		**3,300,000.00**	
Proceeds from loans		**69,950,000.00**	540,500,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities			
Sub-total of cash inflow from financing activities		**73,250,000.00**	541,520,000.00
Repayment of loans		**113,302,959.06**	566,369,244.95
Cash paid for dividends, profit, or interest payments		**3,257,924.29**	12,534,094.00
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		**116,560,883.35**	578,903,338.95
Net cash flow from financing activities		**-43,310,883.35**	-37,383,338.95
IV. Effects of changes in exchange rate on cash and cash equivalents		**-6,279.16**	-8,025.99
V. Net increase in cash and cash equivalents		**20,721,799.81**	-12,980,635.49
Add: Opening balance of cash and cash equivalents	V.44	**20,207,882.32**	33,188,517.81
VI. Closing balance of cash and cash equivalents		**40,929,682.13**	20,207,882.32

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Cash Flow Statement of the Company

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	*Notes*	**2011**	2010
I. Cash flow from operating activities:			
Cash received from sale of goods and provision of services		**331,221,514.62**	429,735,123.68
Tax rebates			
Other cash received from activities related to operation		**36,296,015.49**	95,556,520.86
Sub-total of cash inflow from operating activities		**367,517,530.11**	525,291,644.54
Cash paid for goods purchased and service rendered		**341,736,126.84**	409,278,116.64
Cash paid to and on behalf of employees		**35,458,261.89**	70,820,223.30
Taxes payments		**16,444,112.76**	21,968,951.45
Other cash paid for activities related to operation		**88,010,777.31**	46,290,248.96
Sub-total of cash outflow from operating activities		**481,649,278.80**	548,357,540.35
Net cash flow from operating activities		**-114,131,748.69**	-23,065,895.81
II. Cash flow from investment activities:			
Cash received from disposal of investments		**6,000,000.00**	561,081,679.12
Cash received from return of investments		**26,841,080.09**	16,298,455.90
Net cash received from disposal of fixed assets,intangible assets and other long term assets		**128,083,467.00**	70,000.00
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		**160,924,547.09**	577,450,135.02
Cash paid for purchase and construction of fixed assets,intangible assets and other long term assets		**460,748.00**	2,509,934.86
Cash paid for investment		**11,980,000.00**	518,700,001.00
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment		**633,697.58**	715,036.88
Sub-total of cash outflow from investment activities		**13,074,445.58**	521,924,972.74
Net cash flow from investment activities		**147,850,101.51**	55,525,162.28
III. Cash flow from financing activities			
Cash received from investments			
Proceeds from loans		**34,950,000.00**	481,500,000.00
Cash received from issuing bonds			
Other cash received from activities related to financing			
Sub-total of cash inflow from financing activities		**34,950,000.00**	481,500,000.00
Cash paid for repayment of loans		**67,313,316.78**	505,869,244.95
Cash paid for dividends, profit, or interest payment		**1,772,820.68**	9,940,984.12
Other cash paid for financing-related activities			
Sub-total of cash outflow from financing activities		**69,086,137.46**	515,810,229.07
Net cash flow from financing activities		**-34,136,137.46**	-34,310,229.07
IV. Effects of changes in exchange rate on cash and cash equivalents		**-6,279.16**	-8,025.99
V. Net increase in cash and cash equivalents		**-424,063.80**	-1,858,988.59
Add: Opening balance of cash and cash equivalents		**753,492.71**	2,612,481.30
VI. Closing balance of cash and cash equivalents		**329,428.91**	753,492.71

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2011										
	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	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
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	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
III. Increase/decrease in the year (decrease is represented by "—")		-931,843.72		55,266.20			12,334,559.60		11,457,982.08	-26,943,770.26	-15,485,788.18
(I) Net profit							12,334,559.60		12,334,559.60	-29,966,628.93	-17,632,069.33
(II) Other comprehensive income											
Sub-total of above (I) and (II)							12,334,559.60		12,334,559.60	-29,966,628.93	-17,632,069.33
(III) Owners' contribution and decrease in capital		-931,843.72							-931,843.72	2,971,843.72	2,040,000.00
1. Owners' capital contribution										3,300,000.00	3,300,000.00
2. Share based payments credited to owners' equity											
3. Others		-931,843.72							-931,843.72	-328,156.28	-1,260,000.00
(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				55,266.20					55,266.20	51,014.95	106,281.15
1. Amount withdrawn in the year				55,266.20					55,266.20	51,014.95	106,281.15
2. Amount utilized in the year											
(VII) Others											
IV. Balance at the end of the year	500,018,242.00	857,546,199.44		91,819.17	51,365,509.04		-1,282,008,136.21		127,013,633.44	-48,304,436.73	78,709,196.71

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2011
(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/decrease 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 ending 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

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of accounting department:
Chen Jing

Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

	2011							
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		-1,321,300,206.94	124,187,328.16
Add: Effects of changes in accounting policies							-1,321,300,206.94	124,187,328.16
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		-1,321,300,206.94	124,187,328.16
III. Increase/decrease in the year (decrease is represented by "—")		-2,974,001.83					-70,146,482.88	-73,120,484.71
(I) Net profit							-70,146,482.88	-70,146,482.88
(II) Other comprehensive income								
Sub-total of above (I) and (II)							-70,146,482.88	-70,146,482.88
(III) Owners' contribution and decrease in capital		-2,974,001.83						-2,974,001.83
1. Owners' capital contribution								
2. Share based payments credited to owners' equity								
3. Others		-2,974,001.83						-2,974,001.83
(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	891,129,782.23			51,365,509.04		-1,391,446,689.82	51,066,843.45

Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited
For 2011
(Prepared under the PRC Accounting Rules and Regulations)
Unit: RMB

Item	2010 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/decrease 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

Legal representative: **Song Jianming**

Chief accountant: **Song Fei**

Person in charge of accounting department: **Chen Jing**

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2011 to 31 December 2011
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

I. COMPANY PROFILE

Luoyang Glass Company Limited ("the Company") was incorporated in the People's Republic of China ("the PRC") as a joint stock limited company.

The Company was established as part of the restructuring plan of China Luoyang Float Glass Group Company Limited ("CLFG"), a state-owned enterprise. Pursuant to the approvals from relevant authorities including the State Restructuring Commission and the National Administrative Bureau of State-owned Assets, CLFG established the Company on 6 April 1994 with CLFG as the sole promoter. At the time of its establishment, the Company had a registered capital of RMB400,000,000, including 400,000,000 state-owned legal person shares of RMB1.00 each which was paid up in full 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, which 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 A shares to the public in the PRC and 10,000,000 A shares to the employees of the Company on 29 September 1995 at RMB5.03 each, which were listed on the Shanghai Stock Exchange on 30 October 1995 and 10 May 1996 respectively.

In June 2006, as approved at the general meeting of the Company and approved by the document (Shang Zi Pi [2006] No. 1232) from the Ministry of Commerce of the PRC, CLFG enabled the shares it held in the Company to be tradable by transfer of 21,000,000 shares of the Company at nil consideration to the holders of tradable A shares 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 issued by 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 of RMB629,942,543 due to the Company. The transfer registration has been processed by China Securities Depository and Clearing Corporation Limited Shanghai Branch on 6 December 2006. Accordingly, CLFG reduced its shareholding in the Company to 179,018,242 shares and the Company's total share capital was changed to be 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 31.8% of the total share capital of the Company, and remains the biggest 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 and complete plants, electric appliances, accessories and component parts, sale of self-produced products, provision of technical consultancy and technical services. The major products include various types of float sheet glass and vehicle use glass.

II. MAJOR 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 basis 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 PRC on 15 February 2006, and application guidance, interpretations 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.

2. Declaration on compliance with Accounting Standards for Business Enterprises

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 2011, and operating results, cash flows and other relevant information for the year 2011 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 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 the carrying amounts of the acquiree. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid (or aggregate nominal value of shares issued) 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. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

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

(2) Business combination not under common control

For this kind of business combination, the acquisition cost is the fair value of assets paid, liabilities occurred or suffered and equity bonds issued, in exchange of control of acquiree. 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, 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 remains true after reassessment.

6. Preparation method of consolidated financial statements

The scope of consolidated financial statements is 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 relevant provisions, 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 presented individually as minority interest in shareholders' equity in consolidated financial statements.

An adjustment of subsidiaries' financial statements is needed when preparing consolidated financial statements if the accounting policy and accounting period are different between the Company and its subsidiaries.

For subsidiaries acquired not under common control, when preparing consolidated financial statements, subsidiaries' financial statements should be adjusted on the base of identified fair value of net assets on the date of acquisition. For subsidiaries acquired under common control, the assets, liabilities, operating results and cash flow of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquisition.

7. Recognition standard of cash and cash equivalents

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

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

7. Recognition standard of cash and cash equivalents *(Continued)*

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 non-monetary 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 "Undistributable 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.

On disposal 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.

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

9. Financial instruments

(1) Recognition, classification and measurement of financial instrument

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 held-for-trading financial assets and designed as at fair value through profit or loss), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Classification of financial asset other than receivables 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 held-for-trading 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.

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.

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

9. Financial instruments *(Continued)*

(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.

(4) Recognition 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 recognize 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 parameters shall be chosen with priority, minimizing the specific parameters relating to the Company and its subsidiaries when utilizing the appraisal technology.

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

9. Financial instruments *(Continued)*

(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 have been impaired, the book value of the financial assets shall be written down to the current value of estimated future cash flow, the write-down 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.

(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 held to maturity:

1) There is no available financial funds to support constantly until it is held to 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.

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

10. Accounts receivable

The receivables include accounts receivable, long-term receivables 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 based 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 provided for bad debts:

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 provided for bad debts	Conduct individual impairment test, and in absence of impairment, use the same aging analysis

(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	-

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

10. Accounts receivable *(Continued)*

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

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 (including 1 year)	0	0
1-2 years	30	30
2-3 years	50	50
Over 3 years	100	100

(3) Accounts receivable which single amount is not significant 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.

11. Inventory

(1) Categories

Inventories are finished products or goods held for sale in the ordinary course of business, unfinished products in the process of production, materials or supplies to be consumed in the production process or in the rendering 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.

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

11. Inventory *(Continued)*

(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 production in the ordinary course of business are accounted as cost when net realizable value is higher than cost, and accounted as net realizable value when the market price of materials has decreased with 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, net realizable values are their market prices.

(4) Record policy

The Company adopts perpetual inventory record policy.

(5) Amortization method of low-value consumables and packaging materials

Low-value consumables acquired may be amortized at one-off write-off method. Packaging materials and other materials for turnover use are amortized at equal-split amortization method.

12. Long-term equity investment

(1) Recognition of investment cost

1) For long-term equity investments due from business consolidation under common control, the initial cost should be the shares acquired of the acquiree's value of shareholders' equity; for long-term equity investments due from business consolidation not under common control, the initial cost should be the consolidated cost accounted at the date of acquisition;

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 exchange of non-cash assets or debt restructuring, the initial investment cost is recognized according to relevant Accounting Standards.

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

12. Long-term equity investment *(Continued)*

(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, the share of net profits or losses of the investee shall be recognized as investment income or loss, and the long-term equity investment shall be adjusted accordingly. Cash dividends or profit distributions declared by the investee shall be recognized as a deduction of carrying value of long-term equity investments.

When using cost method, carrying amount of the long-term equity investments shall remain unchanged except for additional investment or collection of investment. 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.

(3) Judgment of common control and significant influence over the investee

1) Judgment of common control: Two or more parties to the joint venture agreed through contract or agreement that the financial and operational decisions of the joint venture shall be determined by two or more parties.

2) Judgment of significant influence: the acquirer holds 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 are representatives of the acquirer in the board of directors or other similar organization of the acquiree;

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

   3. there is the manager of acquirer taking part in the operation of acquiree;

   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.

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

12. Long-term equity investment *(Continued)*

(4) Impairment test and provision of impairment

At the balance sheet date, the Company will review the long-term equity investments to check whether there is any sign of impairment, and an impairment test is needed to recognize the recoverable amount when there are signs that long-term equity investments may impair. 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.

13. Investment property

(1) Category and measurement mode of investment property

Investment property of the Company includes land use rights and buildings leased out, and land use rights held for sale after appreciation.

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 amortization 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 any sign of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that long-term equity investments may impair. 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 amount is expressed in RMB unless otherwise specified)

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

14. Fixed assets

(1) Recognition conditions of fixed assets

Fixed assets are tangible assets that are held by the Company for production of products or supply of goods or services, for rental purposes, 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.

(2) Classification and depreciation methods for fixed assets

Main fixed assets held by the Company are buildings and structures, machine and equipment, electronic equipment, and transportation tools etc. Depreciation is provided based upon the straight-line method. The Company determines the useful life and estimates net residual value of a fixed asset according to the nature and use pattern of the fixed asset. The Company, at the end of each year, has a review on the useful life, expected residual value and the depreciation method of the fixed assets. If it differs from its previous estimate, adjustment will be made accordingly. The Company provides depreciation for all its fixed assets other than fully depreciated fixed assets that are still in use and land individually accounted for.

Category	**Estimated useful lives** *(years)*	**Expected residual value rate** *(%)*	**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 reviews fixed asset to check whether there is any sign of impairment, and an impairment test is needed to recognize the recoverable amount when there are signs that fixed assets may impair. The impairment loss should be the lower of the carrying value and recoverable amount and the impairment loss can not be reversed in the following accounting period if it has been accounted for.

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

14. Fixed assets *(Continued)*

(4) Recognition and measurement of fixed assets under finance lease

Recognition of fixed assets under finance lease: the nature of this kind of lease is a transfer of all risk and rewards related to the ownership of assets. Recognition should be accounted when one or more conditions satisfied as follows: (1) the lessor transfers 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 represents 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 is almost equivalent to 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 fixed assets under finance lease: the initial amount of a fixed asset under 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 fixed assets under finance lease should be in accordance with the accounting policies adopted for self-owned fixed assets in respect of provision of depreciation and impairment.

15. Construction in progress

(1) Categories

There are two kinds of construction in progress for the Company, self-construction and sub-contracting construction.

(2) Standard and date of transfer from construction in progress to fixed assets

Construction in progress is transferred to fixed assets when the project is completed and ready for its intended use, which shall satisfy one of the following conditions:

1) The construction of the fixed assets (including installation) has been completed or substantially completed;

2) The fixed asset has been used for trial operation and it is evidenced that the asset can operate ordinarily or produce steadily qualified products; or the result of trial operation proves that it can operate normally;

3) Few or no expenditure was incurred for construction of the fixed assets;

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

II. MAJOR 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 reviews the construction in progress to check whether there is any sign of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that construction in progress may impair. 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 principle for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are eligible for capitalization. Other borrowing costs should be recognized as expenses when incurred through profit and loss account. Qualifying assets include fixed assets, investment property and inventories that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

(2) Calculation of capitalized amount

Capitalization period is the period from the beginning of borrowing costs capitalized to the cessation 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 interest income thereon or 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 interest rate of the ordinary borrowings. (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. MAJOR 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 at cost. The actual cost of purchased intangible assets should include the consideration paid and relevant expenditures. The actual cost of intangible assets invested in by investors should be the fair value according to the investment contract or agreed value but the actual cost shall be measured at cost if the contract or the agreed value is not at arm's length. The cost of self developed intangible assets 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 the end of each year, review the useful life and the amortization method of the intangible assets and adjust accordingly if they differ from the estimated figures. Specifically, the land use right is amortised based on the average useful life of the land transfer from the first 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) Intangible assets with indefinite useful lives shall not be amortized, but require an annual review of useful lives at the end of the year. If it is evident that there are intangible assets with definite useful lives it should be amortized in straight-line method after estimating its useful life.

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 available 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 and labour services provided by the assets; (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. MAJOR ACCOUNTING POLICIES, ACCOUNTING ESTIMATES AND ERRORS OF PREVIOUS PERIOD *(Continued)*

17. Intangible assets *(Continued)*

(3) *Judgment 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 or it has no definite useful life.

The judgment basis of intangible assets with indefinite 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 judgments of the indefinite useful life, etc.

(4) *Methods for impairment test and provision for impairment of intangible assets*

At the balance sheet date, the Company reviews the intangible assets to check whether there is a sign of impairment and an impairment test is needed to recognize the recoverable amount when there are signs that intangible assets may impair. The impairment loss should be the lower of the carrying value and recoverable amount and provision for impairment loss can not be reversed in the following accounting periods if it has been accounted for.

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.

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

17. Intangible assets *(Continued)*

(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.* *(Continued)*

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 before commercial production or usage commences to produce new or substantially innovate material, equipment, product, etc which is characterized by pertinence and higher possibility to generate the results.

18. Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but spaces the benefit period is over one year (not including one year), mainly including the expense of leasing parking, decoration 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 standard

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

(2) Measurement of the accrued liability

Initial measurement should be in accordance with the best appraisable amount of expenses to fulfill relevant current obligation. The best appraisable amount should be a middle value if the expense occurred in a continuous 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 reviews the 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 fairly represent the best appraisable amount.

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

20. Share-based payments and equity instruments

1. Share-based payment refers to a transaction in which the Group 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 in return for services from employees, it shall be measured at the fair value of equity instruments granted to the employees; for equity-settled share-based payment transaction in return for services from other parties, it shall be measured at the fair value of services of other parties on the date of provision of such services. If the services of other parties cannot be measured reliably, it shall be measured at fair value of equity instruments on the date which the services are provided.

3. The fair value of equity instruments shall be 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 Company 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 and willing parties, with reference to the current fair value of other financial instruments which are substantially same, and by using 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 employees to make a best estimate of exercisable equity instruments.

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

21. Revenue

(1) Revenue from sales of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyer under contracts or as agreed only when all the following conditions are satisfied: 1) the Company has transferred to the buyer the significant risks and rewards of ownership of the goods; 2) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; 3) the amount of revenue can be measured reliably; 4) it is probable that the economic benefits associated with the transaction will flow to the enterprise; 5) and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

If the selling income according to the contract or agreement is deferred and is of financial nature, 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: 1) 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; 2) 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.

(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.

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

22. Government grants

(1) Types of government grants

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

(2) Accounting treatment 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 items 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 available against which the deductible temporary difference can be utilised.

II. MAJOR 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 to the leasee, and others should be classified as operating lease.

The Group has no financing lease business.

The Group recognizes the lease payment under operating lease as an expense on a straight-line basis over the lease term. Under the operating lease of the incentives such as rent-free period and bearing 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 cost borne 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 other systematic basis is more reasonable. Under some conditions, the Group may provide incentives such as rent-free period and bearing 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 cost borne by the Group shall be amortized in the whole lease term.

25. Assets held for sale

(1) Recognition standards

Assets held for sale shall be recognized only when all of the following conditions are satisfied: the Company has passed resolution in respect of disposal of the asset; the Company has signed irrevocable transfer agreement with transferee and the transfer of the assets would be completed in one year.

(2) Accounting treatment of assets held for sale

Estimated 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. If the carrying value is higher than the adjusted estimated net residual value, the difference 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

During the reporting period, the Company did not change any accounting policy.

(2) Changes of significant accounting estimates

During the reporting period, the Company did not change any accounting estimate.

27. Error correction for the previous years

During the reporting period, the Company did not correct any accounting error.

(The amount is expressed in RMB unless otherwise specified)

III. TAXES

1. Main taxation and tax rate:

Category	Tax basis	Tax rate
Value added tax	The value-added part of sales revenue, and revenue from processing and repair, fitting and labour services	13%-17%
Resources tax	Selling 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%
Enterprise income taxes	Enterprise income	15% and 25%

On 8th November 2010, Longhai Glass, the Company's wholly-owned subsidiary, was recognized as high-tech enterprise as verified 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 Implementation of Tax Preferential Treatment for High-Technology Enterprises (Guo Shui Han [2009] No. 203), Longhai Glass enjoys 15% enterprise income tax from 1st January 2010.

The applicable enterprise income tax for the Company and other subsidiaries is 25%.

2. Tax preference and approvals: The Group enjoys no other tax preference.

3. Deferred income tax assets

Deferred income tax assets of the Group and the Company are principally deductible loss and temporary difference for the previous years. As potential tax benefits are subject to future confirmation, no deferred income tax assets are recognized during the reporting period.

IV. SCOPE OF CONSOLIDATED FINANCIAL STATEMENTS

The scope of 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 for Business Enterprises 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 consolidated financial statements if the accounting policy and accounting period are different between the Company and its subsidiaries.

For subsidiaries acquired not under common control, when preparing consolidated financial statements, subsidiaries' financial statements should be adjusted on the base of identified fair value of net assets on the date of acquisition. For 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 acquisition. 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 amount is expressed in RMB unless otherwise specified)

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

1. Basic situation of subsidiaries

(1) Subsidiaries acquired through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Principal activities	Registered capital	Scope of operation	Investment cost at the end of 2011	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")	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			
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	-55,887,500.74	-29,943,789.46	
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	2,862,710.83	168,598.59	
CLFG Long Hai Electronic Glass Limited ("Long Hai")	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	13,000,000.00	Silica sand sale	9,005,998.17		67	67	Yes	3,938,706.55	-32,740.07	
Dengfeng Hongzhai Silicon Co.. Ltd. ("Hongzhai")	Other subsidiary	Dengfeng China	Mining and selling	2,050,000.00	Silica sand sale	1,030,000.00		50.24	50.24	Yes	730,631.68	-158,697.99	
CLFG Shawan Glass Co. Ltd ("Shawan")l	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			

(2) There is no subsidiary acquired in a business combination involving entities under common control.

(3) There is no subsidiary acquired in a business combination involving entities 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 be included in the consolidation scope.

3. There were no entities newly incorporated in the consolidation scope during the period.

(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 2011** Foreign currency balance	Exchange rate	Rmb (equivalent)	31 December 2010 Foreign currency balance	Exchange rate	Rmb (equivalent)
Cash:			**598,661.44**			826,247.60
— Renminbi			**598,661.44**			826,247.60
— US Dollars						
— HK Dollars						
Deposits at banks:			**40,532,333.54**			19,381,529.40
— Renminbi			**40,408,718.36**			19,252,055.22
— US Dollars	**18,645.06**	**6.3183**	**117,805.63**	18,629.49	6.6227	123,377.44
— HK Dollars	**7,160.06**	**0.8107**	**5,804.65**	7,158.60	0.8509	6,091.46
— Euro Dollars	**0.60**	**8.1667**	**4.90**	0.60	8.8000	5.28
Other monetary funds:			**193,006,388.88**			113,000,105.32
— Renminbi			**193,006,388.88**			113,000,105.32
— US Dollars						
Total			**234,137,383.86**			133,207,882.32

(2) Other monetary funds list

Item	31 December 2011	31 December 2010
Security for bank acceptance notes	**193,000,000.00**	113,000,000.00
Other	**6,388.88**	105.32
Total	**193,006,388.88**	113,000,105.32

Note: As at 31 December 2011, monetary funds of RMB193,000,000.00 was pledged as security for the bank acceptance notes.

(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 2011	31 December 2010
Bank acceptance notes	**38,307,354.54**	53,530,753.33
Commercial acceptance notes		
Total	**38,307,354.54**	53,530,753.33

(2) *Top five largest notes receivable which have been endorsed but not to maturity*

Name	Issuing date	Maturity date	Amount	Remark
Hebei Jiya Electronics Co., Ltd.	2011.07.13	2012.01.12	6,000,000.00	Endorsed by Longhai
Yantai Winhere Auto-part Manufacturing Co., Ltd.	2011.9.23	2012.03.23	3,000,000.00	Endorsed by Longhai
Shenzhen Leaguer Optronics Co., Ltd	2011.7.26	2012.1.26	2,885,409.92	Endorsed by Longhai
Hebei Jiya Electronics Co., Ltd.	2011.7.1	2012.1.1	2,700,000.00	Endorsed by Longhai
Shenzhen Luobo Industrial Co., Ltd.	2011.8.25	2012.2.25	2,100,000.00	Endorsed by Longhai
Total			16,685,409.92	

(3) *Other illustration:*

Note: As at 31 December 2011, undue notes amounted to RMB239,719,432.06 had been discounted or endorsed with maturity date from 2 January 2012 to 30 June 2012.

(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:

Category	31 December 2011 Carrying amount Amount	Carrying amount Rate (%)	Bad debt Amount	Bad debt 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	**123,733,849.20**	**100.00**	**47,775,187.40**	**38.61**
The group without provision for bad debts				
Group subtotal	**123,733,849.20**	**100.00**	**47,775,187.40**	**38.61**
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	**123,733,849.20**	**100.00**	**47,775,187.40**	**38.61**

Category	31 December 2010 Carrying amount Amount	Carrying amount Rate (%)	Bad debt Amount	Bad debt 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

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 for 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 2011 Carrying amount	Rate (%)	Bad debt	31 December 2010 Carrying amount	Rate (%)	Bad debt
Within 1 year	**73,794,207.18**	**59.63**		37,958,838.51	43.45	
1-2 years	**2,309,646.33**	**1.87**	**692,893.90**	1,233,497.07	1.41	370,049.12
2-3 years	**1,095,404.38**	**0.89**	**547,702.19**	4,948,016.36	5.66	2,474,008.18
3-4 years	**3,291,110.13**	**2.66**	**3,291,110.13**	64,980.00	0.07	64,980.00
4-5 years	**64,980.00**	**0.05**	**64,980.00**	42,592,503.75	48.74	42,592,503.75
Over 5 years	**43,178,501.18**	**34.90**	**43,178,501.18**	586,337.73	0.67	586,337.73
Total	**123,733,849.20**	**100.00**	**47,775,187.40**	87,384,173.42	100.00	46,087,878.78

(2) *Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company*

As at 31 December 2011, 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	Under common control of CLFG	50,806,732.31	Within 1 year	41.06
Shanghai Shunsheng Glass Sales Cooperation Company	Not related party	4,757,122.32	Within 1 year	3.84
Rocky Industry Co., Ltd. （樂克來發展有限公司）	Not related party	4,286,478.95	Within 1 year	3.46
Saint-Gobain Hanglas ClFG Qingdao Class Co., Ltd	Not related party	3,070,085.39	Within 1 year	2.48
Australia CAMDENLUOYANG GLASS P/L	Not related party	2,820,625.92	Over 3 years	2.28
Total		65,741,044.89		53.12

(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 from related parties:

Name	Relationship with the Company	Amount	Percentage (%)
Luoyang Longxin Glass Company Limited	Under common control of CLFG	50,806,732.31	41.06
Luoyang New Jingrun Engineering Glass Co., Ltd.	Under common control of CLFG	1,604,932.72	1.30
CLFG Mineral Products Company Limited	Under common control of CLFG	1,142,647.79	0.92
Total		53,554,312.82	43.28

4. Prepayments

(1) Ageing analysis:

Ages	31 December 2011 Amount	Rate (%)	31 December 2010 Amount	Rate (%)
Within 1 year	**7,408,256.76**	**81.76**	29,469,570.93	93.39
1-2 years	**340,248.79**	**3.76**	421,813.39	1.34
2-3 years	**101,427.42**	**1.12**	997,938.34	3.16
Over 3 years	**1,211,157.43**	**13.36**	666,748.00	2.11
Total	**9,061,090.40**	**100.00**	31,556,070.66	100.00

(The amount is expressed in RMB unless otherwise specified)

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

4. Prepayments *(Continued)*

(2) Top five largest prepayment:

Name	Relationship with the Company	Amount	Rate (%)	Age	Reason
Henan Zhongyuan Chemistry Co., LTD	Not related party	4,391,604.46	48.47	Within 1 year	Unsettled
Qindao Yunding High Alloy Pipe Industry Company Limited (青島元鼎高合金管業有限公司)	Not related party	520,507.38	5.74	Within 1 year	Unsettled
Qinhuangdao Yuxiang Automatic Engineering Company Limited (秦皇島宇翔自動化工程有限公司)	Not related party	411,600.00	4.54	Within 1 year	Unsettled
Henan Bohai Chemical (河南渤海化工)	Not related party	333,051.19	3.68	Within 1 year	Unsettled
Shanghai Tiefeng Metal Products Company Limited (上海鐵峰金屬製品有限公司)	Not related party	250,000.00	2.76	Within 1 year	Unsettled
Total		5,906,763.03	65.19		

(3) Prepayment due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2011, no prepayment is due from a shareholder who holds 5% or more of the voting shares of the Company.

(The amount is expressed in RMB unless otherwise specified)

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

5. Other receivables

(1) Category:

	31 December 2011			
	Carrying amount		Bad debt provision	
Category	**Amount**	**Rate (%)**	**Amount**	**Rate (%)**
1. Other receivables with significant single amount and individual provision for bad debts	**10,808,704.00**	**7.45**	**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	**127,088,280.61**	**87.58**	**34,797,475.44**	**27.38**
The group without provision for bad debts	**3,138,792.35**	**2.16**		
Group subtotal	**130,227,072.96**	**89.74**	**34,797,475.44**	**26.72**
3. Other receivables with insignificant single amount and individual provision for bad debts	**4,071,810.65**	**2.81**	**4,071,810.65**	**100.00**
Total	**145,107,587.61**	**100.00**	**49,677,990.09**	**34.24**

	31 December 2010			
	Carrying amount		Bad debt provision	
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

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 other receivables 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, other receivables with the provision based on the aging analysis

Ages	31 December 2011 Carrying amount	Rate (%)	Bad debt	31 December 2010 Carrying amount	Rate (%)	Bad debt
Within 1 year	**90,272,108.81**	**71.03**		41,488,107.04	50.46	
1-2 years	**1,547,082.03**	**1.22**	**552,152.49**	1,141,502.43	1.39	301,636.25
2-3 years	**2,047,533.63**	**1.61**	**1,023,766.81**	1,093,466.88	1.33	546,733.44
3-4 years	**645,116.20**	**0.51**	**645,116.20**	809,781.41	0.98	798,713.97
4-5 years	**802,203.91**	**0.63**	**802,203.91**	13,693,989.02	16.66	13,693,989.02
Over 5 years	**31,774,236.03**	**25.00**	**31,774,236.03**	23,989,328.27	29.18	23,989,328.27
Total	**127,088,280.61**	**100.00**	**34,797,475.44**	82,216,175.05	100.00	39,330,400.95

Note: Other receivables at the end of the period increased by 36.77% compared with the beginning of the period, mainly due to the increase of receivables in respect of land acquisition for reserve.

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 RMB8,727,481.17.

(The amount is expressed in RMB unless otherwise specified)

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

5. Other receivables *(Continued)*

(3) Nature or content of other receivables of relatively significant amount

Name	Amount	Nature or content of other receivables
Zhengzhou Xili branch of China Construction Bank	10,808,704.00	Time deposit, provided for bad debts in full
China Luoyang Float Glass (Group) Company Limited	8,727,481.17	Ordinary transaction amounts
Total	19,536,185.17	

(4) Top five largest other receivables:

Name	Relationship with the Company	Amount	Age	Percentage (%)
Luoyang Land Reserves Coordination Centre	Not related party	67,900,000.00	Within 1 year	46.79
Zhengzhou Xili branch of China Construction Bank	Not related party	10,808,704.00	Over 5 years	7.45
Government of Zhuge Township	Not related party	9,856,832.00	Over 5 years	6.79
China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	8,727,481.17	Within 1 year	6.01
Shenzhen New Xiya Industrial Co., LTD	Not related party	4,600,000.00	Over 5 years	3.17
Total		101,893,017.17		70.21

(The amount is expressed in RMB unless otherwise specified)

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

5. Other receivables *(Continued)*

(5) *Other receivables from related parties*

Name	Relationship with the Company	Amount	Percentage (%)
China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	8,727,481.17	6.01
China Triumph International Engineering Group Company Limited	Under common control of the de facto controller	1,650,000.00	1.14
Luoyang Longxin Glass Co., Ltd	Under common control of CLFG	1,262,971.90	0.87
CLFG Mineral Products Company Limited	Under common control of CLFG	127,810.28	0.09
CLFG (Beijing)International Engineering Limited	Under common control of CLFG	82,796.95	0.06
Luoyang Xinxing Property Management Ltd.	A company under custody of CLFG	20,980.80	0.01
Henan Zhonglian Glass Co., Ltd	Under common control of the de facto controller	10,000.00	0.01
Luoyang Jingxin Ceramic Co. Ltd.	Under common control of CLFG	3,000.00	0.00
CLFG Jinghua Industry Company	A company under custody of CLFG	1,623.92	0.00
Total		11,886,665.02	8.19

6. Inventories

(1) *Inventories comprised:*

Items	31 December 2011 Carrying amount	Provision	Net book value	31 December 2010 Carrying amount	Provision	Net book value
Raw materials	130,363,711.44	19,728,641.74	110,635,069.70	174,163,273.34	25,552,195.59	148,611,077.75
Work in progress	6,993,849.85		6,993,849.85	9,831,943.16		9,831,943.16
Commodity inventories	99,298,049.98	11,505,759.70	87,792,290.28	37,762,029.58	3,533,935.44	34,228,094.14
Circulation materials	9,160,574.93		9,160,574.93	9,395,213.26		9,395,213.26
Total	245,816,186.20	31,234,401.44	214,581,784.76	231,152,459.34	29,086,131.03	202,066,328.31

(The amount is expressed in RMB unless otherwise specified)

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

6. Inventories *(Continued)*

(2) Provision for diminution in value of inventories:

Items	Opening balance	Provision in the period	Decrease in the period		Closing balance
			Reversal	Write-off	
Raw materials	25,552,195.59	**6,923,869.63**		**12,747,423.48**	**19,728,641.74**
Commodity inventories	3,533,935.44	**9,957,454.15**		**1,985,629.89**	**11,505,759.70**
Circulation materials					
Total	29,086,131.03	**16,881,323.78**		**14,733,053.37**	**31,234,401.44**

(3) Note of provision

Item	Reason for provision	Reason for reversal	Percentage of reversal in closing balance of the inventory
Raw materials	Cost is higher than net realizable value		
Commodity inventories	Cost is higher than net realizable value		
Circulation materials			

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 2011	Total liabilities on 31 December 2011	Total net assets on 31 December 2011	Total revenues in 2011	Net profit in 2011
Luoyang Jingxin Ceramic Co. Ltd.	49.00	49.00	123,491,012.67	191,583,683.40	-68,092,670.73	—	-4,371,597.45
CLFG Mineral Products Company Limited	40.29	40.29	23,474,858.64	40,847,098.14	-17,372,239.50	17,677,815.82	-4,401,201.21

(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

(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 between equity and voting right held by the Company	Impairment provision	Impairment provision made in 2011	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	0.16	0.16				
Sanmenxia Credit Union	Cost method	7,000,000.00	7,000,000.00		7,000,000.00	2.92	2.92				
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 Mineral Products Company Limited	equity method	12,475,313.63				40.29	40.29				
Sub-total		33,028,363.63									
Total		53,229,581.16	20,201,217.53		20,201,217.53				12,791,217.53		

Note: The above mentioned companies are subsidiaries of CLFG, the largest 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.

(The amount is expressed in RMB unless otherwise specified)

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

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	18,511,618.92		**246,153.16**	**18,265,465.76**
Buildings	230,114.73		**230,114.73**	
Land use rights	18,281,504.19		**16,038.43**	**18,265,465.76**
II. Total of accumulated depreciation and accumulated amortization	3,280,552.75	**436,287.06**	**56,498.62**	**3,660,341.19**
Buildings	49,757.39	**1,395.06**	**51,152.45**	
Land use rights	3,230,795.36	**434,892.00**	**5,346.17**	**3,660,341.19**
III. Total of impairment provision				
Buildings				
Land use rights				
IV. Total of carrying amount	15,231,066.17			**14,605,124.57**
Buildings	180,357.34			
Land use rights	15,050,708.83			**14,605,124.57**

Note:

1. As at 31 December 2011, 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 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 2011. The land use right and housing located at No. 9 Tang Gong Zhong Lu have been sold to the government, for details of which see "10. Fixed Assets-Note 1"

(The amount is expressed in RMB unless otherwise specified)

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

10. Fixed assets

Details of fixed assets and accumulated depreciation and changes:

Items	Opening balance		Increase in the period	Decrease in the period	Closing balance
I. Total original net value	1,339,559,598.19		176,347,475.85	364,032,084.56	**1,151,874,989.48**
Buildings	449,130,644.83		40,126,810.18	121,134,622.73	**368,122,832.28**
Machinery and equipment	858,693,351.28		134,269,681.71	233,604,192.16	**759,358,840.83**
Transportation equipment	28,153,167.08		1,933,473.71	9,293,269.67	**20,793,371.12**
Others	3,582,435.00		17,510.25		**3,599,945.25**
		New increase in the period	Provision in the period		
II. Total of accumulated depreciation	644,219,567.67	9,515,362.97	67,984,807.42	230,311,855.75	**491,407,882.31**
Buildings	149,715,978.67	3,793,082.19	8,564,094.50	67,483,171.07	**94,589,984.29**
Machinery and equipment	477,516,405.91	5,718,629.86	58,231,178.02	160,542,318.08	**380,923,895.71**
Transportation equipment	16,081,865.90	3,650.92	949,416.36	2,286,366.60	**14,748,566.58**
Others	905,317.19		240,118.54		**1,145,435.73**
III. Total net book value of fixed assets	695,340,030.52				**660,467,107.17**
Buildings	299,414,666.16				**273,532,847.99**
Machinery and equipment	381,176,945.37				**378,434,945.12**
Transportation equipment	12,071,301.18				**6,044,804.54**
Others	2,677,117.81				**2,454,509.52**
IV. Total provision for Impairment	9,515,476.48		2,825,494.88	2,208,058.55	**10,132,912.81**
Buildings	1,337,703.23			139,389.06	**1,198,314.17**
Machinery and equipment	8,133,107.12		2,825,494.88	2,061,566.31	**8,897,035.69**
Transportation equipment	44,666.13			7,103.18	**37,562.95**
Others					
V. Total book value of fixed assets	685,824,554.04				**650,334,194.36**
Buildings	298,076,962.93				**272,334,533.82**
Machinery and equipment	373,043,838.25				**369,537,909.43**
Transportation equipment	12,026,635.05				**6,007,241.59**
Others	2,677,117.81				**2,454,509.52**

Note:

1. On 31 January 2011, the Company signed the National Land Use Right Acquisition Agreement of Luoyang City with Luoyang Land Reserve Consolidation and Rehabilitation 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. As at 31 December 2011, the Company has received RMB110 million as the land payment.

2. As at 31 December 2011, the Group did not obtain the building ownership certificate for the building with net book value of RMB110,478,117.63.

3. At the end of the year, total amount of fixed assets transferring from construction-in-progress was RMB158,943,482.39, and total amount of depreciation was RMB77,500,170.39 during this period.

4. At the end of the year, the original amount of fixed assets that were made full depreciation but still in use was RMB69,717,745.41.

(The amount is expressed in RMB unless otherwise specified)

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

10. Fixed assets *(Continued)*

5. The Group carried out an inspection to the ending fixed assets and engaged assets evaluation agency to make an evaluation to the relevant assets. The Company made fixed assets impairment provision of RMB2,825,494.88 according to the valuation reports of Ya Ping Bao (2012) No. 9, No.10, No.11 and No. 12 made by Henan Yatailianhua Assets Evaluation Co., Ltd. and the valuation report of Zhong Lian Ping Bao Zi (2012) No.97 issued by China United Assets Appraisal Group Company Limited.

6. On 9 August 2011, Longhai Company under the Group and Luoyang Branch of China Minsheng Banking Corporation Limited entered into the Finance Service Contract for SMEs with contract No. 43882011290797, pursuant to which Longhai Company issued RMB30 million bank acceptance notes to its suppliers. In order to provide guarantee to the bank, Longhai Company and Luoyang Branch of China Minsheng Banking Corporation Limited entered into Maximum Amount Pledge Contract which provides that Longhai Company shall pledge the properties (totally 19 buildings with original carrying amount of RMB48,183,409.07 and net value of RMB39,270,593.54) of Yanshi City Property Ownership Certificate (2006) Zi Di No. 00021901 to 00021906, Yanshi City Property Ownership Certificate (2006) Zi Di No. 00021984 to 00021995, Yanshi City Property Ownership Certificate (2006) Zi Di No. 00021997, and land use rights of Yan Guo Yong (2010) No. 100122 (with original carrying amount of RMB15,604,000.00 and net value of RMB15,265,913.33) to Luoyang Branch of China Minsheng Banking Corporation Limited as guarantee for a maximum amount of RMB30 million.

11. Construction in progress

(1) Basic details:

Project	Closing balance Carrying amount	Closing balance Impairment provision	Closing balance Book value	Opening balance Carrying amount	Opening balance Impairment provision	Opening balance Book value
Longhao - Cold repair renovation project of No.2 production line	**19,527,271.91**		**19,527,271.91**			
Longxiang - Dust removal and desulfurization system of furnace flue gas	**790,000.00**		**790,000.00**	790,000.00		790,000.00
Longfei - Smelting furnace and second cold repair construction of 300t/d float glass production line	**710,000.00**		**710,000.00**	2,815,500.30	2,793,722.16	21,778.14
Longfei - Sporadic works	**483,720.00**		**483,720.00**	483,720.00		483,720.00
Longhao - Flue gas treatment and residual heat generation project	**156,237.20**		**156,237.20**	156,237.20		156,237.20
Longmen - 250t/d ultra-thin ultra-white glass production line technological renovation project				126,228,398.32	4,673,714.91	121,554,683.41
The Company - Relocation of No.1 production line				10,256,182.27		10,256,182.27
Longhao - Desulfurization project				1,777,984.62		1,777,984.62
Longfei - New substation				839,576.00		839,576.00
The Company - Relocation of No.3 production line				497,949.84		497,949.84
Silica - Mine road project				321,600.00		321,600.00
Longfei - Glass mildew-proof powder sprayer				152,000.00		152,000.00
Total	**21,667,229.11**		**21,667,229.11**	144,319,148.55	7,467,437.07	136,851,711.48

(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 in major construction in progress*

Project name	Budget	Opening balance	Increase in the period	Transferred to fixed assets	Decrease in others	Closing balance	Project investment as a percentage of budge (%)	Construction progress (%)	Accumulated amount of interest capitalization	including: Amount of interest capitalized in the period	Rate of interest capitalization in the period (%)	Source of funds
Longmen - 250t/d ultra-thin Ultra-white glass production line technological renovation project		126,228,398.32	22,463,983.84	148,692,382.16								Internal resources
The Company - Relocation of No.1 production line		10,256,182.27		8,574,185.61	1,681,996.66							Internal resources
Longfei - Smelting furnace and secondary cold repair construction of 300t/d float glass production line		2,815,500.30	5,382,289.26	5,981,234.95	1,506,554.61	710,000.00						Internal resources
Longhao - Desulfurization project		1,777,984.62	710,797.07	2,488,781.69								Internal resources
Longfei - New substation		839,576.00	671,135.05	522,335.05	988,376.00							Internal resources
Longxiang - Dust removal and desulfurization system of furnace flue gas		790,000.00				790,000.00						Internal resources
The Company - Relocation of No.3 production line		497,949.84			497,949.84							Internal resources
Longfei - Sporadic works		483,720.00				483,720.00						Internal resources
Silica - Mine road project	500,000.00	321,600.00			321,600.00							Internal resources
Longhao-Flue gas treatment and residual heat generation project	40,000,000.00	156,237.20				156,237.20						Internal resources
Longfei - Glass mildew-proof powder sprayer		152,000.00		152,000.00								Internal resources
Longhao - Cold repair renovation project of No.2 production line			19,527,271.91			19,527,271.91						Internal resources
Total		144,319,148.55	48,755,477.13	166,410,919.46	4,996,477.11	21,667,229.11						

(3) *Impairment provision:*

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance	Reason
Furnace 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	861,265.93		393,720.55	467,545.38
Total	861,265.93		393,720.55	467,545.38

13. Intangible assets

(1) *Basic details:*

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total of original value	105,146,084.87	2,579,200.00	38,478,439.99	69,246,844.88
Land use rights	85,445,604.87	2,579,200.00	38,478,439.99	49,546,364.88
Non-patent technology	7,400,000.00			7,400,000.00
Trade mark rights	11,000,000.00			11,000,000.00
Exploration right	1,300,480.00			1,300,480.00
II. Total of accumulated amortization	26,911,486.49	2,464,336.50	12,826,146.60	16,549,676.39
Land use rights	17,797,807.44	939,832.59	12,826,146.60	5,911,493.43
Non-patent technology	3,627,000.00	372,000.00		3,999,000.00
Trade mark rights	5,441,679.00	1,100,004.00		6,541,683.00
Exploration right	45,000.05	52,499.91		97,499.96
III. Total of net carrying amount	78,234,598.38			52,697,168.49
Land use rights	67,647,797.43			43,634,871.45
Non-patent technology	3,773,000.00			3,401,000.00
Trade mark rights	5,558,321.00			4,458,317.00
Exploration right	1,255,479.95			1,202,980.04
IV. Total of impairment provision				
Land use rights				
Non-patent technology				
Trade mark rights				
Exploration right				
V. Total of book value	78,234,598.38			52,697,168.49
Land use rights	67,647,797.43			43,634,871.45
Non-patent technology	3,773,000.00			3,401,000.00
Trade mark rights	5,558,321.00			4,458,317.00
Exploration right	1,255,479.95			1,202,980.04

Notes:

1. Among the Group's intangible assets and investment properties as at 31 December 2011, 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.

2. For the pledge of intangible assets as at 31 December 2011, Please refer to "Note 6 to 10. Fixed assets" for details.

(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: Improvement of glass quality through reducing surface scrapes		**1,396,252.21**	**1,396,252.21**		
Longhai: Improvement of lift-up rollers technology		**821,635.90**	**821,635.90**		
Longhai: Development of 0.45mm electronic glass		**1,170,872.01**	**1,170,872.01**		
Longhai: Research on the commercialization of 0.5mm electronic glass		**3,937,626.26**	**3,937,626.26**		
Longhai: Improvement of minor defects of electronic glass		**1,194,343.90**	**1,194,343.90**		
Longhai: Application of auxiliary testing equipment for deep processing of electronic glass		**453,474.23**	**453,474.23**		
Total		**8,974,204.51**	**8,974,204.51**		

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	100,298,794.38	**8,961,854.55**	**11,807,471.44**		**97,453,177.49**
II. Provision for diminution in value of inventory	29,086,131.03	**16,881,323.78**		**14,733,053.37**	**31,234,401.44**
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 investment real estate					
VII. Provision for impairment of fixed assets	9,515,476.48	**2,825,494.88**		**2,208,058.55**	**10,132,912.81**
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					
Total	160,102,507.93	**28,668,673.21**	**11,807,471.44**	**24,408,548.99**	**152,555,160.71**

(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
Survey and exploration right of quartzite glass in Xiaohongzhai Mine Zone of Dengfeng City	**1,021,050.00**	1,021,050.00
Survey and exploration right of quartzite glass in Milashan Mine Zone of Dengfeng City	**106,960.00**	106,960.00
Total	**1,128,010.00**	1,128,010.00

Notes:

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.

16. Assets under restricted ownership

Items	Closing balance	Reason for restriction on ownership or use right
I. Assets for guarantee		
Monetary funds	**193,000,000.00**	Security for notes payable
Fixed assets-properties and buildings	**48,183,409.07**	Pledged to bank, please refer to "Note 6 to 10. Fixed assets"
Intangible assets-land use rights	**15,604,000.00**	Pledged to bank, please refer to "Note 6 to 10. Fixed assets
II. Assets under restricted ownership for other reasons		
Monetary funds	**207,701.73**	Frozen due to lawsuit
Total	**256,995,110.80**	

(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	**13,150,000.00**	19,862,776.00
Credit loan	**16,700,000.00**	4,000,000.00
Total	**29,850,000.00**	23,862,776.00

(2) The mature but outstanding short-term loans:

The loan amounting to RMB4,862,776.00 of Longmen, a member of the Group, obtained from Yanshi City Branch of Agricultural Bank of China was due on 9 October 2007. On 3 March 2011, Longmen and Yanshi City Branch of Agricultural Bank of China reached the Agreement on Interests Reduction and Exemption and Extended Repayment of Loan (Luo Nong Yin Jian Xi Zi [2011] No. 0602), pursuant to which, Longmen repaid the loan of RMB3,712,776.00 in 2011 and the remaining loan of RMB1,150,000.00 shall be repaid by 25 March 2012, while all the interests accrued shall be waived.

18. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	**273,000,000.00**	148,000,000.00
Commercial acceptance		
Total	**273,000,000.00**	148,000,000.00

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	**166,856,536.13**	**64.56**	190,878,587.54	63.23
1-2 years	**31,258,443.98**	**12.10**	24,889,512.15	8.24
2-3 years	**15,836,857.33**	**6.13**	68,416,466.48	22.66
3-4 years	**34,335,775.21**	**13.29**	9,433,512.71	3.12
4-5 years	**7,753,157.97**	**3.00**	8,286,939.09	2.74
Over 5 years	**2,377,940.18**	**0.92**	40,281.00	0.01
Total	**258,418,710.80**	**100.00**	301,945,298.97	100.00

(2) *Accounts payable to the shareholder who holds 5% or more of the voting rights of the Company*

In the closing balance, there was no accounts payable to the shareholder who holds 5% or more of the voting rights of the Company.

(3) *Accounts payable with significant amount and the age of over 1 year*

Name	Relationship with the Company	Closing balance	Age	Reason for unsettlement
Luoyang Yuanzhi Commodity Trade Company Limited	Not related party	**11,499,911.44**	1 to 2 years	Unsettled
Gongyi City Xiaoyi Sub-district Office Xiaonan village Committee	Not related party	**9,900,000.00**	3 to 4 years	Unsettled
Anlu City Mingfa Industry & Trade Co., Ltd.	Not related party	**7,969,217.93**	3 to 4 years	Unsettled
Luoyang Zhongzhan Industrial Co., Ltd.	Not related party	**6,985,696.41**	1 to 3 years	Unsettled
Luoyang City Sanyuan Packing Company Limited	Not related party	**6,737,687.18**	1 to 4 years	Unsettled
Luoyang Building Materials and Machinery Plant	Not related party	**3,287,600.00**	1 to 5 years	Unsettled
Luoyang Ruyi Coal Transport and Sales Company Limited	Not related party	**2,945,768.57**	1 to 2 years	Unsettled
Jiangsu Teho Metal Industry Co., Ltd.	Not related party	**1,996,350.96**	2 to 3 years	Unsettled
Juye County Tongrunfa Coal Transport and Sales Company Limited	Not related party	**1,252,070.30**	2 to 3 years	Unsettled
Total		**52,574,302.79**		

(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	**32,306,778.10**	**76.79**	70,801,251.32	89.70
1-2 years	**3,278,623.15**	**7.79**	2,588,611.52	3.28
2-3 years	**1,896,021.91**	**4.51**	3,248,026.46	4.11
3-4 years	**2,492,694.50**	**5.93**	1,690,962.97	2.14
4-5 years	**1,485,670.90**	**3.53**	608,139.53	0.77
Over 5 years	**608,139.53**	**1.45**		
Total	**42,067,928.09**	**100.00**	78,936,991.80	100.00

(2) Advances from the shareholder or related party who holds 5% or more of the voting rights of the Company

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 payments received in advance.

(3) Payments received in advance with significant amount and the age of more than one year

Name	Relationship with the Company	Closing balance	Age	Reason for unsettlement
Henan Jinshan Chemical Company Limited	Not related party	**1,150,837.69**	1 to 3 years	Unsettled
Hubei Yijun Trade Company Limited	Not related party	**1,070,904.96**	1 to 3 years	Unsettled
Total		**2,221,742.65**		

(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	3,926,166.30	**56,698,934.72**	**58,314,372.11**	**2,310,728.91**
II. Staff's welfare	87,749.63	**6,060,105.88**	**6,147,855.51**	
III. Social insurance premium	4,234,383.52	**31,352,827.27**	**29,245,186.28**	**6,342,024.51**
including: Medicare	645,009.45	**6,715,696.43**	**6,144,306.30**	**1,216,399.58**
Basic endowment insurance	3,193,179.61	**21,015,475.96**	**19,842,092.32**	**4,366,563.25**
Annuity				
Unemployment insurance	172,542.40	**1,928,456.17**	**1,740,700.43**	**360,298.14**
Labor injury insurance	139,207.65	**983,320.43**	**874,472.68**	**248,055.40**
Birth insurance	84,444.41	**709,878.28**	**643,614.55**	**150,708.14**
IV. Housing accumulation fund	4,439,026.94	**5,225,259.72**	**5,679,330.59**	**3,984,956.07**
V. Labor union expenses and employee education expenses	7,827,009.74	**1,742,862.05**	**1,003,728.03**	**8,566,143.76**
VI. Non-monetary welfares				
VII. Compensation for dismissal and early retirement	13,044,016.54	**18,408,646.49**	**31,344,300.70**	**108,362.33**
including: 1. Compensation for cancellation of labor relation	13,044,016.54	**18,408,646.49**	**31,344,300.70**	**108,362.33**
2. Budgeted expenses for early retirees				
VIII. Others		**38,596.00**	**38,548.00**	**48.00**
including: Cash-settled share-based payment				
Total	33,558,352.67	**119,527,232.13**	**131,773,321.22**	**21,312,263.58**

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 337 employees accepted voluntarily the settlement plan. As at 31 December 2011, RMB18,157,247.47 occurred in this period and RMB31,344,300.70 (including the outstanding RMB13,044,016.54 payable for previous period) was paid to employees in this period as settlements subsidies.

(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	**-26,037,040.07**	3,211,023.26	13%. 17%
Business tax	**202,117.08**	274,608.50	
Consumption tax			
City maintenance tax	**245,026.84**	535,442.90	5%-7% of value-added tax and business tax paid
Enterprise income tax	**932,526.24**	-5,127,115.12	15%. 25%
Individual income tax	**227,407.37**	37,084.45	
Property tax	**1,308,188.13**	831,143.47	Original value*70%*1.2%
Land-use tax	**1,348,000.94**	1,434,825.51	
Vehicle and vessel usage tax		3,168.00	
Stamp tax		110,958.89	
Resource tax	**10,461.90**	6,883.80	
Tariff			
Education surcharges	**170,013.86**	316,189.36	3% of value added tax and business tax paid
Other tax	**202,981.57**	178,220.40	
Total	**-21,390,316.14**	1,812,433.42	

Notes:

1. For calculation standards and tax rates of main taxes, please refer to "III. Taxation".

2. At the end of the period, tax payable decreased by 1280.20% as compared with the beginning of the period, mainly due to the increase in deductible input value-added tax as a result of the lower selling price of our products during this period.

23. Other payables

(1) *Ageing* analysis

Item	Closing balance Amount	Closing balance Percentage (%)	Opening balance Amount	Opening balance Percentage (%)
Within 1 year	**53,475,275.36**	**69.15**	45,716,316.08	68.58
1-2 years	**3,021,652.58**	**3.91**	4,581,806.17	6.87
2-3 years	**4,333,764.37**	**5.60**	8,980,481.38	13.47
3-4 years	**9,381,802.99**	**12.13**	4,980,199.81	7.47
4-5 years	**4,952,604.13**	**6.40**	532,545.68	0.80
Over 5 years	**2,175,653.37**	**2.81**	1,876,206.39	2.81
Total	**77,340,752.80**	**100.00**	66,667,555.51	100.00

(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 a shareholder who holds 5% or more of the voting rights of the Company, were RMB2,743,782.00.

(The amount is expressed in RMB unless otherwise specified)

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

23. Other payables *(Continued)*

(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**	4-5 years	Unsettled
Luoyang Luobo Logistics Co., Ltd.	Not related party	**1,081,110.20**	1-4 years	Unsettled
Baoding City Qingyuan County Lihuqiao Copper Oxide Factory	Not related party	**1,589,000.00**	1-2 years	Unsettled
Bengbu Triumph Engineering & Technology Co., Ltd.	Not related party	**1,036,100.00**	Over five years	Unsettled
Total		**6,706,210.20**		

(4) *Details of other payables with significant amount*

Names	Amount	Nature
China Building Materials Glass Company	9,200,000.00	Advances
Accrued bulletin fees	5,509,198.42	Fees for Wonderful Sky and Li & Partner
Henan Yinji Real Estate Development Co., Ltd.	3,000,000.00	Project expenses
Accrued audit fees	2,034,172.74	Auditing fee for Daxin and PKF
China Luoyang Float Glass Group Co., Ltd.	2,743,782.00	Comprehensive service fee
Baoding City Qingyuan County Lihuqiao Copper Oxide Factory	1,589,000.00	Project expenses
Bengbu Triumph Engineering & Technology Co., Ltd.	1,036,100.00	Project expenses
Luoyang Luobo Logistics Co., Ltd.	1,081,110.20	Lease fees
Total	26,193,363.36	

24. Non-current liabilities due within one year

(1) *Categories*

Items	Closing balance	Opening balance
Long-term loans due within one year	**42,504,676.74**	456,456.39
Other non-current liabilities due within one year	**5,267,175.55**	
Total	**47,771,852.29**	456,456.39

(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	**42,504,676.74**	456,456.39
Credit loan		
Total	**42,504,676.74**	456,456.39

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 Xigong Sub-branch	2010.2.1	2017.1.31	RMB	0		**11,022,000.00**
Bank of Communication - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		**9,471,000.00**
China Construction Bank - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		**7,365,600.00**
Bank of Luoyang - Kaidong Sub-branch	2010.2.1	2017.1.31	RMB	0		**7,260,000.00**
Industrial & Commercial Bank of China - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		**3,663,000.00**
Total						**38,781,600.00**

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 dollar	2.50	51,831.76	456,456.39
Total					51,831.76	456,456.39

(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)*

(3) *Other non-current liabilities due within one year*

Items	Closing balance	Opening balance
Longhai: government grant for"0.45mm E-glass technology research and application projects"	**3,998,254.99**	
Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line	**1,215,000.00**	
Longmen: land-use subsidy for ultra-thin and ultra-white glass production line project	**53,920.56**	
Total	**5,267,175.55**	

Notes:

1. According to the "contract of independent innovation fund projects contract" entered into between Longhai, a member of the Group, and the Finance Department, the Development and Reform Committee and the Science and Technology Department of Henan Province in July 2011, a government grant of RMB4,000,000 was awarded to Longhai for the "0.45mm E-glass technology research and application projects". As such project has not yet commenced implementation, the Company accounted for such grant as deferred income which will be transferred to non-operating income in the relevant future period.

2. For details of other non-current liabilities due within one year of Longmen, please refer to "V. 26. Other Non-current Liabilities Note 1 and 2".

25. Long-term loans

(1) *Categories*

Items	Closing balance	Opening balance
Pledged loan		
Mortgage loan		
Guaranty loan	**598,691,470.60**	641,479,874.01
Entrusted loan		48,600,000.00
Total	**598,691,470.60**	690,079,874.01

(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

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 Xigong Sub-branch	2010.2.1	2017.1.31	RMB	0		155,978,000.00
Bank of Communication - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		134,029,000.00
China Construction Bank - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		104,234,400.00
Bank of Luoyang - Kaidong Sub-branch	2010.2.1	2017.1.31	RMB	0		102,740,000.00
Industrial & Commercial Bank of China - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		51,837,000.00
Total						548,818,400.00

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 Xigong Sub-branch	2010.2.1	2017.1.31	RMB	0		167,000,000.00
Bank of Communication - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		143,500,000.00
China Construction Bank - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		111,600,000.00
Bank of Luoyang - Kaidong Sub-branch	2010.2.1	2017.1.31	RMB	0		110,000,000.00
Industrial & Commercial Bank of China - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		55,500,000.00
Total						587,600,000.00

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 Communication - Luoyang Branch, Bank of China - Luoyang Xigong Sub-branch, China Construction Bank - Luoyang Branch, Bank of Luoyang - Kaidong Sub-branch and 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.

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

26. Other non-current liabilities

Items	Closing balance	Opening balance
Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line	**7,492,500.00**	
Longmen: land-use subsidy for ultra-thin and ultra-white glass production line project	**2,520,786.06**	
Total	**10,013,286.06**	

Note:

1. According to "the Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalization of Key Industries and Technical Upgrading" (Fa Gai Ban Chan Ye No.[2009]2425) issued by the general office of National Development and Reform Commission and Ministry of Industry and Information Technology of China, Longmen, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000 for its ultra-thin and ultra-white E-glass production line project.

2. According to the Notice on the Meeting Minutes of Issues about Longmen Lands from the office of Luoyang Municipal Party Committee, a government grant of RMB2,579,200 was awarded to Longmen, a subsidiary of the Company for the project "ultra-thin and ultra-white E-glass production line project".

(The amount is expressed in RMB unless otherwise specified)

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

27. Share capital

Item	Opening balance	New shares	Bonus shares	Changes in this year (+,-) Capital reserve transferred to shares	Others	Sub-total	Closing balance
I. Shares subject to selling restrictions State-owned legal person shares							
II. Shares not subject to selling restrictions RMB ordinary shares	500,018,242.00						500,018,242.00
Including: China Luoyang Float Glass Group Co., Ltd.	250,018,242.00						250,018,242.00
Domestic listed RMB ordinary shares	159,018,242.00						159,018,242.00
- A Shares held by public shareholders	91,000,000.00						91,000,000.00
Overseas listed foreign shares	250,000,000.00						250,000,000.00
III. Total shares	500,018,242.00						500,018,242.00

Note: 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 as security of the entrusted loans and guarantees that CNBM provided to CLFG and the Company.

28. Capital reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	788,327,125.67		931,843.72	787,395,281.95
Other capital reserves	70,150,917.49			70,150,917.49
Total	858,478,043.16		931,843.72	857,546,199.44

Note: In August 2011, the Company signed an share transfer agreement with Dengfeng City Guoan Silica Sand Company Limited to acquire 16% equity interests in Dengfeng CLFG Silicon Co., Ltd. held by it at a consideration of RMB1,260,000. As at 31 December 2011, the Company has paid the consideration and the industrial and commercial registration of changes in respect of Dengfeng CLFG Silicon Co., Ltd. was also completed. The acquisition of minority interests in Dengfeng CLFG Silicon Co., Ltd led to a decrease of RMB931,843.72 in the Group's capital reserve.

(The amount is expressed in RMB unless otherwise specified)

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

29. 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**
Discretionary surplus reserve				
Reserve funds				
Enterprise development funds				
Others				
Total	51,365,509.04			**51,365,509.04**

30. Special reserves

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special reserve funds	36,552.97	**55,266.20**		**91,819.17**
Total	36,552.97	**55,266.20**		**91,819.17**

31. Undistributed profits

(1) Details of undistributed profits

Items	Amount	Percentage of allocation or distribution
Undistributed profit at the end of the previous year before adjustment	-1,294,342,695.81	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	-1,294,342,695.81	
Add: net profit attributable to owners of parent company during the period	12,334,559.60	
Less: Allocation to Statutory surplus reserve		
Allocation to discretionary surplus reserve		
Allocation to 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	-1,282,008,136.21	

(The amount is expressed in RMB unless otherwise specified)

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

32. Operating income and operating cost

(1) Details of operating income

Items	2011	2010
Income from principal operations	**825,474,577.11**	976,413,502.94
Other operating income	**95,468,362.66**	192,068,156.12
Total	**920,942,939.77**	1,168,481,659.06

(2) Details of operating costs

Items	2011	2010
Cost of principal operations	**743,102,095.62**	760,506,938.54
Other operating cost	**77,955,362.52**	177,011,139.44
Total	**821,057,458.14**	937,518,077.98

(3) Business segments

	2011		2010	
Name of Industry	**Income from principal operations**	**Cost of principal operations**	Income from principal operations	Cost of principal operations
Float glass and silicon sand	**825,474,577.11**	**743,102,095.62**	976,413,502.94	760,506,938.54
Raw materials, water, electricity, gas and technical service, etc.	**95,468,362.66**	**77,955,362.52**	192,068,156.12	177,011,139.44
Total	**920,942,939.77**	**821,057,458.14**	1,168,481,659.06	937,518,077.98

Note: During the year, gross margin of the Company decreased by 56.75% over the previous year, mainly due to the relatively great losses incurred by the subsidiaries of the Company including Longhao, Longfei, Longxiang and Longmen which offset the gross profit of Longhai.

(The amount is expressed in RMB unless otherwise specified)

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

32. Operating income and operating cost *(Continued)*

(4) *Main business by products*

	2011		2010	
Name of products	**Income from principal operations**	**Cost of principal operations**	Income from principal operations	Cost of principal operations
Float glass	**798,550,288.27**	**729,614,641.01**	947,852,434.20	746,679,086.88
Silicon sand	**26,924,288.84**	**13,487,454.61**	28,561,068.74	13,827,851.66
Total	**825,474,577.11**	**743,102,095.62**	976,413,502.94	760,506,938.54

(5) *Geographical segments*

	2011		2010	
Region	**Income from principal operations**	**Cost of principal operations**	Income from principal operations	Cost of principal operations
Domestic	**908,696,258.44**	**810,139,052.01**	1,153,935,519.20	925,843,934.30
Asia	**12,246,681.33**	**10,918,406.13**	14,379,508.29	11,537,236.27
Americas			166,631.57	136,907.41
Other region				
Total	**920,942,939.77**	**821,057,458.14**	1,168,481,659.06	937,518,077.98

(6) *Operating income from the top five largest customers*

Customer	**Operating income**	**Percentage** *(%)*
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	105,387,152.50	11.44
Luoyang Longxin Glass Co., Ltd	69,070,589.84	7.50
Zhengzhou New Central Glass Products Co., Ltd.	33,661,521.02	3.66
Henan Huaqi Glass Co,. Ltd.	27,534,865.63	2.99
Shenzhen Luoyang Glass Industrial Co., Ltd.	28,903,237.55	3.14
Total	264,557,366.54	28.73

(The amount is expressed in RMB unless otherwise specified)

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

33. Business tax and surcharges

Items	Tax base	2011	2010
Business tax	5%	**2,012,025.26**	1,865,220.44
Consumption tax			
Resource tax	RMB3/t	**997,461.90**	1,024,390.50
Land value increment tax			
Property tax			
Land-use tax			
City maintenance tax	5-7% of value added tax and business tax paid	**2,332,509.12**	3,148,962.03
Education surcharges	3% of value added tax and business tax paid	**2,112,409.78**	1,960,567.37
Others			
Total		**7,454,406.06**	7,999,140.34

34. Selling expenses

Items	2011	2010
Staff's salary and welfare	**6,542,186.37**	8,884,195.12
Employee education expenses	**57,582.30**	88,851.84
Labour union expenses	**76,776.31**	118,467.88
Social insurance premium	**1,342,500.57**	2,884,258.01
Depreciation expenses	**1,432,815.15**	1,977,240.40
Transportation costs	**7,174,409.58**	7,919,508.73
Handling charges	**3,339,442.74**	2,745,484.12
Material consumption	**2,804,349.87**	2,949,005.55
Other selling expenses	**3,901,860.12**	5,118,663.35
Total	**26,671,923.01**	32,685,675.00

(The amount is expressed in RMB unless otherwise specified)

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

35. Administrative expenses

Items	2011	2010
Organization costs	**157,527.04**	282,031.86
Staff's salary and welfare	**27,657,971.25**	24,535,946.97
Labor union expenses	**720,973.69**	637,747.19
Employee education expenses	**443,444.46**	479,353.52
Social insurance premium	**5,471,866.72**	7,244,838.20
Housing accumulation fund	**725,698.24**	1,012,517.86
Depreciation of fixed assets	**14,536,173.61**	18,617,880.56
Amortization of intangible assets	**2,326,602.65**	2,968,663.29
Staff resettlement expenses	**18,157,247.47**	68,486,387.32
Intermediary engagement fees	**13,752,328.00**	8,276,095.14
Research and development fees	**8,974,204.51**	8,231,471.46
Taxes	**6,469,178.40**	6,216,866.10
Water and electricity charges	**6,096,489.72**	2,802,295.70
Consulting fees (including consultant fees)	**4,604,520.37**	4,713,029.00
Other administrative expenses	**22,403,071.98**	15,912,070.89
Total	**132,497,298.11**	170,417,195.06

36. Financial expenses

Items	2011	2010
Interest expense	**10,563,349.25**	10,944,782.20
Less: interest income	**4,272,568.27**	1,787,753.65
Exchange loss	**590,746.22**	595,814.30
Less: exchange income	**552,817.66**	977,582.84
Commission charge expense		
Other finance expenses	**5,724,108.22**	5,930,217.34
Total	**12,052,817.76**	14,705,477.35

37. Investment income

Details of investment income

Items	2011	2010
Long-term equity investment income measured by cost method		
Long-term equity investment income measured by equity method		
Income from disposal of long-term equity investment		1.00
Total		1.00

(The amount is expressed in RMB unless otherwise specified)

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

38. Assets impairment losses

Items	2011	2010
1 Bad debt losses	**-8,845,616.89**	1,023,251.31
2 Losses from inventory impairments	**16,881,323.78**	3,836,623.36
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	**2,825,494.88**	4,470,800.00
8 Losses from constructive material impairments		
9 Losses from construction in progress		
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	**10,861,201.77**	9,330,674.67

39. Non-operating income

(1) Details of non-operating income

Item	2011 Amount	2011 Amount recognized as non-recurring gain or loss	2010 Amount	2010 Amount recognized as non-recurring gain or loss
1. Gain on disposal of non-current assets	**79,644,076.60**	**79,644,076.60**	1,711,861.17	1,711,861.17
(1) Gain on disposal of fixed assets	**65,873,456.39**	**65,873,456.39**	1,711,861.17	1,711,861.17
(2) Gains on disposal of construction in progress	**200,000.00**	**200,000.00**		
(3) Gain on disposal of intangible assets	**13,570,620.21**	**13,570,620.21**		
(4) Gains on disposal of other non-current assets				
2. Gains on exchange of non-monetary assets				
3. Income from debt restructuring	**2,321,333.90**	**2,321,333.90**	1,853,191.25	1,853,191.25
4. Government grant ((subsidy income))	**22,015,985.76**	**22,015,985.76**	74,921,373.03	74,921,373.03
5. Inventory profit	**151,451.29**	**151,451.29**		
6. Donated profit				
7. Amercement income	**18,000.00**	**18,000.00**	10,904.00	10,904.00
8. Other	**154,089.73**	**154,089.73**	73,698.60	73,698.60
Total	**104,304,937.28**	**104,304,937.28**	78,571,028.05	78,571,028.05

(The amount is expressed in RMB unless otherwise specified)

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

39. Non-operating income *(Continued)*

(2) *Details of government subsidies*

Item	2011	2010	Remarks
Staff resettlement	**18,157,247.37**	70,557,469.03	
"San Tong Yi Ping" premium	**2,600,000.00**		
Fiscal subsidies for the ultra-thin and ultra-white glass production line	**1,012,500.00**		
Environmental protection subsidy	**220,000.00**		
Safety reconstruction of Yinan	**20,000.00**		
Subsidy for land use by the ultra-thin and ultra-white glass production line	**4,493.38**		Please refer to "V, 26. other non-current liabilities, Note 3"
Special subsidy for "research and development of application technology"	**1,745.01**		
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	**22,015,985.76**	74,921,373.03	

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 337 employees accepted voluntarily the settlement plan and are entitled to receive staff resettlement compensation of RMB18,157,247.47.

2. According to the document Yan Guo Zi No. [2010]10 issued by the State-owned Assets Administration Bureau of Yanshi City, Longhai, a subsidiary of the Company was granted the "San Tong Yi Ping" premium (generally referred to as clearance of the site and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) of RMB2,600,000.

3. According to "the Reply on 2009 Additional Investment Projects Funded by the Central Government's Budget in respect of Revitalization of Key Industries and Technical Upgrading"(Fa Gai Ban Chan Ye No.[2009]2425) issued by the National Development and Reform Commission, Longmen, a subsidiary of the Company, received fiscal subsidies of RMB9,720,000.00 for its ultra thin and ultra-white E-glass production line project. Among the amount, RMB1,012,500.00 was recognized as non-operating income in the period

(The amount is expressed in RMB unless otherwise specified)

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

40. Non-operating expenses

Item	2011 Amount	2011 Amount recognized as non-recurring gain or loss	2010 Amount	2010 Amount recognized as non-recurring gain or loss
1. Loss on disposal of non-current assets	**7,339,734.13**	**7,339,734.13**	44,034.35	44,034.35
(1) Loss on disposal of fixed assets	**7,339,734.13**	**7,339,734.13**	44,034.35	44,034.35
(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				
4. Donation expenditure	**1,012,000.00**	**1,012,000.00**	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
8. Amercement outlay	**82,117.98**	**82,117.98**	496,724.14	496,724.14
9. Returned government subsidy				
10. Expected losses on guarantee				
11. Expected loss of pending action				
12. Expected loss of restructuring				
13. Indemnities, liquidated damages and penalties	**2,000,264.88**	**2,000,264.88**	235,507.66	235,507.66
14. Other	**1,287,078.51**	**1,287,078.51**	9,650.00	9,650.00
Total	**11,721,195.50**	**11,721,195.50**	1,411,972.49	1,411,972.49

41. Income tax expenses

Items	2011	2010
Current income tax based on applicable tax laws and regulations	**20,563,646.03**	18,356,189.14
Deferred income tax		
Total	**20,563,646.03**	18,356,189.14

(The amount is expressed in RMB unless otherwise specified)

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

42. Calculation of basic earnings per share and diluted earnings per share

According to "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 - Calculation and Disclosure of Return on Net Assets and Earnings per Share" (Revision 2010) (Notice of CSRC [2010] No. 2) and "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1-Non-recurring Items (2008)" (Notice of CSRC [2008] No. 43) issued by the CSRC, earnings per share of the Company are calculated as follows:

Item	Code	2011	2010
Net profit attributable to ordinary shareholders of the Company *(I)*	P0	**12,334,559.60**	60,787,804.31
Net profit attributable to ordinary shareholders after non-recurring items *(II)*	P0	**-67,761,804.10**	52,673,738.58
Total shares at the beginning of period	S0	**500,018,242.00**	500,018,242.00
Additional shares resulting from reserve capitalization or allocation of dividends during the reporting period	S1		
Additional shares resulting from new issue or debt to equity during the reporting period	Si		
Reduction in shares outstanding due to share repurchase during the reporting period	Sj		
Reduced shares during the reporting period	Sk		
Number of months in the reporting period	M0	**12**	12
Accumulated months from the following month of increasing shares to the end of reporting period	Mi		
Accumulated months from the following month of decreasing shares to the end of reporting period	Mj		
Weighted average number of ordinary shares outstanding	S		
Basic earnings per share *(I)*		**0.0247**	0.1216
Basic earnings per share *(II)*		**-0.1355**	0.1053
Adjusted net profit attributable to ordinary shareholders during the period *(I)*	P1	**12,334,559.60**	60,787,804.31
Adjusted net profit attributable to ordinary shareholders after non-recurring items *(II)*	P1	**-67,761,804.10**	52,673,738.58
Weighted average number of ordinary shares arising from warrants, share options and convertible bonds			
Weighted average number of diluted ordinary shares outstanding			
Diluted earnings per share *(I)*		**0.0247**	0.1216
Diluted earnings per share *(II)*		**-0.1355**	0.1053

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

42. 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+weighted average number of additional ordinary shares arising from warrants, share 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 the Accounting Standards for Business Enterprises and relevant regulations. 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 dilution impact in descending order, until the diluted earning per share reach the minimum.

(The amount is expressed in RMB unless otherwise specified)

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

43. Notes to items of cash flow statement

(1) Cash received relating to other operating activities:

Items	2011	2010
Government subsidy	**50,631,071.23**	61,372,804.16
Other related amounts	**4,963,639.03**	21,199,230.53
Interest income	**4,272,568.27**	1,787,753.65
Non-operating income	**79,016.92**	1,764,300.00
Recovered bill deposit		79,800,000.00
Total	**59,946,295.45**	165,924,088.34

(2) Other cash paid relating to operating activities

Items	2011	2010
Bill deposit	**80,000,000.00**	
Others	**13,289,023.31**	17,725,114.79
Consultation and audit, assessment, legal fees, bulletin fees	**12,455,977.51**	12,656,098.17
Other current accounts	**9,884,434.18**	28,011,172.03
Water and electricity charge	**6,096,489.72**	802,295.70
Repairs	**1,759,146.37**	3,269,309.47
Travel expense	**1,048,049.80**	2,247,286.07
Non-operating expenses	**1,012,000.00**	953,882.01
Entertainment charges	**772,068.87**	874,947.35
Handling charges	**288,672.34**	110,656.10
Commission charges	**247,142.76**	1,456,271.86
Office expenses	**215,674.98**	281,751.73
Frozen deposits	**207,701.73**	
Transportation costs	**63,058.37**	1,017,190.08
Insurance	**56,651.78**	44,082.29
Sewage charges		773,599.00
Total	**127,396,091.72**	70,223,656.65

(3) Cash paid relating to other investing activities

Items	2011	2010
Commission for entrusted loan	**633,697.58**	635,036.88
Longbo equity assignment fee for Property Rights Transaction Centre of Luoyang City		80,000.00
Total	**633,697.58**	715,036.88

(The amount is expressed in RMB unless otherwise specified)

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

44. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Items	2011	2010
1. Net profit adjusted to cash flow of operating activities		
Net profit	**-17,632,069.33**	54,628,286.08
Add: Provision for assets impairment	**10,861,201.77**	9,330,674.67
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	**77,501,565.45**	71,602,035.57
Amortization of intangible assets	**2,899,228.50**	2,968,663.29
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-"for gains)	**-72,304,342.47**	-1,667,826.82
Losses on scrapping of fixed assets ("-"for gains)		414,056.13
Loss from fair value change ("-"for gains)		
Finance expenses ("-"for gains)	**10,563,349.25**	10,944,782.20
Investment losses ("-"for gains)		-1.00
Decrease in deferred income tax assets ("-" for increase)		
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	**-14,663,726.86**	-47,232,835.97
Decrease in operating receivables ("-" for increase)	**-78,727,438.70**	67,084,100.69
Increase in operating payables ("-" for decrease)	**19,828,706.76**	-145,132,447.85
Others		
Net cash flow from operating activities	**-61,673,525.63**	22,939,486.99
2. Significant 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 acquired under finance leases		
3. Net changes in cash and cash equivalents:		
Closing balance of cash	**40,929,682.13**	20,207,882.32
Less: Opening balance of cash	**20,207,882.32**	33,188,517.81
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	**20,721,799.81**	-12,980,635.49

(The amount is expressed in RMB unless otherwise specified)

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

44. Supplementary information of cash flow statement *(Continued)*

(2) Information about disposal or acquisition of subsidiaries or other operating entities:

Item	Amount
I. Information about acquisition 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 and other operating enterprises	
3. Net cash paid for the acquisition	
4. Net assets obtained from acquisition 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	
2. Cash and cash equivalents received from disposal of subsidiaries or other operating enterprises	
Less: Cash and cash equivalents held by subsidiaries	
3. Net cash received from disposal of subsidiaries and other operating enterprises	
4. Net assets obtained from subsidiaries	
Current Assets	
Non-current Assets	
Current liabilities	
Non-current liabilities	

(3) Cash and cash equivalents

Items	2011	2010
1. Cash	**40,929,682.13**	20,207,882.32
Including: Cash on hand	**598,661.44**	826,247.60
Bank deposit available for payment at any time	**40,324,631.81**	19,381,529.40
Other monetary funds available for payment at any time	**6,388.88**	105.32
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	**40,929,682.13**	20,207,882.32

VI. ACCOUNTS OF ASSETS SECURITIZATION BUSINESS

None

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent company

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	State-owned enterprise	Luoyang China	Zhao Yuanxiang	Production of glass, related raw materials and equipment	1,286,740,000.00	31.80%	31.80%	No	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 relevant products	288,752,000.00			No	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			Yes	10000048-9

2. Subsidiaries

Name of subsidiaries	Type of subsidiaries	Type of entity	Registered address	Legal representative	Principal activities	Registered capital	Equity interest 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	Ni Zhisen	Mining and selling	13,000,000.00	67	67	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 ("Industrial Company")	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	Equity interest 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	Equity interest 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 arm and 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
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 Jingrun Coating Glass Co., Ltd.	Subsidiary of the largest shareholder CLFG	61480816-X
Luoyang New Jingrun 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 Jiaye Commerce and Trade 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	A company under custody of the largest shareholder CLFG	17109279-8
Luoyang Xinxing Property Management Ltd.	A company under custody of the largest shareholder CLFG	78805717-5
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 jinghua Industry Company	A company under custody 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

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

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	2011 Amount	2011 Percentage in the same type of transactions (%)
Luoyang Longxin Glass Company Limited	Purchasing of glass	Market price	**143,016,605.67**	**19.25**
CLFG Mineral Products Company Limited	Purchasing of silicon sand	Market price	**4,177,789.58**	**0.56**
Luoyang Longxin Glass Company Limited	Purchase of other assets	Market price	**231,119.26**	**100.00**
Luoyang Xinxing Property Management Ltd.	Ancillary and social services	State price, market price	**2,350,000.00**	**10.24**
China Luoyang Float Glass (Group) Company Limited	Ancillary and social services	State price, market price	**2,000,000.00**	**8.71**
China Triumph International Engineering Group Company Limited	Counselling and technical services	Market price	**550,000.00**	**71.43**
CLFG (Beijing) International Engineering Co., Ltd.	Technical services	Market price	**220,000.00**	**28.57**
Total			**152,545,514.51**	

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 sand	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)*

(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	2011 Amount	2011 Percentage in the same type of transactions (%)
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling glass	Market price	105,387,152.50	12.77
Luoyang Longxin Glass Company Limited	Selling raw materials	Market price	69,070,589.84	72.35
Luoyang Longxin Glass Company Limited	Comprehensive services	RMB0.8 per load carton	1,946,914.80	25.04
Luoyang New Jingrun Engineering Glass Co., Ltd.	Selling glass	Market price	1,721,363.07	0.21
China Luoyang Float Glass (Group) Company Limited	Longxin custody service	Note 9	1,000,000.00	100.00
CLFG Mineral Products Company Limited	Goods transfer	Market price	976,622.03	1.54
China Triumph International Engineering Group Company Limited	Technological service	Market price	300,000.00	3.86
CLFG Jingwei Glass fibre Co Ltd	Use of water, electricity and gas	Cost and tax surcharge	7,448,789.40	32.46
China Luoyang Float Glass (Group) Company Limited	Use of water, electricity and gas	Cost and tax surcharge	1,821,400.98	7.94
CLFG jinghua Industry Company	Use of water, electricity and gas	Cost and tax surcharge	147,417.36	0.64
Luoyang Xinxing Property Management Ltd.	Use of water, electricity and gas	Cost and tax surcharge	17,932.31	0.08
Total			189,838,182.29	

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) Sale of goods and provision of services (Continued)

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	Selling raw materials	Market price	143,323,199.65	74.62
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling glass	Market price	73,105,979.40	7.49
Luoyang New Jingrun Engineering Glass Co., Ltd.	Selling glass	Market price	7,298,079.80	0.75
Henan Zhonglian Glass Co., Ltd.	Selling silicon sand	Market price	3,335,309.23	0.34
CLFG Processed Glass Company Limited	Selling glass	Market price	391,631.86	0.04
Luoyang Longxin Glass Company Limited	Comprehensive service	RMB0.8 per load carton	2,841,231.20	1.48
Henan Zhonglian Glass Co., Ltd.	Engineering service	Market price	380,000.00	0.20
CLFG Processed Glass Company Limited	Loading services	RMB1,800 per load	3,600.00	0.00
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
China Luoyang Float Glass (Group) Company Limited	Use of water, electricity and gas	Cost and tax surcharge	1,215,875.26	0.63
CLFG jinghua Industry Company	Use of water, electricity and gas	Cost and tax surcharge	193,498.67	0.10
CLFG Xinxing Industry Development Co., Ltd.	Use of water, electricity and gas	Cost and tax surcharge	33,773.01	0.02
CLFG Processed Glass Company Limited	Use of water, electricity and gas	Cost and tax surcharge	1,040.37	0.00
Total			248,174,067.64	

Notes:

1. The Company, on behalf of the Group, entered into a three-year "Framework Agreement on Purchase and Sales of Float Glass" with CLFG, effective from 24 April 2009 and expiring on 31 December 2011, pursuant to which, the Group supplied automobile/mirror glass products to CLFG and its subsidiaries at fair prices offered to third parties for the same or similar products.

2. The Company entered into a three-year "Agreement on Purchase of Raw Materials" with CLFG, effective from 24 April 2009 and expiring on 31 December 2011, pursuant to which, the Company supplied raw materials to Longxin Glass Company at market prices.

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(2) Sale of goods and provision of services (Continued)

Notes: (Continued)

3. The Company entered into an "Framework Agreement on Sales of Ultra-thin Float Glass" with Huayi Company on 13 May 2011, which expired on 31 December 2011. Pursuant to the agreement, subsidiaries of the Group supplied ultra-thin float glass to Huayi Company at market prices.

4. The Company entered into an agreement with Luoyang Longxin Glass Co., Ltd. effective from 24 April 2009 to 31 December 2011 by which the Company agreed to provide service of management skills and expertise to Luoyang Longxin Glass Co., Ltd. The fee was charged at RMB0.8/load of the products of Luoyang Longxin Glass Co., Ltd.

5. 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.

6. The Company entered into the Comprehensive Services Agreement with CLFG on 24 April 2009, effective until 31 December 2011. In accordance with the agreement, CLFG provided the Company with comprehensive services, such as retirement arrangements, militia training and air-raid shelters standby services, and news publicity services. Relevant charges would be determined with reference to State-prescribed prices (if any) or market prices.

7. The Company has entered into 'an agreement of social services' with a CLFG's subsidiary, Xinxing Company effective from 24 April 2009 to 31 December 2011,by which Xinxing Company 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%.

8. In September 2011, the Company entered into the Temperature-rising Technical Services Agreement with CNBMG International Engineering for a 800T/D float glass production line of Shanxi Shenmu Ruicheng Glass Company Limited, with the total service fees of RMB418,000 which was determined with reference to market price. As at 31 December 2011, the Company has received service fee of RMB300,000.00.

9. In December 2010 the Company entered into the Equity 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 for the current financial year (irrespective of the unrecovered deficit of Longxin 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.

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(3) Related party guarantees

Guarantor	The guaranteed	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
Luoyang Glass Company Limited	CLFG Longxiang Glass Co. Ltd.	12,000,000.00	2011-2-23	2012-2-22	No
Luoyang Glass Company Limited	CLFG Longmen Glass Co. Ltd.	1,150,000.00	2006-10-10	2012-3-25	No
China National Building Materials Group Corporation	CLFG Long Hao Glass Limited	10,000,000.00	2010-2-1	2017-1-31	No
China National Building Materials Group Corporation	CLFG Long Hao Glass Limited	10,000,000.00	2010-2-1	2017-1-31	No
China National Building Materials Group Corporation	CLFG Long Hai Electronic Glass Limited	10,000,000.00	2010-2-1	2017-1-31	No
China National Building Materials Group Corporation	CLFG Long Hai Electronic Glass Limited	10,000,000.00	2010-2-1	2017-1-31	No
China National Building Materials Group Corporation	Luoyang Glass Company Limited	50,000,000.00	2011-5-5	2012-5-5	No
China National Building Materials Group Corporation	Luoyang Glass Company Limited	597,600,000.00	2010-2-1	2017-1-31	No

i. On 21 September 2010, CLFG and China National Building Materials Group Corporation ("CNBMG") 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 CNBMG for the purpose of providing security guarantees of the entrusted loans and guarantees of RMB1,316,000,000 in total that CNBMG provided to CLFG, its controlled enterprises and the Company.

ii. Indirect guarantee: As at 31 December 2011, guarantees 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 Company amounted to RMB2,970,000.00.

(4) Entrusted loans of related party

i. As at 31 December 2011, the Company provided entrusted loans of RMB509,700,000.00 to its subsidiaries through bank.

ii. As at 31 December 2011, a loan of RMB48,600,000.00 granted to the Company by Shuangyushu Branch of Beijing Bank as entrusted by CLFG has been repaid, and the interests paid by the Company during the period was RMB1,554,639.20.

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

5. Related party transactions *(Continued)*

(5) *Financial assistance of related parties*

On 1 September 2011, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company paid RMB14,350,000.00 to suppliers of the Company. As at 31 December 2011, the Company has repaid the aforesaid amounts.

On 23 December 2011, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company paid RMB9,200,000.00 to suppliers of the Company.

6. Receivables and payables of related party

I. *Receivables due from related parties are set out in the following table*

		Closing Balance		Opening Balance	
Item	**Related party**	**Carrying amount**	**Provision for bad debts**	Carrying amount	Provision for bad debts
Accounts receivable	Luoyang Longxin Glass Company Limited	**50,806,732.31**	**64,980.00**	25,224,421.03	68,580.00
Accounts receivable	Luoyang New Jingrun Engineering Glass Co., Ltd.	**1,604,932.72**			
Accounts receivable	CLFG Mineral Products Company Limited	**1,142,647.79**			
Accounts receivable	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.			1,525,786.76	
Other receivables	China Luoyang Float Glass Group Co., Ltd.	**8,727,481.17**		20,685,332.17	
Other receivables	China Triumph International Engineering Group Company Limited	**1,650,000.00**			
Other receivables	Luoyang Longxin Glass Company Limited	**1,262,971.90**		1,099,390.50	
Other receivables	CLFG Mineral Products Company Limited	**127,810.28**	**—**	127,810.28	
Other receivables	CLFG (Beijing) International Engineering Co., Ltd.	**82,796.95**	**18,000.00**	93,081.82	18,000.00
Other receivables	Luoyang Xinxing Property Management Ltd.	**20,980.80**		1,358,803.36	
Other receivables	Henan Zhonglian Glass Co., Ltd.	**10,000.00**		160,000.00	
Other receivables	Luoyang Jingxin Ceramic Co., Ltd.	**3,000.00**	**3,000.00**	3,000.00	3,000.00
Other receivables	CLFG jinghua Industry Company	**1,623.92**		809.50	
Other receivables	CLFG Jingwei Glass fibre Co Ltd			47,904.78	

(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(Continued)*

6. Receivables and payables of related party *(Continued)*

II. Payables due to related parties are set out in the following table

Item	Related party	Closing Balance	Opening Balance
Accounts payable	Luoyang Longxin Glass Company Limited	**440,201.98**	262,643.79
Accounts payable	CLFG (Beijing) International Engineering Co., Ltd.	**77,000.00**	77,000.00
Accounts payable	CLFG Mineral Products Company Limited	**38,593.48**	1,620,965.62
Accounts payable	Luoyang Luobo Glass Fibre Co., Ltd.	**3,450.00**	
Accounts payable	China Luoyang Float Glass Group Co., Ltd.		29,392.00
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	**191,848.87**	
Payments received in advance	Luoyang Longxin Glass Company Limited	**23,185.80**	
Payments received in advance	CLFG Luoyang Jingrun Coating Glass Co., Ltd.	**7,752.72**	7,752.72
Payments received in advance	Luoyang New Jingrun Engineering Glass Co., Ltd.	**712.26**	712.26
Payments received in advance	CLFG jinghua Industry Company		750.00
Other payables	CBM Glass	**9,200,000.00**	
Other payables	China Luoyang Float Glass Group Co., Ltd.	**2,743,782.00**	207,582.77
Other payables	CLFG Warehousing & Logistics Company Limited	**1,081,110.20**	1,081,110.20
Other payables	Luoyang Xinxing Property Management Ltd.	**875,931.57**	78,414.41
Other payables	CLFG Jingwei Glass fibre Co Ltd	**445,000.44**	
Other payables	Luoyang Longxin Glass Company Limited	**98,176.40**	98,176.40
Other payables	Luoyang Zhicheng Construction Supervision Ltd.	**40,000.00**	
Other payables	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	**33,000.00**	32,500.00
Other payables	Luoyang Jiaye Commerce and Trade Co., Ltd.	**6,300.00**	6,300.00
Other payables	Luoyang Xiangyu Industrial Company		555,279.00
Other payables	CLFG Luoyang Jingrun Coating Glass Co., Ltd.		2,317.51

(The amount is expressed in RMB unless otherwise specified)

VIII. SHARE-BASED PAYMENT

None

IX. CONTINGENCIES

i. As at 31 December 2011, the Company provided guarantees to banks in favor of subsidiaries amounting to RMB13,150,000.00.

ii. As at 31 December 2011, the bills that the Group had discounted or endorsed but not yet matured amounted to RMB239,719,432.06.

X. CAPITAL COMMITMENTS

At 31 December 2011, capital commitments of the Company are summarized as follows:

Item	31 December 2011	31 December 2010
Contracted for but not provided for		
Purchase of assets	**2,955,000.00**	
Construction project	**2,256,554.53**	21,776,000.00
Upgrading accounting system	**387,280.00**	
Total	**5,598,834.53**	21,776,000.00

XI. EVENTS AFTER BALANCE SHEET DATE

1. On 15 February 2012, CLFG Shawan Glass Co. Ltd, a subsidiary of the Company was deregistered with relevant industrial and commerce authority.

2. Acquisition of assets of CLFG's subsidiary by Longmen Glass, a subsidiary of the Company

   on 26 December 2011, the Company won the bid for the assets subject to liquidation owned by CLFG Longmen Fibre-reinforced Plastic Company Limited ("Longmen FRP") at the Auction at a consideration of RMB3,100,000. Longmen FRP has been declared bankrupt by the Intermediate People's Court of Luoyang City of Henan Province due to its inability to repay its debts at maturity. On 26 December 2011, as entrusted by the bankruptcy administrator, the Auction was held by Henan Bolida Auction Company Limited at which the Assets owned by Longmen FRP were offered for bidding. The Company participated in the Auction and won the bid for the Assets at a consideration of RMB3,100,000. Longmen FRP ceased production from October 2006. The original carrying amount of the Assets was approximately RMB9,682,300, and the net book value of the Assets as at 10 May 2011 was approximately RMB3,223,800. The appraised value as valuated by Henan Huacheng Assets Appraisal Firm was RMB3,072,900 with a valuation reference date of 10 May 2011. On 23 March 2012, such transaction was completed.

   China Luoyang Float Glass Group Co., Ltd. (the de facto controller of the Company) owns 79.06% equity interest in Longmen FRP. Therefore, the transaction constitutes a connected transaction of the Company.

XII. OTHER SIGNIFICANT EVENTS

Litigation matters pending as at 31 December 2011:

(1) 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 with coal. On 8 October 2008, Zhuoyuan Company filed a suit to the court against the Company for payment in default of RMB809,478.40, 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 judgment 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 Company, and the Company and Jiangsu Chenzhou Company reached an agreement on installment payment of the debt. As at 31 December 2011, the remaining amount of RMB179,478.40 is still in process of performance.

(2) 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 had outstanding payment in arrears of RMB7,480,341.29. Then Hengrun Company appealed to court for the reason that the Company failed to pay for the goods in time. 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. After the award took effective, Hengrun Company applied for enforcement. As at 31 December 2011, the remaining amount of RMB532,341.29 is still in the process of performance.

(3) Henan Baoshuo Tar Chemical Co., Ltd. (hereafter referred to as "Baoshuo Company") sued the Company over the goods payment case

As at 31 December 2009, the Company defaulted on the goods payment of RMB11,887,586.62 during business 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 reached a settlement of installments through mediation. As at 31 December 2011, the remaining goods payment of RMB4,888,206.62 is still in the process of performance.

On 13 May and 26 June 2011, the Company signed two sales and purchase contracts with Baoshun Company pursuant to which Baoshun Company supplied goods to the Company. The Company paid partially for the goods supplied and there was still certain amounts in default. In November 2011, Baoshun Company filed a suit at the People's Court of Xigong District of Luoyang City, demanding for payment for goods of RMB926,699.2 and the interests accrued thereon. On 28 November 2011, the two parties reached settlement to pay by installments through mediation of the court,. As at 31 December 2011, the remaining amount of RMB926,699.20 is still in process of performance.

Baoshun Company and Baoshuo Company are the same one entity in fact. As at 31 December 2011, the total outstanding amount was RMB5,814,905.82.

XII. OTHER SIGNIFICANT EVENTS *(Continued)*

Litigation matters pending as at 31 December 2011: *(Continued)*

(4) The arrears case of Tianjin Soda Plant of Tianjin Bohai Chemical Co., Ltd.

This arrears case concerned the long-term business relationship between the Company and Tianjin Soda Plant of Tianjin Bohai Chemical Co., Ltd. In October 2010, Tianjin Soda Plant filed a lawsuit at the Binhai District People's Court of Tianjin for the payment in default of RMB3,405,993.93. The Court judged that the Company shall pay the amounts in default. Both parties reached a settlement during the enforcement of the case. As at 31 December 2011, the remaining amount of RMB315,791.45 is still in the process of performance.

(5) The arrears case of Boai Hongda Chemical Co., Ltd.

In 2009, Boai Hongda Chemical Co., Ltd. provided fuels to the Company. In October 2010, Boai Hongda Co., Ltd. filed a lawsuit at the People's Court of Xigong District of Luoyang City and demanded for the payment of RMB688,045.96. Through mediation of the court, both parties reached a settlement and the Company could pay in installments. As at 31 December 2011, the remaining amount of RMB228,045.96 is still in the process of performance.

(6) The debt assignment contract dispute sued by Luoyang Yuanheng Photoelectric Network Equipment Company (Liang Tianmao) against Luoyang Glass Company Limited and Mengjin Jinma Industrial Trade Co., Ltd.

In 2008, Luoyang Glass Company Limited owed Mengjin Jinma Industrial Trade Co., Ltd. RMB244,465.45 of packaging paper expenses. On 29 September 2010, Mengjin Jinma Industrial Trade Co., Ltd. transferred the creditor's rights to Luoyang Yuanheng Photoelectric Network Equipment Company (Liang Tianmao), which filed the suit at the People's Court of Laocheng District of Luoyang City. On 9 June 2011, through mediation of the court, both parties reached a settlement for payment by installments. . As at 31 December 2011, the remaining amount of RMB194,465.45 is still in the process of performance.

(7) The debt case of Henan Jinshan Chemical Company Limited ("Jinshan Chemical") vs the Company

Henan Jinshan Chemical Company Limited and Henan Jindadi Chemical Company Limited ("Jindadi Chemical") had business transaction with the Company. As at 20 September 2011, the Company owed Jinshan Chemical RMB2,677,444.34 and Jindadi Chemical RMB3,429,451.05. In August 2011, Jindadi Chemical transferred the creditor's rights to Jinshan Chemical. In August 2011, Jinshan Chemical filed a suit at the Intermediate People's Court of Luoyan, demanding the Company to pay RMB7,570,951.66 in default and the interests accrued thereon. On 16 January 2012, the Intermediate People's Court of Luoyan gave a judgment that the Company shall pay RMB6,106,895.39 in default.

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Category:

Category	31 December 2011 Carrying amount Amount	Rate (%)	Bad debt provision 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	**465,723,352.68**	**100.00**	**46,108,679.26**	**9.90**
The group without provision for bad debts				
Group subtotal	**465,723,352.68**	**100.00**	**46,108,679.26**	**9.90**
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	**465,723,352.68**	**100.00**	**46,108,679.26**	**9.90**

Category	31 December 2010 Carrying amount Amount	Rate (%)	Bad debt provision 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	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. Account receivables 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) Category: *(Continued)*

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 for 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

	31 December 2011			31 December 2010		
Ages	**Carrying amount**	**Rate (%)**	**Bad debt**	Carrying amount	Rate (%)	Bad debt
Within 1 year	**417,596,980.58**	**89.66**		324,508,593.08	87.19	
1-2 years	**2,099,986.65**	**0.45**	**629,996.00**	1,103,242.41	0.30	330,972.72
2-3 years	**1,095,404.38**	**0.24**	**547,702.19**	3,991,765.28	1.07	1,995,882.64
3-4 years	**2,356,230.25**	**0.51**	**2,356,230.25**			
4-5 years				42,575,091.12	11.44	42,575,091.12
Over 5 years	**42,574,750.82**	**9.14**	**42,574,750.82**			
Total	**465,723,352.68**	**100.00**	**46,108,679.26**	372,178,691.89	100.00	44,901,946.48

(2) *Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company.*

As at 31 December 2011, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(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)*

(3) *Top five largest accounts receivable:*

Name	Relationship with the Company	Amount	Age	Percentage in total accounts receivable (%)
CLFG Long Fei Glass Co. Ltd.	Subsidiary	146,361,592.01	Within 1 year	31.43
CLFG Longmen Glass Co. Ltd.	Subsidiary	79,904,721.82	Within 1 year	17.16
CLFG Longxiang Glass Co. Ltd	Subsidiary	91,940,963.12	Within 1 year	19.74
CLFG Long Hao Glass Limited	Subsidiary	47,793,345.67	Within 1 year	10.26
Luoyang Longxin Glass Company Limited	Under common control of CLFG	42,675,772.78	Within 1 year	9.16
Total		408,676,395.40		87.75

(4) *Accounts receivable from related party*

Name	Relationship with the Company	Amount	Percentage in total accounts receivable (%)
CLFG Long Fei Glass Co. Ltd.	Subsidiary	146,361,592.01	31.43
CLFG Longxiang Glass Co. Ltd	Subsidiary	91,940,963.12	19.74
CLFG Longmen Glass Co. Ltd.	Subsidiary	79,904,721.82	17.16
CLFG Long Hao Glass Limited	Subsidiary	47,793,345.67	10.26
Luoyang Longxin Glass Company Limited	Under common control of CLFG	42,675,772.78	9.16
Luoyang New Jingrun Engineering Glass Co., Ltd.	Under common control of CLFG	1,604,932.72	0.34
CLFG Mineral Products Company Limited	Under common control of CLFG	1,142,647.79	0.25
Total		411,423,975.91	88.34

(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) Category:

	31 December 2011			
	Carrying amount		Bad debt provision	
Category	**Amount**	**Rate (%)**	**Amount**	**Rate (%)**
1. Other receivables with significant single amount and individual provision for bad debts	**39,376,741.05**	**13.46**	**25,808,704.00**	**65.54**
2. Other receivables provided for bad debts in groups				
The group with provision for bad debts based on aging analysis	**118,106,754.84**	**40.36**	**19,144,663.10**	**16.21**
The group without provision for bad debts	**135,121,033.53**	**46.18**		
Group subtotal	**253,227,788.37**	**86.54**	**19,144,663.10**	**7.56**
3. Other receivables with insignificant single amount and individual provision for bad debts				
Total	**292,604,529.42**	**100.00**	**44,953,367.10**	**15.36**

	31 December 2010			
	Carrying amount		Bad debt provision	
Category	Amount	Rate (%)	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

(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) *Category: (Continued)*

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 other receivables 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, other receivables with the provision based on the aging analysis

	31 December 2011			31 December 2010		
Ages	**Carrying amount**	**Rate (%)**	**Bad debt provision**	Carrying amount	Rate (%)	Bad debt provision
Within 1 year	**97,152,553.46**	**82.26**		26,936,059.85	52.10	
1-2 years	**1,661,464.96**	**1.41**	**498,439.49**	340,203.77	0.66	66,283.85
2-3 years	**1,293,025.62**	**1.09**	**646,512.81**	475,194.65	0.92	237,597.33
3-4 years	**23,838.97**	**0.02**	**23,838.97**			
4-5 years	**45,427.50**	**0.04**	**45,427.50**			
Over 5 years	**17,930,444.33**	**15.18**	**17,930,444.33**	23,948,909.44	46.32	23,948,909.44
Total	**118,106,754.84**	**100.00**	**19,144,663.10**	51,700,367.71	100.00	24,252,790.62

(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 RMB8,727,481.17.

(3) *Nature or content of other receivables with larger amount*

Name	**Amount**	**Nature or content of other receivables**
CLFG Longmen Glass Co. Ltd.	132,997,562.91	Advance made for construction of super-thin and super-white production line
Luoyang Land Reserves Coordination Centre	67,900,000.00	Land acquisition for reserve payment
Yinan Huacheng Minerals Company Limited	28,568,037.05	Current account transactions
Total	229,465,599.96	

(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 in total other receivable (%)
CLFG Longmen Glass Co. Ltd.	Subsidiary	132,997,562.91	Within 1 year	45.45
Luoyang Land Reserves Coordination Centre	Not a related party	67,900,000.00	Within 1 year	23.21
Yinan Huacheng Minerals Company Limited	Subsidiary	28,568,037.05	1 to 5 years	9.76
Luoyang Glass Industrial Co., Ltd.	Subsidiary	15,245,362.14	Within 1 year	5.21
Zhengzhou Xili Branch of China Construction Bank	Not a related party	10,808,704.00	Over 5 years	3.69
Total		255,519,666.10		87.32

(5) *Other receivables from related party*

Name	Relationship with the Company	Amount	Percentage (%)
CLFG Longmen Glass Co. Ltd.	Subsidiary	132,997,562.91	45.45
Yinan Huacheng Minerals Company Limited	Subsidiary	28,568,037.05	9.76
Luoyang Glass Industrial Co., Ltd.	Subsidiary	15,245,362.14	5.21
China Luoyang Float Glass Group Co., Ltd.	Controlling shareholder	8,727,481.17	2.98
China Triumph International Engineering Group Company Limited	Under common control of the de facto controller	1,650,000.00	0.56
CLFG Longxiang Glass Co. Ltd	Subsidiary	837,654.62	0.29
CLFG Mineral Products Company Limited	Under common control of CLFG	127,810.28	0.04
CLFG (Beijing) International Engineering Co., Ltd.	Under common control of CLFG	60,000.00	0.02
Luoyang Xinxing Property Management Ltd.	Under common control of CLFG	20,980.80	0.01
CLFG Shawan Glass Co. Ltd	Subsidiary	4,044.22	0.00
CLFG Jinghua Technical Industry Company	Under common control of CLFG	1,623.92	0.00
Total		188,240,557.11	64.32

(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 of investee	Accounting method	Investment cost	Opening balance	Changes	Closing balance	Shareholding in the investee (%)	Voting right percentage in the investee (%)	Reason for difference of voting right percentage and shareholding in the investee	Impairment provision	Impairment provision for the period	Cash dividends for the period
CLFG Longmen Glass Co. Ltd.	Cost method	64,513,389.18	64,513,390.18		64,513,390.18	100.00	100.00		64,513,390.18		
CLFG Long Fei Glass Co. Ltd.	Cost method	40,000,000.00	40,000,000.00		40,000,000.00	63.98	63.98		40,000,000.00	40,000,000.00	
CLFG Long Hai Electronic Glass Limited	Cost method	48,941,425.28	48,941,425.28		48,941,425.28	100.00	100.00				
Dengfeng CLFG Silicon Company	Cost method	9,005,998.17		9,005,998.17	9,005,998.17	67.00	67.00				
CLFG Long Hao Glass Limited	Cost method	47,300,356.93	47,300,356.93		47,300,356.93	100.00	100.00		47,300,356.93	47,300,356.93	
Luoyang Glass Industrial Co., Ltd.	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	100.00	100.00		1,521,932.78	1,521,932.78	
CLFG Shawan Glass Co. Ltd	Cost method	9,000,000.00	9,000,000.00		9,000,000.00	100.00	100.00		460,162.53	460,162.53	
Yinan Mineral Products Ltd	Cost method	14,560,000.00	14,560,000.00		14,560,000.00	52.00	52.00		11,403,463.74	11,403,463.74	
Subtotal		238,321,169.56	229,315,172.39	9,005,998.17	238,321,170.56				165,199,306.16	100,685,915.98	–
CLFG Hoisting Machinery Company Limited	Cost method	5,000,000.00	5,000,000.00		5,000,000.00	36.68	36.68		5,000,000.00		
CLFG Jingwei Glass Fibre Co., Ltd.	Cost method	4,000,000.00	4,000,000.00		4,000,000.00	35.90	35.90		4,000,000.00		
CLFG Luoyang Jingjiu Glass Products Company limited	Cost method	1,500,000.00	1,500,000.00		1,500,000.00	31.08	31.08		1,500,000.00		
CLFG New Lighting Company limited	Cost method	2,291,217.53	2,291,217.53		2,291,217.53	29.45	29.45		2,291,217.53		
Subtotal		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 Mineral Products Company Limited	Equity method	12,475,313.63				40.29	40.29				
Subtotal		33,028,363.63							–		
Subtotal		284,140,750.72	242,106,389.92	9,005,998.17	251,112,388.09				177,990,523.69	100,685,915.98	

Note: In August 2011, the Company, Longhai and Dengfeng City Guoan Silica Sand Company Limited signed the share transfer agreement to acquire 51% equity interests in Dengfeng CLFG Silicon Co., Ltd. held by Longhai at a consideration of RMB4,020,000 and to acquire 16% equity interests in Dengfeng CLFG Silicon Co., Ltd. held by Dengfeng City Guoan Silica Sand Company Limited at a consideration of RMB1,260,000. It was also agreed that a capital increase of RMB10,000,000 will be made to Dengfeng CLFG Silicon Company, of which the Company shall contribute RMB6,700,000 in proportion to its shareholding. As at 31 December 2011, the Company has paid the consideration for equity transfer and the increased capital contribution and the industrial and commercial registration of changes in respect of Dengfeng CLFG Silicon Co., Ltd. was also completed.

(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

Items	2011	2010
Income from principal operations	**476,396,190.11**	682,732,655.99
Other operating income	**379,772,804.96**	615,654,033.58
Total	**856,168,995.07**	1,298,386,689.57

(2) Details of operating costs

Items	2011	2010
Cost of principal operations	**473,918,461.03**	679,555,669.64
Other operating cost	**356,701,515.74**	593,463,276.41
Total	**830,619,976.77**	1,273,018,946.05

(3) Business segments

	2011		2010	
Name of Industry	Income from principal operations	Cost of principal operations	Income from principal operations	Cost of principal operations
Float glass	**476,396,190.11**	**473,918,461.03**	682,732,655.99	679,555,669.64
Raw materials	**379,772,804.96**	**356,701,515.74**	615,654,033.58	593,463,276.41
Total	**856,168,995.07**	**830,619,976.77**	1,298,386,689.57	1,273,018,946.05

(4) Main business by products

	2011		2010	
Name of Industry	Income from principal operations	Cost of principal operations	Income from principal operations	Cost of principal operations
Float glass	**476,396,190.11**	**473,918,461.03**	682,732,655.99	679,555,669.64
Total	**476,396,190.11**	**473,918,461.03**	682,732,655.99	679,555,669.64

(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) Operating income from the top five largest customers

Customer	Operating income	Percentage in total operating income of the Company (%)
CLFG Long Hao Glass Limited	166,844,770.13	19.49
CLFG Long Fei Glass Co. Ltd.	77,931,009.27	9.10
CLFG Longxiang Glass Co. Ltd	54,115,981.40	6.32
Luoyang Longxin Glass Company Limited	51,451,263.35	6.01
Zhengzhou New Central Glass Products Co., Ltd.	33,661,521.02	3.93
Total	384,004,545.17	44.85

5. Investment income

(1) Details of investment income

Item	**2011**	2010
Income of long-term equity investment measured by cost method		
Income of long-term investment measured by equity method		
Income from disposal of long-term equity investment		1.00
Investment income from financial assets held for trading		
Investment income from investments held for maturity	**29,638,246.68**	14,657,130.12
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	**29,638,246.68**	14,657,131.12

(The amount is expressed in RMB unless otherwise specified)

XIII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS *(Continued)*

6. Supplementary information of cash flow statement

Items	2011	2010
1. Net profit adjusted to cash flow of operating activities		
Net profit	**-70,146,482.88**	-32,984,479.29
Add: Provision for assets impairment	**144,630,766.10**	10,976,147.21
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	**14,296,467.23**	15,870,990.91
Amortization of intangible assets	**659,076.84**	993,753.60
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-"for gains)	**-79,439,877.46**	-315,581.72
Losses on scrapping of fixed assets ("-"for gains)		
Loss from fair value change ("-"for gains)		
Finance expenses ("-"for gains)	**1,663,166.93**	8,753,353.98
Investment losses ("-"for gains)	**-29,638,246.68**	-14,657,131.12
Decrease in deferred income tax assets ("-" for increase)		
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	**23,949,506.47**	3,384,988.06
Decrease in operating receivables ("-" for increase)	**-186,898,877.28**	-41,532,114.29
Increase in operating payables ("-" for decrease)	**66,792,752.04**	26,444,176.85
Others		
Net cash flow from operating activities	**-114,131,748.69**	-23,065,895.81
2. Significant 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	**329,428.91**	753,492.71
Less: Opening balance of cash	**753,492.71**	2,612,481.30
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	**-424,063.80**	-1,858,988.59

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION

1. Details of extraordinary profit and loss in 2011

(1) ***According to "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1-Non-recurring Items (2008)" Notice of CSRC [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 CSRC, non-recurring profit and loss are as follows:***

Item	Amount	Note
1. Profit or loss on disposal of non-current assets, including the portion offset for assets impairment provision made	78,304,342.47	V. 39
2. Tax refund, deduction and exemption as a result of ultra vires or without formal approval or of a incidental nature		
3. Government grant recognized in current profit or loss, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations	22,015,985.76	V. 39
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	2,321,333.90	V.39
10. Enterprise restructured expenses such as employee resettlement compensation and integration expense, etc	-18,157,247.47	V.35
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 financial assets and financial liabilities held for trading, as well as investment income from disposal of financial assets and financial liabilities held for trading and financial assets available for sales except for effective hedging related with normal businesses of the Company		
15. Reserves of impairment provision for account receivables individually tested for impairment		
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 one-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 as listed above	-4,057,920.35	
21. Other profits or losses items within the definition of extraordinary profit or loss		
22. Effect of minority interest	44,341.39	
23. Effect of income taxation	-374,472.00	
Total	80,096,363.70	

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

2. Accounting differences arising from preparation 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	
	2011	2010	**Closing Balance**	Opening Balance
As prepared under PRC Accounting Standards	**12,334,559.60**	60,787,804.31	**127,013,633.44**	115,555,651.36
Items and amounts adjusted under IFRS				
— Gains on sales of land use rights	**25,662,985.62**		**60,320,265.24**	34,657,279.62
— Gains on disposal of subsidiary			**15,833,763.66**	15,833,763.66
— amortization of revaluation on the land use rights		769,889.52	**-75,011,850.10**	-75,011,850.10
— Special fiscal subsidy	**461,538.00**	388,839.43	**-1,800,854.33**	-2,262,392.33
— Difference arising from consolidation 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			**-21,521,930.15**	-21,521,930.15
— Other			**-6,630,274.82**	-6,575,000.00
Under IFRS	**38,459,083.22**	61,946,533.26	**100,924,710.44**	63,397,479.56

(2) Explanations of the differences

Note:

1. PKF Certified Public Accountants is the international auditor of the Company.

2. The reason for the major difference: the land use right disclosed under PRC Accounting Standards is measured by fair value, with revaluation surplus on the use right of lands including the land allocated by the holding company at nil consideration. But under IFRSs, cost model is adopted, which means the cost of such land is nil. As a result, the different measurement method causes differences in cost and differences in gains on disposal of land use rights of RMB25,662,985.62.

3. The PRC Accounting Standards require retrospective adjustment be made to the portion of subsidiaries' excess losses borne by minority shareholders in proportion to their contributions. However, under the IFRSs, adjustment to the portion of excess losses to be borne by minority shareholders in proportion to their contributions would be prospectively applied, and no adjustment would be made to opening balances, which led to a difference of RMB21,521,930.15.

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

3. Return on net assets and earnings per share

According to "Compilation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9-Calculation and Disclosure of Return on Net Assets and Earnings per Share" (Revision 2010) (Notice of CSRC [2010] No. 2) and "Notice on the Explanation of Information Disclosure of Companies Offering Securities to the Public No.1-Nonrecurring Items (2008)" (Notice of CSRC [2008] No. 43) issued by the CSRC, return on net assets and earnings per share are as follows:

(1) 2011

Profit for the year	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	10.17	0.0247	0.0247
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item	-55.88	-0.1355	-0.1355

(2) 2010

Profit for the year	Weighted average return on net assets (%)	Earnings per share Basic earnings per share	Diluted earnings per share
Net profit attributable to holders of ordinary shares of the Company	53.13	0.1216	0.1216
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item	46.04	0.1053	0.1053

(The amount is expressed in RMB unless otherwise specified)

XIV. SUPPLEMENTARY INFORMATION *(Continued)*

4. Unusual conditions in respect of major financial statement items and explanation on the reasons

Analysis on financial statement items with a change of 30% or more or which accounted for 5% or more of the Company's total assets as at the balance sheet date or 10% or more of the total profit for the reporting period:

(1) Balance sheet

Item	Closing balance	Opening balance	Change amounts	Change (%)	Note
Monetary funds	**234,137,383.86**	133,207,882.32	100,929,501.54	75.77	Note 1
Bills payable	**273,000,000.00**	148,000,000.00	125,000,000.00	84.46	Note 2

Notes:

1. Mainly attributable to the receipts of government payment of RMB110,000,000 on disposal of land and buildings erected thereon located at No.9 Tang Gong Zhong Lu during the period.

2. Mainly due to issue of bank acceptance notes for purchase of raw materials during the period.

(2) Income statement

Item	2011	2010	Change amounts	Change (%)	Note
Non-operating income	**104,304,937.28**	78,571,028.05	25,733,909.23	32.75	Note 1
Non-operating expenses	**11,721,195.50**	1,411,972.49	10,309,223.01	730.13	Note 2

Notes:

1. Mainly attributable to the gain of RMB79,440,000 on disposal of land and buildings erected thereon during the period.

2. Mainly due to loss of RMB7,340,000 from disposal of fixed assets during the period.

XV. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the Company on 27 March 2012.

Luoyang Glass Company Limited
27 March 2012

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.

Written Confirmation of Directors and Senior Management

In accordance with the relevant requirements of Securities Law of the People's Republic of China and Administration Measures on Information Disclosure of Listed Companies of China Securities Regulatory Commission, upon diligent review of the annual report 2011 of the Company, directors and senior management of Luoyang Glass Company Limited were of the opinion that the report reflected the actual situation of the Company truthfully, accurately and completely, and that there were no false statements, misrepresentations or material omissions contained herein, and the audit and preparation procedures of the annual report complied with the laws, administrative regulations and requirements of China Securities Regulatory Commission.

Signature of Directors and Senior Management

Executive Directors

Song Jianming	Ni Zhisen	Song Fei	

Non-executive Director

Zhang Chengong	Zhao Yuanxiang	Guo Yimin	

Independent Non-executive Directors

Guo Aimin	Zhang Zhanying	Huang Ping	Dong Jiachun.

27 March 2012