

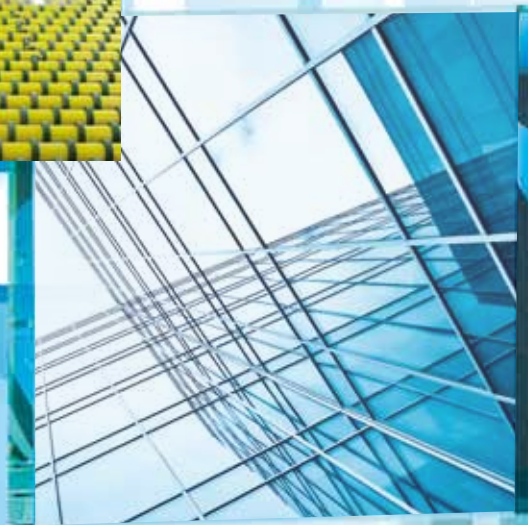


洛阳玻璃股份有限公司 LUOYANG GLASS COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

H Share Stock Code: 01108

A Share Stock Code: 600876



2012

ANNUAL REPORT

I.	DEFINITIONS AND NOTICE OF SIGNIFICANT RISKS	2
II.	COMPANY PROFILE	3
III.	SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS.	5
IV.	REPORT OF THE DIRECTORS.	7
V.	SIGNIFICANT EVENTS	27
VI.	CONNECTED TRANSACTIONS.	34
VII.	CHANGES IN SHARES AND INFORMATION OF SHAREHOLDERS	38
VIII.	DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES	46
IX.	CORPORATE GOVERNANCE	54
X.	INTERNAL CONTROL	71
XI.	FINANCIAL REPORT	73
XII.	DOCUMENTS AVAILABLE FOR INSPECTION.	186

Important Notice

- I. The board of directors (the "Board"), the supervisory committee and the directors (the "Directors"), supervisors and senior management of the Company confirm that the information contained in this annual report is true, accurate, and complete without any false and misleading statements or material omissions, and severally and jointly accept legal responsibility for the above.
- II. Mr. Zeng Shaojin and Mr. Liu Tianni, both being independent non-executive Directors of the Company, were unable to attend the Board meeting due to other business engagements and respectively appointed Mr. Huang Ping and Mr. Dong Jiachun, both being independent non-executive Directors, to exercise voting rights on their behalf in respect of all matters considered at the meeting. The other 8 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"). PKF DAXIN Certified Public Accountants LLP has issued an auditors' report 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. Profit Distribution Proposal or Proposal for Conversion of Capital Reserve considered by the Board

Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2012 was RMB5.09 million, together with the undistributed profit RMB-1,282.01 million at the beginning of the year, the accumulated loss amounted to RMB1,276.92 million. Therefore, the Company will not distribute profit for 2012 or convert capital reserve to the share capital.
- VI. Forward looking statements, including future plan and development strategy, contained in this report do not constitute a real commitment to investors by the Company. Investors should be reminded of such investment risks.
- VII. Has the controlling shareholder of the Company or its associates misappropriated the Company's funds?

No
- VIII. Has the Company provided external guarantees in violation of any specified decision-making procedures?

No.

Definitions and Notice of Significant Risks

I. Definitions

Unless otherwise stated in context, the following terms should have the following meanings in this report:

Definitions of frequently-used terms

CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Company, Luoyang Glass	Luoyang Glass Company Limited
Group	Luoyang Glass Company Limited and its subsidiaries
CLFG	China Luoyang Float Glass (Group) Company Limited (中國洛陽浮法玻璃集團有限責任公司)
CNBM or CNBMG	China National Building Material Group Corporation (中國建築材料集團有限公司)
Longhai Company	CLFG Longhai Electronic Glass Limited (洛玻集團洛陽龍海電子玻璃有限公司)
Longmen Company	CLFG Longmen Glass Co. Ltd. (洛玻集團龍門玻璃有限責任公司)
Longhao Company	CLFG Longhao Glass Co. Ltd. (洛玻集團洛陽龍昊玻璃有限公司)
Longxin Company	CLFG Longxin Glass Co. Ltd. (洛玻集團龍新玻璃有限公司)
Longfei Company	CLFG Longfei Glass Co. Ltd (洛玻集團龍飛玻璃有限公司)
Yinan Huasheng or Yinan Huasheng Mineral Products Company	Yinan Huasheng Mineral Products Industry Co., Ltd. (沂南華盛礦產實業有限公司)
Dengfeng Silicon Company	Dengfeng CLFG Silicon Co. Ltd. (登封洛玻硅砂有限公司)
Huayi Glass	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. (安徽省蚌埠華益導電膜玻璃有限公司)

II. Notice of Significant Risks

The Company has described in detail the existing risks in this report. Please refer to the content about potential risks and countermeasures in the discussion and analysis about future development of the Company in the Report of the Directors.

I. Information of the Company

Chinese name of the Company	洛陽玻璃股份有限公司
Chinese abbreviation	洛陽玻璃
English name of the Company	Luoyang Glass Company Limited
English abbreviation	LYG
Legal representative of the Company	Song Jianming

II. Contact Persons and Contact Methods

	Secretary to the Board	Representative of securities affairs
Name	Song Fei	Wu Zhixin
Correspondence address	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC	Secretary Office of the Board of Luoyang Glass Company Limited, No. 9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the PRC
Telephone	86-379-63908507, 63908588	86-379-63908637
Fax	86-379-63251984	86-379-63251984
Email	lbjtsf@163.com	lywzhx@126.com

III. Basic Information

Registered address	No.9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China (the "PRC")
Postal code	471009
Office address	No.9, Tang Gong Zhong Lu, Xigong District, Luoyang, Henan Province, the People's Republic of China (the "PRC")
Postal code	471009
Website of the Company	http://www.zhglb.com/
Email	gfbgs@cifg.com

IV. Places for Information Disclosure and Reference

Name of newspapers designated for information disclosure	China Securities Journal, Shanghai Securities News, Securities Daily
Website designated by CSRC for publishing annual reports	http://www.sse.com.cn , http://www.hkexnews.hk
Place for inspection of annual reports	Secretary Office of the Board of Luoyang Glass Company Limited

V. Basic Information of the Company's Shares

Basic Information of the Company's Shares

Type of shares	Place of listing of the Company's shares	Stock abbreviation	Stock code
A share	Shanghai Stock Exchange	洛陽玻璃	600876
H share	The Stock Exchange of Hong Kong Limited	Luoyang Glass	01108

Company Profile

VI. Changes in Registration Particulars of the Company during the Reporting Period

(I) Basic information

There was no change in registration particulars of the Company during the reporting period.

(II) Enquiry index relating to initial registration particulars of the Company

Details of the initial registration particulars of the Company are available in the Basic Corporate Information section of the 1994 annual report.

(III) Changes in principal operations since the Company was Listed

There was no change in principal operations since the Company was listed.

(IV) Changes in controlling shareholder since the Company was listed

There has been no change in the controlling shareholder (i.e. China Luoyang Float Glass (Group) Company Limited) since the Company was listed.

VII. Auditors

Accounting firm appointed by the Company (domestic)	Name	PKF DAXIN Certified Public Accountants LLP
	Office address	7-8/F Blk. A-B, Golden Resources World Centre, 1166 Zhongshan Ave, Wuhan, the PRC
	Names of signing accountant	Suo Baoguo Wang Haizhou

VIII. Legal Advisors

Legal advisor of the PRC:	Henan Jiudu Law Firm (河南九都律師事務所)(2012)
Address:	4/F, Zhongyuan Building, 550 Zhongzhou East Road, Luoyang, Henan, the PRC
New appointee for 2013:	Henan Yaohua Law Firm (河南耀驊律師事務所)
Address:	Rooms 914-917, Tianli Building, Bolichang Road, Xigong District, Luoyang, Henan Province, the PRC
Legal advisor of Hong Kong:	Li & Partners Solicitors
Address:	21/F, World Wide House, Central, Hong Kong

IX. Share Registrars for H Shares

Hong Kong Registrars Limited

Address: Rooms 1901-5, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Summary of Accounting Data and Financial Indicators

I. Major Accounting Data and Financial Indicators of the Company for the Last Three Years as at the End of the Reporting Period

(I) Major accounting data

Unit: RMB

Major accounting data	2012	2011	Increase/decrease over the same period last year (%)	2010
Operating income	553,687,171.35	920,942,939.77	-39.88	1,168,481,659.06
Net profit attributable to shareholders of the listed company	5,093,137.28	12,334,559.60	-58.71	60,787,804.31
Net profit attributable to shareholders of the listed company after deducting extraordinary profit or loss	-62,801,944.21	-67,761,804.10	N/A	52,673,738.58
Net cash flow from operating activities	8,734,731.95	-61,673,525.63	N/A	22,939,486.99

	As at the end of 2012	As at the end of 2011	Increase/decrease over the end of the same period last year (%)	As at the end of 2010
Net assets attributable to shareholders of the listed company	132,125,006.45	127,013,633.44	4.02	115,555,651.36
Total assets	1,302,782,333.52	1,415,785,144.79	-7.98	1,439,514,723.66

(II) Major Financial Data

Major Financial Indicators	2012	2011	Increase/decrease over the same period last year (%)	2010
Basic earnings per share (RMB/share)	0.0102	0.0247	-58.70	0.1216
Diluted earnings per share (RMB/share)	0.0102	0.0247	-58.70	0.1216
Basic earnings per share after deducting extraordinary profit or loss (RMB/share)	-0.1256	-0.1355	N/A	0.1053
Weighted average return on net assets (%)	3.93	10.17	Decreased by 6.24 percentage	53.13
Weighted average return on net assets after deducting extraordinary profit or loss (%)	-48.47	-55.88	Increased by 7.41 percentage	46.04

Summary of Accounting Data and Financial Indicators

II. Extraordinary Items and Amounts

Unit: RMB

Items	2012	2011	2010
Profit/loss on disposal of non-current assets, including write-off of provision for asset impairment	4,797,498.51	78,304,342.47	1,253,770.69
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	61,845,855.41	22,015,985.76	74,921,373.03
Profit/loss from debt restructuring	695,482.34	2,321,333.90	1,853,191.25
Costs of corporate reorganisation, i.e. expenses for staff settlement, integration costs, etc	-407,925.00	-18,157,247.47	-68,486,387.32
Other non-operating income and expenses other than the aforesaid items, net	1,158,948.75	-4,057,920.35	-869,279.41
Other profit/loss items within the definition of extraordinary items			
Aggregate effect of extraordinary items on total profit	68,089,860.01	80,426,494.31	8,672,668.24
Less: Amount of effect on income tax	80,456.02	374,472.00	161,664.64
Less: Amount of effect on minority interest	114,322.50	-44,341.39	396,937.87
Extraordinary profit or loss effect attributable to the Company	67,895,081.49	80,096,363.70	8,114,065.73

III. Items Measured at Fair Value

N/A

I. Discussion and Analysis of the Board about Business Operation

In 2012, the Company centered around the annual operational targets, focused on “combing systems, creating processes, emphasizing implementation, promoting upgrading”, paid attention to “cost, risk and innovation” and actively responded to economic slowdown and glass industry slump by launching a comprehensive campaign for management improvement, promoting income generation, cost reduction and efficiency enhancement, implementing industrial upgrading, and accelerating disposal of idle assets, revitalizing existing assets. These efforts ensured the continuous production and operation as well as the sustained profitability of ultra-thin products, and helped achieved the annual profit target despite the suspension of production of ordinary glass production lines and intensifying competition in the ultra-thin glass market.

In 2012, the Company’s operating income was RMB553,687,200, down RMB367,255,800 year-on-year; profit before tax was RMB4,232,200, up RMB1,300,700 year-on-year; net profit attributable to shareholders of the Company was RMB5,093,100, down RMB7,241,400 year-on-year; basic earnings per share attributable to shareholders of the Company was RMB0.0102.

Review of the main work in 2012:

1. Launched a full-scale campaign for management improvement aiming to grasp key points, identify defects, decide plans, emphasize implementation and promote enhancement

According to the overall deployment of CNBMG for management improvement, the Company formulated and issued the Plan for Management Improvement of Luoyang Glass Company Limited, specifying tasks and defining responsibilities to ensure all employees were involved, the entire process was integrated and all aspects were covered. We detected management deficiencies and bottlenecks against the “five improvements”, and made a list of identified problems, came up with and put into action rectification and improvement measures. As a result of these efforts, management in all respects was improved.

2. Promoted structural adjustment through technological innovation, transformed development patterns and enhanced core competitiveness

(1) Improved quality of ultra-thin products and increased product lines to enhance ability to withstand risks

In the face of increase in ultra-thin glass production capacity and intensifying market competition in China, the Company scaled up technological research and improved process and technological level to continuously improve the quality of ultra-thin glass products and better meet users’ needs. On the other hand, we stepped up efforts for new product R&D and increased product types to strengthen our resilience against risks. During the year, our R&D commitments led to the successful production of 0.45mm, 0.6mm, 1.0mm and other new products, bringing the number of our ultra-thin series of products to ten, which can basically satisfy the needs of the ITO industry, electronics industry, high precision instruments and further glass processing sectors.

(2) Made historic breakthrough in ultra-white and ultra-thin glass production

On 19 February 2012, Longmen Company succeeded on the first attempt in bulk production of 1.1mm ultra-white and ultra-thin glass and subsequently 0.9mm ultra-white and ultra-thin glass, which are now received and recognized by the market thanks to the huge efforts made by the Company for product promotion and market cultivation.

(3) Steadily pushed forward with the 650T/D technical renovation project of Longhao Company

The 650T/D technical renovation project of Longhao Company launched in the second half of 2012 is well underway and production is expected to commence in the first half of 2013. The project significantly revamps and improves the original production lines in terms of furnace system, fuel system and product quality, giving competitive edges to forthcoming products, which are likely to become a new profit driver of the Company in 2013.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation *(Continued)*

3. Launched full-scale assets examination and revived unproductive assets

- (1) We carried out assets examination throughout the Company to sort out various types of assets, and allocated idle fixed assets, raw materials, fuels, spare parts and components between subsidiaries in a bid to revitalize assets, reduce purchases and ease capital pressure.
- (2) We disposed of spare assets of the Company and subsidiaries through public auctions, realizing a total of over RMB52 million.

4. Strengthened comprehensive budget management and employed multiple measures to cut costs

- (1) According to the requirements of the Comprehensive Budget Management System of the Company and in light of the Company's development plan as well as the industrial and market situation, the Company prepared the annual budget for 2012 and broke down the budget goals for implementation at different levels. Comparative analysis and evaluation of the implementation of all units were conducted on a monthly basis.
- (2) In its quest for savings and cost cuts as well as efficiency improvement, the Company exercised strict control over all expenditures, reducing paper and electricity usage, reasonably controlling travel allowances, hospitality expenses, maintenance fees and temporary employment expenses.
- (3) Capitalizing on the west-east natural gas transmission, the Company changed the original production fuel of Longmen Company and Longhai Company, namely coal bed methane and heavy oil, to natural gas, a move which not only effectively reduced fuel cost but promoted production stability and product quality.

5. Scaled up marketing, accurately judged risks and actively responded to challenges

- (1) Confronted by the intensifying competition in the domestic ultra-thin glass market, the Company went to the market forefront to strengthen communications with downstream users, improved product and service quality to narrow the gap with imported products; gave priority to profitability, devoting more resources to the production and marketing of products with high gross profit margins; paid close attention to the production and marketing strategies of domestic rivals to stay ahead of the competition. The above measures helped us lessen market risks and maintain admirable profitability for ultra-thin glass.
- (2) With the decrease in production capacity of ordinary glass, the Company focused more on stabilizing prices and promoting sales and realization of inventories for this product to minimize depreciation of inventories.

6. Tightening internal control and improved risk prevention system

In strict compliance with the requirements of the internal control handbook, the Company earnestly implemented all systems, timely identified defects and deficiencies and strengthened examination and inspection to gradually form a long-term internal control mechanism, ensure legal compliance of business operation, assets security, truthfulness and completeness of financial report and relevant information, improve operational efficiency and results, and promote the Company's sustainable, healthy and steady development.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

7. Increased safety and environmental protection efforts to ensure achievement of safety goals

- (1) The Company thoroughly implemented all rules and systems for production safety, with 98.5% potential security problems resolved. Our subsidiaries conducted five accident drills for key and important posts so as to enhance employees' safety awareness and these companies' emergency response capability.

Achievement of production safety goals in 2012:

Item	Goal	Actual results
Major and fatal accident	Nil	Nil
Accident causing heavy injuries	≤0.3‰	Nil
Accident causing minor injuries	≤2‰	1.7‰

- (2) In strict compliance with the requirements of working conferences on production safety of the State Council, the province, the city and CNBMG, the Company commenced the standardization initiative for production safety, with Longmen Company and Longhai Company having passed the evaluation by the expert panel for satisfaction of level-2 standards of production safety.

- (3) All environmental protection and environmental assessment projects (work) progressed smoothly.

(I) Analysis of Principal Businesses

1. Analytical Statement of Changes in Relevant Items in the Income Statement and Cash Flow Statement

Unit: RMB

Item	2012	2011	Change (%)
Operating income	553,687,171.35	920,942,939.77	-39.88
Operating costs	440,659,374.81	821,057,458.14	-46.33
Selling expenses	25,292,041.70	26,671,923.01	-5.17
Administration expenses	123,719,187.34	132,497,298.11	-6.63
Finance expenses	10,593,085.84	12,052,817.76	-12.11
Net cash flow from operating activities	8,734,731.95	-61,673,525.63	N/A
Net cash flow from investment activities	6,873,933.21	125,712,487.95	-94.53
Net cash flow from financing activities	-732,505.68	-43,310,883.35	N/A
R&D expenditures	9,015,336.27	8,974,204.51	0.46

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(I) Analysis of Principal Businesses (Continued)

2. Revenue

(1) Analysis of the factors driving the changes in business revenue

The income from principal operations of the Company is mainly from sales of physical products (glass and silicon sand).

(2) Analysis of the factors affecting the income mainly from sales of physical products of the Company

During the reporting period, due to the continued sluggish of common float glass market, the production lines of common glass in extended service stopped production, resulting in a decrease in production capacity and sales volume, as well as income; the increasing fierce competition in the electronic glass market led to a decrease in sale price and income.

(3) Impact analysis of new products and new services

During the year, the Company has successively developed and successfully produced new products including 0.45mm, 0.6mm and 1.0mm ultra-thin glass. Therefore, the variety of the Company's ultra-thin glass products has reached 10, which can basically meet the demands of ITO industry, electronic industry, high-precision instrument and deep processing of glass; on 19 February, Longmen Company successively achieved batch production of 1.1mm ultra-white and ultra-thin glass and then produced 0.9mm ultra-white and ultra-thin glass. At present, the products have gradually been recognized and accepted by the market.

3. Costs

(1) Analytical Statement of Costs

Unit: RMB

By industry

By industry	Component of cost	2012	Percentage over total cost for the current period (%)	2011	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
Float glass	Direct materials	303,952,140.89	81.17	618,037,449.19	84.71	-50.82	Some production lines stopped production during the period
	Direct labour	17,301,771.94	4.62	26,374,151.97	3.61	-34.40	Some production lines stopped production during the period
	Manufacturing expenses	53,228,742.74	14.21	85,203,039.85	11.68	-37.53	Some production lines stopped production during the period
Silica sand	Direct materials	10,213,833.01	79.53	11,103,223.62	82.32	-8.01	
	Direct labour	1,395,898.97	10.87	1,359,295.34	10.08	2.69	
	Manufacturing expenses	1,233,338.91	9.60	1,024,935.65	7.60	20.33	

I. Discussion and Analysis of the Board about Business Operation (Continued)

(I) Analysis of Principal Businesses (Continued)

3. Costs (Continued)

(1) Analytical Statement of Costs (Continued)

By products

By product	Component of cost	2012	Percentage over total cost for the current period (%)	2011	Percentage over total cost for the same period last year (%)	Percentage of changes in amount over the same period last year (%)	Explanation
Common glass	Direct materials	130,245,666.77	81.62	445,329,338.31	86.52	-70.75	Some production lines stopped production during the period
	Direct labour	7,907,408.21	4.96	16,826,306.87	3.27	-53.01	
	Manufacturing expenses	21,412,702.74	13.42	52,542,117.98	10.21	-59.25	
Ultra-thin glass	Direct materials	173,706,474.12	80.83	172,708,110.88	80.36	0.58	Some production lines stopped production during the period
	Direct labour	9,394,363.73	4.37	9,547,845.10	4.44	-1.61	
	Manufacturing expenses	31,816,040.00	14.8	32,660,921.87	15.20	-2.59	
Silica sand	Direct materials	10,213,833.01	79.53	11,103,223.62	82.32	-8.01	Some production lines stopped production during the period
	Direct labour	1,395,898.97	10.87	1,359,295.34	10.08	2.69	
	Manufacturing expenses	1,233,338.91	9.60	1,024,935.65	7.6	20.33	

4. Top 5 Suppliers and Top 5 Customers

- (1) The Company's total purchase from the top 5 suppliers amounted to RMB167,321,544.93, representing 45.10% of the Company's total purchase amount, among which the purchase from the largest supplier represented 14.72% of the Company's total purchase amount for the year.
- (2) The Company's total sales to the top 5 customers amounted to RMB159,268,131.97, representing 28.76% of the Company's total operating revenue, among which the sales to the largest customer represented 15.99% of the Company's total operating revenue for the year.

Save as disclosed above, none of the Directors, supervisors or their associates or any shareholder (as far as the directors were aware, the holders holding 5% or more of the Company's share capital) has any interests in the aforesaid suppliers and customers.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(I) Analysis of Principal Businesses (Continued)

5. Expenses

There is no material change in the expenses for the reporting period over the same period last year.

6. R&D Expenditure

(1) R&D Expenditure

Unit: RMB

Expensed research and development expenditure in the period	9,015,336.27
Capitalized research and development expenditure in the period	
Total research and development expenditure	9,015,336.27
Percentage of total research and development expenditure to net assets (%)	6.82
Percentage of total research and development expenditure to operating revenue (%)	1.63

(2) Explanation

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 did not generate intangible assets.

7. Cash flow

1. The net cash flow from operating activities amounted to RMB8,734,700, representing an increase of RMB70,408,200 over RMB-61,673,500 for the same period last year, mainly due to the decrease in wages and related expenses and tax paid in the period and increase in the compensation collected in the period.
2. The net cash flow from investing activities amounted to RMB6,873,900, representing a decrease of RMB118,838,600 over RMB125,712,500 for the same period last year, mainly due to the decreases in receipts on disposal of land and fixed assets in the period.
3. The net cash flow from financing activities amounted to RMB-732,500, representing a decrease of net outflow of RMB42,578,400 over RMB-43,310,900 for the same period last year, mainly due to the long-term loans repaid to the CLFG last year.

I. Discussion and Analysis of the Board about Business Operation (Continued)

(I) Analysis of Principal Businesses (Continued)

8. Others

(1) Explanation for substantial changes in the composition of profits or source of profits of the Company

- 1) **Operating revenue** decreased by 39.88% to RMB553,687,200 from the same period last year, mainly due to decline in both production capacity and sales volume;
- 2) **Operating costs** decreased by 46.33% to RMB440,659,400 from the same period last year, mainly due to decline in both production capacity and sales volume;
- 3) **Non-operating income** decreased by 33.73% to RMB69,120,500 from the same period last year, mainly due to the receipts on disposal of land and buildings erected thereon in last year;
- 4) **Non-operating expenses** decreased by 94.69% to RMB622,800 from the same period last year, mainly due to the retirement of smelting furnaces of subsidiaries during the same period last year;
- 5) **Income tax** decreased by 40.09% to RMB12,320,300 from the same period last year, mainly due to the decrease in profit of Longhai Company (a subsidiary of the Company) during the period.

(2) Progress of development strategies and operating plan

During the reporting period, the common glass production lines in extended service stopped production ahead of plan, resulting in decrease in production capacity over plan and decrease in sales volume and income accordingly. The Company maximized benefits through increasing efforts in research and development of ultra-thin glass; increased cash flow through accelerating the disposal of remaining dormant assets; and accomplished the annual operating plan through strengthening internal control and a series of measures including management improvement.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(II) Analysis of operations by industry, products or regions

1. Statement of the principal operations by industry and products

Unit: RMB

Principal operations by industry

By industry	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease of operating income as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Float glass	452,318,592.37	374,482,655.56	17.21	-43.36	-48.67	8.58
Silica sand	29,630,425.81	12,843,070.89	56.66	10.05	-4.78	6.75

Principal operations by products

By products	Operating income	Operating costs	Gross profit margin (%)	Increase/decrease of operating income as compared with last year (%)	Increase/decrease of operating costs as compared with last year (%)	Increase/decrease of gross profit margin as compared with last year (%)
Common glass	138,690,835.07	159,565,777.72	-15.05	-70.98	-71.38	1.62
Ultra-thin glass	313,627,757.30	214,916,877.84	31.47	-2.20	24.87	-14.86
Silica sand	29,630,425.81	12,843,070.89	56.66	10.05	-4.78	6.75

2. Principal operations by regions

Unit: RMB

Regions	Revenue from principal operations (RMB)	Increase/decrease of revenue from principal operations as compared with last year (%)
PRC	481,949,018.18	-41.62
Asia	0	

Explanation of principal operations by regions

There was no export business during the reporting period.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(III) Analysis of assets and liabilities

1. Analytical statement of assets and liabilities

Unit: RMB

Item	Closing balance of this period	Percentage of closing balance of this period over the total assets (%)	Closing balance of last period	Percentage of closing balance of last period over the total assets (%)	Increase/decrease of closing balance of this period over closing balance of last period (%)	Explanation
Bills receivables	9,779,980.14	0.75	38,307,354.54	2.71	-74.47	Mainly due to the decrease in sales volume in the period
Prepayments	14,037,265.28	1.08	9,061,090.40	0.64	54.92	Mainly due to fuel costs prepaid by subsidies in the period
Other receivables	61,938,475.53	4.75	95,429,597.52	6.74	-35.10	Mainly due to the payment received in respect of land acquisition for reserve in the reporting period
Construction in progress	74,565,910.15	5.72	21,667,229.11	1.53	244.14	Mainly due to renovation of production lines of subsidiaries in the reporting period
Other non-current assets	5,792,922.79	0.44	1,128,010.00	0.08	413.55	Mainly due to the increase in compensation for mine relocation of subsidiaries during the reporting period
Short-term loans	20,000,000.00	1.54	29,850,000.00	2.11	-33.00	Mainly due to repayment of loans during the reporting period
Staff remuneration payables	39,331,753.50	3.02	21,312,263.58	1.51	84.55	Mainly due to the increase in outstanding payables including wages and related expenses during the reporting period

2. Explanation on matters relating to changes in valuation of assets measured at fair value and major assets

There were no matters relating to changes in valuation of assets measured at fair value and major assets.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(IV) Analysis of core competitiveness

- Brand advantage.** The Company is the place of origin for one of three major float glass manufacturing methods in the world - "Luoyang Float Glass Technology". The Company has successively won "National Quality Award for Float Glass - Silver Award (國家浮法玻璃質量獎-銀質獎)", "Gold Invention Award (金質發明獎)", "National Consumer Trustworthy Product (全國消費者信得過產品)", "Well-known Trademark (馳名商標)", "National Science & Technology Progress Award (first class) (國家科學技術進步一等獎)", etc. "CLFG" (洛玻) brand still domestically enjoys certain popularity and brand recognition.
- Strong capacity in respect of technical development and innovation.** The Company possesses core production technology of float glass and a number of proprietary intellectual property rights and holds a leading position in the industry in terms of the production technology of ultra-thin, ultra-thin and ultra-white, and ultra-thick float glass. In addition, it owns teams of and experience in product research and development and tackling key problems in production technology.
- Many varieties of ultra-thin glass products and high market share.** The Company has successively developed and successfully produced new products including 0.45mm, 0.55mm, 0.6mm, 0.7mm, 1.0mm and 1.1mm ultra-thin glass. Therefore, the variety of the Company's ultra-thin glass products has reached 10, which can basically meet the demands of the industries such as ITO industry, electronic industry, high-precision instrument and deep processing of glass, and occupies a high market share in the domestic market of ultra-thin glass; At present, the production of ultra-white glass products of the Company has achieved historical breakthrough.
- Powerful support from the de facto controller.** China National Building Materials Group Corporation, the de facto controller of the Company, is an enterprise directly under the SASAC, the largest comprehensive building material group corporation in China and an enterprise of Fortune Global 500. It is able to provide support in terms of capital, technology, etc., for the Company.

(V) Analysis of Investment

1. Overall Analysis of External Equity Investment

(1) Statement of the Company's investment in 2012

Name of investee	Principal activities	Percentage of equity in the investee (%)
CLFG Hoisting Machinery Company Limited	Manufacture of hoisting machinery	36.68
CLFG Jingwei Glass Fibre Co., Ltd.	Manufacture of glass fibre and relevant products	35.90
CLFG Luoyang Jingjiu Glass Products Company Limited	Manufacture of glass packaging containers	31.08
CLFG New Lighting Company Limited	Manufacture of daily use glass products	29.45
Sanmenxia Bank	Monetary and banking services	2.92
Luoyang Jingxin Ceramic Co., Ltd.	Manufacture of daily use ceramic products	49.00
CLFG Mineral Products Company Limited	Mining of clay and other soil, sand and stone	40.29

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(V) Analysis of Investment (Continued)

1. Overall Analysis of External Equity Investment (Continued)

(2) Statement of changes in external equity investment

Unit: RMB

Amount of external equity investment in the period	19,791,217.53
Amount of external equity investment in the last period	20,201,217.53
Change amount of the amount of external equity investment in the period over the amount of external equity investment in the last period	-410,000.00
Change of the amount of external equity investment in the period over the amount of external equity investment in the last period (%)	-2.03

(3) Equity held in unlisted financial enterprises

Unit: RMB

Name of investee	Initial amount of investment	Number of shares held (Share)	Percentage of equity in the company (%)	Amount of investment during the period	Carrying amount at the end of the period	Profit or loss during the Reporting Period	Change in owner's equity during the Reporting Period	Accounting subject	Source of share
Sanmenxia Bank	7,000,000	9,642,290	2.92		7,000,000	1,735,612.20		Long-term equity investment	Purchase
Total	7,000,000	9,642,290	2.92		7,000,000	1,735,612.20		Long-term equity investment	Purchase

Explanation of equity held in unlisted financial enterprises

Dividends received for the reporting period amounted to RMB1,735,612.20.

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(V) Analysis of Investment (Continued)

2. Analysis of major subsidiaries and investee companies

(1) Basic information on major subsidiaries and investee companies

Company name	Industry	Major products or services	Registered capital (RMB)	Total assets (RMB)	Net assets (RMB)	Net profit (RMB)
CLFG Longmen Glass Company Limited	Building materials	Manufacture of float sheet glass	20,000,000.00	268,143,144.81	-257,328,785.50	-38,317,671.85
CLFG Longfei Glass Company Limited	Building materials	Manufacture of float sheet glass	74,080,000.00	92,841,116.77	-170,091,239.73	-26,884,825.87
Yinan Mineral Products Co., Ltd. (沂南華盛礦實業有限公司)	Building materials	Exploration of minerals	28,000,000.00	42,095,999.18	7,322,876.88	1,033,329.70
CLFG Longhai Electronic Glass Co., Ltd.	Building materials	Manufacture of float sheet glass and electronic glass	60,000,000.00	428,388,903.22	290,386,148.17	70,932,878.08
CLFG Longhao Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	202,928,191.18	-90,929,098.35	-59,501,791.45
CLFG Longxiang Glass Co., Ltd.	Building materials	Manufacture of float sheet glass	50,000,000.00	91,325,027.11	-21,154,703.52	-9,204,258.02
Dengfeng CLFG Silicon Co., Ltd.	Building materials	Sales of silica sand	13,000,000.00	11,564,665.00	11,520,891.20	-706,742.83
Dengfeng Hongzhai Silicon Co., Ltd.	Building materials	Sales of silica sand	2,050,000.00	7,819,942.24	778,860.23	-689,611.80
Luoyang Luobo Industrial Co., Ltd.	Building materials	Sales of glass and raw materials	5,000,000.00	50,831,071.38	3,203,992.54	-274,074.68

(2) Statement of subsidiaries acquired and disposed of during the year

Company name	Way of disposal	Purpose of disposal	Impact on the overall production, operation and performance of the Company
CLFG Shawan Glass Co., Ltd.	Cancellation		Investment losses incurred amounted to RMB75.55

3. Entrusted loans

As at 31 December 2012, the balance of entrusted loans provided by the Company via banks to its subsidiaries amounted to RMB411,969,000.00.

4. Projects financed by non-raised capital

N/A

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation (Continued)

(VI) Particulars of the Special Purpose Entities Controlled by the Company

N/A

(VII) Five-year Financial Highlight

The results, assets and liabilities of the Group for the five years ended 31 December 2012 are summarised below:

Operating results

Unit: RMB

Items	2012	2011	2010	2009	2008
Operating revenue	553,687,171.35	920,942,939.77	1,168,481,659.06	972,949,859.17	1,322,532,854.82
Total profit	4,232,247.06	2,931,576.70	72,984,475.22	(171,666,551.34)	(37,209,125.73)
Income tax	12,320,312.18	20,563,646.03	18,356,189.14	1,780,934.50	(2,651,438.67)
Net profit	(8,088,065.12)	(17,632,069.33)	54,628,286.08	(173,447,485.84)	(34,557,687.06)
Minority interests	(13,181,202.40)	(29,966,628.93)	(6,159,518.23)	(31,625,216.70)	(58,027,329.70)
Net profit attributable to owners of the Company	5,093,137.28	12,334,559.60	60,787,804.31	(141,822,269.14)	23,469,642.64

Assets and liabilities

Unit: RMB

Items	2012	2011	2010	2009	2008
Bank balance and cash	236,619,040.45	234,137,383.86	133,207,882.32	225,988,517.81	276,023,329.72
Inventories	211,968,354.99	214,581,784.76	202,066,328.31	154,833,492.34	252,015,659.05
Fixed assets	539,787,058.69	650,334,194.36	685,824,554.04	725,133,679.14	825,289,773.51
Construction in progress	74,565,910.15	21,667,229.11	136,851,711.48	84,760,271.11	109,387,420.73
Non-current assets	691,983,408.59	748,309,271.91	925,541,206.00	924,558,858.29	1,208,960,092.74
Current liabilities	668,000,370.92	728,371,191.42	655,239,864.76	1,441,843,813.04	1,735,509,901.01
Non-current liabilities	564,141,545.86	608,704,756.66	690,079,874.01	4,824,102.92	7,759,245.29
Share capital	500,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00	500,018,242.00
Equity attributable to owners of the Company	132,125,006.45	127,013,633.44	115,555,651.36	93,762,180.82	255,845,242.61
Minority interests	(61,484,589.71)	(48,304,436.73)	(21,360,666.47)	(55,215,481.01)	4,035,318.16

Report of the Directors

I. Discussion and Analysis of the Board about Business Operation *(Continued)*

(VIII) Others

1. Operating expenditures

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

2. 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.

3. Taxation

Details about taxation during the reporting period are set out in Note III. "Taxation" and Notes V.23, V.34 and V.42 in the notes to the financial statements.

4. Fixed assets and intangible assets

Details about fixed assets and intangible assets during the reporting period are set out in Notes V.10 and V.13 to the financial statements.

5. Bank and other loans

Details of bank and other loans during the reporting period are set out in Notes V.18, V.25 and V.26 to the financial statements.

6. Capitalisation of interests

There was no capitalisation of interests of the Company and the Group as at 31 December 2012.

7. Land appreciation tax

During the year, there was no land appreciation tax payable by the Company and the Group.

8. Reserves

Details about reserves during the reporting period are set out in Notes V.29, V.30, V.31 and V.32 to the financial statements.

9. Accumulated losses

As at 31 December 2012, the accumulated loss of the Company was RMB1,276,914,998.93.

II. Discussion and Analysis of the Board on Future Development of the Company

(I) Industry competition and development landscape

Ordinary glass market:

Statistics show that in 2012, 18 new float glass production lines were set up and put into production to increase production capacity by a total of 77.4 million boxes; as at the end of 2012, China's sheet glass production capacity reached 1.04 billion boxes, with capacity utilization falling to an all-time low. 2013 saw no signs of slowdown in capacity expansion and 3 high tonnage float glass production lines came on stream in March alone. On one hand, the industry is in the doldrums, capacity is continuously being expanded and unhealthy competition is intensifying; on the other hand, downstream demand remains weak. The five property regulatory policies newly unveiled by the government again signaled the its unswerving resolution to stick to property regulation strengthening, which indicates there will be no material improvement in glass demand from the property sector. The automobile sector is returning to a sensible and slower pace after two years of fast development. Car sales recorded a meager growth of 4.33% in 2012 as compared with 20-30% in the previous years. With stockpiles of car makers increasing, overcapacity is looming. To sum up, with the mismatch between supply and demand exacerbating further, market competition will become more severe.

In spite of so many unfavorable factors, advantages are showing up gradually. Against the backdrop of a stabilizing domestic economy, with the advancement of urbanization and capacity centralization of the glass industry after consolidation, the industry is expected to see healthy and sensible competition.

Electronic glass market:

In 2012, the growth in domestic ultra-thin glass capacity and other factors changed the market landscape, leading to increased competition, lower gross profit margin and rising inventories. As other ultra-thin glass production lines in China and two ultra-thin glass production lines invested by Japan in Vietnam commence production in 2013, further increase in supply will cause greater imbalance between supply and demand, marking a turning point for the domestic ultra-thin glass market from which industrial profit will be lower and the ultra-thin production lines will face serious test in terms of profitability and survival.

In conclusion, the glass market is expected to remain grim in 2013.

(II) Development strategy

The Company's development strategy is comprehensively boosting the Company's competitive strengths around independent innovation and through industrial consolidation, product restructuring and transformation based on the strategic planning and deployment of its controlling shareholder and de facto controllers.

While maintaining dominance in ultra-thin glass and ultra-white and ultra-thin glass, the Company will accelerate product restructuring and actively promote the development and production of new multifunctional glass for building energy conservation, electronic industry and processing by implementing technological development projects according to national industrial policy; we will revamp and upgrade the technology of existing float glass production lines to continuously enhance and improve the process and equipment of China Luoyang Float Glass; we will boost competitiveness of our products through technical innovation.

Report of the Directors

II. Discussion and Analysis of the Board on Future Development of the Company *(Continued)*

(III) Business plan and measures for 2013

1. Business plan for 2013

Output of float glass:	3,883,500 boxes
Sales:	3,883,000 boxes
Sales revenue:	RMB620 million
Cost and expenses as a proportion of the sales revenue:	95.64%

2. Countermeasures

(1) Further the management improvement campaign, reinforce the foundation and promote development

1. We will continue to push forward with the benchmarking management, accurately find the fields with scope for further improvement, tackle tricky problems first; select proper benchmarking standards, scientifically set quantified and challenging objectives for improvement, transmit competition pressure by benchmarking, and promote the deepening of special improvement project.
2. We will optimize the special improvement project, making work more elaborate, measures more specific, focus more underscored and pushes stronger. All units must, in addition to the initially determined key fields for improvement, select 3 to 5 critical areas and difficulties plaguing production and operation to concentrate resources and ensure accomplishment of major breakthroughs for elimination of defects and bottlenecks.
3. We will focus on management improvement to bring about more normative and orderly internal control management. Based on the requirements for effectiveness and ongoing improvement of the Company's management system, we will incorporate the needs of internal control into various management systems, standardize implementation of the internal control system, tighten up oversight, inspection and implementation of internal control, focus on risk points in the internal control risk matrix so as to effectively avoid risks.
4. We will embrace the idea of sophisticated management, and well employ this management approach, analyze the processes of various operation and management activities, streamline processes and identify wastes, reduce or slash unproductive activities and respond to market demand with the highest quality, lowest cost and highest efficiency.
5. We will strengthen control and management of the implementation process, break down the budget indicators in a scientific way, tighten budget implementation permit and requirement, regularly summarize and report budget implementation, improve and implement the accountability mechanism to ensure the rigidity and seriousness of budget and achieve annual budgetary target.

II. Discussion and Analysis of the Board on Future Development of the Company *(Continued)*

(III) Business plan and measures for 2013 *(Continued)*

2. Countermeasures *(Continued)*

(2) **Strengthen management of ultra-thin glass production process and scale up technological research to constantly improve product quality and better meet market needs**

With respect to ultra-thin glass, we will focus on the goals for product quality improvement and new product R&D, carry out technological research with specific targets, introduce advanced production and management methods and experience, keep improving, optimizing and enhancing process and techniques, promote production stability through technical advancement and improve quality and reduce consumption through stable production. We will continuously improve the quality of ultra-thin glass, further close the gap with imported products, widen the gaps with domestic competitors, and enhance core competitiveness. Meanwhile, we will ramp up intellectual property rights protection for ultra-thin glass products and prevent various forms of technical information leakage.

(3) **Make careful preparation for the ignition and production of the 650T/D production line of Longhao Company which is undergoing renovation and expansion in a bid to achieve the production goal and reach standards as soon as possible**

Longhao Company will spare no efforts to speed up the progress of 650T/D renovation project, stringently control quality of the construction, equipment installation, debugging and other processes to create a high-quality project. Meanwhile, elaborate preparation will be made to ensure the ignition may take place on schedule and production may commence successfully.

(4) **Strengthen market research and analysis and improve marketing strategies to keep enhancing capability for coping with market changes**

First, we will further segment the markets and clients of electronic glass, strengthen tracking of clients, devise specific strategies for products, prices, channels and services to improve clients' satisfaction and loyalty and continuously solidify and expand market shares; keep close attention to competitors' production and marketing to know them well and stay ahead of the competition; ramp up promotion and marketing of pallet packing for ultra-thin products to increase the sales of pallets, thus adding a new profit source.

Second, we will scale up promotion and advertising for ultra-white and ultra-thin glass, commit more resources to potential clients development, aiming to venture into the market of low-and medium-end mobile phone covers as soon as possible.

Third, we will fix a proper market positioning for products of Longhao's 650T/D production line with its foothold in Henan and neighboring regions, using differentiated marketing strategies to ensure winning a place in markets after achieving the production goal and reaching standards, reshaping the brand image of our ordinary glass and translating brand value to profits.

Report of the Directors

II. Discussion and Analysis of the Board on Future Development of the Company *(Continued)*

(III) Business plan and measures for 2013 *(Continued)*

2. Countermeasures *(Continued)*

(5) Strengthen the management and control over the whole process of materials procurement so as to provide high quality raw materials for production and meet the needs of production and operation

By fully leveraging on the centralized procurement, the Company will improve the efficiency of procurement through diverse procurement means, endeavour to expand the supply channels of various materials. Especially, we will actively develop suppliers of bulk materials and cooperate with suppliers with strength, so as to safeguard the production and operation of the Company.

(6) Strengthen staff training and enhance quality and skill of the staff

Through establishing professional talents pool, the Company secured enough talents to handle various emergent production and technology issues. Meanwhile, the enthusiasm of the staff will be motivated through improving the remuneration system and increasing income of the staff.

(IV) Potential Risks

1. Risks arising from macro policies and the industry

The State's resolute property tightening and the slowdown of the auto industry will weigh on the overall demand from the glass industry. Meanwhile, with glass production capacity continually expanding, the imbalance between supply and demand will be increasingly intense, thus resulting in intensifying competition in the industry and posing risks to the operation of the Company.

2. Risks arising from price of raw materials and supply

The major raw materials of the Company's products include fuel, sodium carbonate and silica sands, the procurement costs represent a significant percentage of the product cost. If the prices of raw materials rise continually or significantly in future, more capital will be occupied, thus increasing the product cost. Therefore, the dramatic fluctuation in prices of raw materials may present a risk of rising cost to the Company. The Company boasts a stable supplier base and so faces few supply risks.

3. Financial Risks

The sluggish glass market and increasing fierce competition on products will both impose some financial risks to the Company. 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.

4. 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. Profit Distribution or Proposal for Conversion of Capital Reserve

(I) Formulation, implementation or adjustments of cash dividend policies

Pursuant to the requirements under the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” published by CSRC and the “Notice regarding further implementation of the relevant matters of cash dividend distribution of listed companies” (Henan Supervisory Bureau Yu Zheng Jian Fa [2012] No. 214), the Company, based on its own situation, has made amendments and improvements to Article 210 in respect of profit distribution policy, setting out detailed requirements on the principles and specific policy for profit distribution, procedures for considering the profit distribution policy, implementation of the Company’s profit distribution plan and changes in the Company’s profit distribution policy. The amended profit distribution policy of the Company attaches great importance to reasonable investment return to investors, better safeguards the interest of investors, especially minority investors, helps to further improve the corporate governance structure, and stays in line with relevant requirements of the CSRC and the reality of the Company.

The above amendments have been implemented upon consideration and approval at the 2012 first extraordinary general meeting of the Company held on 1 November 2012.

(II) Profit Distribution or Proposal for Conversion of Capital Reserve

Under the PRC GAAP, the net profit of the Company attributable to owners of the Company for 2012 was RMB5.09 million, together with the undistributed profit RMB-1,282.01 million at the beginning of the year, the accumulated loss amounted to RMB1,276.92 million. Therefore, the Company will not distribute profit for 2012 or convert capital reserve to the share capital.

(III) If profits and undistributed profit of the Company were positive during the reporting period, yet no cash dividend distribution plan has been proposed, the Company shall disclose in detail the reasons for and use and utilisation plan of the undistributed profit.

N/A

(IV) Plan or proposal for profit distribution or for conversion of capital reserve of the Company for the last three years (including the reporting period)

Unit: RMB

Year	Bonus share for every 10 shares <i>(share)</i>	Dividend for every 10 shares <i>(tax inclusive)</i>	Conversion into share capital for every 10 shares <i>(share)</i>	Amount of cash dividends <i>(tax inclusive)</i>	Net profit attributable to shareholders of the Company based on the consolidated statements for the corresponding year	Percentage in net profit attributable to shareholders of the Company based on the consolidated statements <i>(%)</i>
2012	0	0	0	0	5,093,137.28	0
2011	0	0	0	0	12,334,559.60	0
2010	0	0	0	0	60,787,804.31	0

Report of the Directors

IV. Positive Performance of Social Responsibilities

(I) Performance of social responsibilities

During the reporting period, the Company actively performed its social responsibility, based on its core value of “innovation, performance, harmony and responsibility” did plenty of work in respect of the protection of legitimate rights and interests of relevant stakeholders including creditors, employees, consumers, suppliers and communities, prevention of pollution, maintenance of social security, and realization of sustained development, and fulfilled healthy and sustainable development between enterprise and employees, between enterprise and society, and between enterprise and the environment. Please refer to the 2012 Social Responsibility Report of Luoyang Glass Company Limited disclosed by the Company at <http://www.sse.com.cn>, <http://www.hkexnews.hk>.

(II) Statement on the environmental protection practice of the Company and its subsidiaries in severely polluting industries as specified in the regulations made by the national environmental protection authorities

N/A

V. Other Disclosure Matters

1. Service Contracts of Directors and Supervisors

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

2. Management Contracts

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

3. Repurchase, Sale and Redemption of Shares

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

4. Pre-emptive Rights

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

5. 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.

6. Tax Deduction for Holders of Listed Securities

During the year ended 31 December 2012, holders of listed securities of the Company were not entitled to any tax relief by reason of their holding of such securities pursuant to the laws of the PRC.

7. Compliance with the Corporate Governance Code

The Group has complied with all the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rule of the Hong Kong Stock Exchange.

I. Material Litigation, Arbitration and Matters Commonly Questioned by Media

The Company did not have any material litigation, arbitration and matters commonly questioned by media for this year.

II. Appropriation of Funds and Repayment of Debt during the Reporting Period

The controlling shareholder and other related parties did not appropriate the funds of the Company for non-operative purposes during the reporting period.

III. Asset Transactions and Business Combinations

(I) Acquisition, disposal of assets and business combinations disclosed in interim announcements without subsequent changes during implementation

Overview and type of events	Search index
Acquisition of assets: Longmen Company won the bid for the assets subject to liquidation owned by CLFG Longmen Fibre-reinforced Plastic Company Limited ("Longmen FRP") at a public auction at a consideration of RMB3,100,000.	Announcement Lin No. 2012-001 on 4 January 2012 at http://www.sse.com.cn , http://www.hkexnews.hk
Disposal of assets: Luoyang Qianjiu Metal Material Co., Ltd. (洛陽市千久金屬材料有限公司) purchased the major and auxiliary equipment of the original No. 1 float glass production line of the Company at the bidding price of RMB14.18 million.	Announcement Lin No. 2012-011 on 4 May 2012 at http://www.sse.com.cn , http://www.hkexnews.hk
Disposal of assets: The Company and its subsidiaries sold some idle materials in storage to Longxin Company for a total consideration of RMB8,047,270.97.	Announcement Lin No. 2012-022 on 20 September 2012 at http://www.sse.com.cn , http://www.hkexnews.hk

(II) Events not disclosed in interim announcements or with subsequent development

1. Acquisition of assets

N/A

Significant Events

III. Asset Transactions and Business Combinations (Continued)

(II) Events not disclosed in interim announcements or with subsequent development (Continued)

2. Disposal of assets

Unit: RMB

Counterparty	Assets disposed of	Date of disposal	Disposal price	Net profit	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	Percentage of net profit of the Company attributable to the asset disposal in total profit (%)	Connected relations	
				contributed to the Company from the beginning of the year to the date of disposal						
Yunnan Tin Co., Ltd. (雲南錫業股份有限公司)	Tin	January 2012	7,283,256.42	-101,984.80	No	Market price	Yes	Yes	N/A	Independent third party
Shanghai Renewable Resources Technology Development Co., Ltd. (上海再生資源科技發展有限公司)	Tin	September 2012	5,795,111.09	2,884,542.55	No	Market price	Yes	Yes	68.16	Independent third party
Change Xinshuo Co., Ltd. (長葛市鑫碩有限公司)	Tin	September 2012	6,008,580.84	3,007,605.56	No	Market price	Yes	Yes	71.06	Independent third party
Luoyang Jiangxin Construction Engineering Company (洛陽江鑫建築工程公司)	Heavy oil depot equipment and ancillary facilities	September 2012	2,460,000.00	1,693,289.93	No	Valuation	Yes	Yes	40.01	Independent third party
Change Tongzhou Metals Co., Ltd. (長葛同洲金屬有限公司)	High voltage cables	September 2012	1,400,000.00	682,347.81	No	Valuation	Yes	Yes	16.12	Independent third party
Luoyang Kaiqiang Industrial Co., Ltd. (洛陽凱強實業有限公司)	Coal-fired boilers	September 2012	1,300,000.00	117,025.43	No	Valuation	Yes	Yes	2.77	Independent third party
Luoyang Baoxuan Industry & Trade Co., Ltd. (洛陽寶煊工貿有限公司)	Cables (一線電纜)	July 2012	1,100,000.00	-277,559.28	No	Valuation	Yes	Yes	N/A	Independent third party
Henan Zhengzhou Hualong Refractory Materials Co., Ltd. (河南省鄭州市華龍耐火材料有限公司)	Homogenizing warehouse (均化庫), dolomite warehouse	September 2012	1,000,000.00	705,705.75	No	Valuation	Yes	Yes	16.67	Independent third party

Explanation for disposal of assets

The Company disposed of its idle assets.

IV. Material Related Party Transactions

(I) Related party transactions relating to daily operations

1. Events disclosed in interim announcements without subsequent development or changes during implementation

Overview of Events	Search Index
In 2011, the Company entered into 13 framework agreements respectively with CLFG, CNBMG and Huayi Glass, estimating the annual cap amounts of relevant daily connected transactions involving financial services, provision of goods, provision of water and electricity, composite services, provision of raw materials, equity custodian, supply of glass and silicon powder, community services, and etc. The above continuing connected transactions were considered and approved at the 31st meeting of the sixth session of the Board on 19 October 2011 and the 2011 third extraordinary general meeting of the Company on 28 December 2011.	Announcement Lin No. 2011-031 on 19 October 2011 at http://www.sse.com.cn , http://www.hkexnews.hk and Announcement Lin No. 2011-038 on 28 December 2011 at http://www.sse.com.cn , http://www.hkexnews.hk

2. Events disclosed in interim announcements with subsequent development or changes during implementation

Please refer to VI Connected Transactions for details about actual implementation of continuing connected transactions during the reporting period.

(II) Related party transactions relating to acquisition and disposal of assets

1. Events disclosed in interim announcements without subsequent development or changes during implementation

Overview of Events	Search Index
Longmen Company, a wholly-owned subsidiary of the Company, won the bid for the assets subject to liquidation owned by Longmen FRP by way of public auction at a consideration of RMB3,100,000.	Announcement Lin No. 2012-001 on 4 January 2012 at http://www.sse.com.cn , http://www.hkexnews.hk

Significant Events

IV. Material Related Party Transactions (Continued)

(II) Related party transactions relating to acquisition and disposal of assets (Continued)

2. Events not disclosed in interim announcements

Unit: RMB

Connected party	Connected relationship	Type of the connected transaction	Particulars				Appraised value of the transferred asset	Market fair value	Transfer price	Settlement method of the connected transaction	Gain from the transferred asset	Effect of the transaction on the operating results and financial position of the Company	Reasons for the difference between the transaction price, and book value, or appraised value, market fair value
			of the connected transaction	Pricing principle of the connected transaction	Book value of the transferred asset	Market price							
Luoyang Longjin Glass Company Limited	Subsidiary of the Company	Purchase of goods	Turnover materials	Market price	645,785.60			678,000.00	In cash	0	0	NA	

(III) Material related party transaction relating to joint external investment

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

(IV) Creditor's rights and debts between the Company and related parties

1. Events disclosed in interim announcements without subsequent development or changes during implementation

Overview of Events	Search Index
China Building Materials Glass Company ("CBM Glass") paid RMB30,000,000 on behalf of the Company.	Announcement Lin No. 2012-014 on 25 May 2012 at http://www.sse.com.cn , http://www.hkexnews.hk
CBM Glass paid RMB30,000,000 on behalf of Longhai Company, a wholly-owned subsidiary of the Company.	Announcement Lin No. 2012-020 on 28 August 2012 at http://www.sse.com.cn , http://www.hkexnews.hk
CBM Glass paid RMB20,000,000 on behalf of the Company.	Announcement Lin No. 2012-033 on 22 November 2012 at http://www.sse.com.cn , http://www.hkexnews.hk
CBM Glass paid RMB24,000,000 on behalf of the Company.	Announcement Lin No. 2012-038 on 19 December 2012 at http://www.sse.com.cn , http://www.hkexnews.hk

V. Material Contracts and Implementation Thereof

(I) Trusteeship, contracting and leasing

1. Trusteeship

Unit: RMB0'000

Name of the entrusting party	Name of trustee	Assets under trusteeship	Amount of the assets under trusteeship	Starting date of trusteeship	Ending date of trusteeship	Gain from the trusteeship	Basis for determining such gain	Effect of such gain on the Company	Whether a connected transaction	Connected relations
CLFG	Luoyang Glass Company Limited	50% equity interest held by CLFG in Luoyang Longxin Glass Company Limited	4400	1 January 2012	31 December 2014	100	Through negotiation between the parties	An increase in revenue of RMB1,000,000	Yes	The entrusting party is the controlling shareholder of the trustee

Explanation for the trusteeship The entrusting party held 50% equity interest in Longxin Company.

2. Leasing

Unit: RMB

Name of lessor	Name of lessee	Details of lease of assets	Amount of the leased assets	Starting date of lease	Ending date of lease	Gain from lease	Basis for determining such gain	Effect of such gain on the Company	Whether a connected transaction	Connected relations
CLFG Longhao Glass Limited	CLFG	Land use rights over a land of 183.30 mu		1 September 2012	31 December 2012	370,000.00	Cost plus	An increase in revenue of RMB370,000	Yes	The lessee is the controlling shareholder of the Company

(II) Guarantee

During the reporting period, the Company did not have any external guarantee.

(III) Other material contracts

Unit: RMB0'000

Buyer	Vendor	Date of signing	Subject matter of the contract	Pricing principle	Final transaction price	Implementation of the contract as at the end of the reporting period
CLFG Longhao Glass Limited	China Triumph International Engineering Company Limited	2012-08-28	Supply of goods and installation	Market price	10600	A payment of RMB15,900,000 has been made.

Significant Events

VI. Performance of Undertakings

1. During transfer of relevant equity interests, CNBMG, the de facto controller of the Company, undertook on 11 September 2007 that: CNBMG (including its controlled enterprises by now) would not directly or indirectly involve in any businesses which constitute competition with the Company. In the event that the business opportunities obtained would compete with the operations of the Company, it would notify the Company of such business opportunities. Save as a financial investor, CNBMG would not invest in any businesses which may constitute competition with the operations of the Company, and would take measures to prevent the possibility of substantial competition when continuing to acquire other businesses which have horizontal competition with the Company directly or indirectly under appropriate conditions. In case of violation of the above undertakings, CNBMG would fully indemnify the Company for any loss so caused.

As at the end of the reporting period, CNBMG honored its undertaking.

2. During transfer of relevant equity interests, CBM Glass, the controller of the Company, undertook on 9 December 2010 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 by CBM Glass or its controlled enterprises 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 honored its undertaking.

3. In transferring relevant equity interests, CNBMG and CBM Glass, the de facto controllers of the Company, undertook on 9 December 2010 that: they would come up with a comprehensive solution to the problem of horizontal competition between the Company and Longxin Company, Fangxing Science & Technology and Zhonglian Glass by way of consolidation in the form of a series of business and asset restructuring with the Company as a platform in the coming three years.

To solve the problem of horizontal competition between the Company and Longxin Company, CLFG and the Company entered into the Equity Custodian Agreement on 12 November 2011 pursuant to which CLFG entrusted the Company to manage the 50% equity interest in Longxin Company.

On 30 June 2011, Fangxing Science & Technology completed the swap of major assets, and the Company traded the original float glass business in for new material business in respect of fused zirconia, zirconium silicate, spherical quartz powder, etc. Upon completion of the restructuring, there was no horizontal competition between Fangxing Science & Technology and the Company.

To realize comprehensive solution to horizontal competition with the Company in three years, CNBMG and CBM Glass plan to conduct business and asset restructuring based on the overall glass business development strategy in the group and the specific realities of all entities (including the Company) in the glass sector. At present, no specific plan for business and asset restructuring has been made. The Company will make timely disclosure of any possible new progress.

VII. Appointment or Dismissal of Certified Public Accountants

At the 38th meeting of the sixth Board on 26 April 2012 and the 2011 AGM on 11 June 2012, the reappointment of PKF DAXIN Certified Public Accountants LLP and PKF Certified Public Accountants as the domestic and international auditors of the Company for the year 2012 respectively was considered and approved.

As the Hong Kong Stock Exchange has permitted companies incorporated in the mainland and listed in Hong Kong to adopt the PRC accounting standards to prepare their financial statements, and mainland accounting firms ratified by the Ministry of Finance and the CSRC have obtained permission to provide relevant services to such companies by adopting the PRC accounting standards, the Company dismissed PKF Certified Public Accountants as its international auditors for the year 2012 as approved at the 2012 first EGM on 1 November 2012, for the purpose of simplifying procedures, reducing costs and enhancing audit efficiency.

	Original appointee	Current appointee
Name of the domestic accounting firm	PKF DAXIN Certified Public Accountants LLP	PKF DAXIN Certified Public Accountants LLP
Remuneration for the domestic accounting firm	RMB1,880,000	
Audit years of the domestic accounting firm	5 years	
Name of the international accounting firm	PKF Certified Public Accountants	
Remuneration for the international accounting firm	RMB400,000	
Audit years of the international accounting firm	5 years	
	Name	Remuneration
Accounting firm for internal control audit	PKF DAXIN Certified Public Accountants LLP	RMB280,000

VIII. Punishment and Rectification of the Company and its Directors, Supervisors, Senior Management, Shareholders Holding More Than 5% of Shares, De Facto Controllers and Acquiring Parties

During the year, the Company and its Directors, supervisors, senior management, shareholders holding more than 5% of shares and de factor controllers and acquiring parties have not been inspected by the CSRC, have not received any administrative punishment, have not been the subject of notice of criticism and have not been openly criticized by stock exchanges.

Connected Transactions

Apart from the connected transactions as disclosed in this chapter, other details about the connected transactions of the Group are set out as in the note "connected and related party transactions" to the audited consolidated financial statements prepared for this year under the China Accounting Standards for Business Enterprises.

I. Continuing Connected Transactions

During the year ended 31 December 2012, the Group entered into the following continuing connected transactions within the meaning of Chapter 14A of the Listing Rules:

1. Supply of products by the Company to a subsidiary of CLFG

CLFG Jingrun Coating Film Co., Ltd. (洛玻集團晶潤鍍膜有限公司), a subsidiary of CLFG, needed to purchase the float glass products of the Company due to its business demand. The products were priced with reference to the market price at the time the products were supplied or not less than that offered to third parties for the same or similar products. During the year 2012, the total transaction amount for supply of products was RMB0.

2. Supply of raw materials by the Company to a subsidiary of CLFG

The Company implements a centralized procurement policy for certain bulk raw materials. As Longxin Company, a subsidiary of CLFG, was managed by the Company under trusteeship, the Company procured raw materials on its behalf. The Company determined the transaction price with reference to the then market price for supply of raw materials, and supplied certain raw materials to Longxin Company, including alkali, coal, sodium sulfate, silicon powder, dolomite powder, limestone powder and potassium feldspar powder. During the year 2012, the total transaction amount for supply of raw materials was RMB17,480,000.

3. Provision of composite services by the Company to a subsidiary of CLFG

As Longxin Company, a subsidiary of CLFG, was managed by the Company under trusteeship, the Company provided it with composite services including use of technology, technical consulting services, warehousing, transportation services, staff training and brand management, the price of which was determined with reference to the then market price. During the year 2012, the total transaction amount for provision of composite services was RMB1,383,000.

4. Provision of equity custodian by the Company to CLFG

The Company was entrusted to manage the 50% equity interest held by CLFG in Longxin Company. After both parties considered the operational condition of Longxin Company in the recent years, the custodian fee would be 15% of the realized profit attributable to shareholders of Longxin for the year (irrespective of the unrecovered losses of Longxin Company in previous years), being not less than RMB1,000,000 but not more than RMB3,000,000. During the year 2012, the total transaction amount for provision of equity custodian was RMB1,000,000.

5. Provision of water and electricity supply services by the Company to CLFG and its subsidiaries

The Company provided CLFG with water and electricity supply and asset use services on ongoing basis, the price of which was determined with reference to the relevant state-prescribed requirements and on normal commercial terms in respect of water and electricity supply. During the year 2012, the total transaction amount for provision of water and electricity supply and asset use services was RMB4,439,000.

I. Continuing Connected Transactions (Continued)

6. Provision of composite services by CLFG to the Company

CLFG is the promoter for the listing and the substantial shareholder of the Company. Apart from its reliance on the professional technical advantages of CLFG, the Company was provided with various services as defined in the Prospectus on an ongoing basis. The services provided by CLFG 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 would 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 parties in Luoyang City or areas near Luoyang City will be considered when determining the market price. The price paid by the Company to CLFG would not be higher than that offered to third parties for the same or similar services. During the year 2012, the transaction amount for provision of such composite services was RMB2,450,000.

7. Supply of silicon power by subsidiaries of CLFG to the Group

CLFG and its controlled companies or other entities and/or CLFG Mineral Company (which is held as to 40.29% and 59.71% by the Company and CLFG, respectively) and Yinan Huasheng (which is directly and indirectly held as to 52% and 25% by the Company and CLFG, respectively) which CLFG holds shares with more than 10% voting rights in and both are non-wholly owned subsidiaries of the Company, provide silicon powder to the Company on an annual basis. The Company had a priority over other third parties in purchasing silicon powder from the subsidiaries of CLFG. The purchase price was determined with reference to the prevailing market price at the time of each purchase. During the year 2012, the transaction amount for supply of silicon power was RMB1,665,000.

8. Supply of products by a subsidiary of CLFG to the Company

The Company implements a centralized sales policy to common float glass products. As Longxin Company, a subsidiary of CLFG, was entrusted to be managed by the Company, the Company sold products on its behalf. Longxin Company provided float glass products to the Company, the price of which was determined with reference to the then market price. During the year 2012, the transaction amount for supply of products was RMB83,936,000.

9. Provision of engineering technical services by a subsidiary of CLFG to the Company

CLFG Luoyang Glass Engineering Design and Research Co., Ltd., a wholly-owned subsidiary of CLFG, provided the Company with project feasibility plans for and design of float glass production lines as well as relevant production equipment. The price of such services was determined with reference to the then market price.

During the year 2012, the transaction amount for provision of engineering technical services was RMB395,000.

Connected Transactions

I. Continuing Connected Transactions (Continued)

10. Supply of products by the Company to CNBMG and its subsidiaries

Huayi Glass is a subsidiary of CNBMG, the ultimate controlling shareholder of the Company, Huayi Glass therefore is a related party of the Company. Longhai Company and Longmen Company, both being wholly-owned subsidiaries of the Company, provided ultra-thin float glass to Huayi Glass, the price of which was determined with reference to the then market price. During the year 2012, the transaction amount for sales of products was RMB88,559,000.

11. Provision of engineering technical services by CNBMG and its subsidiaries to the Company

CNBMG and its subsidiaries provided the Company with project feasibility plans for and design of float glass production lines as well as engineering construction of such production lines. The price of such services was determined with reference to the then market price. During the year 2012, the transaction amount for provision of engineering technical services was RMB0.

12. Supply of engineering materials by CNBMG and its subsidiaries to the Company

CNBMG and its subsidiaries provided the Company with float glass production equipment and refractory materials, the price of which was determined with reference to the then market price. During the year 2012, the transaction amount for supply of engineering materials was RMB0.

13. Provision of financial services by CNBMG and its subsidiaries to the Company

CNBMG and its subsidiaries provided the Company with financial services including entrusted loans and loan guarantees, the price of which was determined with reference to the then market price. During the year 2012, the transaction amount for provision of financial services was RMB0.

The Board engaged PKF DAXIN Certified Public Accountants LLP, 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 2012. The auditors confirmed that these transactions:

- (1) have received the approval from the Board;
- (2) were in accordance with the pricing policies of the Company;
- (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 2012 and confirmed that these transactions were:

- (1) in the ordinary and usual course of business of the Company;
- (2) on normal commercial terms or on terms no less favorable to the Company 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. Interim Connected Transactions

1. On 4 January 2012, Longmen Company, a wholly-owned subsidiary of the Company, won the bid for the assets subject to liquidation owned by Longmen FRP by way of public auction at a consideration of RMB3,100,000.
2. On 13 January 2012, the Company and China Triumph International Engineering Company Limited entered into two Technical Services Agreements, pursuant to which, the Company agreed to provide technical services to Shanxi Shenmu Ruicheng Glass Company Limited (陝西神木瑞誠玻璃有限公司), with an aggregate service fee amounting to RMB978,000.
3. On 25 May 2012, the Company and CBM Glass entered into the Agency Payment Agreement, pursuant to which, CBM Glass paid a total of not more than RMB30,000,000 to the suppliers of the Company.
4. On 28 August 2012, Longhao Company, a wholly-owned subsidiary of the Company, entered into the Supply and Installation Agreement with China Triumph International Engineering Company Limited, pursuant to which China Triumph International Engineering Company Limited agreed to supply and install the equipment and materials for the cold repair reconstruction project of the No. 1 production line of Longhao Company at a total consideration of RMB106,000,000.
5. On 28 August 2012, CBM Glass and Longhai Company, a wholly-owned subsidiary of the Company, entered into the Agency Payment Agreement, pursuant to which, CBM Glass paid a total of not more than RMB30,000,000 to the suppliers of Longhai Company.
6. On 20 September 2012, the Company and its subsidiaries disposed of certain idle materials at a total consideration of RMB8,047,270.97.
7. On 22 November 2012, the Company and CBM Glass entered into the Agency Payment Agreement, pursuant to which, CBM Glass paid a total of not more than RMB20,000,000 to the suppliers of the Company.
8. On 19 December 2012, the Company and CBM Glass entered into the Agency Payment Agreement, pursuant to which, CBM Glass paid a total of not more than RMB24,000,000 to the suppliers of the Company.

Changes in Shares and Information of Shareholders

I. Changes in Shares Capital

(I) Changes in shares capital

changes in share capital

Unit: share

	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

(II) Changes in shares subject to trading moratorium

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

Changes in Shares and Information of Shareholders

II. Issue and Listing of Securities

(I) Issue of securities over the last three years up to the end of the reporting period

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

(II) Change in the total number of shares, the shareholding structure and the asset and liability 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.

(III) Existing internal employee's shares

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

III. Shareholders and De Facto Controller

(I) Total number of shareholders

Total number of shareholders at the end of the reporting period 21,157, including 21,103 holders of A shares and 54 holders of H shares

Total number of shareholders as at the end of the fifth trading day before the disclosure date of the annual report 20,117, including 20,064 holders of A shares and 53 holders of H shares

(II) Shareholdings of the top 10 shareholders

Unit: share

Shareholdings of the top 10 shareholders

Full name of shareholder	Increase/ decrease during the reporting period	Total number of shares held at the end of 2012	Shareholding Percentage (%)	Number of shares subject to trading moratorium held	Number of shares pledged or frozen		Nature of shareholder
					Status of shares	Number	
HKSCC Nominees Limited	-94,000	247,866,998	49.57	0			Overseas legal person
China Luoyang Float Glass (Group) Company Limited	0	159,018,242	31.80	0	Pledged	159,018,242	State-owned legal person
Zhang Lixin	+1,441,600	2,754,944	0.55	0			Domestic natural person
Liu Taoxiang	+1,027,950	1,302,650	0.26	0			Domestic natural person
Zhang Ruiying	+350,656	670,000	0.134	0			Domestic natural person
Rui Zhiying	+422,000	610,000	0.122	0			Domestic natural person
Zhou Chunxia	+206,200	476,213	0.095	0			Domestic natural person
Yao Xuan	-1,400	471,116	0.094	0			Domestic natural person
Chen Yiwei	+45,300	425,218	0.085	0			Domestic natural person
Peng Fang	+39,000	403,279	0.081	0			Domestic natural person

Changes in Shares and Information of Shareholders

III. Shareholders and De Facto Controller (Continued)

(II) Shareholdings of the top 10 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 and number of shares	
		Type	Number
HKSCC Nominees Limited	247,866,998	Overseas listed foreign shares	247,866,998
China Luoyang Float Glass (Group) Company Limited	159,018,242	Ordinary shares denominated in RMB	159,018,242
Zhang Lixin	2,754,944	Ordinary shares denominated in RMB	2,754,944
Liu Taoxiang	1,302,650	Ordinary shares denominated in RMB	1,302,650
Zhang Ruiying	670,000	Ordinary shares denominated in RMB	670,000
Rui Zhiying	610,000	Ordinary shares denominated in RMB	610,000
Zhou Chunxia	476,213	Ordinary shares denominated in RMB	476,213
Yao Xuan	471,116	Ordinary shares denominated in RMB	471,116
Chen Yiwei	425,218	Ordinary shares denominated in RMB	425,218
Peng Fang	403,279	Ordinary shares denominated in RMB	403,279

Explanation on connected relationship or action acting in concert among the aforesaid shareholders:

There are no connected parties or persons acting in concert as defined by Regulations for Disclosure of Changes in Shareholding of Listed Companies 《上市公司股東持股變動 信息披露管理辦法》 issued by CSRC among the top ten shareholders of the Company, including China Luoyang Float Glass (Group) Company Limited and other shareholders of circulating shares. The Company is not aware of any parties acting in concert or any connected relationship among other shareholders of circulating shares. HKSCC Nominees Limited held shares on behalf of its clients.

Changes in Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller

(I) Controlling shareholder

1. Legal person

Name	China Luoyang Float Glass (Group) Company Limited
Person in charge of the company or legal representative	Peng Shou
Date of establishment	19 April 1993
Organisation code	16995844-1
Registered capital	RMB1,286,740,000
Principal activities	Manufacture of glass and related raw materials, and complete sets of equipment; deep processing of glass; technical services and consulting services for glass processing; export of self-made products and related technologies by the company or member entities of the company; import and export of the raw and ancillary materials, machinery equipment, instruments and meters, parts and components needed for production and scientific research by the company or member entities of the company as well as related technologies; undertaking business relating to Chinese-foreign joint ventures, joint production and “three forms of OEM and compensation trade” of the company; undertaking overseas engineering projects and domestic engineering projects for international bidding in the building materials industry; export of the required equipment and materials for the above overseas engineering projects; dispatch of contract workers for the above projects, production and technical services.
Operating result	Operating revenue of the company for 2011: RMB1,210,568,700; total comprehensive income attributable to owners of the company: RMB69,309,500. The company adjusted the strategic development direction, established the new strategy focused on the development of electronic glass, kicked off new projects, completed the resettlement of redundant staff, liquidated historical creditor’s rights (equity rights), and revitalized non-performing assets, which laid a foundation for its sustained and healthy development.
Financial position	As at 31 December 2011, total assets: RMB2,613,960,400; net assets: RMB571,867,700; operating revenue: RMB1,210,568,700; total comprehensive income attributable to owners of the company: RMB69,309,500

Changes in Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(I) Controlling shareholder (Continued)

1. Legal person (Continued)

Cash flow and future development strategy

As at 31 December 2011, net cash flow was RMB-57,703,100, of which net cash flow from operating activities was RMB-185,966,800.

According to the strategic positioning of CNBM, CLFG will mainly orient at the development of ultra-thin electronic glass, energy-saving glass for building purposes, and solar photovoltaic glass during the 12th Five-Year Plan period and going forward. In its 12th Five-Year Development Plan, CLFG has set out three strategic positionings as a special glass manufacturer with strong market radiation force, a comprehensive service provider with top-rate international float glass technologies, and a constant leader in the Luoyang float technology. Centered on the three strategic positionings, CLFG currently focuses on the development of the energy-saving sector and high-tech sector, makes scientific adjustments to regional distribution, pushes forward industrial consolidation and improves the industrial structure by leveraging this relocation opportunity, thereby laying the foundation for joint restructuring of the glass industry promoted by CNBM.

During the 12th Five-Year Plan period, CLFG, by virtue of its ultra-thin electronic glass technology, will step up efforts in extending the industrial chain of ultra-thin electronic glass, and especially developing the below-0.55mm ultra-thin glass and high-strength ultra-thin glass, develop in the solar photovoltaic glass sector by way of ultra-thin ultra-white glass projects, and expand the production capacity for energy-saving glass for building purposes through consolidation by utilizing the existing foundation of LOW-E glass. Meanwhile, taking the construction of the national key laboratory on new float glass technologies as an opportunity, CLFG will vigorously enhance the Luoyang float glass technology and turn itself into a paragon of independent innovation in the domestic national glass industry.

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period

N/A

2. Index and date on changes in controlling shareholder during the reporting period

There was no change in the controlling shareholder of the Company during the reporting period.

Changes in Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(II) De facto controller

1. Legal person

Name	China National Building Material Group Corporation
Person in charge of the company or legal representative	Song Zhiping
Date of establishment	28 September 1981
Organisation code	100000489
Registered capital	RMB5,069,681,300.00
Principal activities	General business scope: research, development and sales of construction materials and relevant raw materials, production technologies and equipment; design, sales and construction of complete sets of buildings of the new building material system; sales of decorative materials; design and construction of building engineering; warehousing; investment and assets operations relating to building materials and related sectors; technical consulting and information services and exhibition services relating to the above activities; processing and sales of mineral products.
Operating result	<p>Operating revenue of the company for 2011: RMB194.092 billion; total comprehensive income attributable to owners of the company: RMB4,214 million.</p> <p>In 2012, the company fully completed its operational tasks, raised its ranking to 365 among the "Fortune 500", and fulfilled leapfrog development and all-round progress. Centered on the target of "maintaining growth", the company practiced the "price, cost and benefit"-oriented business philosophy to stabilize and quote prices, led the healthy development of the industry, strictly controlled various expenses and achieved notable results in cost reduction and efficiency enhancement; steadily advanced joint restructuring and structural adjustment, expanded the commercial ready-mixed concrete business, and cultivated the "three-new" sectors; carried out management enhancement activities and effectively boosted its management capability; pushed forward technology innovation and integration of production with research, made great achievement in technology innovation, thereby firmly supporting the boost of its competitiveness; further expanded overseas markets and promoted the strategy of "internationalizing building materials".</p>
Financial position	As at 31 December 2011, total assets: RMB207.511 billion; net assets: RMB46.131 billion; operating revenue: RMB194.092 billion; total comprehensive income attributable to owners of the company: RMB4,214 million.

Changes in Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(II) De facto controller (Continued)

1. Legal person (Continued)

Cash flow and future development strategy

As at 31 December 2011, net cash flow was RMB4,691 million, of which net cash flow from operating activities was RMB12,975 million, representing a substantial year-on-year increase of 67.23%. The company is committed to becoming a world-leading comprehensive building materials conglomerate with strong and quality products, sustained innovation capability and international competitiveness, and will continuously adhere to the “market-oriented and central government-controlled” growth model, push forward market-driven reforms and management enhancement, strengthen joint restructuring and advance market competition and cooperation with the operational target of “seeking progress amid stabilization”, press ahead with innovation of technologies and business model, and transformation and upgrade of the company and the industry, and make greater contributions to the stable and rapid growth of the national economy and the construction of a well-off society.

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the reporting period

The company held 44.11% equity interest in China National Building Material Company Limited (HK3323), 44.67% equity interest in Ruitai Materials Technology Co., Ltd. (002066), 34.6% equity interest in Anhui Fangxing Science & Technology Co., Ltd. (600552), 52.4% equity interest in Beijing New Building Materials Public Limited Company (000786), and 32.79% equity interest in China Fiberglass Co., Ltd. (600176).

2. Index and date on changes in de facto controller during the reporting period

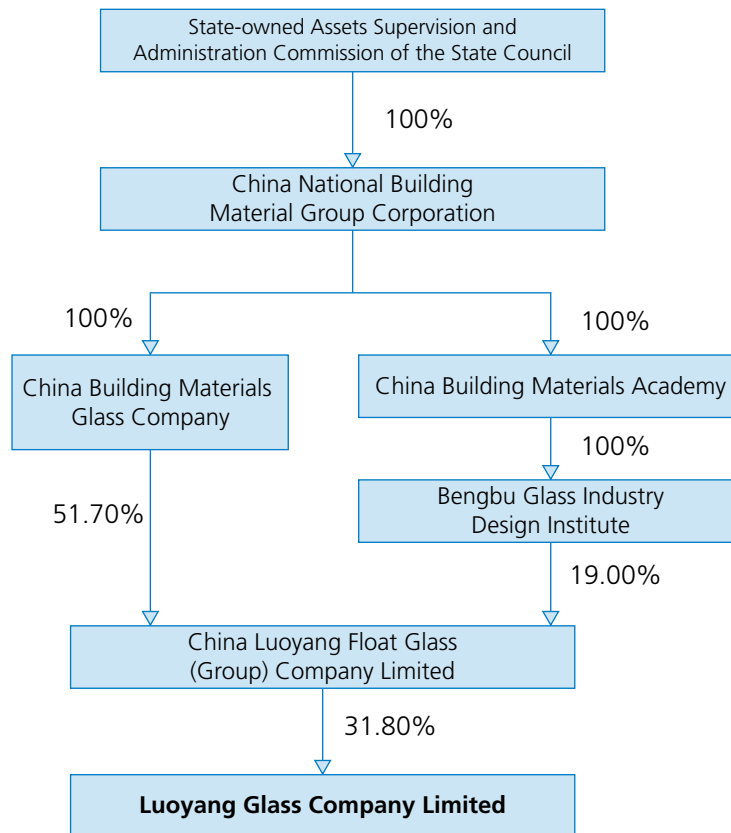
There was no change in the de facto controller of the Company during the reporting period.

Changes in Shares and Information of Shareholders

IV. Controlling Shareholder and De Facto Controller (Continued)

(II) De facto controller (Continued)

3. The chart on the ownership and control relationship between the Company and the de facto controller



V. Other Legal Person Shareholders Holding 10% or More of Shares

As at the end of the reporting period, there was no other legal person shareholder with 10% or more shareholdings in the Company.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period

Unit: share

Name	Position	Gender	Age	Starting date of term of office	Expiry date of term of office	Number of			Reason for change	Total remuneration (before tax) received from the Company during the reporting period	Total remuneration (before tax) received from shareholder entities during the reporting period
						Shares held at the beginning of the year	Number of Shares held at the end of the year	Increase/decrease of shares during the year		(RMB'000)	(RMB'000)
Song Jianming	Chairman	Male	56	30 June 2008 (Director) 27 May 2009 (Chairman)	8 November 2015	0	0	0	N/A	37	
Ni Zhisen	Executive Director, General Manager	Male	41	27 May 2009 (General Manager) 28 September 2009 (Director)	8 November 2015	0	0	0	N/A	31	
Song Fei	Executive Director, Chief Financial Controller, Secretary to the Board	Female	49	14 April 2008 (Chief Financial Controller) 30 June 2008 (Director) 11 December 2008 (Secretary to the Board)	8 November 2015	0	0	0	N/A	20.9	
Cheng Zonghui	Former Executive Director - Deputy General Manager	Male	50	24 July 2007 (Deputy General Manager) 28 September 2009 (Director)	3 February 2012	0	0	0	N/A	1.71	
Zhao Yuanxiang	Non-executive Director	Male	44	25 August 2010	8 November 2015	0	0	0	N/A	4	50.46
Zhang Chengong	Non-executive Director	Male	40	25 August 2010	8 November 2015	0	0	0	N/A	4	
Guo Yimin	Non-executive Director	Male	48	28 September 2009	8 November 2015	0	0	0	N/A	4	31.08
Guo Airin	Former Independent Director	Male	58	10 April 2006	9 November 2012	0	0	0	N/A	3.5	
Zhang Zhanqing	Former Independent Director	Male	55	10 April 2006	9 November 2012	0	0	0	N/A	3.5	
Huang Ping	Independent Director	Male	44	18 May 2009	8 November 2015	0	0	0	N/A	4	
Dong Jiachun	Independent Director	Male	56	28 September 2009	8 November 2015	0	0	0	N/A	4	
Zeng Shaojin	Independent Director	Male	68	9 November 2012	8 November 2015	0	0	0	N/A	0.67	
Liu Tianni	Independent Director	Male	49	9 November 2012	8 November 2015	0	0	0	N/A	0.67	
Ren Zhenduo	Chairman of the Supervisory Committee	Male	48	10 September 2007 (Supervisor) 12 September 2007 (Chairman of the Supervisory Committee)	8 November 2015	0	0	0	N/A	2	27.81
He Baofeng	Independent Supervisor	Male	40	10 September 2007	8 November 2015	0	0	0	N/A	2	
Guo Hao	Independent Supervisor	Male	55	18 May 2009	8 November 2015	0	0	0	N/A	2	
Wang Jian	Employee Supervisor	Male	37	26 May 2010	8 November 2015	0	0	0	N/A	16.16	
Ma Jiankang	Employee Supervisor	Male	48	17 December 2012	8 November 2015	0	0	0	N/A	11.35	
Ip Pui Sum	Company Secretary	Male	53	6 August 2008	8 November 2015	0	0	0	N/A	HK\$120,000	

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration *(Continued)*

(I) Changes in shareholdings and remuneration of the existing and resigned Directors, supervisors and senior management during the reporting period *(Continued)*

Notes:

- (1) Save as disclosed above, as at 31 December 2012, none of the Directors, supervisors or senior management of the Company and their connected persons to the knowledge of the Directors had any interest nor short position in the shares, underlying shares or debentures of the Company or its associated corporations which was required to be entered in the register of interest kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or required to be notified to the Company or the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.
- (2) As at 31 December 2012, 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 associated corporations.
- (3) Total remuneration above amounted to approximately RMB1.62 million.

(II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period

1. Directors

Mr. Song Jianming, aged 56, 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 41, 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 Company and Longhai Company. He has served as the General Manager and Director of the Company since May 2009 and September 2009 respectively, and the general manager of Longmen Company since February 2013.

Ms. Song Fei, aged 49, 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 50, 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 48, 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.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration *(Continued)*

(II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period *(Continued)*

1. Directors *(Continued)*

Mr. Zhao Yuanxiang, aged 44, 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.

Mr. Zhang Chengong, aged 40, a holder of master's degree, a Non-executive Director of the Company, currently serves as the deputy general manager of China Building Material Glass Company. Mr. Zhang held the positions of assistant to general manager and deputy general manager of Beijing New Building Material Company Limited.

Mr. Guo Aimin, aged 58, PhD holder, former Independent Director of the Company. He is currently the vice president of Henan University of Economics and Law. 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.

Mr. Zhang Zhanying, aged 55, PhD holder, professor, former 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 44, 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.

Mr. Liu Tianni, aged 49, an Independent Director of the Company, is the founder and chairman of the Wonderful Sky Financial Group Holdings Limited, the executive director of Silver Grant International Industries Limited (a company listed in Hong Kong) and the managing director of Sure Spread Limited.

Mr. Zeng Shaojin, aged 68, is a professor-grade senior engineer entitled to special subsidies from the State Council, and an Independent Director of the Company. He once served as the department head of Henan Province Geology and Mineral Resources Department (Bureau), the chief of the Geological Survey Department of Ministry of Geology and Mineral Resources, the dean of the Chinese Academy of Geological Survey Technologies, the chief of the Department of Mineral Exploitation of the Ministry of Land and Resources, etc. From 2005 to November 2011, Mr. Zeng served as the executive vice president of China Mining Association.

Directors, Supervisors, Senior Management and Employees

I. Changes in Shareholdings and Remuneration *(Continued)*

(II) Latest five-year work experience of the existing and resigned Directors, supervisors and senior management during the reporting period *(Continued)*

2. Supervisors:

Mr. Ren Zhenduo, aged 48, a holder of bachelor's degree, is currently the Chairman of the Supervisory Committee of the Company, employee director, deputy secretary of party committee, secretary of disciplinary committee and chairman of the labor union of CLFG. He successively served as general manager of Longxin Company (a subsidiary of CLFG) and deputy secretary of party committee of the Company, etc. Since May and August 2009, Mr. Ren began to serve as employee director, deputy secretary of party committee, secretary of disciplinary committee and chairman of the labor union of CLFG respectively.

Mr. He Baofeng, aged 40, a PRC certified public accountant and a PRC certified tax agent with an associate degree, currently acts as the Supervisor of the Company, the director and vice head of Luoyang Topchina CPA Limited and head of Luoyang Topchina Tax Agent. He is a member of the Expert Panel under Henan Institute of Certified Public Accountants.

Mr. Guo Hao, aged 55, has a master's degree and is an associate professor and PRC certified public accountant. He is currently a Supervisor of the Company, 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. He is concurrently a standing member of the Chinese Institute of Business Administration and a member of Henan Accounting Association.

Mr. Wang Jian, aged 37, with a postgraduate qualification, currently serves as the staff representative Supervisor of the Company and head of float glass joint workshop of Longhai Company. Mr. Wang joined the Company in November 1993, and has held the positions of section chief, assistant head and deputy chief of technology section, etc. He has been a deputy general manager of Longhai Company since February 2013.

Mr. Ma Jiankang, aged 48, holder of a bachelor's degree, currently serves as an Employee Supervisor of the Company and deputy general manager of Longhao Company. Mr. Ma joined the Company in September 1985, and successively served as the section chief of the production plant and production department of the Company, assistant to the General Manager and to department head, etc. He was a deputy general manager of Longxin Company from February 2008 to October 2010, and has been a deputy general manager of Longhao Company since October 2010, and of Longmen Company since February 2013.

3. Senior Management

Mr. Ip Pui Sum, aged 53, 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, Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

Directors, Supervisors, Senior Management and Employees

II. Positions of the Existing and Resigned Directors, Supervisors and Senior Management during the Reporting Period

(I) Positions in Shareholder Entities

Name	Name of shareholder entity	Position held	Starting date of term of office	Expiry date of term of office
Zhao Yuanxiang	China Luoyang Float Glass (Group) Company Limited	Vice Chairman, General Manager, deputy party secretary	Since January 2010 (General Manager, deputy party secretary) Since May 2010 (Vice Chairman)	
Ren Zhenduo	China Luoyang Float Glass (Group) Company Limited	Employee Director, deputy party secretary, secretary of disciplinary committee, chairman of the labor union	Since May 2009 (Deputy party secretary, chairman of the labor union) Since August 2009 (Employee Director)	
Guo Yimin	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee, Chief Accountant, and General Manager of the Finance Department	Since January 2010 (Chief Accountant) Since July 2010 (Standing member of the party committee)	
Song Jianming	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	Since May 2009	
Ni Zhisen	China Luoyang Float Glass (Group) Company Limited	Standing member of the party committee	Since January 2010	

(II) Positions in other entities

Name	Name of entity	Position held	Starting date of term of office	Expiry date of term of office
Zhang Chengong	China Building Material Glass Company	Deputy General Manager, secretary of disciplinary committee, deputy party secretary	Since March 2011	
Huang Ping	Luoyang China Certified Public Accountants	Deputy head	Since March 1997	
Dong Jiachun	Investment banking head office of Central China Securities Holdings Co., Ltd. (中原證券股份有限公司投資銀行總部)	Managing director	Since April 2005	
	Henan Topfond Pharmaceutical Co., Ltd. (河南天方藥業股份有限公司)	Independent Director	Since May 2009	
	Henan Zhongyuan Expressway Company Limited (河南中原高速公路股份有限公司)	Independent Director	Since January 2010	
	Zhong Yuan Environmental Protection Co., Ltd. (中原環保股份有限公司)	Independent Director	Since June 2010	
Zeng Shaojin	Zhongjin Gold Corporation Limited	Independent Director	Since May 2010	
Liu Tianni	Wonderful Sky Financial Group Holdings Limited	Chairman	Since 1995	
	Silver Grant International Industries Limited	Executive Director	Since 1994	
	Sure Spread Limited	Managing Director	Since 2004	
	Chongqing Iron & Steel Company Limited	Independent Director	Since 2009	
	Qingling Motors Co. Ltd.	Independent Director	Since 2011	
He Baofeng	Luoyang Topchina CPA Limited	Director and deputy head		
	Luoyang Topchina Tax Agent	Head		
Guo Hao	Henan University of Science and Technology	Deputy dean of Economics and Management School		

Directors, Supervisors, Senior Management and Employees

III. Remuneration of Directors, Supervisors and Senior Management

Procedure for determining the remuneration 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 proposal for the remuneration of senior management shall be determined by the Board.
Basis for determination of remuneration of Directors, supervisors and senior management	The actual remuneration shall be distributed with reference to the achievement status of annual operational targets and performance assessment.
Remuneration payable to 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.
Total remuneration actually received by all Directors, supervisors and senior management at the end of the reporting period	Approximately RMB1.62 million

IV. Highest Paid Individuals

During the reporting period, the five highest paid individuals of the Company included three Directors, and two other individuals, i.e. Liu Zhigang with a total annual remuneration of RMB185,887.93; and Zhang Yuandong with a total annual remuneration of RMB166,595.43.

V. Changes in Directors, Supervisors and Senior Management during the Reporting Period

Name	Position	Change (optional)	Reasons for change
Cheng Zonghui	Executive Director, Deputy General Manager	Resigned	Personal development
Zhang Zhanying	Independent Director	Dismissed	Expiry of term of office
Guo Aimin	Independent Director	Dismissed	Expiry of term of office
Zeng Shaojin	Independent Director	Appointed	Re-election of the Board
Liu Tianni	Independent Director	Appointed	Re-election of the Board
Ma Jiankang	Employee Supervisor	Appointed	By-election for a vacancy for Employee Supervisor

VI. The Core Technical Team or Key Technical Staff of the Company

There was no change in the core technical team or key technical staff of the Company during the reporting period.

Directors, Supervisors, Senior Management and Employees

VII. Employees of the Company and Major Subsidiaries

(I) Employees

Number of in-service employees of the Company	225
Number of in-service employees of the major subsidiaries	1675
Total number of in-service employees	1900
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	2123

Composition of professions

Type of profession	Number of staff in the profession	Percentage in composition of profession (%)
Production staff	1458	76.74
Sales staff	42	2.21
Technical staff	95	5.00
Finance staff	68	3.58
Administrative staff	237	12.47
Total	1900	100

Education level

Type of education level	Number of persons	Percentage in composition of education level (%)
University graduates or above	203	10.68
College graduates	568	29.90
Specialised secondary school graduates	184	9.68
High school graduates	667	35.11
Junior high school or below	278	14.63
Total	1900	100

Directors, Supervisors, Senior Management and Employees

VII. Employees of Parent Company and Major Subsidiaries (Continued)

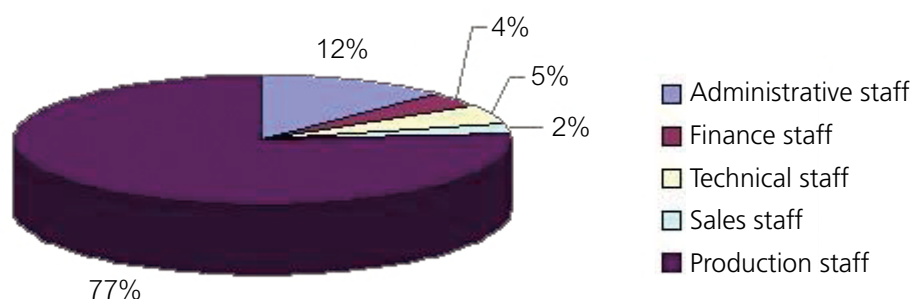
(II) Remuneration system

An annual remuneration system is adopted for the management of the Company and its subsidiaries while a position plus skill-based salary system is adopted for the employees of the Company. In addition, according to relevant national, provincial and municipal policies, employees of the Company are also entitled to the “five insurance payments and housing provident fund”, paid leave, paid training and other treatments.

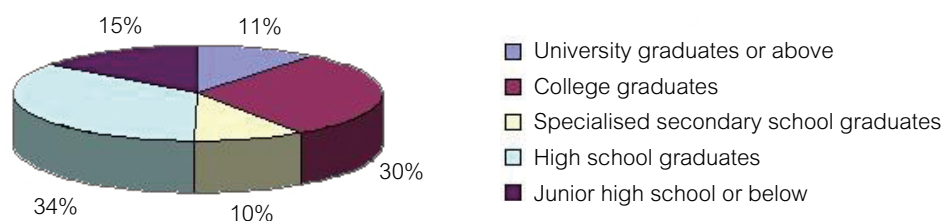
(III) Training programme

The Company has established a two-layered three-leveled training system, carrying out staff training by way of a combination of internal and external training, off-job and semi-off-job training so as to enhance the work skills and professional ability of the staff and ensure the healthy growth of the staff and development of the enterprise.

(IV) Statistical chart on composition of professions



(V) Statistical chart on education level



I. Corporate Governance and Insider Registration and Management

During the reporting period, 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 Standards on Corporate Governance of Listed Companies, the Listing Rules of the stock exchanges in Shanghai and Hong Kong and the regulations of the CSRC, by constantly improving its corporate governance structure, establishing and optimizing internal management and control systems, and further carrying out corporate governance campaigns in a bid to further standardize the operation of the Company and enhance the corporate governance level.

1. 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.

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.

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.

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.

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

2. The Company improved and optimized the following systems during the reporting period:

- (1) **Two revised and improved systems:** Management Measures for Product Quality Audit of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司產品質量審核管理辦法》) and Detailed Implementation Rules on Labour Discipline Management of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司勞動紀律管理實施細則》).
- (2) **Five additional systems:** Clean Production Management System of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司清潔生產管理制度》), Management Measures for Petitions and Whistleblowing of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司信訪舉報工作管理辦法》), (Trial) Implementation Measures for the “Three-Important and One-Large” Decision-making System of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司「三重一大」決策制度實施辦法(施行)》), Implementation Opinions on Combating Commercial Bribes of Luoyang Glass Company Limited (《洛陽玻璃股份有限公司關於治理商業賄賂的實施意見》), and Implementation Plan for the Cultivation and Employment of Recruited University Graduates (《新聘大學生培養使用實施方案》).

I. Corporate Governance and Insider Registration and Management *(Continued)*

3. Information disclosure and insider registration and management

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 Insider Registration and Management System, 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 and 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.

II. Shareholders' General Meetings

1. The 2011 Annual General Meeting of the Company

The Company held its 2011 Annual General Meeting (the "AGM") on 11 June 2012. 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 2011;
- (2) the working report of the supervisory committee of the Company for the year 2011;
- (3) the final accounts report of the Company for the year 2011;
- (4) the profit distribution plan of the Company for the year 2011;
- (5) the financial budget report of the Company for the year 2012;
- (6) the reappointment of Daxin Certified Public Accountants and PKF Certified Public Accountants as the domestic and international auditors of the Company for 2012, and authorization to the Board to fix their remuneration.

The announcement of the resolutions passed at the AGM was published on China Securities Journal, Shanghai Securities News and Securities Daily on 12 June 2012.

II. Shareholders' General Meetings *(Continued)*

2. The First Extraordinary General Meeting of 2012

The Company held its First Extraordinary General Meeting (the "EGM") of 2012 on 1 November 2012. It was attended by 2 shareholder and proxies. At the meeting, the following matters were considered and approved by way of ordinary resolutions:

- (1) To consider and approve the conditional cessation of appointment of PKF Certified Public Accountants as the Company's international auditor for 2012;
- (2) To approve and confirm the Supply and Installation Agreement, the terms and conditions thereof, the transaction contemplated thereunder and the implementation thereof;
- (3) To approve, ratify and confirm any one of the Directors, 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 Supply and Installation Agreement and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Supply and Installation Agreement that may in their discretion consider to be desirable and in the interest of the Company and all the Directors' acts as aforesaid;

The following special resolutions were also considered and approved at the EGM:

- (1) To consider and approve the proposed amendments to the Articles of Association in respect of preparation of financial statements;
- (2) To consider and approve the proposed amendments to the Articles of Association in respect of profit distribution.

The announcement of the resolutions passed at the first EGM was published on China Securities Journal, Shanghai Securities News and Securities Daily on 2 November 2012.

II. Shareholders' General Meetings (Continued)

3. The Second EGM of 2012

The Company held its Second EGM of 2012 on 9 November 2012. 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 consider and approve the election of members of the Seventh Board for a term of three years from 9 November 2012 to 8 November 2015.

Election of Mr. Song Jianming, Mr. Ni Zhisen, and Ms. Song Fei as Executive Directors of the Seventh Board; election of Mr. Zhao Yuanxiang, Mr. Zhang Chengong and Mr. Guo Yimin as Non-executive Directors of the Seventh Board; election of Mr. Huang Ping, Mr. Dong Jiachun, Mr. Liu Tianni and Mr. Zeng Shaojin as Independent Non-executive Directors of the Seventh Board.

- (2) To consider and approve the election of members of the seventh supervisory committee for a term of three years from 9 November 2012 to 8 November 2015.

Election of Mr. Ren Zhenduo, Mr. He Baofeng and Mr. Guo Hao as shareholder representative supervisors of the seventh supervisory committee.

The announcement of the resolutions passed at the second EGM was published on China Securities Journal, Shanghai Securities News and Securities Daily on 12 November 2012.

4. The Third EGM of 2012

The Company held its third EGM of 2012 on 18 December 2012. 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 consider and approve the proposed remuneration for the seventh Board of the Company;
- (2) To consider and approve the proposed remuneration for the seventh supervisory committee of the Company;
- (3) To consider and approve the purchase of the Directors, supervisors and senior management officers liability insurance for the Directors, supervisors and senior management officers of the Company, and to consider and approve the authorization to the Board: within the annual premium limit of not more than RMB150,000, to authorize the Board to make decisions on the Directors, supervisors and senior management officers liability insurance plan, to purchase and underwrite such insurance, and to authorize an executive Director to sign the documents in relation to the purchase and underwriting of insurance.

The announcement of the resolutions passed at the third EGM was published on China Securities Journal, Shanghai Securities News and Securities Daily on 19 December 2012.

Corporate Governance

III. Performance of Duties by Directors

(I) Attendance of Directors at Board meetings and general meetings

Name of Director	Independent Director or not	Required attendance for the year (times)	Attendance at Board meetings				Absence	Any failure in attending in person for two consecutive meetings	Attendance at general meetings	
			Attendance in person	Attendance by way of communication	Attendance by proxy	Attendance at general meetings (times)			Attending the annual general meeting or not	
Song Jianming	No	12	12	12	0	0	No	4	Yes	
Ni Zhisen	No	12	12	12	0	0	No	4	Yes	
Song Fei	No	12	12	12	0	0	No	4	Yes	
Cheng Zonghui	No	1	1	0	0	0	No	0	/	
Guo Yimin	No	12	12	12	0	0	No	4	Yes	
Zhao Yuanxiang	No	12	12	12	0	0	No	4	Yes	
Zhang Chengong	No	12	12	5	0	0	No	4	Yes	
Guo Aimin	Yes	9	9	3	0	0	No	3	Yes	
Zhang Zhanying	Yes	9	9	3	0	0	No	3	Yes	
Huang Ping	Yes	12	11	5	1	0	No	4	Yes	
Dong Jiachun	Yes	12	12	5	0	0	No	4	Yes	
Zeng Shaojin	Yes	3	3	2	0	0	No	1	/	
Liu Tianni	Yes	3	3	2	0	0	No	1	/	

Explanation for failure in attending in person for two consecutive meetings: N/A

Number of Board meetings held in the year 12

Including: Number of on-site meetings 7

Number of meetings held by way of communication 4

Number of meetings held on-site with attendance by way of communication 1

(II) Independent Directors' objections to the Company's relevant matters

None of the Independent Directors raised any objection to relevant matters of the Company during the reporting period.

IV. Significant Opinions and Recommendations Proposed by the Special Committees under the Board in Performing Their Duties during the Reporting Period

Under the Board of the Company are established five special committees, i.e. the Audit Committee, the Remuneration and Review Committee, the Nomination Committee, the Strategic Committee and the Compliance Committee. Each of them carried out their work according to the laws, regulations, the Articles of Association and the working rules of such committees, fulfilled their duties, concretely performed the duties and authorities granted by the Board, and played a positive role in improving the corporate governance structure and promoting the development of the Company.

During the reporting period, all the special committees voted for the resolutions they considered and did not raise other different opinions. The significant opinions proposed included:

1. As the Hong Kong Stock Exchange has permitted companies incorporated in the mainland and listed in Hong Kong to adopt the PRC accounting standards to prepare their financial statements, and mainland accounting firms ratified by the Ministry of Finance and the CSRC have obtained permission to provide relevant services to such companies by adopting the PRC accounting standards, the Audit Committee proposed dismissal of the international auditor and appointment of only one auditor, for the purpose of simplifying procedures, reducing costs and enhancing audit efficiency.
2. The Nomination Committee paid close attention to and reviewed the election and appointment procedures for the new session of the Board and the supervisory committee during the reporting period, especially examined the education background, work experience, professional capability and occupational competence of the candidates for Independent Directors and put forward professional opinions.
3. When the Company was drafting the cold repair reconstruction plan for the No.1 production line of Longhao Company, the Strategic Committee advised that the reconstruction plan should adapt to changes in the market competition environment and the need of the development strategy, and meet relevant government requirements on environment protection, thus providing important reference for the strategic development of the Company.

V. Risks Discovered by the Supervisory Committee

The supervisory committee supervised and inspected the financial position of the Company according to relevant laws and regulations, attended all the Board meetings and general meetings, and was of the opinion that the Board of the Company implemented legitimate decision-making procedures; an internal control system aligned with the reality of the Company was established; the Directors and managers of the Company performed their duties diligently and conscientiously and in strict compliance with the requirements of laws, regulations and the Articles of Association; and no behaviors detrimental to the interests of the Company and the general investors were found.

The supervisory committee of the Company had no objection to any supervision matters during the reporting period.

VI. The Company's Independence from Its Controlling Shareholder in terms of Business, Personnel, Assets, Organisation and Finance and Ability to Maintain Independent Operation

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.

VI. Inability of the Company and Its Controlling Shareholders to Ensure Independence and Maintain Their Capacity of Independent Operation in terms of Business, Personnel, Assets, Organisation and Finance (Continued)

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.

VII. The Establishment and Implementation of the Assessment Mechanism and Incentive Mechanism for Senior Management during the Reporting Period

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. The annual remuneration for senior management was linked to their operational responsibilities, risks and performance.

VIII. Corporate Governance Report

(I) Corporate governance practices

During the reporting period, the Company had complied with all the code provisions of the Code on Corporate Governance Practices, the Corporate Governance Code and the Corporate Governance Report.

In order to provide the Directors, supervisors and senior management officers of the Company with work assurance conditions and prevent relevant occupational risks so that they can better perform their duties and boost work efficiency, the Company purchased the Directors, supervisors and senior management officers liability insurance for the Directors, supervisors and senior management officers of the Company in December 2012.

(II) 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 and supervisors of the Company 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 during the reporting period.

VIII. Corporate Governance Report (Continued)

(III) The Board

1. Composition of the Board

The current Board is composed of 3 Executive Directors including Mr. Song Jianming (Chairman), Mr. Ni Zhisen and Ms. Song Fei, 3 Non-executive Directors including Mr. Zhang Chengong, Mr. Zhao Yuanxiang and Mr. Guo Yimin, and 4 Independent Non-executive Directors including Mr. Huang Ping, Mr. Dong Jiachun, Mr. Zeng Shaojin and Mr. Liu Tianni.

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

2. Meeting attendance by Directors

During the reporting period, the Company convened 12 Board meetings and 4 general meetings. Please refer to Part III of this chapter for attendance at Board meetings and general meetings by the Directors in details.

Please refer to Part (VI) for attendance at the meetings of all special committees in details.

3. The Board and the management

Please refer to Part I of this chapter for the duties of the Board and the management in details.

The Board of the Company is elected by and is responsible for the general meeting. 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 so as to safeguard the interest of the Company and be responsible for shareholders.

During the reporting period, the term of office of the sixth Board expired on 18 May 2012. As the Company and the Controlling Shareholder of the Company attached great importance to the re-election of the Board, and changed several times the plan for collecting and selecting the candidates for Directors, the re-election of the Board was not completed as scheduled. The election of the seventh Board was considered and approved at the second EGM of 2012 on 9 November 2012.

VIII. Corporate Governance Report (Continued)

(III) The Board (Continued)

4. Enhancement of professional skills by Directors

During the reporting period, the Directors, supervisors and senior management of the Company actively participated in various training classes on specialized knowledge, familiarized themselves with the rights, obligations and legal liability of directors, supervisors and senior management of listed companies, systematically studied relevant specialized knowledge, continuously enhanced their duty performance level and maximally ensured the best interests of the Company and shareholders, in accordance with the requirements of the CSRC and the stock exchanges in the PRC and Hong Kong.

Details about such training are as follows:

Mr. Huang Ping, an Independent Non-executive Director of the Company, attended the 23rd training class of the SSE on the qualification of independent directors in November 2012, and obtained the independent director qualification certificate issued by the SSE.

Ms. Song Fei, Secretary to the Board of the Company, attended the subsequent training of the SSE on secretaries to the board of directors of listed companies in September, and the subsequent professional training classes for secretaries to the board of directors of (A+H shares) listed companies and the seminar on strengthened and continuing professional development of associate members of the Hong Kong Institute of Chartered Secretaries (the "HKICS") joined organized by the SSE and the HKICS in October and November.

All the other Directors, supervisors and senior management of the Company attended the annual professional training for directors, supervisors and senior management organized by the Listed Companies Association of Henan.

(IV) 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 are clearly separated and set out in 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.

VIII. Corporate Governance Report (Continued)

(V) Term of office of Non-executive Directors

Pursuant to the Articles of Association, 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. Please refer to Chapter VIII of this report for details about the term of office for the current Non-executive Directors.

During the reporting period, two Independent Non-executive Directors, Mr. Guo Aimin and Mr. Zhang Zhanying whose six-year term of office expired, no longer served as Independent Non-executive Directors of the seventh Board of the Company, while Mr. Zeng Shaojin and Mr. Liu Tianni were by-elected as Independent Non-executive Directors of the seventh Board.

(VI) Special committees under the Board

Under the Board of the Company are established the Strategic Committee, the Audit Committee, the Nomination Committee, the Remuneration and Review Committee and the Compliance Committee, the main duties of which are to provide support to the Board for decision-making and make recommendations on improvement and enhancement of the corporate governance level.

1. Audit Committee

The Company's Audit Committee comprises three independent non-executive Directors, including Mr. Huang Ping as the chairman of the committee, Mr. Dong Jiachun and Mr. Zeng Shaojin as members. Its duties and work rules are specified in the Implementation Rules for the Audit Committee of the Company, and its major duties 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, if prepared for publication, quarterly report, and to review significant financial reporting judgments contained in them, understanding their development and making recommendations or reports to the Board;

VIII. Corporate Governance Report *(Continued)*

(VI) Special committees under the Board *(Continued)*

1. Audit Committee *(Continued)*

- (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;
- (13) the Audit Committee should establish a whistleblowing policy and system for employees and those who deal with the issuer (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 arrangements 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.

VIII. Corporate Governance Report (Continued)

(VI) Special committees under the Board (Continued)

1. Audit Committee (Continued)

Relevant work during the reporting period:

The Audit Committee of the Board carefully reviewed the quarterly reports, interim report and annual report of the Company, exercised effective supervision over the appointment of auditors, preparation of regular reports and improvement and implementation of the Company's internal control system, and held 8 special meetings. Especially during the process of completing the 2011 annual report, the Audit Committee carefully reviewed the financial statements of the Company, exchanged and communicated with the certified public accountants and the management of the Company over its concerned issues, implemented effective supervision, and ensured that the audit personnel observed the professional standards of independence, objectivity and fairness, and that the information disclosed in the financial report of the Company gave an objective, all-rounded and true view of the actual conditions of the Company.

Meeting attendance by members of the Audit Committee in 2012:

Number of meetings 8

Name	Attendance	Attendance by proxy
Huang Ping	8	0
Guo Aimin	7	0
Dong Jiachun	8	0
Liu Tianni (by-elected)	1	0

2. Remuneration and Review Committee

The Company's Remuneration and Review Committee comprises three Directors, including Mr. Dong Jiachun as the chairman of the committee, Mr. Liu Tianni and Mr. Zhao Yuanxiang as members. Its duties and work rules are specified in the Implementation Rules for the Remuneration and Review Committee of the Company, and its major duties include:

- (1) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on 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 to compensation proposed for other executive Directors, and seek independent professional opinions if necessary;

VIII. Corporate Governance Report (Continued)

(VI) Special committees under the Board (Continued)

2. Remuneration and Review Committee (Continued)

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

The Company's Remuneration and Review Committee held 3 special meetings during the reporting period, at which the committee mainly reviewed the payment of remuneration payable by the Company to the Directors and senior management in 2011, and made recommendations to the remuneration plans for the new Board and senior management.

Meeting attendance by members of the Remuneration and Review Committee in 2012:

Number of meetings 3

Name	Attendance	Attendance by proxy
Dong Jiachun	3	0
Zhao Yuanxiang	3	0
Zhang Zhanying	2	0

VIII. Corporate Governance Report (Continued)

(VI) Special committees under the Board (Continued)

3. Nomination Committee

The Company's Nomination Committee comprises three Directors (including two independent non-executive Directors), with Mr. Zeng Shaojin as the chairman of the committee, Mr. Song Jianming and Mr. Huang Ping as members. Its duties and work rules are specified in the Implementation Rules for the Nomination Committee of the Company, and its major duties 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, 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 Board members and select or make recommendations to the Board on the selection of individuals nominated for Directors;
- (4) to examine the qualifications of senior management candidates who shall be appointed by the Board and make recommendations in respect to such candidates;
- (5) to assess the independence of independent non-executive Directors;
- (6) to make recommendations to the Board in respect to the appointment or re-appointment of Directors and the succession planning for Directors (in particular, the Chairman and the General Manager).

The Nomination Committee held 2 special meetings during the reporting period at which the committee examined the education background, work experience, professional ability and occupational competence of the candidates for the new session of the Board, supervisory committee and management team, offered professional opinions and provided reference for decision-making by the Board.

Meeting attendance by members of the Nomination Committee in 2012:

Number of meetings 2

Name	Attendance	Attendance by proxy
Song Jianming	2	0
Guo Aimin	1	0
Huang Ping	2	0

VIII. Corporate Governance Report (Continued)

(VI) Special committees under the Board (Continued)

4. Strategic Committee

The Company's Strategic Committee comprises five Directors (including at least one independent non-executive Director), with Mr. Song Jianming as the chairman of the committee, Mr. Zhang Chengong, Mr. Zhao Yuanxiang, Mr. Ni Zhisen and Mr. Zeng Shaojin as members. Its duties and work rules are specified in the Implementation Rules for the Strategic Committee of the Company, and its major duties include:

- (1) to conduct studies and make recommendations on the Company's long-term development strategies;
- (2) to conduct studies and make recommendations on major investment and financing plans to be approved by the Board as required under the Articles of Association;
- (3) to conduct studies and make recommendations on major capital operations, and asset operations to be approved by the Board as required under the Articles of Association;
- (4) to conduct studies and make recommendations on other significant events that may affect the Company's development;
- (5) to conduct inspection on implementations of the above matters.

The Strategic Committee held 2 special meetings during the reporting period, at which the committee considered the proposal in relation to the disposal of the remaining assets of the original No. 1 float glass production line and was of the opinion that the disposal of such assets could increase cash revenue and supplement the cash flow of the Company and help its future development; and considered the cold repair reconstruction plan for the No. 1 production line of Longhao Company and advised that the reconstruction plan should adapt to changes in the market competition environment and the need of the development strategy, and meet relevant government requirements on environment protection.

Meeting attendance by members of the Strategic Committee in 2012:

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

VIII. Corporate Governance Report (Continued)

(VI) Special committees under the Board (Continued)

5. Compliance Committee

The Company's Compliance Committee comprises four members, including Mr. Liu Tianni (independent non-executive Director) as the chairman of the committee, Mr. Guo Yimin (non-executive Director), Mr. Lo Wai Keung, Eric (Hong Kong legal advisor of the Company), and Mr. Ip Pui Sum (Company Secretary) as members. Its duties and work rules are specified in the Implementation Rules for the Compliance Committee of the Company, and its major duties include:

- (1) to consider the contemplated transactions of the Company and its subsidiaries which may be subject to regulation;
- (2) to raise proposals to the Board frequently;
- (3) to further discuss and study the decisions on which the Board holds different opinions before such decisions are adopted;
- (4) to monitor continuing connected transactions and notifiable transactions to ensure such transactions are conducted on the stipulated terms;
- (5) to consider updates on the laws of Hong Kong and the PRC and regulatory requirements, and make relevant applicable recommendations to the Board.

The Compliance Committee held 2 special meetings during the reporting period, at which the committee discussed the compliant operations of material connected transactions including the Agency Payment Agreement between the Company and CBM Glass, and the Supply and Installation Agreement between Longhao Company and China Triumph International Engineering Company Limited, raised proposals on compliance and ensured compliant and legitimate operation of the Company.

Meeting attendance by members of the Compliance Committee in 2012:

Number of meetings 2

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

(VII) Auditors' remuneration

Please refer to Part VII under the section headed "V. Significant Events" for details about the auditors' remuneration for 2012.

VIII. Corporate Governance Report (Continued)

(VIII) Directors' responsibility for the financial statements

The 2012 financial report and results announcement of the Company has been reviewed by the Audit Committee. Each of the Directors of the Company agreed on and confirmed their respective and joint responsibility for the preparation of accounts of the financial statements for this year. The Directors are responsible for preparing the financial statements which gave a true and fair picture of the financial position, operating results and cash flow of the Group during the accounting period in accordance with the applicable statutory and regulatory requirements. In preparing the financial statements for the year ended 31 December 2012, the Company implemented, adopted and used the applicable accounting policies.

(IX) Company Secretary

At the 2nd meeting of the seventh Board held on 17 December 2012, the Company considered and approved the reappointment of Mr. Ip Pui Sum (from Sum, Arthur & Co. in Hong Kong) as the Company Secretary. Mr. Ip conscientiously performed his duty during the reporting period, offered his opinions to the Board of the Company in respect of governance, ensured smooth information exchange among members of the Board, and complied with the policies and procedures of the Board. During the year ended 31 December 2012, Mr. Ip had accepted no less than 15 hours of professional training to update his skills and knowledge.

The principal contact person in the Company with the Company Secretary is Ms. Song Fei, a Director, Secretary to the Board and Chief Financial Controller of the Company. For her detailed contact information, please refer to part (II) under the section headed "II. Company Profile" in this report.

(X) Rights of shareholders

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 Articles of Association of the Company clearly prescribes that shareholders individually or jointly holding more than 10% shares of the Company, have right to request the Board to convene the extraordinary general meeting. 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.

It is also explicitly stipulated in the Articles of Association that shareholders have the right to supervise and manage the business activities of the Company and to put forward proposals and raise inquiries, the right to obtain relevant information and the right to know about and the right to participate in major matters of the Company. Please refer to the Articles of Association for detailed inquiry procedures and methods.

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.

(XI) Investor relations

During the reporting period, the Company took efforts in creating good and harmonious investor relations, strengthened communication and interaction with investors through diverse channels including the website, e-mail, telephone and fax, seriously received and answered the visits, letters and phone calls from investors to address their questions and inquiries, and turned the demands and suggestions of investors into a driving force for the development of the Company.

During the reporting period, amendments were made to the Articles of Association in respect of the preparation of the financial statements and the profit distribution policy in Articles 203, 204 and 210. Shareholders are recommended to refer to the relevant information on the 2012 first EGM of the Company held on 1 November 2012 for details.

In addition, the website of the Company contains the information of the Company, the published annual reports, interim reports, quarterly reports, interim announcements, circulars and etc., where shareholders and investors have access to the most updated information of the Company.

I. Responsibility Statement on Internal Control and Development of the Internal Control System

1. Responsibility statement of the Board on 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 2012 (reference date).

2. Development of the internal control system

During the reporting period, the Company followed the principle of legitimacy, all-roundedness, importance, effectiveness, check and balance, adaptability and cost effectiveness for internal control, incorporated the Basic Standards for Enterprise Internal Control and relevant requirements of the supporting guidelines into the Internal Control Manual of Luoyang Glass Company Limited (the "Internal Control Manual") in the form of management systems, business process and risk control matrix, thus established an internal control systematic framework starting from risk management, focused on clear definition of duties and responsibilities, backed by the improvement and implementation of system construction, and based on process analysis standards, and continuously improved the Internal Control Manual containing 125 management systems, 23 level-1 business processes, 20 risk matrixes covering 325 risk points, thereby reasonably ensuring the legitimate and compliant operation and management of the enterprise, assets safety, truthfulness and completeness of financial reports and relevant information, and providing assurance for the sustained and healthy development of the Company.

The Company has always placed emphasis on the substantial implementation of various internal control systems, and conducted inspections and assessment on a monthly basis. From 20 August to 24 August 2012, according to the Inspection Plan for the Implementation of Internal Control in the First Half of 2012 (《2012年上半年内部控制實施情況檢查方案》), and the control requirements of the Basic Standards for Enterprise Internal Control and its guidelines, relevant laws, regulations and the Internal Control Manual, the Company carried out a comprehensive inspection on the risk control matrixes, business processes and implementation of relevant management systems of the fourteen functional departments, its controlled subsidiaries and wholly-owned subsidiaries within the scope of the internal control system.

Internal Control

I. Responsibility Statement on Internal Control and Development of the Internal Control System *(Continued)*

2. Development of the internal control system *(Continued)*

In 2012, the Company strictly exercised the function of the internal control supervision mechanism, and carried out special audits of finance, inventory materials, fixed assets and other internal controls. By inspecting the above control systems and processes, and assessing their existence, soundness, compliance and benefits, the Company urged all the departments to reinforce management, brought into full play the role of internal control systems, and enhanced the economic benefit of the enterprise.

For details about the 2012 Internal Control Self-assessment Report of Luoyang Glass Company Limited, please refer to the websites of the SSE (<http://www.sse.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>).

II. Matters relating to the Audit Report on Internal Control

The Company appointed Daxin Certified Public Accountants to audit the effectiveness of internal control over the financial report for the year ended 31 December 2012, which produced an audit report with standard and unqualified opinions. For details of the Audit Report on Internal Control, please refer to the websites of the SSE (<http://www.sse.com.cn>) and the Stock Exchange (<http://www.hkexnews.hk>).

III. Accountability System for Material Errors in Annual Reports and its Implementation

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》), specifically stipulating the procedures, requirements and penal measures for rule breaches of information disclosure including annual reports, so as to ensure the quality of annual reports information disclosure.

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

Daxin Shen Zi [2013] No. 2-00283

To the Shareholders of Luoyang Glass Company Limited:

We have audited the accompanying financial statements of Luoyang Glass Company Limited (hereafter referred to as "the Company"), including the consolidated and the Company's balance sheet as of December 31, 2012, 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 the changes in equity for 2012, 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 the 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 policies used and the reasonableness of the accounting estimates made by the 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 Company's financial position as of December 31, 2012, and the Company's operating results and cash flows for 2012.

PKF DAXIN Certified Public Accountants LLP

Chinese Certified Public Accountant: **Suo Baoguo**

Chinese Certified Public Accountant: **Wang Haizhou**

Beijing • the PRC

March 27, 2013

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited

December 31, 2012

Unit: RMB

Item	Notes	December 31, 2012	December 31, 2011
Current assets:			
Bank balance and cash	V.1	236,619,040.45	234,137,383.86
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets			
Notes receivable	V.2	9,779,980.14	38,307,354.54
Accounts receivable	V.3	76,455,808.54	75,958,661.80
Prepayments	V.4	14,037,265.28	9,061,090.40
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Interest receivable			
Dividends receivable			
Other receivables	V.5	61,938,475.53	95,429,597.52
Financial assets purchased under resale agreements			
Inventory	V.6	211,968,354.99	214,581,784.76
Non-current assets due within one year			
Other current assets			
Total current assets		610,798,924.93	667,475,872.88
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	V.8	7,000,000.00	7,410,000.00
Investment properties	V.9	14,170,232.57	14,605,124.57
Fixed assets	V.10	539,787,058.69	650,334,194.36
Construction in progress	V.11	74,565,910.15	21,667,229.11
Construction materials	V.12	483,109.38	467,545.38
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets	V.13	50,184,175.01	52,697,168.49
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets	V.16	5,792,922.79	1,128,010.00
Total non-current assets		691,983,408.59	748,309,271.91
Total assets		1,302,782,333.52	1,415,785,144.79

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2012
Unit: RMB

Item	Notes	December 31, 2012	December 31, 2011
Current liabilities:			
Short-term loans	V.18	20,000,000.00	29,850,000.00
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.19	250,000,000.00	273,000,000.00
Accounts payable	V.20	206,951,139.66	258,418,710.80
Payments received in advance	V.21	35,535,060.88	42,067,928.09
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payables	V.22	39,331,753.50	21,312,263.58
Taxes payable	V.23	-15,217,888.93	-21,390,316.14
Interest payable			
Dividends payable			
Other payables	V.24	82,736,432.67	77,340,752.80
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.25	48,663,873.14	47,771,852.29
Other current liabilities			
Total current liabilities		668,000,370.92	728,371,191.42
Non-current liabilities:			
Long-term loans	V.26	552,413,447.95	598,691,470.60
Debentures payable			
Long-term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities	V.27	11,728,097.91	10,013,286.06
Total non-current liabilities		564,141,545.86	608,704,756.66
Total liabilities		1,232,141,916.78	1,337,075,948.08

Consolidated Balance Sheet

Prepared by: Luoyang Glass Company Limited
December 31, 2012
Unit: RMB

Item	Notes	December 31, 2012	December 31, 2011
Owners' equity:			
Share capital	V.28	500,018,242.00	500,018,242.00
Capital reserve	V.29	857,450,406.90	857,546,199.44
Less: Treasury stock			
Special reserve	V.30	205,847.44	91,819.17
Surplus reserve	V.31	51,365,509.04	51,365,509.04
General risk provision			
Retained earnings	V.32	-1,276,914,998.93	-1,282,008,136.21
Currency translation differences			
Total equity attributable to the equity holders of the Company		132,125,006.45	127,013,633.44
Minority interests		-61,484,589.71	-48,304,436.73
Total owners' equity		70,640,416.74	78,709,196.71
Total liabilities and shareholders' equities		1,302,782,333.52	1,415,785,144.79

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of
accounting department:
Chen Jing

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited
December 31, 2012
Unit: RMB

Item	Notes	December 31, 2012	December 31, 2011
Current assets:			
Bank balance and cash		120,425,157.76	163,534,452.44
Held-for-trading financial assets			
Notes receivable		3,150,557.58	26,720,000.00
Accounts receivable	XII.1	495,330,532.83	419,614,673.42
Prepayments		267,252.70	477,535.28
Interest receivable			
Dividends receivable			
Other receivables	XII.2	245,494,831.18	247,651,162.32
Inventory		6,121,332.71	9,696,870.75
Non-current assets due within one year			
Other current assets			
Total current assets		870,789,664.76	867,694,694.21
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investments		134,969,000.00	267,700,000.00
Long-term receivables			
Long-term equity investments	XII.3	64,582,026.93	73,121,864.40
Investment properties		14,170,232.57	14,605,124.57
Fixed assets		24,045,494.47	50,142,137.32
Construction in progress			
Construction materials		420,701.59	405,137.59
Disposal of fixed assets			
Biological assets for production			
Fuel assets			
Intangible assets		7,304,690.80	7,528,875.64
Development expenses			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets			
Other non-current assets			
Total non-current assets		245,492,146.36	413,503,139.52
Total assets		1,116,281,811.12	1,281,197,833.73

Balance Sheet of the Company

Prepared by: Luoyang Glass Company Limited

December 31, 2012

Unit: RMB

Item	Notes	December 31, 2012	December 31, 2011
Current liabilities:			
Short-term loans			16,700,000.00
Held-for-trading financial liabilities			
Notes payable		170,000,000.00	213,000,000.00
Accounts payable		115,312,193.59	153,326,104.03
Payments received in advance		30,883,052.25	32,954,798.99
Staff remuneration payables		24,323,874.04	10,636,797.54
Taxes payable		-476,089.13	2,887,483.59
Interest payable			
Dividends payable			
Other payables		142,233,929.22	199,429,658.79
Non-current liabilities due within one year		43,458,315.85	39,864,676.74
Other current liabilities			
Total current liabilities		525,735,275.82	668,799,519.68
Non-current liabilities:			
Long-term loans		517,933,447.95	561,331,470.60
Debentures payable			
Long-term payables			
Specific payables			
Accrued liabilities			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		517,933,447.95	561,331,470.60
Total liabilities		1,043,668,723.77	1,230,130,990.28
Owners' equity:			
Share capital		500,018,242.00	500,018,242.00
Capital reserve		891,129,782.23	891,129,782.23
Less: Treasury stock			
Special reserve			
Surplus reserve		51,365,509.04	51,365,509.04
General risk provision			
Retained earnings		-1,369,900,445.92	-1,391,446,689.82
Total owners' equity		72,613,087.35	51,066,843.45
Total liabilities and shareholders' equities		1,116,281,811.12	1,281,197,833.73

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of
accounting department:
Chen Jing

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	Notes	2012	2011
I. Total operating revenue		553,687,171.35	920,942,939.77
Including: Operating revenue	V.33	553,687,171.35	920,942,939.77
Interest income			
Premiums earned			
Handling charges and commission income			
II. Total operating costs		619,745,953.31	1,010,595,104.85
Including: Operating costs	V.33	440,659,374.81	821,057,458.14
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.34	6,316,131.51	7,454,406.06
Selling expenses	V.35	25,292,041.70	26,671,923.01
Administration expenses	V.36	123,719,187.34	132,497,298.11
Finance expenses	V.37	10,593,085.84	12,052,817.76
Impairment loss on assets	V.39	13,166,132.11	10,861,201.77
Others			
Add: Gains from changes in fair value (losses are represented by "—")			
Investment income (losses are represented by "—")	V.38	1,793,244.01	
Including: Gains from investment in associates and joint ventures			
Gains from currency exchange (losses are represented by "—")			
III. Operating profit (loss is represented by "—")		-64,265,537.95	-89,652,165.08
Add: Non-operating income	V.40	69,120,545.80	104,304,937.28
Less: Non-operating expenses	V.41	622,760.79	11,721,195.50
Including: Net loss from disposal of non-current assets			7,339,734.13
IV. Total profit (total loss is represented by "—")		4,232,247.06	2,931,576.70
Less: Income tax expenses	V.42	12,320,312.18	20,563,646.03
V. Net profit (net loss is represented by "—")		-8,088,065.12	-17,632,069.33
Including: Net profit attributable to the owners of the Company		5,093,137.28	12,334,559.60
Minority interests		-13,181,202.40	-29,966,628.93

Consolidated Income Statement

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	Notes	2012	2011
VI. Earnings per share:			
(I) Basic earnings per share (RMB/share)	V.43	0.01	0.02
(II) Diluted earnings per share (RMB/share)	V.43	0.01	0.02
VII. Other comprehensive income			
VIII. Total comprehensive income		-8,088,065.12	-17,632,069.33
Including: Total comprehensive income attributable to owners of the Company		5,093,137.28	12,334,559.60
Total comprehensive income attributable to minority interests		-13,181,202.40	-29,966,628.93

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of
accounting department:
Chen Jing

Income Statement of the Company

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	Notes	2012	2011
I. Operating revenue	XII.4	331,038,521.15	856,168,995.07
Less: Operating costs	XII.4	318,833,160.06	830,619,976.77
Business taxes and surcharges		2,423,710.49	3,449,056.23
Selling expenses		2,554,694.42	3,218,127.40
Administration expenses		38,095,315.87	64,500,966.74
Finance expenses		1,711,466.93	-2,649,709.21
Impairment loss on assets		37,344,493.92	144,630,766.10
Others			
Add: Gains from changes in fair value			
Investment income	XII.5	25,447,363.25	29,638,246.68
Including: Gains from investment in associates and joint ventures			
Gains from currency exchange (losses are represented by "—")			
II. Operating Profit		-44,476,957.29	-157,961,942.28
Add: Non-operating income		66,300,336.68	90,041,597.14
Less: Non-operating expenses		277,135.49	2,226,137.74
Including: Net loss from disposal of non-current assets			36,622.32
III. Total profit		21,546,243.90	-70,146,482.88
Less: Income tax expenses			
IV. Net profit		21,546,243.90	-70,146,482.88
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		21,546,243.90	-70,146,482.88

Legal representative:
Song Jianming

Chief accountant:
Song Fei

Person in charge of
accounting department:
Chen Jing

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	Notes	2012	2011
I. Cash flows from operating activities:			
Cash received from sale of goods or rendering of services		194,022,519.21	371,240,544.65
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.44(1)	43,035,454.65	59,946,295.45
Sub-total of cash inflow from operating activities		237,057,973.86	431,186,840.10
Cash paid for goods purchased and services rendered		88,360,564.25	180,971,481.74
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		64,816,119.31	105,369,423.65
Tax payments		53,074,805.51	79,123,368.62
Other cash paid for activities related to operation	V.44(2)	22,071,752.84	127,396,091.72
Sub-total of cash outflow from operating activities		228,323,241.91	492,860,365.73
Net cash flow from operating activities		8,734,731.95	-61,673,525.63

Consolidated Cash Flow Statement

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	Notes	2012	2011
II. Cash flow from investment activities:			
Cash received from disposal of investment		410,000.00	6,000,000.00
Cash received from return of investments		1,793,244.01	
Net cash received from disposal of fixed assets, intangible assets and other long term assets		37,638,260.60	130,201,467.00
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		39,841,504.61	136,201,467.00
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		28,037,020.47	8,595,281.47
Cash paid for investment		200,000.00	1,260,000.00
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.44(3)	4,730,550.93	633,697.58
Sub-total of cash outflow from investment activities		32,967,571.40	10,488,979.05
Net cash flow from investment activities		6,873,933.21	125,712,487.95
III. Cash flow from financing activities:			
Cash received from investments			3,300,000.00
Including: Proceeds received by subsidiaries from minority shareholders' investment			3,300,000.00
Proceeds from loans		78,169,000.00	69,950,000.00
Cash received from issuing bonds			
Other cash received from financing-related activities	V.44(4)	652,585,976.80	
Sub-total of cash inflow from financing activities		730,754,976.80	73,250,000.00
Cash paid for repayment of loans		91,547,237.87	113,302,959.06
Cash paid for dividends, profit, or interest payments		2,180,244.61	3,257,924.29
Including: Dividend and profit paid by subsidiaries to minority shareholders			
Other cash paid for financing-related activities	V.44(5)	637,760,000.00	
Sub-total of cash outflow from financing activities		731,487,482.48	116,560,883.35
Net cash flow from financing activities		-732,505.68	-43,310,883.35
IV. Effects of changes in exchange rate on cash and cash equivalents			
		-285.55	-6,279.16
V. Net increase in cash and cash equivalents			
Add: Opening balance of cash and cash equivalents		14,875,873.93	20,721,799.81
		40,929,682.13	20,207,882.32
VI. Closing balance of cash and cash equivalents			
		55,805,556.06	40,929,682.13

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 2012

Unit: RMB

Item	Notes	2012	2011
I. Cash flow from operating activities:			
Cash received from sale of goods and provision of services		158,252,843.37	331,221,514.62
Tax rebates			
Other cash received from activities related to operation		92,391,926.48	36,296,015.49
Sub-total of cash inflow from operating activities		250,644,769.85	367,517,530.11
Cash paid for goods purchased and service rendered		179,148,455.27	341,736,126.84
Cash paid to and on behalf of employees		20,752,841.29	35,458,261.89
Tax payments		8,769,448.33	16,444,112.76
Other cash paid for activities related to operation		175,010,249.22	88,010,777.31
Sub-total of cash outflow from operating activities		383,680,994.11	481,649,278.80
Net cash flow from operating activities		-133,036,224.26	-114,131,748.69
II. Cash flow from investment activities:			
Cash received from disposal of investments		187.27	6,000,000.00
Cash received from return of investments		30,947,837.59	26,841,080.09
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		37,533,260.60	128,083,467.00
Net cash received from disposal of subsidiaries and other operating entities			
Other cash received from activities related to investment		135,900,000.00	
Sub-total of cash inflow from investment activities		204,381,285.46	160,924,547.09
Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets		102,685.80	460,748.00
Cash paid for investment			11,980,000.00
Net cash paid for acquisition of subsidiaries and other operating entities			
Other cash paid for activities related to investment		38,645,156.23	633,697.58
Sub-total of cash outflow from investment activities		38,747,842.03	13,074,445.58
Net cash flow from investment activities		165,633,443.43	147,850,101.51
III. Cash flow from financing activities:			
Cash received from investments			
Proceeds from loans		58,169,000.00	34,950,000.00
Cash received from issuing bonds			
Other cash received from activities related to financing		413,991,838.44	
Sub-total of cash inflow from financing activities		472,160,838.44	34,950,000.00
Cash paid for repayment of loans		75,757,237.87	67,313,316.78
Cash paid for dividends, profit, or interest payment		1,924,043.50	1,772,820.68
Other cash paid for financing-related activities		427,200,000.00	
Sub-total of cash outflow from financing activities		504,881,281.37	69,086,137.46
Net cash flow from financing activities		-32,720,442.93	-34,136,137.46
IV. Effects of changes in exchange rate on cash and cash equivalents			
		-285.55	-6,279.16
V. Net increase in cash and cash equivalents			
		-123,509.31	-424,063.80
Add: Opening balance of cash and cash equivalents		329,428.91	753,492.71
VI. Closing balance of cash and cash equivalents			
		205,919.60	329,428.91

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 2012

Unit: RMB

Item	2012										
	Equity attributable to owners of the Company										
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	Total owners' equity
I. Balance at the end of last 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
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	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
III. Increase/decrease in the year											
(decrease is represented by "—")		-95,792.54		114,028.27			5,093,137.28		5,111,373.01	-13,180,152.98	-8,068,779.97
(I) Net profit							5,093,137.28		5,093,137.28	-13,181,202.40	-8,088,065.12
(II) Other comprehensive income											
Sub-total of above (I) and (II)							5,093,137.28		5,093,137.28	-13,181,202.40	-8,088,065.12
(III) Owners' contribution and decrease in capital		-95,792.54							-95,792.54	-104,207.46	-200,000.00
1. Owners' capital contribution											
2. Share-based payments credited to owners' equity											
3. Others		-95,792.54							-95,792.54	-104,207.46	-200,000.00
(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				114,028.27					114,028.27	105,256.88	219,285.15
1. Amount withdrawn in the year				138,205.68					138,205.68	127,574.47	265,780.15
2. Amount utilized in the year				-24,177.41					-24,177.41	-22,317.59	-46,495.00
(VII) Others											
IV. Balance at the end of the year	500,018,242.00	857,450,406.90		205,847.44	51,365,509.04		-1,276,914,998.93		132,125,006.45	-61,484,589.71	70,640,416.74

Consolidated Statement of Changes in Equity

Prepared by: Luoyang Glass Company Limited
For 2012
Unit: RMB

Item	2011										Total owners' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	Others	Sub-total	Minority interest	
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

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 2012
Unit: RMB

Item	2012							Total owners' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	
I. Balance at the end of last year	500,018,242.00	891,129,782.23			51,365,509.04		-1,391,446,689.82	51,066,843.45
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	891,129,782.23			51,365,509.04		-1,391,446,689.82	51,066,843.45
III. Increase/decrease in the year (decrease is represented by "—")							21,546,243.90	21,546,243.90
(I) Net profit							21,546,243.90	21,546,243.90
(II) Other comprehensive income								
Sub-total of above (I) and (II)							21,546,243.90	21,546,243.90
(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 end of the year	500,018,242.00	891,129,782.23			51,365,509.04		-1,369,900,445.92	72,613,087.35

Statement of Changes in Equity of the Company

Prepared by: Luoyang Glass Company Limited

For 2012

Unit: RMB

Item	2011							Total owners' equity
	Share capital	Capital reserve	Less: treasury stock	Special reserve	Surplus reserve	General risk provision	Retained earnings	
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								
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 end of the year	500,018,242.00	891,129,782.23			51,365,509.04		-1,391,446,689.82	51,066,843.45

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 2012 to 31 December 2012
(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") is a company 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, divided into 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 Securities Commission of the State Council of the PRC, 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 manufacturing and sale of float sheet glass. The scope of business includes manufacturing of glass and relevant sophisticated processing goods, machinical equipment, electric appliances and accessories, sale of self-produced products, provision of technical consultancy and technical services. The major products include various types of float sheet glass and glass for use in vehicles.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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 the "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, 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 2012, and operating results, cash flows and other relevant information for the year 2012 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 through a business combination shall be measured at their carrying amounts as at the date of combination. 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. Any cost directly attributable to the business combination shall be charged to profit or loss for the period in which they are incurred.

(2) Business combination not under common control

For this kind of business combination, the acquisition cost is the fair value of assets paid, liabilities incurred or assumed and equity instruments issued, in exchange for the control of the acquiree. The cost of combination realized through several stages is the total amount of cost of every business combination. Any cost directly attributable to the business combination shall be charged to profit or loss for the period in which they are incurred. If there are terms and conditions regarding future events that may affect the combination cost set out in relevant combination contract and if these future events are expected to be very likely to occur at the acquisition date 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 acquired or assumed, through business combination not under common control shall be measured at fair values at the date of business combination. When the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets obtained, the difference shall be recognized as goodwill. Where the cost of a business 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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

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 "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" and relevant provisions, and all significant internal transactions included in the consolidated scope shall be offset. Shareholders' equity of subsidiaries which is not attributable to parent company shall be presented individually as minority interest in the consolidated financial statements.

Adjustments to subsidiaries' financial statements in accordance with the accounting policies or accounting period of the Company are needed when preparing consolidated financial statements if the subsidiaries' accounting policies or accounting period are different from the Company.

For subsidiaries acquired not under common control, when preparing consolidated financial statements, subsidiaries' financial statements should be adjusted on the basis of the fair value of identifiable net assets on the date of acquisition. For subsidiaries acquired under common control, the assets, liabilities, operating results and cash flows of acquired subsidiaries should be included in consolidated financial statements from the beginning of the year of acquisition as if the combination is deemed to have taken place at the beginning of the year.

7. Recognition standard for cash and cash equivalents

Cash presented in the cash flow statements represents the cash on hand and deposits available for payment at any time.

Cash equivalents presented in the cash flow statements of 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 foreign currency transactions

Foreign currency transactions of the Company are recorded in the recording currency using the spot exchange rate of the transaction date.

At the balance sheet date, foreign currency monetary items 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 and the spot exchange rate used in initial recognition or on the last balance sheet date shall be recorded into the profit or loss for the current period, except for those arising from borrowings denominated in foreign currencies and used for financing the construction of qualifying assets, which are capitalized as cost of the related assets.

Foreign currency non-monetary items measured at historical cost shall continue to be translated using the spot exchange rate at the date of transaction. Foreign currency non-monetary items measured at fair value shall be translated at the spot exchange rate on the date the fair value is determined. The exchange difference arising therefrom shall be treated as the change in fair value (including the change in exchange rate), and included in profit or loss for the current period or recognised as other comprehensive income and recorded in the capital reserve.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

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

(2) Translation of financial statements denominated in foreign currency

When preparing the consolidated financial statements, the financial statements of the Company's subsidiaries, joint ventures and associates prepared in currencies other than the Company's recording currency are translated into the Company's recording currency before consolidation.

The assets and liabilities of foreign operations are translated at the spot exchange rates prevailing at the balance sheet date. The equity items, except for undistributed profits, are translated at the spot exchange rates when they are incurred. The income and expenses of foreign operations in the income statement are translated at the spot exchange rates at the transaction dates. The resulting translation differences are presented as a separate component of equity in the balance sheet.

The cash flows of items denominated in foreign currencies which can be determined by the systematic and reasonable methods shall be translated at the spot exchange rate at the transaction date. The effect of exchange rate fluctuations shall be presented separately in the cash flow statement.

When disposing of foreign operations, all or pro-rata exchange differences arising from translation of financial statements of foreign operations are recorded in profit or loss for the period in which the operations are disposed of.

9. Financial instruments

(1) Classification, recognition and measurement of financial instruments

Financial instruments are classified as financial assets or financial liabilities.

Upon initial recognition, financial assets are classified into financial assets at fair value through profit or loss (including held-for-trading financial assets and financial assets designed as at fair value through profit or loss), held-to-maturity investments, loans and receivables and available-for-sale financial assets. Except for receivables, the classification of a financial asset is based on the purpose and capability of holding the financial asset of the Company and its subsidiaries.

Upon initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss (including held-for-trading financial assets and financial assets designed as at fair value through profit or loss) and other financial liabilities.

A financial asset or a financial liability is recognized when the Company becomes a contractual party of a financial instrument.

Financial assets and financial liabilities are initially recognized and measured at fair values. Subsequent measurement is dealt with based on different categories: financial assets at fair value through profit or loss, financial assets available for sale and financial liabilities at fair value through profit or loss are subsequently measured at fair values; financial guarantee contracts and loan commitments with the interest rate lower than the market rate are subsequently measured at the higher of the amount determined in accordance with the Accounting Standards for Business Enterprises No.13-Contingencies, and the residual value of the amount initially recognized less accumulated amortization in accordance with the principles of the Accounting Standards for Business Enterprises No.14 - Income; held-to-maturity investments, loans and receivables and other financial liabilities are subsequently measured at amortised costs.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

9. Financial instruments (Continued)

(1) Classification, recognition and measurement of financial instruments (Continued)

Except for financial instruments held for hedging purposes, the gains or losses arising from the changes in fair values in subsequent measurements of the Company's financial assets or financial liabilities are accounted for as follows: (1) The gains or losses resulting from the changes in fair values of the financial assets or financial liabilities which are measured at fair values through profit and loss for the current period are recorded as change in fair value in profit or loss; interest or cash dividends received in the period of holding the assets are recognised as investment income; upon disposal, the differences between the amount actually gained and the value at initial recognition are recognised as investment income, and the gains or losses from changes in fair values are adjusted accordingly. (2) Changes in fair values of available-for-sale financial assets are recorded in capital reserve; interest over the period of holding the assets calculated by using the effective interest method are recorded as investment income; cash dividend from the investment in available-for-sale equity instruments is recognized in investment income when the investee declares the dividends; upon disposal, the differences between the amount actually gained and the carrying value deducting the accumulated fair value changes previously recorded in capital reserve are recognized as investment income.

(2) Recognition and measurement of transfer of financial assets

Recognition of transfer of financial assets of the Company: When the Company has transferred nearly all of the risks and rewards related to the ownership of a financial asset to the transferee, or neither transferred of financial assets nor retained nearly all of the risks and rewards related to the ownership of the financial asset but given up the control of the financial asset, the financial asset shall be derecognized.

Measurement of transfer of financial assets of the Company: when the criteria for derecognition of a financial asset are met, such transfer shall be financially measured, where the difference between the carrying value of the transferred financial asset and the sum of the consideration received from the transfer and the accumulated fair value changes previously recorded in capital reserve are recorded in profit or loss for current period.

If the partial transfer of a financial asset satisfies the criteria for derecognition, the entire carrying value of the transferred financial asset shall proportionally allocated between the derecognized portion and the retained portion according to their respective relative fair value, and the difference between the carrying value of the derecognized portion and the sum of the consideration received from the transfer and the the accumulated fair value changes of the derecognized portion previously recorded in capital reverse shall be included in the profit or loss for current period.

(3) Derecognition of financial liabilities

Derecognition of financial liabilities of the Company: when all or part of the current obligation to a financial liability has been terminated, the entire or part of such financial liability shall be derecognized.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

9. Financial instruments (Continued)

(4) Determination of fair values of financial assets and financial liabilities

Determination of fair values of financial assets and financial liabilities: Where there is an active market for the instruments, the quoted prices in the active market shall be used to determine their fair values; where there is no active market for the financial instruments, valuation techniques would be adopted to determine their fair values.

The valuation techniques 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 of other financial assets of the same essential nature, and the discounted cash flow method. When adopting these valuation techniques, market data is preferred and the use of data specific to the Company and its subsidiaries is minimized.

(5) Impairment of financial assets

At the balance sheet date, except for financial assets at fair value through profit or loss, the Company performs impairment assessment for all other financial assets. If there is objective evidence that an asset is impaired, the recoverable amount shall be assessed, and the provision for impairment shall be made based on the results.

For significant financial assets, the Company performs impairment assessment on an individual basis. For insignificant financial assets, the Company performs impairment assessment on individual financial asset or groups of financial assets with similar credit risk. For assets (including significant and insignificant financial asset) that are not individually impaired, they are grouped into financial assets with similar credit risk and re-assessed for impairment. For assets that are individually identified as impaired, they are not included in any group of assets with similar credit risk for the purpose of impairment review.

When held-to-maturity investments, loans and accounts receivables are impaired, the carrying value of the financial assets shall be written down to the present value of estimated future cash flows, the write-down amount is recorded as impairment loss and recored in profit or loss for the current period. When an available-for-sale financial asset is impaired, the accumulative losses arising from the decrease in fair value as recorded in capital reserve are transferred to profit or loss for the current period. The accumulative losses that are transferred out from capital reserve are the balance of the initial cost of the said asset less the amount recovered, amortized amounts, current fair value as well as impairment loss previously recorded in profit or loss for the current period.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

9. Financial instruments (Continued)

(6) Reclassification of financial assets

A held-to-maturity investment not yet matured is reclassified as available-for-sale financial asset if:

- 1) There is no available fund to continue financing the investment and to hold the investment until maturity;
- 2) The management has no intention to hold the investment until maturity;
- 3) There are restrictions of laws or administrative regulations or other reasons that preclude the investments from being held to maturity;
- 4) Other indications that the Company is unable to hold the investment until maturity.

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

10. Receivables

Receivables include accounts receivable, long-term receivables and other receivables. If there is objective evidence that receivables have been impaired at the balance sheet date, impairment loss shall be recognized base on the differences between the carrying values and the present value of estimated future cash flows.

(1) Receivables individually significant and with provision for bad debts on an individual basis:

Basis and criteria for determining whether a receivable is individually significant	5% or more of net assets
Provision policies of bad debt provision for individually significant receivables	individual impairment test, and in absence of impairment, use the same aging analysis

(2) Receivables with provision for bad debts on a group basis:

Basis for group determination	
The group with provision for bad debts based on aging analysis	The group of individual insignificant receivables (grouped based on credit risk characteristics) with higher risk; receivables 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) Receivables due from related parties with good financial position; (3) Other balances 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 methods
The group without provision for bad debts	No provision for bad debts will be made

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
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(The amount is expressed in RMB unless otherwise specified)

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

10. Receivables (Continued)

(2) Receivables with provision for bad debts on a group basis: (Continued)

In the groups, the provision for bad debts based on aging analysis set out as follows:

Age	Provision rate for accounts receivable (%)	Provision rate for other receivables (%)
Within 1 year (including 1 year)	0	0
1-2 years	30	30
2-3 years	50	50
Over 3 years	100	100

(3) Individually insignificant receivables with provision for bad debts on an individual basis

Basis for individual provision	Concrete evidence indicates that there is obvious difference in recoverability
Provision method	For the provision for bad debts by using individual determination method, provisions are made for receivables due from related parties that are estimated to be fully unrecoverable.

11. Inventories

(1) Classification

Inventories means finished goods or merchandise held for sale in the ordinary course of business, unfinished products in the process of production, materials or supplies used in the process of production or rendering of services. Inventories mainly include raw materials, revolving materials, work in progress and finished goods.

(2) Measurement for delivered inventories

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

(3) Determination of net realizable value and provision for impairment

At the balance sheet date, inventory item is recorded at the lower of cost and net realizable value on an individual basis. For items with significant quantity and low values, provision is made based on their categories.

Net realizable values of inventories are determined as follows: 1) net realizable value of finished products is the estimated selling price less estimated selling expenses and relevant tax; 2) for materials held for production, net realizable value equals the cost if the net realizable value of the finished goods produced from the materials exceeds the cost; when the price of raw materials decreases indicating that the net realizable value of the relevant finished goods would be lower than cost, the net realizable value is the estimated selling price less costs to completion, selling expenses and relevant tax; and 3) for held-for-sale materials, net realizable values are their market prices.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

11. Inventories (Continued)

(4) Inventory system

The Company adopts perpetual inventory system.

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

Low-value consumables are amortized using one-off write-off method. Packaging materials and other revolving materials are amortized using equal-split amortization method.

12. Long-term equity investments

(1) Determination of initial investment cost

- 1) For a long-term equity investment obtained from business consolidation under common control, the initial cost is measured at the combining party's share of the carrying amount of the equity of the combined party; for a long-term equity investment obtained from business consolidation not under common control, the initial cost is the consolidation cost 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-monetary assets or debt restructuring, the initial investment cost is recognized according to relevant standards and regulations.

(2) Subsequent measurement and profit or loss recognition

Long-term equity investments are subsequently measured using equity method or cost method. For long-term investments using equity method, the Company's share of investee's profit or loss is recognized as investment income with a corresponding adjustment to the carrying value of the relevant long-term equity investment. When the investee distributes profit or declares cash dividends, the carrying value of the relevant long term equity investment is reduced by the Company's attributable share of the distribution or cash dividend.

For long-term equity investments using cost method, unless increasing or reducing the investment cost, the carrying value is unchanged. The Company's attributable share of the profit distributions or cash dividends declared by the investee are recognized as investment income.

For a long term equity investment having joint control or significant influence, it is measured using the equity method. All other investments are measured using the cost method.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

12. Long-term equity investments (Continued)

(3) Basis of conclusion for common control and significant influence over the investee

- 1) Basis of conclusion for common control: Through contractual or mutual agreements among two or more joint venture partners, the financial and operation policies of the investee must be approved by the decisions of all partners.
- 2) Basis of conclusion for significant influence: Significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights. Even if the holding is below 20%, there is still significant influence if any of the following conditions is met:
 1. There is representative in the board of directors or similar governing body of the investee;
 2. Participation in the investee's policy setting process;
 3. Assign key management to the investee;
 4. The investee relies on the technology or technical information of the investing company; or
 5. Other evidence that could prove the significant influence over the investee.

(4) Impairment test and provision of impairment

At the balance sheet date, the Company reviews whether there is impairment indicator for the longterm equity investments. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment loss is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

13. Investment properties

(1) Classification and measurement of investment properties

Investment properties include land use rights and buildings for leasing and land use rights held for resale after appreciation in value.

An investment property is initially measured at cost, and cost method is adopted for subsequent measurement.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

13. Investment properties (Continued)

(2) Adoption of the cost pattern accounting policy

The building of an investment property is depreciated over its useful life. The overall measurement policy is the same as fixed assets. For land use rights leased out or held for resale after appreciation in value, they are amortized over their useful lives using the straight-line method. The overall measurement policy is the same as intangible assets.

At the balance sheet date, the Company reviews whether there is impairment indicator for investment property. When there is impairment indicator, the recoverable amount is estimated and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

14. Fixed assets

(1) Recognition of fixed assets

Fixed assets are tangible assets that are held for production, provision of services, leasing or administrative purposes, and have useful life more than one financial year. Fixed asset are recognized when both of the following conditions are met:

- 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 measured reliably.

(2) Classification and depreciation methods for fixed assets

Fixed assets held by the Company are mainly classified as: buildings and structures, machinery, electronic equipment, and transportation equipment. Depreciation is provided based upon the straight-line method. The useful life and residual value of an asset is assessed based on its nature and the manner of use. At the end of each financial year, the useful lives, residual values and the depreciation method are reviewed, and adjusted if there are variances with the original estimates. Other than fully depreciated assets which are still in use and land individually measured and recorded, depreciation is provided for all fixed assets.

Category	Estimated useful lives (years)	Expected residual value (%)	Annual depreciation rate (%)
Buildings and structures	30-50	3-5	1.90-3.23
Machinery	4-28	3-5	3.39-24.25
Electronic equipment	10	3	9.70
Transportation equipment	6-12	3-5	7.92-16.17
Other equipment	4-28	3-5	3.39-24.25

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

14. Fixed assets (Continued)

(3) Impairment test and impairment provision of fixed assets

At each balance sheet date, the Company reviews whether there is impairment indicator for fixed assets. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of net fair value on disposal and the present value of estimated future cash flows. If there is agreed price under arm's length transaction, the net fair value on disposal is the agreed price less relevant tax expense. If there is no agreed price under arm's length transaction but an active market for the asset or similar asset, the market value less relevant tax expenses is the net fair value on disposal.

(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: (i) the lessor transfers the ownership of asset to the lessee by the end of the lease term; (ii) 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; (iii) the lease term represents the major part of the economic life of the asset even if the ownership is not transferred; (iv) 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; (v) 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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

15. Construction in progress

(1) Classification

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

(2) Criteria and time 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. A fixed asset is ready for intended use if any of the following criteria is met:

- 1) The construction of the fixed assets (including installation) has been completed or substantially completed;
- 2) The fixed asset has been put to 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 run or operate normally;
- 3) Little or no expenditure will be incurred for construction of the fixed asset;
- 4) The fixed asset constructed has achieved or almost achieved the requirement of design or contract.

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

At each balance sheet date, the Company reviews whether there is impairment indicator for construction in progress. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the construction in progress.

16. Borrowing costs

(1) Basis for capitalization of borrowing costs

The Company's borrowing costs that are directly attributable to the acquisition or production of a qualifying asset are capitalized. Other borrowing costs are recognized as expenses in profit and loss when incurred. 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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

16. Borrowing costs (Continued)

(2) Calculation of amount to be capitalized

Capitalization period: the period beginning from the commencement of capitalizing borrowing costs to the date of ceasing capitalization, excluding the period of suspension of capitalization.

Period of suspension of capitalization: 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.

Calculation of amount to be capitalized: 1) The actual interest expense incurred for the designated borrowings, less the interest income from the unused funds of the designated borrowings or investment income from the temporary investments; 2) The weighted average of general borrowings occupied, based on the accumulated expenditure exceeding the capital expenditure from designated borrowings times the interest rate of the general borrowings so occupied. The interest rate is the weighted average rate of the general borrowings; and 3) For borrowings with discount or premium, the discount or premium was amortized over the term of the borrowings to adjust the interest in every period using effective interest rate method.

The effective interest rate method is based on the effective interest rate of the borrowings to calculate the amortization of discount or premium or interest expense. The effective interest rate is the rate in discounting the estimated future cash flows to the carrying value of the borrowings.

17. Intangible assets

(1) Measurement of intangible assets

Intangible assets of the Company mainly include land use rights, mining rights, mineral exploration rights and the rights to use trademarks. Intangible assets are initially measured at costs. The actual costs of purchased intangible assets include the considerations and relevant expenses paid. The actual costs of intangible assets contributed by investors are the prices contained in the investment agreements or mutually agreed. If the price contained in the investment agreement or mutually is not a fair value, the fair value of the intangible asset is regarded as the actual cost. The cost of a self-developed intangible asset is the total expenditure incurred in brings the asset to its intended use.

Subsequent measurement of the Company's intangible assets: 1) Intangible assets with finite useful lives are amortized on a straight-line basis over the useful lives of the intangible assets; at the end of each year, the useful lives and amortization policy are reviewed, and adjusted if there are variance with original estimates; 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 are not amortized and the useful lives are reviewed at the end of each year. If there is objective evidence that the useful life of an intangible asset is finite, the intangible asset is amortized using the straight line method according to the estimated useful life.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

17. Intangible assets (Continued)

(1) Measurement of intangible assets (Continued)

The exploration right of the Company is included in other non-current liabilities as the cost less the provision for impairment. The charges for the use of the exploration rights, 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 has been obtained, the exploration and development cost incurred can be transferred to "intangible assets - mining rights" 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) Estimation of the useful lives of the intangible assets with limited useful lives

The Company estimates the useful life of an intangible asset with finite useful life based the following criteria: 1) the useful life of product produced by the relevant intangible assets and the useful life of similar intangible assets; 2) the present technologies and arts and their future development; 3) the market demand of the products produced from or the services provided by the intangible asset; 4) The anticipated action of present or potential competitors; 5) the maintenance expenditure on the intangible asset to maintain its future economic benefits and the Company's ability to pay the relevant expenditures; 6) the restriction in the period of controlling the intangible asset, imposed by relevant laws and regulation or similar restrictions, like patent term and lease term; and 7) the useful life of other assets which are related to the relevant intangible asset.

(3) Determination basis of infinite useful life

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 determination basis of intangible assets with infinite useful lives: (1) derived from contractual rights or other legal rights and there are no explicit years of use stipulated in the contract or laws and regulations; (2) useful life till could not be estimated after considering the industrial practices or relevant expert opinion.

At each year end date, the useful lives of the intangible assets with indefinite useful lives are reviewed. The assessment is performed by the departments that use the intangible assets, using the down-to-top approach, to determine if there are changes to the indefinite useful lives.

(4) Impairment test and provision of impairment of intangible assets

At each balance sheet date, the Company reviews whether there is impairment indicator for intangible assets. When there is impairment indicator, the recoverable amount is determined through impairment test and impairment is provided based on the difference between the carrying value and the recoverable amount. Impairment is not reversed once provided.

The recoverable amount is the higher of the fair value less estimated cost of disposal and the present value of the estimated future cash flows of the intangible asset.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

17. Intangible assets (Continued)

(5) *Basis for research and development phases for internal research and development project and basis for capitalization of expenditure incurred in development stage*

As for an internal research and development project, expenditure incurred in the research phase is recognized in profit or loss in the period as incurred. Expenses incurred in the development stage are recognized as intangible assets if all of the following conditions are met: (1) the technical feasibility of completing the intangible asset so that it will be available for use or for sale; (2) the intention to complete the intangible asset for use or for sale; (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 the ability to use or sell the intangible asset; and (5) the expenditures attributable to the development of the intangible asset could be reliably measured.

Basis for distinguishing research phase and development phase of an internal research and development project: research stage is the activities carried out for the planned investigation and search of new technology and knowledge, which has the characteristics of planning and exploration; before commercial production or other uses, the application of new technologies and new knowledge obtained from the research phase to produce new or improved materials, equipment and products is regarded as development phase, which has the characteristics of very probable pinpointing and forming results.

18. Long-term deferred expenses

Long-term deferred expenses of the Company are expenses which have been paid but 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 over the benefit period. If a long-term deferred expense cannot benefit the future accounting period, the residue value of such project not amortized yet shall be transferred to the profit or loss in the current period.

19. Accrued liability

(1) *Recognition of accrued liability*

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

(2) *Measurement of accrued liability*

The best estimate of the expenditure from current obligation is initially recorded as accrued liability. When the necessary expenditures falls within a range and the probability of each result in the range are identical, the best estimate is the median of the range; if there are severable items involved, every possible result and relevant probability are taken into account for the best estimation.

At the balance sheet date, the carrying value of provision is reviewed. If there is objective evidence that the carrying value could not reflect the current best estimate, the carrying value is adjusted to the best estimated value.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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. Share-based payments 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 fair value of 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 an equity instrument shall be determined in the following ways:
 - (1) if an active market exists, the fair value of the equity instrument is the quoted price in the active market ;
 - (2) If no active market exists, the fair value of the equity instrument shall be determined using valuation techniques. The valuation techniques 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 of other financial assets of the same essential nature, discounted cash flow method 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.

21. Revenue

(1) Sales of goods

Revenue from the sale of goods shall be recognized at the amount received or receivable from buyers based on contractual or agreed prices, only when all of the following conditions are satisfied: 1) the significant risks and rewards of ownership of the goods have been passed to the buyer; 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 associated economic benefits will flow to the enterprise; and 5) and the associated costs incurred or to be incurred can be measured reliably.

If there is a deferred payment clause in the agreement or mutually agreed price, which in substance is a financing nature, the fair value of the receivables is recorded as sales amount.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

21. Revenue (Continued)

(2) Provision of services

At the balance sheet date, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue from provision of services shall be recognized using the percentage of completion method. The percentage of completion of the transaction involving the rendering of services is recognized by the Company by reference to the work certified.

At the balance sheet date, when the outcome of the transaction involving the rendering of services cannot be estimated reliably, it shall be dealt with in the following ways: 1) if the cost of services incurred is expected to be compensated, the revenue from the rendering of services is recognized to the extent of actual cost incurred to date, and the relevant cost is transferred to cost of service in profit or loss; 2) if the cost of services incurred is not expected to be compensated, the cost incurred should be included in current profit or loss, and no revenue from the rendering of services may be recognized.

(3) Abalienating the right to use an asset

When the inflow of economic benefits from the abalienation of assets is probable and the income can be measured reliably, the income from abalienating the right to use an asset is recognized.

22. Government grants

(1) Types of government grants

Government grants mainly include the government grants related to assets and government grants related to income.

(2) Accounting treatment for government grants

Government grants related to an asset shall be recognized as deferred income in profit or loss for the current 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 for the current period. Government grants related to income shall be treated as follows: (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 for the current 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 or loss for the current period.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

23. Deferred tax assets and deferred tax liabilities

Deferred tax assets and liabilities are recognized:

- (1) Based on the temporary difference between the carrying amount and the tax base amount of an asset or liability (asset or liability not recognized in balance sheet but the tax base is ascertained by the current tax laws and regulation, the tax base is the temporary difference), and the expected applicable tax rate at the time of recovering the relevant asset or discharge of relevant liability.
- (2) Deferred tax asset is recognized to the extent that there is enough future profit for the utilization of the deductible temporary difference. At the balance sheet date, if there is sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the deferred asset not previously recognized is recognized in current period. If there is not sufficient evidence that there would be enough future benefit for the utilization of the deductible temporary difference, the carrying value of the deferred asset reduced in current period.
- (3) Deferred tax liability is recognized for assessable temporary difference related to the investments of the subsidiaries and associated companies, unless the Company could control the time for the reversal of the temporary differences and the temporary differences would not be reserved in the foreseeable future. Deferred tax asset is recognized for the deductible temporary difference related to the investments of subsidiaries and associated enterprises, if such temporary differences are much likely to be reversed in the foreseeable future and there will be enough future profit for the utilization of such deductible temporary difference.

24. Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. All other leases are classified as operating leases.

The Group has no financing lease business.

The Group recognizes the lease payments under an operating lease as expenses over the lease term on a straight-line basis. If incentives such as rent-free period and sharing part of certain expenses are offered by the lessor, the total rental amount (in case of rent-free period offered by the lessor) shall be amortized over the whole lease term including the rent-free period on a straight-line basis or using other reasonable method; or the total rental amount after deducting the expenses assumed by the lessor (in case of sharing part of certain expenses by the lessor) shall be amortized over the whole lease term.

Lease income from operating leases shall be recognized as income over the lease term on a straight-line basis, unless there is more reasonable method available. Under some conditions, the Group may provide incentives such as rent-free period and sharing part of certain expenses. If rent-free period is given, the total rental income shall be recognized over the whole lease term including the rent-free period on the straight-line basis or using other reasonable method; or the total rental income after deducting the expenses assumed by the Group shall be recognized over the whole lease term.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

25. Assets held for sale

(1) Basis of recognition for assets held for sale

An asset held for sale is recognized 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 asset would be completed within one year.

(2) Accounting treatment for 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 loss in profit and loss for current period.

Other non-current assets held for sale (including single asset or group of assets which are group of assets for sale in whole lot) are accounted for in accordance with the policy set out in above paragraph.

26. Changes in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

There were no changes in the Company's accounting policies in the reporting period.

(2) Changes in significant accounting estimates

There were no changes in the Company's accounting estimates in the reporting period.

27. Error correction for the previous years

During the reporting period, the Company did not correct any accounting error.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

III. TAXES

(I) Major categories of taxes and tax rates

Category	Tax basis	Tax rate
Value added tax	Assessable value-added part of sales revenue, and revenue from processing and repair, fitting and labour services	13%-17%
Resources tax	Sales volume	RMB3/tonne
Business tax	Business revenue	5%
City maintenance and construction tax	Value added tax and business tax paid	5%-7%
Educational surcharges	Value added tax and business tax paid	3%
Enterprise income tax	Enterprise income	15%, 25%

(II) Preferential tax treatment and approvals

On 8 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 an 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 was taxed at a rate of 15% in 2012.

The applicable enterprise income tax for the Company and other subsidiaries is 25%.

(III) Deferred income tax

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 were recognized for the reporting period.

IV. BUSINESS COMBINATION AND 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 of the Company are prepared in accordance with "Accounting Standards for Business Enterprises No.33 - Consolidated Financial Statements" and other relevant rules, and all significant intra-group transactions and balances are eliminated. Shareholders' equity of subsidiaries which is not attributable to the Company is presented individually as minority interest in shareholders' equity in consolidated financial statements.

Adjustments to subsidiaries' financial statements are needed when preparing consolidated financial statements if the accounting policies and accounting periods are different between the Company and its subsidiaries.

For subsidiaries acquired not through business combinations under common control, when preparing consolidated financial statements, their financial statements should be adjusted on the basis of the fair value of identified net assets on the dates of acquisition. For subsidiaries acquired through business combinations under common control, their assets, liabilities, retained earnings and cash flows should be included in consolidated financial statements from the beginning of the year of acquisition as if the business combinations have taken place at the beginning of the year. In accordance with other relevant accounting regulations of the No. 4 interpretation 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's interests of the minority shareholders in such subsidiary at the beginning of the period, its balance shall be written off against the minority interests.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

1. Particulars of subsidiaries

(1) Subsidiaries acquired through set-up or investment

Name of subsidiaries	Type of subsidiaries	Registered address	Principal activities	Registered capital	Scope of business	Investment cost at the end of the year	Net investment of other items	Equity held by the Company (%)	Voting right held by the Company (%)	Consolidated or not	Minority interests	Amount of minority interests for deducting minority losses	Equity attributable to owners of the Company after deducting subsidiary's minority shareholders' share of current loss in excess of minority shareholders' share of the subsidiary's equity at the beginning of the year
CLFG Longmen Glass Co. Ltd ("Longmen")	Wholly-owned subsidiary	Yanshi, China	Processing and sale	20,000,000.00	Manufacture of float sheet glass	64,513,390.18	205,000,000.00	100	100	Yes			
CLFG Longfei Glass Co. Ltd ("Longfei")	Controlled subsidiary	Mianchi, China	Processing and sale	74,080,000.00	Manufacture of float sheet glass	40,000,000.00	72,000,000.00	63.98	63.98	Yes	-68,886,788.76	-12,999,288.02	
Yinan Mineral Products Ltd ("Yinan")	Controlled subsidiary	Yinan, China	Mining and sale	28,000,000.00	Exploration of minerals	14,560,000.00		52	52	Yes	3,514,980.92		
CLFG Longhai Electronic Glass Limited ("Longhai")	Wholly-owned subsidiary	Yanshi, China	Processing and sale	60,000,000.00	Manufacture of float sheet glass and electronic glass	48,941,425.28		100	100	Yes			
CLFG Longhao Glass Limited ("Longhao")	Wholly-owned subsidiary	Ruyang, China	Processing and sale	50,000,000.00	Manufacture of float sheet glass	47,300,356.93	134,969,000.00	100	100	Yes			
CLFG Longjiang Glass Co. Ltd ("Longjiang")	Indirect controlled subsidiary	Mianchi, China	Processing and sale	50,000,000.00	Manufacture of float sheet glass	58,016,444.70		100	100	Yes			
Dengfeng CLFG Silicon Company Limited ("Silicon Company")	Controlled subsidiary	Dengfeng, China	Mining and sale	13,000,000.00	Sale of silica sands	9,005,998.17		67	67	Yes	3,537,665.66	-353,859.49	
Dengfeng Hongzhai Silicon Co., Ltd. ("Hongzhai")	Indirect controlled subsidiary	Dengfeng, China	Mining and sale	2,050,000.00	Sale of silica sands	1,230,000.00		55.12	55.12	Yes	349,552.47	-324,053.15	
Luoyang Luobo Industrial Co., Ltd. (Luobo Industrial)	Wholly-owned subsidiary	Luoyang, China	Trading	5,000,000.00	Sale of glass and raw material	5,000,000.00		100	100	Yes			

Note: On 31 March 2012, Silicon Company, a subsidiary of the Company, entered into a share transfer agreement with Hu Aifen (胡愛粉), a natural person, to acquire 4.88% equity interests in Hongzhai Company held by her at a consideration of RMB200,000. After the change in equity, the equity interests in Hongzhai Company held by Silicon Company changed from 50.24% to 55.12%.

- (2) *There is no subsidiary acquired through a business combination involving entities under common control.*
- (3) *There is no subsidiary acquired through a business combination not involving entities under common control.*

2. Changes in the scope of consolidation

- (1) The scope of consolidation doesn't include any subsidiary that the Company only holds half or less of its voting rights.
- (2) There is no investee that the Company holds more than half of its voting rights but is not included in the scope of consolidation.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

IV. BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (Continued)

3. Entities newly incorporated in or excluded from the scope of consolidation in the reporting period

- (1) There were no subsidiaries newly incorporated in the scope of consolidation in the reporting period.
- (2) Subsidiaries excluded from the scope of consolidation in the reporting period.

Name	Reason for exclusion	Net assets at the date of disposal	Net profit from the beginning of year to the date of disposal
CLFG Shawan Glass Co. Ltd.	Deregistered	8,539,761.92	-75.55

Note: On 15 February 2012, CLFG Shawan Glass Co. Ltd., a subsidiary of the Group, was deregistered with relevant industry and commerce authority.

V. NOTES TO SIGNIFICANT ITEMS OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. Bank balance and cash

(1) Category

Item	Closing balance			Opening balance		
	Foreign currency balance	Exchange rate	RMB (equivalent)	Foreign currency balance	Exchange rate	RMB (equivalent)
Cash:	—	—	122,200.63	—	—	598,661.44
Including: Renminbi	—	—	122,200.63	—	—	598,661.44
US Dollars						
HK Dollars						
Deposits at banks:	—	—	55,916,839.82	—	—	40,532,333.54
Including: Renminbi	—	—	55,793,826.50	—	—	40,408,718.36
US Dollars	18,646.37	6.2855	117,201.96	18,645.06	6.3183	117,805.63
HK Dollars	7,161.29	0.8108	5,806.36	7,160.06	0.8107	5,804.65
Euro Dollars	0.60	8.3333	5.00	0.60	8.1667	4.90
Other monetary funds:	—	—	180,580,000.00	—	—	193,006,388.88
Including: Renminbi	—	—	180,580,000.00	—	—	193,006,388.88
US Dollars						
HK Dollars						
Euro Dollars						
Total	—	—	236,619,040.45	—	—	234,137,383.86

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

1. Bank balance and cash (Continued)

(2) Details of other monetary funds

Item	Closing balance	Opening balance
Security for bank acceptance	160,000,000.00	193,000,000.00
Time deposits	20,560,000.00	
Other	20,000.00	6,388.88
Total	180,580,000.00	193,006,388.88

Notes:

- As at 31 December 2012, monetary funds of RMB235,690.15 was frozen.
- On 6 December 2012, Longhai Company (a subsidiary of the Company) entered into the Finance Service Contract for SMEs (contract No. 2H1200000014279) with Luoyang Branch of China Minsheng Banking Corporation Limited ("Minsheng Luoyang Branch"), pursuant to which Longhai Company obtained a loan of RMB10,000,000.00 from Minsheng Luoyang Branch for a term commencing from 6 December 2012 and ending on 6 June 2013. In order to provide guarantee to the bank, Longhai Company and Minsheng Luoyang Branch entered into the Maximum Amount Pledge Contract (contract No. DB1200000019141) whereby Longhai Company would pledge the certificate of time deposit (No. 90169214) of RMB10,280,000.00 to Minsheng Luoyang Branch as collateral for a maximum amount of RMB10,000,000.00.
- On 7 December 2012, Longhai Company (a subsidiary of the Company) entered into the Finance Service Contract for SMEs (contract No. 2H1200000015424) with Minsheng Luoyang Branch, pursuant to which Longhai Company obtained a loan of RMB10,000,000.00 from Minsheng Luoyang Branch for a term commencing from 7 December 2012 and ending on 7 June 2013. In order to provide guarantee to the bank, Longhai Company and Minsheng Luoyang Branch entered into the Maximum Amount Pledge Contract (contract No. DB1200000020401) whereby Longhai Company would pledge the certificate of time deposit (No. 90169220) of RMB10,280,000.00 to Minsheng Luoyang Branch as collateral for a maximum amount of RMB10,000,000.00.

2. Notes receivable

(1) Category

Item	Closing balance	Opening balance
Bank acceptance	9,759,032.33	38,307,354.54
Trade acceptance	20,947.81	
Total	9,779,980.14	38,307,354.54

(2) Top five largest notes receivable endorsed but not matured as at 31 December 2012

Issuing company	Issuing date	Maturity date	Amount	Remark
Hebei Jiya Electronics Co., Ltd.	2012-7-26	2013-1-25	2,300,000.00	
Hebei Jiya Electronics Co., Ltd.	2012-8-28	2013-2-27	2,000,000.00	
Holley Metering Limited	2012-11-13	2013-5-13	1,823,000.00	
Zhengzhou New Central Glass Products Co., Ltd.	2012-7-4	2013-1-4	1,710,000.00	
Xiamen Candour Co., Ltd.	2012-7-17	2013-1-13	1,599,570.00	
Total			9,432,570.00	

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

2. Notes receivable (Continued)

(3) Other explanations

As at 31 December 2012, undue notes amounting to RMB153,807,107.19 had been discounted or endorsed with maturity dates ranging from 1 January 2013 to 30 June 2013.

3. Accounts receivable

Item	Carrying amount	Opening balance
Account receivable	124,489,471.17	123,733,849.20
Less: provision for bad debts	48,033,662.63	47,775,187.40
Net amount	76,455,808.54	75,958,661.80

Generally, the Group sells its products by receiving advances from customers while 30 days of credit period are granted to a few customers.

(1) The aging of accounts receivable based on their recording dates is analysed below:

Aging	Closing balance	Opening balance
Within 1 year	65,544,966.86	73,794,207.18
1-2 years	11,105,675.83	2,309,646.33
2-3 years	1,944,439.71	1,095,404.38
3-4 years	1,095,404.38	3,291,110.13
4-5 years	1,620,483.21	64,980.00
Over 5 years	43,178,501.18	43,178,501.18
Total	124,489,471.17	123,733,849.20

(2) Category

Category	31 December 2012			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
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	79,665,682.61	63.99	48,033,662.63	60.29
The group without provision for bad debts	44,823,788.56	36.01		
Group subtotal	124,489,471.17	100.00	48,033,662.63	38.58
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	124,489,471.17	100.00	48,033,662.63	38.58

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

3. Accounts receivable (Continued)

(2) Category (Continued)

Category	31 December 2011			
	Carrying amount Amount	Percentage (%)	Provision for bad debts Amount	Percentage (%)
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

Note: Accounts receivable with significant single amount and individual provision for bad debts refer to the single amount that accounts for more than 5% of the net assets at the end of the period and there are positive evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The accounts receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

In the groups, accounts receivable with provision for bad debts based on the aging analysis are set out as follows

Age	31 December 2012			31 December 2011		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	27,936,674.16	35.07		73,794,207.18	59.63	
1-2 years	3,890,179.97	4.88	1,167,054.00	2,309,646.33	1.87	692,893.90
2-3 years	1,944,439.71	2.44	972,219.86	1,095,404.38	0.89	547,702.19
3-4 years	1,095,404.38	1.38	1,095,404.38	3,291,110.13	2.66	3,291,110.13
4-5 years	1,620,483.21	2.03	1,620,483.21	64,980.00	0.05	64,980.00
Over 5 years	43,178,501.18	54.20	43,178,501.18	43,178,501.18	34.90	43,178,501.18
Total	79,665,682.61	100.00	48,033,662.63	123,733,849.20	100.00	47,775,187.40

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

3. Accounts receivable (Continued)

(2) Category (Continued)

In the groups, accounts receivable without provision for bad debts are set out as follows

Company name	Amount	Age	Reason for not making provision
Luoyang Longxin Glass Co., Ltd.	44,823,788.56	0-2 years	Under common control of CLFG, estimated to be recoverable
Total	<u>44,823,788.56</u>		

(3) Accounts receivable written-off in the reporting period

Company name	Nature	Amount written off	Reason for writing off	Whether arising from related-party transactions or not
CLFG Processed Glass Co., Ltd.	Sales receivable	455,901.40	The company was bankrupt and liquidated, the receivable was uncollectible	Yes
Total	—	<u>455,901.40</u>	—	—

(4) Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2012, no accounts receivable was due from a shareholder who holds 5% or more of the voting shares of the Company.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

3. Accounts receivable (Continued)

(5) Top five largest accounts receivable

Company name	Relationship with the Company	Amount	Age	Percentage (%)
1. Luoyang Longxin Glass Co., Ltd	Under common control of CLFG	44,823,788.56	0-2 years	36.01
2. Shanghai Shunsheng Glass Sales Cooperation Company	Not related party	4,757,122.32	1-2 years	3.82
3. Qingdao Rocky Industry Co., Ltd.	Not related party	3,833,396.00	Within 1 year	3.08
4. Yinan Lifuyuan Silica Sand Co., Ltd. (沂南縣利富源矽砂有限公司)	Not related party	3,104,250.66	Within 1 year	2.49
5. Luoyang Hengzhao Electronics Co., Ltd (洛陽恆兆電子有限公司)	Not related party	3,016,392.39	Within 1 year	2.42
Total	—	59,534,949.93	—	47.82

(6) Accounts receivable due from related parties

Company name	Relationship with the Company	Amount	Percentage (%)
Luoyang Longxin Glass Co., Ltd.	Under common control of CLFG	44,823,788.56	36.01
CLFG Mineral Products Company Limited	Under common control of CLFG	1,341,989.51	1.08
Luoyang New Jingrun Engineering Glass Co., Ltd.	Under common control of CLFG	15,000.00	0.01
Total	—	46,180,778.07	37.10

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

4. Prepayments

(1) Ageing analysis of prepayments

Age	31 December 2012		31 December 2011	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	12,060,620.95	85.93	7,408,256.76	81.76
1-2 years	561,853.11	4.00	340,248.79	3.76
2-3 years	139,620.79	0.99	101,427.42	1.12
Over 3 years	1,275,170.43	9.08	1,211,157.43	13.36
Total	14,037,265.28	100.00	9,061,090.40	100.00

(2) Top five largest prepayments as at 31 December 2012

Company name	Relationship with the Company	Amount	Percentage in total prepayments (%)	Age	Reason
Luoyang Xinao Huayou Gas Company Limited	Not related party	5,840,364.54	41.61	Within 1 year	Unsettled
Luoyang Longze Coking Co., Ltd. (洛陽龍澤焦化有限公司)	Not related party	4,000,000.00	28.50	Within 1 year	Unsettled
Luoyang Zhongye Heavy Machinery Co., Ltd. (洛陽中冶重工機械有限公司)	Not related party	506,107.82	3.61	Within 1 year	Unsettled
Dengfeng Zhuofan Mining Co., Ltd. (登封市卓凡工礦有限公司)	Not related party	250,000.00	1.78	Within 1 year	Unsettled
Yinan County Power Supply Company (沂南縣供電公司)	Not related party	244,962.20	1.75	Within 1 year	Unsettled
Total	—	10,841,434.56	77.25	—	—

(3) Prepayments due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2012, no prepayment was due from a shareholder who holds 5% or more of the voting shares of the Company.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (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

Category	31 December 2012			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
1. Other receivables with significant single amount and individual provision for bad debts	10,808,704.00	9.59	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	42,355,885.21	37.59	35,879,681.47	84.71
The group without provision for bad debts	55,462,271.79	49.21		
Group subtotal	97,818,157.00	86.80	35,879,681.47	36.68
3. Other receivables with insignificant single amount and individual provision for bad debts	4,071,810.65	3.61	4,071,810.65	100.00
Total	112,698,671.65	100.00	50,760,196.12	45.04

Category	31 December 2011			
	Carrying amount		Provision for bad debts	
	Amount	Percentage (%)	Amount	Percentage (%)
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

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 is objective evidence indicating that impairment test can be performed individually and provided for bad debts due to significant difference in the recoverability. The other receivable provided in group refer to the group that there is no impairment loss after the impairment test and can be divided into the group with provision for bad debts based on aging analysis and the group without provision for bad debts.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(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)

Provision for bad debts made against other receivables with significant single amount and individually tested for impairment at the end of the period:

Item	Carrying amount	Bad debt	Percentage of provision	Reason
Zhengzhou Xili Sub-branch of China Construction Bank (建行鄭州西裏支行)	10,808,704.00	10,808,704.00	100.00%	Provided for bad debts in full as it was unrecoverable
Total	10,808,704.00	10,808,704.00	—	—

In the group, other receivables with the provision based on the aging analysis

Age	31 December 2012			31 December 2011		
	Carrying amount	Percentage (%)	Provision for bad debts	Carrying amount	Percentage (%)	Provision for bad debts
Within 1 year	4,239,383.03	10.01		90,272,108.81	71.03	
1-2 years	2,813,238.94	6.64	843,971.68	1,547,082.03	1.22	552,152.49
2-3 years	559,611.17	1.32	292,057.72	2,047,533.63	1.61	1,023,766.81
3-4 years	1,906,013.63	4.50	1,906,013.63	645,116.20	0.51	645,116.20
4-5 years	643,116.20	1.52	643,116.20	802,203.91	0.63	802,203.91
Over 5 years	32,194,522.24	76.01	32,194,522.24	31,774,236.03	25.00	31,774,236.03
Total	42,355,885.21	100.00	35,879,681.47	127,088,280.61	100.00	34,797,475.44

Other receivables with insignificant single amount but individually provided for bad debts at the end of the period

Item	Carrying amount	Bad debt	Percentage (%)	Reason
Henan Mianchi Fufa Glass Factory	4,071,810.65	4,071,810.65	100.00	Provided for bad debts in full as it was unrecoverable
Total	4,071,810.65	4,071,810.65	—	—

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

5. Other receivables (Continued)

(2) Other receivables written-off in the reporting period

Company name	Nature	Amount written off	Reason for writing off	Whether arising from related-party transactions or not
CLFG Louyang Processed Glass Co., Ltd.	Lease payments	1,412,429.10	The company was bankrupt and liquidated, the receivable was uncollectible	Yes
Total	—	<u>1,412,429.10</u>	—	—

(3) Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company

The closing balance of 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, amounted to RMB761,186.78.

(4) Nature or content of other receivables with relatively significant amount

Company name	Amount	Nature or content of other receivables
Luoyang Land Reserves Coordination Centre	47,900,000.00	Receivables in respect of land acquisition for reserve
Zhengzhou Xili Subbranch of China Construction Bank	10,808,704.00	Time deposits, which have been provided for bad debts in full
Total	<u>58,708,704.00</u>	—

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(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) Top five largest other receivables

Company name	Relationship with the Company	Amount	Age	Percentage (%)
1. Luoyang Land Reserves Coordination Centre	Not related party	47,900,000.00	1-2 years	42.50
2. Zhengzhou Xili Subbranch of China Construction Bank	Not related party	10,808,704.00	Over 5 years	9.59
3. Government of Zhuge Township	Not related party	9,856,832.00	Over 5 years	8.75
4. Shenzhen New Xiya Industrial Co., Ltd.	Not related party	4,600,000.00	Over 5 years	4.08
5. Henan Mianchi Fufa Glass Factory	Not related party	4,071,810.65	Over 5 years	3.61
Total	—	<u>77,237,346.65</u>	—	<u>68.53</u>

(6) Other receivables due from related parties

Company name	Relationship with the Company	Amount	Percentage (%)
China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	761,186.78	0.68
China Triumph International Engineering Company Limited	Under common control of CNBMG	1,650,000.00	1.46
Luoyang Longxin Glass Co., Ltd.	Under common control of CLFG	454,787.91	0.40
CLFG (Beijing) International Engineering Co., Ltd.	Under common control of CNBMG	82,796.95	0.07
CLFG jinghua Industry Company	Under common control of CLFG	13,118.72	0.01
Luoyang Jingxin Ceramic Co. Ltd.	Under common control of CLFG	3,000.00	0.00
Total	—	<u>2,964,890.36</u>	<u>2.62</u>

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

6. Inventories

(1) Inventory items

Inventory items	31 December 2012			31 December 2011		
	Carrying amount	Provision	Net book value	Carrying amount	Provision	Net book value
Raw materials	83,812,990.80	7,421,584.59	76,391,406.21	130,363,711.44	19,728,641.74	110,635,069.70
Work in progress	5,978,930.07		5,978,930.07	6,993,849.85		6,993,849.85
Commodity inventories	124,565,200.32	2,810,894.74	121,754,305.58	99,298,049.98	11,505,759.70	87,792,290.28
Circulation materials	7,843,713.13		7,843,713.13	9,160,574.93		9,160,574.93
Total	222,200,834.32	10,232,479.33	211,968,354.99	245,816,186.20	31,234,401.44	214,581,784.76

(2) Change in provision for diminution in value of inventories

Inventory items	Opening balance	Provision in the period	Decrease in the period		Closing balance
			Reversal	Write-off	
Raw materials	19,728,641.74	1,628,463.75	3,005,149.36	10,930,371.54	7,421,584.59
Commodity inventories	11,505,759.70	5,549,576.37		14,244,441.33	2,810,894.74
Total	31,234,401.44	7,178,040.12	3,005,149.36	25,174,812.87	10,232,479.33

(3) Details of provision for diminution in value of inventories

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	Increase in net realizable value	1.35%
Commodity inventories	Cost is higher than net realizable value		

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

7. Investments in joint ventures and associates

(1) No joint ventures

(2) Associates

Names of investee	Company type	Place of registration	Legal representative	Business nature	Registered capital	Equity held by the Company (%)	Voting right held by the Company (%)	Total assets at 31 December 2012	Total liabilities at 31 December 2012	Total net assets at 31 December 2012	Total revenue for 2012	Total Net profit for 2012
Luoyang Jingyin Ceramic Co. Ltd.	Limited liability company	Luoyang City	Guo Xiaohuan	Production and sale	41,945,000.00	49.00	49.00					
CLFG Mineral Products Company Limited	Limited liability company	Luoyang City	Ni Zhisen	Mining and sale	30,960,000.00	40.29	40.29	24,806,447.95	44,976,247.68	-20,570,205.00	11,620,535.72	-2,811,643.25

8. Long-term equity investment

(1) Long-term equity investment

Investees	Measurement method	Initial Investment	Initial Investment	Increase/decrease	Closing balance	Equity held by the Company (%)	Voting right held by the Company (%)	Reason for difference between shareholding and voting right held by the Company	Impairment provision	Impairment provision for the period	Bonus for the period
CLFG Hoisting Machinery Company Limited (Note)	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)	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 Jingliu Glass Products Company Limited (Note)	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)	Cost method	2,291,217.53	2,291,217.53		2,291,217.53	29.45		No significant effect	2,291,217.53		
Yandhi Rural Credit Cooperative Union	Cost method	410,000.00	410,000.00	-410,000.00							
Bank of Sanmenxia	Cost method	7,000,000.00	7,000,000.00		7,000,000.00	2.92	2.92				1,735,612.20
Subtotal		20,201,217.53	20,201,217.53	-410,000.00	19,791,217.53				12,791,217.53		1,735,612.20
Luoyang Jingyin 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									
Total		53,229,581.16	20,201,217.53	-410,000.00	19,791,217.53				12,791,217.53		1,735,612.20

Note: The above mentioned companies are subsidiaries of CLFG, the largest shareholder of the Company. Although the Company's shareholding percentage in such investees is above 20%, the management of the Company considers that the Company has no significant impact on them. As such, the investment in these companies is classified as other equity investment and accounted for using the cost method.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

9. Investment properties

(1) Investment properties measured at cost

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total of original amount	18,265,465.76			18,265,465.76
Land use rights	18,265,465.76			18,265,465.76
II. Total of accumulated depreciation and accumulated amortization	3,660,341.19	434,892.00		4,095,233.19
Land use rights	3,660,341.19	434,892.00		4,095,233.19
III. Total of impairment provision for investment properties				
Land use rights				
IV. Total of carrying amount of investment properties	14,605,124.57			14,170,232.57
Land use rights	14,605,124.57			14,170,232.57

- Notes: 1. As at 31 December 2012, no provision for impairment was made against investment properties as none of their recoverable amounts was found to be less than relevant carrying amount;
2. The land use right certificate of the leasing land located in the development zone of Luoyang is still in the process of application.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(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 thereof

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Total of original value	1,151,874,989.48	14,188,238.42	162,816,351.56	1,003,246,876.34
Buildings	370,142,662.43	3,497,807.14	13,560.00	373,626,909.57
Machinery	759,563,078.22	10,214,055.57	159,719,087.27	610,058,046.52
Transportation equipment	20,882,099.18	439,248.73	2,919,588.64	18,401,759.27
Others	1,287,149.65	37,126.98	164,115.65	1,160,160.98
II. Total of accumulated depreciation	491,407,882.31	68,395,095.03	111,082,918.38	448,720,058.96
Buildings	95,852,362.05	13,915,812.39	8,343.17	109,759,831.27
Machinery	379,719,766.55	53,101,325.20	108,310,576.45	324,510,515.30
Transportation equipment	14,790,898.43	1,297,595.62	2,615,540.77	13,472,953.28
Others	1,044,855.28	80,361.82	148,457.99	976,759.11
III. Total provision for impairment	10,132,912.81	5,784,229.59	1,177,383.71	14,739,758.69
Buildings	1,198,314.17			1,198,314.17
Machinery	8,897,035.69	5,784,229.59	1,177,383.71	13,503,881.57
Transportation equipment	37,562.95			37,562.95
Others				
IV. Total book value of fixed assets	650,334,194.36			539,787,058.69
Buildings	273,091,986.21			262,668,764.13
Machinery	370,946,275.98			272,043,649.65
Transportation equipment	6,053,637.80			4,891,243.04
Others	242,294.37			183,401.87

Notes:

- Depreciation of fixed assets for the year was RMB68,395,095.03.
- The fixed assets transferred from construction-in-progress in the year amounted to RMB3,600,958.15.
- As at 31 December 2012, ownership certificates of the Group's buildings with an aggregate carrying amount of RMB107,704,383.51 were yet to be obtained.
- As at 31 December 2012, the original amount of fixed assets that were made fully depreciated but still in use was RMB50,614,951.72.
- On 12 June 2012, Longhai Company (a subsidiary of the Company) entered into the Finance Service Contract for SMEs (contract No. 43882012287883) with Minsheng Luoyang Branch, pursuant to which Longhai Company may apply to Minsheng Luoyang Branch for credit lines up to RMB40 million during the period from 12 June 2012 to 12 June 2013. In order to provide guarantee to the bank, Longhai Company and Minsheng Luoyang Branch entered into Maximum Amount Pledge Contract (contract No. 43882012287881) whereby Longhai Company shall pledge the properties (totally 19 buildings with original carrying amount of RMB48,183,409.07 and net value of RMB37,744,785.62) 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 RMB14,953,833.29) to Minsheng Luoyang Branch as guarantee for a maximum amount of RMB40 million.
- The Group carried out an inspection to the fixed assets at the end of the period and engaged assets evaluation agency to make an evaluation to the relevant assets. The Company made a provision of RMB5,784,229.59 for impairment of fixed assets according to the valuation report of Ya Ping Bao Zi (2013) No.27, No.28, No.29 and No. 30 made by Henan Yatailianhua Assets Evaluation Co., Ltd.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

11. Construction in progress

(1) Basic details

Project	Carrying amount	Closing balance Provision for impairment	Book value	Opening balance		
				Carrying amount	Provision for impairment	Book value
Longhao - Cold repair renovation project of new No.1 production line (formerly known as No.2 production line)	72,263,922.95		72,263,922.95	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	710,000.00		710,000.00
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
Hongzhai - Infrastructure platform	162,030.00		162,030.00			
Total	74,565,910.15		74,565,910.15	21,667,229.11		21,667,229.11

(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 budget (%)	Construction progress	Accumulated amount of interest capitalized	including: Amount of interest capitalized in the period	Rate of interest capitalization in the period (%)	Source of funds
Longfei - Smelting furnace and secondary cold repair construction of 300t/d float glass production line		710,000.00				710,000.00						Internal resources
Longxiang - Dust removal and desulfurization system of furnace flue gas		790,000.00				790,000.00						Internal resources
Longfei - Sporadic works		483,720.00				483,720.00						Internal resources
Longhao - Flue gas treatment and residual heat generation project	40,000,000.00	156,237.20				156,237.20						Internal resources
Longhao - Cold repair renovation project of No.2 production line		19,527,271.91	52,736,651.04			72,263,922.95						Internal resources
Longhao - Phenolic wastewater treatment project			2,176,593.77	2,176,593.77								Internal resources
Yinan - Renovation project of ore production line			1,340,292.36	1,340,292.36								Internal resources
Longhai - new gas commutating control room project			84,072.02	84,072.02								Internal resources
Hongzhai - Infrastructure platform			162,030.00			162,030.00						Internal resources
Total	—	21,667,229.11	56,499,639.19	3,600,958.15		74,565,910.15	—	—				—

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

12. Construction materials

Item	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special equipment consumables	467,545.38	15,564.00		483,109.38
Total	467,545.38	15,564.00		483,109.38

13. Intangible assets

(1) Basic details

Item	Opening balance	Opening balance	Decrease in the period	Closing balance
I. Total original value	69,246,844.88			69,246,844.88
Land use rights	49,546,364.88			49,546,364.88
Non-patent technology	7,400,000.00			7,400,000.00
Trademark rights	11,000,000.00			11,000,000.00
Mining rights	1,300,480.00			1,300,480.00
II. Total accumulated amortization	16,549,676.39	2,512,993.48		19,062,669.87
Land use rights	5,911,493.43	1,038,489.44		6,949,982.87
Non-patent technology	3,999,000.00	372,000.00		4,371,000.00
Trademark rights	6,541,683.00	1,100,004.00		7,641,687.00
Mining rights	97,499.96	2,500.04		100,000.00
III. Total net book value	52,697,168.49			50,184,175.01
Land use rights	43,634,871.45			42,596,382.01
Non-patent technology	3,401,000.00			3,029,000.00
Trademark rights	4,458,317.00			3,358,313.00
Mining rights	1,202,980.04			1,200,480.00
IV. Total impairment provision				
Land use rights				
Non-patent technology				
Trademark rights				
Mining rights				
V. Total book value	52,697,168.49			50,184,175.01
Land use rights	43,634,871.45			42,596,382.01
Non-patent technology	3,401,000.00			3,029,000.00
Trademark rights	4,458,317.00			3,358,313.00
Mining rights	1,202,980.04			1,200,480.00

Notes:

- Among the Group's intangible assets and investment properties as at 31 December 2012, the land use right certificate for a piece of land located in the development zone of Luoyang with a development cost of RMB27,681,230.64 was in the process of application.
- For the pledge of intangible assets as at 31 December 2012, please refer to "Note 5 to 10. Fixed assets" for details.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (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

Item	Opening balance	Opening balance	Decrease in the period Included in the current profit or loss	Recognised as intangible assets	Closing balance
Research and application of 0.45mm electronic glass		3,555,856.79	3,555,856.79		
Commercialization of 0.5mm electronic glass		1,207,975.63	1,207,975.63		
Improvement of minor defects of electronic glass		1,757,236.37	1,757,236.37		
Application of auxiliary testing equipment for deep processing of electronic glass		289,463.95	289,463.95		
Commercialized production of 0.6mm electronic glass		492,024.02	492,024.02		
Optimization of and research on the physical and chemical properties of components of 0.55-0.7mm glass		784,504.91	784,504.91		
Improvement of control over microcosmic waviness of electronic glass		928,274.60	928,274.60		
Total		<u>9,015,336.27</u>	<u>9,015,336.27</u>		

Note: The development expenditures during the period account for 100% of the total research and development expenditures for the period, and the internal research and development of the Group did not generate intangible assets.

14. Deferred tax assets and deferred tax liabilities

(1) Details of deferred tax assets not recognized

Item	Closing balance	Opening balance
Deductible temporary differences	137,500,765.74	152,555,160.71
Deductible losses	461,926,648.40	614,895,765.57
Total	<u>599,427,414.14</u>	<u>767,450,926.28</u>

Note: Such deferred tax assets were not recognized as it was uncertain whether there would be enough taxable future profit.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

14. Deferred tax assets and deferred tax liabilities (Continued)

(2) Deductible losses not yet recognized as deferred tax assets will expire in the following years indicated

Year	Closing balance	Opening balance	Remarks
2012		2,627,583.10	
2013	44,098,029.72	150,285,103.94	
2014	39,411,090.12	80,499,411.40	
2015	138,403,522.41	225,168,745.07	
2016	156,314,922.07	156,314,922.06	
2017	83,699,084.09		
Total	461,926,648.41	614,895,765.57	

15. Details of provision for impairment of assets

Item	Opening	Provision in the period	Decrease in the period		Closing balance
			Reversal	Written-off	
I. Provision for bad debts	97,453,177.49	3,209,011.76		1,868,330.50	98,793,858.75
II. Provision for diminution in value of inventories	31,234,401.44	7,178,040.12	3,005,149.36	25,174,812.87	10,232,479.33
III. Provision for impairment of long-term equity investment	12,791,217.53				12,791,217.53
IV. Provision for impairment of fixed assets	10,132,912.81	5,784,229.59		1,177,383.71	14,739,758.69
V. Provision for impairment of construction materials	943,451.44				943,451.44
Total	152,555,160.71	16,171,281.47	3,005,149.36	28,220,527.08	137,500,765.74

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

16. Other non-current assets

Item	Closing balance	Opening balance
Survey and exploration right of quartzite used for glass in Xiaohongzhai Mine Zone of Dengfeng City (Note 1)	1,021,050.00	1,021,050.00
Survey and exploration right of quartzite in Milashan Mine Zone of Dengfeng City (Note 2)	106,960.00	106,960.00
Prepayment for exploitation of temporary land by Hongzhai Silicon (Note 3)	4,664,912.79	
Total	5,792,922.79	1,128,010.00

Notes:

- 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 the Permit For Survey and Exploration of Quartzite used for Glass in Xiaohongzhai Mine Zone of Dengfeng City (license No. T41120080503008194).
- 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 the Permit For Survey and Exploration Right of Quartzite in Milashan Mine Zone of Dengfeng City (license No. T41520100403040105).
- In June 2012, as required by exploitation, Dengfeng Hongzhai Silicon Co., Ltd., a subsidiary of the Group, entered into the Agreement on Compensation for Housing Relocation for Zhaidong Village in Kaijun Mine Zone with 28 villagers including Wang Guoxing, Wang Dawei, etc., of Zhaidong Village of Baiping Township of Dengfeng City. The total compensation for relocation under the agreement amounted to RMB5.2 million. As at 31 December 2012, the project of relocation for temporary land has not ended and Hongzhai Company has paid compensation amounting to RMB3,816,322.79 with the balance to be paid before 31 December 2013. Hongzhai Company has applied for the land use right certificate (Deng Lin Ji Yong (2012) No. 0004), expiring on 9 September 2014, for the said temporary land and the area of temporary land use right is 8,678 square meters. During the period, Hongzhai Company has accumulatively paid RMB4,664,912.79 for the acquisition of temporary land. The payment will be amortised evenly and included in the current profit or loss during the benefit period since the date of acquisition.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

17. Assets under restricted ownership

Items	Closing balance	Reason for restriction on ownership or use right
I. Assets for guarantee		
Monetary funds - other monetary funds	160,000,000.00	Security for notes payable
Monetary funds - other monetary funds	20,560,000.00	Pledge of time deposit, please refer to "Note 2 and 3 to 1. Monetary funds"
Fixed assets-properties and buildings	48,183,409.07	Pledged to bank, please refer to "Note 5 to 10. Fixed assets"
Intangible assets-land use rights	15,604,000.00	Pledged to bank, please refer to "Note 5 to 10. Fixed assets"
II. Assets under restricted ownership for other reasons		
Monetary funds - Deposits at banks:	235,690.15	Frozen due to lawsuit
Monetary funds - other monetary funds	20,000.00	Deposit for geological environment of Kaijun Quartzite Mine
Total	244,603,099.22	

18. Short-term loans

Category		
Items	Closing balance	Opening balance
Pledged loan	20,000,000.00	
Guaranty loan		13,150,000.00
Credit loan		16,700,000.00
Total	20,000,000.00	29,850,000.00

19. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	240,000,000.00	273,000,000.00
Commercial acceptance	10,000,000.00	
Total	250,000,000.00	273,000,000.00

Notes:

- There were no notes payable to shareholders holding 5% or more of the voting rights of the Company at the end of the period.
- 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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

20. Accounts payable

(1) Ageing analysis:

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	50,725,865.50	24.51	166,856,536.13	64.56
1-2 years	85,525,983.69	41.33	31,258,443.98	12.10
2-3 years	25,750,170.60	12.44	15,836,857.33	6.13
Over 3 years	44,949,119.87	21.72	44,466,873.36	17.21
Total	206,951,139.66	100.00	258,418,710.80	100.00

(2) Accounts payable to the shareholder who holds 5% or more of the voting rights of the Company during the Reporting Period

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	10,499,911.44	2-3 years	Unsettled
Zhengzhou Yifan Metallurgy Industrial Co., Ltd.	Not related party	9,159,091.22	1-2 years	Unsettled
Ningan City Huayuan Trade Co., Ltd.	Not related party	8,768,142.89	1-2 years	Unsettled
Gongyi City Xiaoyi Sub-district Office Xiaonan village Committee	Not related party	8,597,287.11	Over 3 years	Unsettled
Qinghai Gaosheng Trading Co., Ltd. (青海高盛貿易有限公司)	Not related party	7,796,425.04	1-2 years	Unsettled
Luoyang Zhongzhan Industrial Co., Ltd.	Not related party	6,485,696.41	1-3 years and over	Unsettled
Anlu City Mingfa Industry & Trade Co., Ltd.	Not related party	6,367,007.46	Over 3 years	Unsettled
Luoyang City Sanyuan Packing Company Limited	Not related party	6,087,471.18	2-3 years and over	Unsettled
Shandong Haitian Biochemical Industry Co., Ltd.	Not related party	5,085,519.48	1-2 years	Unsettled
Zhongchu Development Co., Ltd. Luoyang Branch Company	Not related party	3,949,733.52	1-2 years	Unsettled
Sanmenxia Bomao Industrial Co., Ltd.	Not related party	3,575,662.52	1-2 years	Unsettled
Gongyi Yuxiang Plastic Packaging Co., Ltd.	Not related party	3,430,909.00	1-2 years	Unsettled
Total		79,802,857.27		

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

21. Payments received in advance

(1) Ageing analysis

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	29,275,376.69	82.39	32,306,778.10	76.79
1-2 years	597,508.01	1.68	3,278,623.15	7.79
2-3 years	736,142.52	2.07	1,896,021.91	4.51
Over 3 years	4,926,033.66	13.86	4,586,504.93	10.91
Total	35,535,060.88	100.00	42,067,928.09	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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

22. Staff remuneration payables

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I. Salary, bonus, allowance and subsidy	2,310,728.91	56,003,518.96	54,166,022.93	4,148,224.94
II. Staff's welfare		5,386,462.71	5,386,462.71	
III. Social insurance premium including: Medicare	6,342,024.51	18,939,623.56	5,641,182.10	19,640,465.97
Basic endowment insurance	1,216,399.58	3,930,947.69	2,823,612.42	2,323,734.85
Annuity				
Unemployment insurance	4,366,563.25	12,970,894.69	1,080,867.60	16,256,590.34
Labor injury insurance	360,298.14	1,216,988.91	1,022,970.28	554,316.77
Birth insurance	248,055.40	494,559.35	407,355.16	335,259.59
IV. Housing accumulation fund	150,708.14	326,232.92	306,376.64	170,564.42
V. Labor union expenses and employee education expenses	3,984,956.07	4,076,739.35	1,859,471.61	6,202,223.81
VI. Non-monetary welfares				
VII. Compensation for dismissal and early retirement including: 1. Compensation for cancellation of labor relation	108,362.33	407,925.00	516,287.33	
2. Budgeted expenses for early retirees	108,362.33	407,925.00	516,287.33	
VIII. Others including: Cash-settled share-based payment	48.00	38,119.00	38,167.00	
Total	21,312,263.58	86,338,857.14	68,319,367.22	39,331,753.50

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

23. Tax payable

Items	Closing balance	Opening balance
Value-added tax	-19,923,370.50	-26,037,040.07
Business tax	233,660.10	202,117.08
City maintenance tax	191,645.58	245,026.84
Enterprise income tax	-13,625.67	932,526.24
Individual income tax	16,648.27	227,407.37
Property tax	1,990,983.08	1,308,188.13
Land-use tax	1,825,323.32	1,348,000.94
Resource tax	184,680.90	10,461.90
Education surcharges	170,792.73	170,013.86
Other tax	105,373.26	202,981.57
Total	-15,217,888.93	-21,390,316.14

Note: For calculation standards and tax rates of main taxes, please refer to "III. Taxation".

24. Other payables

(1) Ageing analysis

Item	Closing balance		Opening balance	
	Amount	Percentage (%)	Amount	Percentage (%)
Within 1 year	54,439,465.64	65.80	53,475,275.36	69.15
1-2 years	5,704,568.62	6.89	3,021,652.58	3.91
2-3 years	3,683,518.65	4.45	4,333,764.37	5.60
Over 3 years	18,908,879.76	22.86	16,510,060.49	21.34
Total	82,736,432.67	100.00	77,340,752.80	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 RMB2,000.00.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

24. 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	Over 3 years	Unsettled
Henan Province Zhengzhou City Hualong Refractory Materials Co., Ltd. (河南省鄭州市華龍耐火材料有限公司)	Not related party	1,686,463.68	1-2 years	Unsettled
Baoding City Qingyuan County Lihuqiao Copper Oxide Factory	Not related party	1,589,000.00	2-3 years	Unsettled
Yan Jun (閻軍)	Not related party	1,288,300.00	2-3 years and over	Unsettled
Luoyang Luobo Logistics Co., Ltd.	Under common control of CLFG	1,081,110.20	2-3 years and over	Unsettled
Total		8,644,873.88		

(4) Details of other payables with significant amount

Names	Amount	Nature
China Building Materials Glass Company	29,000,000.00	Advances
Accrued bulletin fees	7,280,140.62	Fees for Wonderful Sky and Li & Partner
Accrued audit fees	3,080,658.28	Auditing fee
Henan Yinji Real Estate Development Co., Ltd.	3,000,000.00	Project expenses
Henan Province Zhengzhou City Hualong Refractory Materials Co., Ltd. (河南省鄭州市華龍耐火材料有限公司)	1,686,463.68	Deposit
Baoding City Qingyuan County Lihuqiao Copper Oxide Factory	1,589,000.00	Project expenses
Total	45,636,262.58	

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

25. Non-current liabilities due within one year

(1) Categories

Items	Closing balance	Opening balance
Long-term loans due within one year	46,338,315.85	42,504,676.74
Other non-current liabilities due within one year	2,325,557.29	5,267,175.55
Total	48,663,873.14	47,771,852.29

(2) Long-term loans due within one year

a. Long-term loans due within one year

Items	Closing balance	Opening balance
Guaranty loan	46,338,315.85	42,504,676.74
Total	46,338,315.85	42,504,676.74

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	RMB (equivalent)
Bank of China - Luoyang Xigong Sub-branch	2010.2.1	2017.1.31	RMB	0	12,024,000.00	
Bank of Communication - Luoyang Branch	2010.2.1	2017.1.31	RMB	0	10,332,000.00	
China Construction Bank - Luoyang Branch	2010.2.1	2017.1.31	RMB	0	8,035,200.00	
Bank of Luoyang - Kaidong Sub-branch	2010.2.1	2017.1.31	RMB	0	5,040,000.00	
Industrial & Commercial Bank of China - Luoyang Branch	2010.2.1	2017.1.31	RMB	0	3,996,000.00	
Total	—	—	—	—	—	39,427,200.00

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

25. Non-current liabilities due within one year (Continued)

(3) Other non-current liabilities due within one year as at 31 December 2012

Items	Closing balance	Opening balance
Longhai: government grant for "0.45mm E-glass technology research and application projects"	1,056,636.73	3,998,254.99
Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line	1,215,000.00	1,215,000.00
Longmen: land-use subsidy for ultra-thin and ultrawhite glass production line project	53,920.56	53,920.56
Total	2,325,557.29	5,267,175.55

Notes:

1. According to the "Contract of Independent Innovation Fund Projects" entered into between Longhai Company, 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 RMB5,000,000.00 was awarded to Longhai for the "0.45mm E-glass technology research and application projects". As at 31 December 2012, Longhai Company had received the accumulated government grant of RMB4,500,000.00. A total of RMB3,004,801.46 out of the special fund, spent purchasing fixed assets for R&D of the project, was credited into deferred income as an asset-related government grant and amortized evenly over the useful life of relevant assets as non-operating income by Longhai Company. A total of RMB436,816.80 out of the special fund, used during the period to cover the R&D expenses that had been incurred, was credited into non-operating income as asset-related government grant by Longhai Company.
2. For details of other non-current liabilities due within one year of Longmen, please refer to "V. 27. Other Non-current Liabilities Note 1 and 2".

26. Long-term loans

(1) Categories

Items	Closing balance	Opening balance
Guaranty loan	552,413,447.95	598,691,470.60
Total	552,413,447.95	598,691,470.60

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

26. Long-term loans

(2) Top five long-term loans

Creditor	Beginning date of loan	Termination date of loan	Currency	Interest rate (%)	Closing balance	
					Amount of foreign currency	RMB (equivalent)
Bank of China - Luoyang Xigong Sub-branch	2010.2.1	2017.1.31	RMB	0		143,954,000.00
Bank of Communication - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		123,697,000.00
China Construction Bank - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		96,199,200.00
Bank of Luoyang - Kaidong Sub-branch	2010.2.1	2017.1.31	RMB	0		94,820,000.00
Industrial & Commercial Bank of China - Luoyang Branch	2010.2.1	2017.1.31	RMB	0		47,841,000.00
Total	—	—		—	—	506,511,200.00

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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

27. Other non-current liabilities

Items	Closing balance	Opening balance
Longmen: fiscal subsidy for ultra-thin and ultra-white glass production line (Note 1)	6,277,500.00	7,492,500.00
Longmen: land-use subsidy for ultra-thin and ultrawhite glass production line project (Note 2)	2,466,865.50	2,520,786.06
Longhai: government grant for "0.45mm E-glass technology research and application projects (Note 3)	2,983,732.41	
Total	11,728,097.91	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 ultrathin 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".
3. For details of special fund for Longhai, please refer to "V. 25. Non-current liabilities due within one year, Note 1".

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

28. Share capital

Item	Opening balance	New shares	Changes in this year (+,-)			Sub-total	Closing balance
			Bonus shares	Capital reserve transferred to shares	Others		
I. Shares subject to selling restrictions							
State-owned legal person shares							
II. Shares not subject to selling restrictions	500,018,242.00						500,018,242.00
RMB ordinary shares	250,018,242.00						250,018,242.00
Including: China Luoyang Float Glass Group Co., Ltd.	159,018,242.00						159,018,242.00
Domestic listed RMB ordinary shares-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

29. Capital reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital premium	787,395,281.95		95,792.54	787,299,489.41
Other capital reserves	70,150,917.49			70,150,917.49
Total	857,546,199.44		95,792.54	857,450,406.90

Note: On 31 March 2012, Silicon Company, a subsidiary of the Company, signed an share transfer agreement with Hu Aifen, a natural person, to acquire 4.88% equity interests in Hongzhai Company held by her at a consideration of RMB200,000. As at 31 December 2012, Silicon Company had paid the consideration and the industrial and commercial registration of changes in respect of Hongzhai Company was also completed. The acquisition of minority interests in Hongzhai Company led to a decrease of the Group's capital reserve by RMB95,792.54.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

30. Special reserves

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Special reserve funds	91,819.17	138,205.68	24,177.41	205,847.44
Total	91,819.17	138,205.68	24,177.41	205,847.44

31. 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
Total	51,365,509.04			51,365,509.04

32. Undistributed profits

Items	Closing balance	
	Amount	Percentage of allocation or distribution
Undistributed profit at the end of the previous year before adjustment	-1,282,008,136.21	
Total of adjustment of undistributed profit at the beginning of the year (+/-)		
Undistributed profit at the beginning of the year after adjustment	-1,282,008,136.21	
Add: net profit attributable to owners of parent company during the period	5,093,137.28	—
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	-1,276,914,998.93	

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

33. Operating income and operating cost

(1) Details of operating income

Items	2012	2011
Income from principal operations	481,949,018.18	825,474,577.11
Other operating income	71,738,153.17	95,468,362.66
Total	553,687,171.35	920,942,939.77

(2) Details of operating costs

Items	2012	2011
Cost of principal operations	387,325,726.45	743,102,095.62
Other operating cost	53,333,648.36	77,955,362.52
Total	440,659,374.81	821,057,458.14

(3) Business segments

Name of product or labor service	2012		2011	
	Income from principal operations	Cost of principal operations	Income from principal operations	Cost of principal operations
Float glass	452,318,592.37	374,482,655.56	798,550,288.27	729,614,641.01
Silicon sand	29,630,425.81	12,843,070.89	26,924,288.84	13,487,454.61
Total	481,949,018.18	387,325,726.45	825,474,577.11	743,102,095.62

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

33. Operating income and operating cost (Continued)

(4) Geographical segments

Region	2012		2011	
	Income from principal operations	Cost of principal operations	Income from principal operations	Cost of principal operations
Domestic	481,949,018.18	387,325,726.45	813,227,895.78	732,183,689.49
Asia			12,246,681.33	10,918,406.13
Total	481,949,018.18	387,325,726.45	825,474,577.11	743,102,095.62

(5) Other operating income and other operating cost

Items	2012		2011	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Raw material, water, electricity, gas, technical services, etc.	71,738,153.17	53,333,648.36	95,468,362.66	77,955,362.52
Total	71,738,153.17	53,333,648.36	95,468,362.66	77,955,362.52

(6) Operating income from the top five largest customers

Name of customer	Operating income	Percentage (%)
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	88,558,518.18	15.99
Luoyang Longxin Glass Co., Ltd.	25,747,731.25	4.65
Wuhu Changxin Technology Co., Ltd.	20,401,900.06	3.68
Shenzhen Luoyang Glass Industrial Co., Ltd.	13,327,805.38	2.41
Zhengzhou Baichuantong Glass Products Co., Ltd.	11,232,177.10	2.03
Total	159,268,131.97	28.76

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

34. Business tax and surcharges

Items	Tax base	2012	2011
Business tax	5%	1,825,423.82	2,012,025.26
Resource tax	RMB3/t	1,594,680.90	997,461.90
City maintenance tax	5-7% of turnover tax payable	1,498,495.86	2,332,509.12
Education surcharges (Note)	3% of turnover tax payable	1,396,970.93	2,112,409.78
Others		560.00	
Total		6,316,131.51	7,454,406.06

Note: Education surcharges include local education surcharges, the tax base for which is 2% of turnover tax payable.

35. Selling expenses

Items	2012	2011
Staff's salary and welfare	5,784,335.56	6,542,186.37
Employee education expenses	53,254.71	57,582.30
Labour union expenses	71,006.41	76,776.31
Social insurance premium	1,553,565.90	1,342,500.57
Depreciation expenses	1,503,757.60	1,432,815.15
Transportation costs	9,983,916.32	7,174,409.58
Handling charges	2,811,871.94	3,339,442.74
Material consumption	1,148,083.26	2,804,349.87
Other selling expenses	2,382,250.00	3,901,860.12
Total	25,292,041.70	26,671,923.01

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

36. Administrative expenses

Items	2012	2011
Organization costs		157,527.04
Staff's salary and welfare	30,018,771.14	27,657,971.25
Labor union expenses	624,772.23	720,973.69
Employee education expenses	486,770.24	443,444.46
Social insurance premium	9,604,359.15	5,471,866.72
Housing accumulation fund	1,305,382.96	725,698.24
Depreciation of fixed assets	28,589,845.27	14,536,173.61
Amortization of intangible assets	2,512,993.48	2,326,602.65
Staff resettlement expenses	407,925.00	18,157,247.47
Intermediary engagement fees	8,502,125.00	13,752,328.00
Research and development fees	9,015,336.27	8,974,204.51
Taxes	7,025,109.68	6,469,178.40
Water and electricity charges	3,185,386.78	6,096,489.72
Consulting fees (including consultant fees)	3,081,600.00	4,604,520.37
Other administrative expenses	19,358,810.14	22,403,071.98
Total	123,719,187.34	132,497,298.11

37. Financial expenses

Items	2012	2011
Interest expense	2,575,095.00	10,563,349.25
Less: interest income	5,924,397.85	4,272,568.27
Exchange loss	292,723.63	590,746.22
Less: exchange income	219,354.59	552,817.66
Commission charge expense		
Other finance expenses	13,869,019.65	5,724,108.22
Total	10,593,085.84	12,052,817.76

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

38. Investment income

(1) Details of investment income

Items	2012	2011
Long-term equity investment income measured by cost method	1,735,612.20	
Income from disposal of long-term equity investment	57,631.81	
Total	1,793,244.01	

(2) Long-term equity investment income measured by cost method

Investee	2012	2011	Remarks
Sanmenxia Bank (三門峽銀行)	1,735,612.20		Cash dividend
Total	1,735,612.20		

39. Assets impairment losses

Items	2012	2011
1. Bad debt losses	3,209,011.76	-8,845,616.89
2. Losses from inventory impairments	4,172,890.76	16,881,323.78
3. Losses from fixed asset impairments	5,784,229.59	2,825,494.88
Total	13,166,132.11	10,861,201.77

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

40. Non-operating income

(1) Details of non-operating income

Item	2012		2011	
	Amount	Amount recognized as non-recurring gain or loss	Amount	Amount recognized as non-recurring gain or loss
Total gain on disposal of non-current assets	4,797,498.51	4,797,498.51	79,644,076.60	79,644,076.60
Including: Gain on disposal of fixed assets	4,797,498.51	4,797,498.51	65,873,456.39	65,873,456.39
Gains on disposal of construction in progress			200,000.00	200,000.00
Gain on disposal of intangible assets			13,570,620.21	13,570,620.21
Income from debt restructuring	695,482.34	695,482.34	2,321,333.90	2,321,333.90
Government grant	61,845,855.41	61,845,855.41	22,015,985.76	22,015,985.76
Inventory profit			151,451.29	151,451.29
Amercement income	1,348,810.00	1,348,810.00	18,000.00	18,000.00
Other	432,899.54	432,899.54	154,089.73	154,089.73
Total	69,120,545.80	69,120,545.80	104,304,937.28	104,304,937.28

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

40. Non-operating income (Continued)

(2) Details of government subsidies

Item	2012	2011	Remarks
Staff resettlement	407,925.00	18,157,247.37	
"San Tong Yi Ping" premium		2,600,000.00	
Fiscal subsidies for the ultra-thin and ultra-white glass production line	1,215,000.00	1,012,500.00	Note 1
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	53,920.56	4,493.38	
Special subsidy for "research and development of application technology"	457,885.85	1,745.01	Note 3
Compensation for relocation of production line	59,709,624.00		Note 2
Reward from the Intellectual Property Office	1,500.00		
Total	61,845,855.41	22,015,985.76	

Notes:

- 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 [2009] No. 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 RMB9,720,000.00 for its ultra thin and ultra-white E-glass production line project. Among the amount, RMB1,215,000.00 was recognized as non-operating income in the period.
- According to the "Notice of Payment of Production Lines Relocation Compensation by Luoyang Finance Bureau to China Luoyang Float Glass (Group) Company Limited" (洛陽市財政局關於撥付洛玻集團生產線拆遷補償資金的通知) (Luo Cai Gong [2012] No. 50) issued by Luoyang Finance Bureau and the "Notice on Transferring the Fiscal Grant of Luoyang City to Luoyang Glass Company Limited" (關於將洛陽市財政補貼款轉給洛陽玻璃股份公司的通知) (Luo Bo Fa [2012] No. 169) issued by CLFG, the Company received a government grant of RMB59,709,624.00.
- For details of special subsidy for "research and development of application technology", please refer to "V. 25. Non-current liabilities due within one year, Note 1".

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

41. Non-operating expenses

Item	2012		2011	
	Amount	Amount recognized as non-recurring gain or loss	Amount	Amount recognized as non-recurring gain or loss
Total loss on disposal of non-current assets			7,339,734.13	7,339,734.13
Including: Loss on disposal of fixed assets			7,339,734.13	7,339,734.13
Donation	50,000.00	50,000.00	1,012,000.00	1,012,000.00
Amercement outlay			82,117.98	82,117.98
Indemnities, liquidated damages and penalties	259,968.91	259,968.91	2,000,264.88	2,000,264.88
Others	312,791.88	312,791.88	1,287,078.51	1,287,078.51
Total	<u>622,760.79</u>	<u>622,760.79</u>	<u>11,721,195.50</u>	<u>11,721,195.50</u>

42. Income Tax Expenses

Item	2012	2011
Current income tax based on applicable tax laws and regulations	12,320,312.18	20,563,646.03
Adjustment to deferred income tax		
Total	<u>12,320,312.18</u>	<u>20,563,646.03</u>

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

43. Calculation of basic earnings per share and diluted earnings per share

Item	Code	2012	2011
Net profit attributable to ordinary shareholders of the Company (I)	P0	5,093,137.28	12,334,559.60
Net profit attributable to ordinary shareholders after non-recurring items (II)	P0	-62,801,944.21	-67,761,804.10
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)		0.0102	0.0247
Basic earnings per share (II)		-0.1256	-0.1355
Adjusted net profit attributable to ordinary shareholders during the period (I)	P1	5,093,137.28	12,334,559.60
Adjusted net profit attributable to ordinary shareholders after non-recurring items (II)	P1	-62,801,944.21	-67,761,804.10
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)		0.0102	0.0247
Diluted earnings per share (II)		-0.1256	-0.1355

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

43. Calculation of basic earnings per share and diluted earnings per share (Continued)

(1) Basic earnings per share

Basic earnings per share= $P0 \div S$

$S = S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk$

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 = $P1 / (S0 + S1 + Si \times Mi \div M0 - Sj \times Mj \div M0 - Sk + \text{weighted average number of additional ordinary shares arising from warrants, share options and convertible bonds})$

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.

44. Notes to items of cash flow statement

(1) Cash received relating to other operating activities:

Items	2012	2011
Government subsidy	21,768,549.00	50,631,071.23
CLFG	5,479,000.00	
Interest income	4,993,029.77	4,272,568.27
Other current accounts	10,794,875.88	5,042,655.95
Total	43,035,454.65	59,946,295.45

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

44. Notes to items of cash flow statement (Continued)

(2) Other cash paid relating to operating activities

Items	2012	2011
Consultation and audit, assessment, legal fees, bulletin fees	5,496,676.03	12,455,977.51
Travel expense	1,483,971.59	1,048,049.80
Bill deposit		80,000,000.00
Water and electricity charge		6,096,489.72
Repairs		1,759,146.37
Non-operating expenses		1,012,000.00
Other current accounts and expenses	15,091,105.22	25,024,428.32
Total	22,071,752.84	127,396,091.72

(3) Cash paid relating to other investing activities

Items	2012	2011
Commission for entrusted loan	476,156.23	633,697.58
Consideration payable for the acquisition of minority interests in Longxiang previous years	4,254,394.70	
Total	4,730,550.93	633,697.58

(4) Other cash received from financing-related activities

Items	2012	2011
Bill discount	515,585,976.80	
Bill deposit	33,000,000.00	
China Building Materials Glass Company	104,000,000.00	
Total	652,585,976.80	

(5) Other cash paid for financing-related activities

Items	2012	2011
Repayment of matured bill	533,000,000.00	
China Building Materials Glass Company	84,200,000.00	
Pledge of time deposit	20,560,000.00	
Total	637,760,000.00	

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

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

45. Supplementary information of cash flow statement

(1) Supplementary information of cash flow statement

Items	2012	2011
1. Net profit adjusted to cash flow of operating activities		
Net profit	-8,088,065.12	-17,632,069.33
Add: Provision for assets impairment	13,166,132.11	10,861,201.77
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	68,395,095.03	77,501,565.45
Amortization of intangible assets	2,947,885.48	2,899,228.50
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-4,789,635.97	-72,304,342.47
Losses on scrapping of fixed assets ("-" for gains)		
Loss from fair value change ("-" for gains)		
Finance expenses ("-" for gains)	2,612,870.00	10,563,349.25
Investment losses ("-" for gains)	-1,793,244.01	
Decrease in deferred income tax assets ("-" for increase)		
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	17,909,638.34	-14,663,726.86
Decrease in operating receivables ("-" for increase)	-25,240,978.23	-78,727,438.70
Increase in operating payables ("-" for decrease)	-56,384,965.68	19,828,706.76
Others		
Net cash flow from operating activities	8,734,731.95	-61,673,525.63
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	55,805,556.06	40,929,682.13
Less: Opening balance of cash	40,929,682.13	20,207,882.32
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	14,875,873.93	20,721,799.81

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

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

45. Supplementary information of cash flow statement (Continued)

(2) Information about acquisition or disposal of subsidiaries or other operating entities:

Items	2012	2011
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	187.27	
Less: Cash and cash equivalents held by subsidiaries or other operating enterprises	187.27	
3. Net cash received from disposal of subsidiaries and other operating enterprises		
4. Net assets obtained from subsidiaries	8,539,761.92	
Current Assets	8,300,187.27	
Non-current Assets	243,618.87	
Current liabilities	4,044.22	
Non-current liabilities		

(3) Cash and cash equivalents

Items	2012	2011
1. Cash	55,805,556.06	40,929,682.13
Including: Cash on hand	122,200.63	598,661.44
Bank deposit available for payment at any time	55,683,355.43	40,324,631.81
Other monetary funds available for payment at any time		6,388.88
Deposits in central bank available 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	55,805,556.06	40,929,682.13

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

VI. ACCOUNTS OF ASSETS SECURITIZATION BUSINESS

None

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1. Parent company

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	Peng Shou	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	Processing and sales of glass and relevant materials, 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	5,069,681,300.00			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")	Wholly-owned 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")	Controlled 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")	Controlled subsidiary	Limited liability company	Yinan China	Ni Zhisen	Mining and selling	28,000,000.00	52	52	614023573
CLFG Long Hai Electronic Glass Limited ("LongHai")	Wholly-owned 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")	Wholly-owned subsidiary	Limited liability company	Ruyang China	Ni Zhisen	Processing and selling	50,000,000.00	100	100	776516215
CLFG Longxiang Glass Co. Ltd ("Longxiang")	Indirectly controlled 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")	Controlled subsidiary	Limited liability company	Dengfeng China	Ni Zhisen	Mining and selling	13,000,000.00	67	67	66886639X
Dengfeng Hongzhai Silicon Co., Ltd. ("Hongzhai")	Indirectly controlled subsidiary	Limited liability company	Dengfeng China	Zhang Yuandong	Mining and selling	2,050,000.00	55.12	55.12	69995888-7
Luoyang Glass Industrial Co., LTD ("Industrial Company")	Wholly-owned subsidiary	Limited liability company	Luoyang China	Ni Zhisen	Trading	5,000,000.00	100	100	68177597-8

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

3. Associates

Name of entity	Relationship	Code of entity
Luoyang Jingxin Ceramic Co. Ltd.	Associate	61483173-0
CLFG Mineral Products Company Limited	Associate	71562129-X

Note: For details of associates, please refer to "V. 7. Investment to joint venture and associates"

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 Luobo Glass Fibre Co., Ltd.	Subsidiary of the largest shareholder CLFG	68315539-3
CLFG Jinghua Industry Company	A company under custody of the largest shareholder CLFG	17120093-9
China Triumph International Engineering Company Limited	Under common control of CNBMG	10201628-1
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Under common control of CNBMG	61035990-X
Henan Zhonglian Glass Co., Ltd.	Under common control of CNBMG	78806805-0

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (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	Content of related party transaction	Amount	2012 Percentage in the same type of transactions (%)	Pricing method and decision-making procedure
Luoyang Longxin Glass Company Limited	Purchase of goods	Float glass	83,936,500.48	21.67	Market price
Luoyang Longxin Glass Company Limited	Purchase of goods	Materials for turnover use	579,487.18	1.09	Market price
CLFG Luoyang Glass Engineering Design and Research Co., Ltd.	Labor service	Counselling and technical services	395,000.00	0.74	Market price
China Luoyang Float Glass (Group) Company Limited	Labor service	Ancillary and social services	2,450,000.00	1.98	State price, market price
Total			87,360,987.66		

Name of entity	Type of related party transaction	Content of related party transaction	Amount	2011 Percentage in the same type of transactions (%)	Pricing method and decision-making procedure
Luoyang Longxin Glass Company Limited	Purchase of goods	Purchasing of glass	143,016,605.67	19.25	Market price
CLFG Mineral Products Company Limited	Purchase of goods	Purchasing of silicon sand	4,177,789.58	0.56	Market price
Luoyang Longxin Glass Company Limited	Purchase of goods	Purchase of other assets	231,119.26	100.00	Market price
Luoyang Xinxing Property Management Ltd.	Labor service	Ancillary and social services	2,350,000.00	10.24	State price, market price
China Luoyang Float Glass (Group) Company Limited	Labor service	Ancillary and social services	2,000,000.00	8.71	State price, market price
China Triumph International Engineering Company Limited	Labor service	Counselling and technical services	550,000.00	71.43	Market price
CLFG (Beijing) International Engineering Co., Ltd.	Labor service	Technical services	220,000.00	28.57	Market price
Total			152,545,514.51		

Notes:

- On 18 October 2011, the Company entered into the Product Sale Framework Agreement with CLFG with a term of three years commencing from 1 January 2012 to 31 December 2014. Pursuant to the agreement, the Company will purchase float glass from CLFG and its subsidiaries at fair prices offered to third parties for the same or similar products.
- On 18 October 2011, the Company entered into the Composite Services Agreement with CLFG effective from 18 October 2011 to 31 December 2014. In accordance with the agreement, CLFG will provide the Company with comprehensive services, such as retirement arrangements, militia training and air-raid shelters standby services, and news publicity services. Relevant charges will be determined with reference to State-prescribed prices (if any) or market prices.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(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	Content of related party transaction	Amount	2012	Pricing method and decision-making procedure
				Percentage in the same type of transactions (%)	
Luoyang Longxin Glass Company Limited	Selling goods	Raw and auxiliary materials	24,364,592.85	33.96	Market price
Luoyang Longxin Glass Company Limited	Providing labor service	Technological service	1,383,138.40	1.91	Market price
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling goods	Float glass	88,558,518.18	18.38	Market price
Luoyang Luobo Glass Fibre Co., Ltd.	Selling goods	Use of water and electricity	3,337,128.52	6.26	Market price
Luoyang New Jingrun Engineering Glass Co., Ltd.	Providing labor service	Forklift leasing	15,000.00	0.02	Market price
CLFG Jinghua Industry Company	Selling goods	Use of water and electricity	163,786.88	0.23	Market price
CLFG Mineral Products Company Limited	Selling goods	Raw materials	61,137.98	0.08	Market price
China Luoyang Float Glass (Group) Company Limited	Selling goods	Use of water and electricity	937,765.69	1.31	Market price
Total			118,821,068.50		

Name of entity	Type of related party transaction	Content of related party transaction	Amount	2011	Pricing method and decision-making procedure
				Percentage in the same type of transactions (%)	
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	Selling goods	Selling glass	105,387,152.50	12.77	Market price
Luoyang Longxin Glass Company Limited	Selling goods	Selling raw materials	69,070,589.84	72.35	Market price
Luoyang Longxin Glass Company Limited	Providing labor service	Comprehensive services	1,946,914.80	25.04	RMB0.8 per load carton
Luoyang New Jingrun Engineering Glass Co., Ltd.	Selling goods	Selling glass	1,721,363.07	0.21	Market price
China Luoyang Float Glass (Group) Company Limited	Providing labor service	Longxin custody service	1,000,000.00	100.00	
CLFG Mineral Products Company Limited	Selling goods	Goods transfer	976,622.03	1.54	Market price
China Triumph International Engineering Company Limited	Providing labor service	Technological service	300,000.00	3.86	Market price
CLFG Jingwei Glass fibre Co., Ltd.	Selling goods	Use of water, electricity and gas	7,448,789.40	32.46	Cost and tax surcharge
China Luoyang Float Glass (Group) Company Limited	Selling goods	Use of water, electricity and gas	1,821,400.98	7.94	Cost and tax surcharge
CLFG Jinghua Industry Company	Selling goods	Use of water, electricity and gas	147,417.36	0.64	Cost and tax surcharge
Luoyang Xinxing Property Management Ltd.	Selling goods	Use of water, electricity and gas	17,932.31	0.08	Cost and tax surcharge
Total			189,838,182.29		

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (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)

- Notes:
- On 18 October 2011, the Company entered into the Raw Materials Sale Framework Agreement with CLFG with a term of three years commencing from 1 January 2012 to 31 December 2014. Pursuant to the agreement, the Company will provide raw materials and fuels to CLFG and its subsidiaries at fair prices offered to third parties for the same or similar products.
 - On 18 October 2011, the Company entered into the Composite Services Framework Agreement with CLFG with a term commencing from 1 January 2012 to 31 December 2014. Pursuant to the agreement, the Company will provide services on management skills and expertise to CLFG and its subsidiaries at market prices.
 - On 18 October 2011, the Company entered into the Super-Thin Float Glass Sale and Purchase Agreement with Anhui Bengbu Huayi Conductive Film Glass Co., Ltd. with a term commencing from 1 January 2012 to 31 December 2014. Pursuant to the agreement, the Company will provide super-thin float glass to Anhui Bengbu Huayi Conductive Film Glass Co., Ltd and its subsidiaries at market prices.
 - On 18 October 2011, the Company entered into a Framework Agreement on Provision of Water and Electricity with CLFG, effective from 18 October 2011 to 31 December 2014. The Company would provide water, electricity and relevant services to CLFG and its subsidiaries. According to the agreement, the Company agreed to provide utilities such as water, electricity and use of assets to CLFG. The Company would determine the price with reference to regulations issued from time to time and market prices. The provision of water and electricity is on normal commercial terms.

(3) Related party trusteeship

Entrusting party	Entrusted party	Trusteeship of assets	Amount involved in trusteeship of assets	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	Income from trusteeship	Basis of determining income from trusteeship	Impact of income from trusteeship on the Company
China Luoyang Float Glass (Group) Company Limited	Luoyang Glass Company Limited	50% equity in Luoyang Longxin Glass Company Limited held by CLFG	44,000,000.00	2012-1-1	2014-12-31	1,000,000.00	To be determined through negotiation	RMB1 million per year

Note: On 18 October 2011, 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 Company, 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 Company for the current financial year (irrespective of the unrecovered deficit of Longxin Company in the previous years), where such service fee will not be less than RMB1,000,000 but not more than RMB3,000,000. The custody period is from 1 January 2011 to 31 December 2011.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(4) Lease of related party

Lesser	Lessee	Lease assets	Amount involved	Beginning date of lease	Terminal date of lease	Income from lease	Pricing policy	Effect to the Company
CLFG Long Hao Glass Limited	China Luoyang Float Glass (Group) Company Limited	Land use rights of 183.30 Mu		1 September 2012	31 December 2012	370,000.00	Cost plus	RMB92,500 per month

(5) Related party guarantees

Guarantor	The guaranteed	Guarantee amount	Start date of guarantee	End date of guarantee	Guarantee fulfilled or not
China National Building Material Group Corporation	CLFG Long Hao Glass Limited	19,040,000.00	27 September 2012	26 September 2013	No
China National Building Material Group Corporation	CLFG Longhai Electronic Glass Co., Ltd.	19,040,000.00	27 September 2012	26 September 2013	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	50,000,000.00	5 May 2012	4 May 2013	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	328,600,000.00	1 February 2010	31 January 2017	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	143,500,000.00	31 January 2012	20 January 2015	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	40,546,000.00	26 June 2012	26 June 2013	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	12,960,200.00	30 October 2012	29 October 2013	No
China National Building Material Group Corporation	Luoyang Glass Company Limited	66,640,000.00	27 September 2012	26 September 2013	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 2012, 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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(6) Asset transfer and debt restructuring of related parties

Related parties	Particulars of related party transaction	Type of related party transaction	Pricing principle of related party transaction	2012	
				Amount	Percentage of total transactions to the same type of transaction (%)
CLFG Longmen Sugang Company Ltd.	Buildings and structures, and machine and equipment	Purchase of assets	Public auction	3,100,000.00	21.85
Luoyang Longxin Glass Company Limited	2 forklifts	Purchase of assets	Market price	120,525.33	0.85

(7) Entrusted loans of related party

- i. As at 31 December 2012, the Company provided entrusted loans of RMB411,969,000.00 to its subsidiaries through bank.
- ii. As at 31 December 2012, a loan of RMB22,900,000.00 granted to the Company by Luoyang Xigong Sub-branch of Bank of China, a loan of RMB10,000,000.00 granted to the Company by Kaidong Sub-branch of Bank of Luoyang, and a loan of RMB4,880,000.00 granted to the Company by Luoyang Branch of Shanghai Pudong Development Bank as entrusted by CLFG have been repaid, and the interests paid by the Company during the period was RMB895,333.53.

(8) Financial assistance of related parties

- i. On 25 May 2012, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company paid RMB30,000,000.00 to suppliers of the Company. As at 31 December 2012, the Company has repaid the aforesaid amounts.
- ii. On 28 August 2012, Longhai Company, a subsidiary of the Company, and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of Longhai Company paid RMB30,000,000.00 to suppliers of Longhai Company. As at 31 December 2012, Longhai Company has repaid the aforesaid amounts.
- iii. On 22 November 2012, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company and its subsidiaries paid RMB20,000,000.00 to suppliers of the Company and its subsidiaries. As at 31 December 2012, the Company has repaid RMB15,000,000.00.
- iv. On 19 December 2012, the Company and CBM Glass entered into the Entrusted Settlement Agreement, pursuant to which CBM Glass on behalf of the Company and its subsidiaries paid RMB24,000,000.00 to suppliers of the Company and its subsidiaries.
- v. On 5 December 2012 and 28 December 2012, the Company and CLFG entered into a Loan Agreement respectively, pursuant to which the Company obtained a loan of RMB500,000.00 and RMB689,000.00 respectively from CLFG. As at 31 December 2012, the Company has repaid the aforesaid amounts.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

5. Related party transactions (Continued)

(9) Other related party transactions

On 28 August 2012, Longhao Company, a subsidiary of the Company, and China Triumph International Engineering Company Limited entered into the Agreement on Supply and Installation for Cold Repair Renovation Project of No. 1 Production Line of Longhao Company, pursuant to which China Triumph International Engineering Company Limited agreed to supply and install the equipment and materials for the Production Line Re-construction at a total consideration of RMB106,000,000.00. As at 31 December 2012, Longhao Company has paid project expenses of RMB15,900,000.00 to China Triumph International Engineering Company Limited.

6. Remuneration of Key Management Personnel

(1) Directors' and Supervisors' Remuneration

The remuneration of each Director and supervisor for 2012 is as follows:

Name	Fees	Bonuses	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	Total
Executive directors					
Song Jianming			320,412.00	50,104.32	370,516.32
Ni Zhisen			260,412.00	49,661.22	310,073.22
Song Fei			160,404.00	48,920.10	209,324.10
Cheng Zonghui (Note 1)			13,333.00	3,750.43	17,083.43
Non-executive directors					
Guo Yimin	40,000.00				40,000.00
Zhao Yuanxiang	40,000.00				40,000.00
Zhang Chengong	40,000.00				40,000.00
Independent directors					
Guo Aimin (Note 2)	35,000.00				35,000.00
Zhang Zhanying (Note 2)	35,000.00				35,000.00
Huang Ping	40,000.00				40,000.00
Dong Jiachun	40,000.00				40,000.00
Zeng Shaojin (Note 3)	6,667.00				6,667.00
Liu Tianni (Note 3)	6,667.00				6,667.00
Supervisors					
Ren Zhenduo	20,000.00				20,000.00
Guo Hao	20,000.00				20,000.00
He Baofeng	20,000.00				20,000.00
Employee supervisors					
Wang Jian	10,000.00		118,477.74	33,148.08	161,625.82
Ma Jiankang (Note 4)	417.00		81,000.00	32,111.95	113,528.95
Total	353,751.00		954,038.74	217,696.10	1,525,485.84

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

6. Remuneration of Key Management Personnel (Continued)

(1) Directors' and Supervisors' Remuneration (Continued)

The remuneration of each Director and supervisor for 2011 is as follows:

Name	Fees	Bonuses	Salaries, allowance and benefits allowance in kind	Contributions to defined contribution plan	Total
Executive directors					
Song Fei			160,000.00	50,000.00	210,000.00
Song Jianming			320,000.00	53,000.00	373,000.00
Ni Zhisen			260,000.00	50,000.00	310,000.00
Cheng Zonghui (Note 1)			160,000.00	48,000.00	208,000.00
Non-executive directors					
Guo Yimin	40,000.00				40,000.00
Zhao Yuanxiang	40,000.00				40,000.00
Zhang Chengong	40,000.00				40,000.00
Independent directors					
Guo Aimin	40,000.00				40,000.00
Zhang Zhanying	40,000.00				40,000.00
Huang Ping	40,000.00				40,000.00
Dong Jiachun	40,000.00				40,000.00
Supervisors					
Ren Zhenduo	20,000.00				20,000.00
Employee supervisors					
Lu Junfeng (Note 5)	4,000.00		7,000.00	4,000.00	15,000.00
Wang Jian	10,000.00		87,000.00	20,000.00	117,000.00
Independent supervisors					
He Baofeng	20,000.00				20,000.00
Guo Hao	20,000.00				20,000.00
Total	354,000.00		994,000.00	225,000.00	1,573,000.00

Notes:

1. Resigned on 3 February 2012
2. Resigned on 9 November 2012
3. Appointed on 9 November 2012
4. Appointed on 17 December 2012
5. Resigned on 18 April 2010

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

VII. RELATED PARTY AND RELATED PARTY TRANSACTIONS (Continued)

6. Remuneration of Key Management Personnel (Continued)

(2) Five Individuals with Highest Emoluments

Of the 5 individuals with the highest emoluments of the Group in 2012, 3 (2011: 4 directors and 1 supervisor) are directors, whose emoluments have been listed in the above table. The total amount of emoluments paid to the other 2 (2011: 0) individuals is listed as follows:

Items	2012	2011
Salaries, allowance, benefits allowance in kind, and contributions to defined contribution plan	352,483.36	

7. Receivables and payables of related party

Item	Related party	Closing Balance	Opening Balance
Accounts receivable	Luoyang Longxin Glass Company Limited	44,823,788.56	50,806,732.31
Accounts receivable	Luoyang New Jingrun Engineering Glass Co., Ltd.	15,000.00	1,604,932.72
Accounts receivable	CLFG Mineral Products Company Limited	1,341,989.51	1,142,647.79
Other receivables	China Luoyang Float Glass (Group) Company Limited	761,186.78	8,727,481.17
Other receivables	China Triumph International Engineering Company Limited	1,650,000.00	1,650,000.00
Other receivables	Luoyang Longxin Glass Company Limited	454,787.91	1,262,971.90
Other receivables	CLFG Mineral Products Company Limited		127,810.28
Other receivables	CLFG (Beijing) International Engineering Co., Ltd.	82,796.95	82,796.95
Other receivables	Henan Zhonglian Glass Co., Ltd.		10,000.00
Other receivables	Luoyang Jingxin Ceramic Co. Ltd.	3,000.00	3,000.00
Other receivables	CLFG Jinghua Industry Company	13,118.72	1,623.92
Accounts payable	Luoyang Longxin Glass Company Limited	1,017,004.53	440,201.98
Accounts payable	CLFG (Beijing) International Engineering Co., Ltd.	77,000.00	77,000.00
Accounts payable	CLFG Mineral Products Company Limited		38,593.48
Accounts payable	Luoyang Luobo Glass Fibre Co., Ltd.	3,450.00	3,450.00
Payments received in advance	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	1,007,741.34	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
Other payables	CBM Glass	29,000,000.00	9,200,000.00
Other payables	China Luoyang Float Glass (Group) Company Limited	2,000.00	2,743,782.00
Other payables	CLFG Warehousing & Logistics Company Limited	1,081,110.20	1,081,110.20
Other payables	Luoyang Luobo Glass Fibre Co., Ltd.	349,261.08	445,000.44
Other payables	Luoyang Longxin Glass Company Limited	98,176.40	98,176.40
Other payables	Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	32,000.00	33,000.00
Other payables	Luoyang Jiaye Commerce and Trade Co., Ltd.	6,300.00	6,300.00
Other payables	Henan Zhonglian Glass Co., Ltd.	20,000.00	
Other payables	CLFG Luoyang Glass Engineering Design and Research Co., Ltd.	45,000.00	

VIII. CONTINGENCIES

As at 31 December 2012, the bills that the Group had discounted or endorsed but not yet matured amounted to RMB153,807,107.19.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

IX. CAPITAL COMMITMENTS

At 31 December 2012, capital commitments of the Company are summarized as follows:

Item	31 December 2012	31 December 2011
Contracted for but not provided for		
— Purchase of assets		2,955,000.00
— Construction project	100,591,800.00	2,256,554.53
— Upgrading accounting system	287,280.00	387,280.00
Total	100,879,080.00	5,598,834.53

X. EVENTS AFTER BALANCE SHEET DATE

None

XI. OTHER SIGNIFICANT EVENTS

1. Segment reporting

For management purposes, the Group is organized into two operating divisions. The management of the Group regularly reviews the financial information of these segments to decide resources allocation and assess their performance.

The two business segments 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 sand business: manufacturing, selling and distribution of silicon sand.

The prices for inter-segment movements are determined by reference to the prices offered to a third party.

(1) Segments information for the year ended 31 December 2012:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	518,687,991.61	34,999,179.74		553,687,171.35
2. Income from inter-segment transactions		1,664,677.75	-1,664,677.75	
3. Interest income	7,168,211.37	43,186.48	-1,287,000.00	5,924,397.85
4. Interest expense	2,575,095.00	1,287,000.00	-1,287,000.00	2,575,095.00
5. Asset impairment loss	13,086,832.57	79,299.54		13,166,132.11
6. Depreciation and amortization expenses	69,471,501.57	1,871,478.94		71,342,980.51
7. Total profit ("-" for loss)	5,206,553.33	-362,488.26	-611,818.01	4,232,247.06
8. Income tax expense	12,319,775.51	536.67		12,320,312.18
9. Net profit ("-" for loss)	-7,113,222.18	-363,024.93	-611,818.01	-8,088,065.12
10. Total assets	1,277,759,405.20	53,209,764.41	-28,186,836.09	1,302,782,333.52
11. Total liabilities	1,227,737,264.33	34,817,136.10	-30,412,483.65	1,232,141,916.78
12. Other important non-cash items Including: Increase in other non-current assets other than long-term equity investment ("-" for decrease)	-59,594,748.37	3,678,885.05		-55,915,863.32

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XI. OTHER SIGNIFICANT EVENTS (Continued)

1. Segment reporting (Continued)

(2) Segments information for the year ended 31 December 2011:

Item	Float glass	Silicon sand	Elimination	Total
1. Income from transactions with third parties	894,014,650.93	26,928,288.84		920,942,939.77
2. Income from inter-segment transactions		1,682,928.81	-1,682,928.81	
3. Interest income	5,507,254.33	52,313.94	-1,287,000.00	4,272,568.27
4. Interest expense	10,563,349.25	1,287,000.00	-1,287,000.00	10,563,349.25
5. Asset impairment loss	22,201,267.61	63,397.90	-11,403,463.74	10,861,201.77
6. Depreciation and amortization expenses	78,474,810.10	1,925,983.85		80,400,793.95
7. Total profit ("-" for loss)	-8,559,904.57	88,017.53	11,403,463.74	2,931,576.70
8. Income tax expense	20,563,646.03			20,563,646.03
9. Net profit ("-" for loss)	-29,123,550.60	88,017.53	11,403,463.74	-17,632,069.33
10. Total assets	1,385,719,859.45	54,665,855.82	-24,600,570.48	1,415,785,144.79
11. Total liabilities	1,328,584,496.40	35,929,487.73	-27,438,036.05	1,337,075,948.08
12. Other important non-cash items				
Incl: Increase in other non-current assets other than long-term equity investment ("-" for decrease)	-175,042,145.93	-2,189,788.16		-177,231,934.09

(3) Geographic information

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's non-current assets (excluding financial assets and deferred income tax assets). The geographical location of customers is based on the location at which the goods delivered. The geographical location of the fixed assets, construction in progress and lease prepayments under non-current assets is based on the physical location of the assets; in the case of intangible assets and exploration and evaluation assets, the location of operations; in the case of interests in associates and other investments, the location of their respective operations.

Item	Revenues from external customers		Non-current assets	
	2012	2011	31 December 2012	31 December 2011
China	553,687,171.35	908,696,258.44	691,983,408.59	748,309,271.91
Asia		12,246,681.33		
Total	553,687,171.35	920,942,939.77	691,983,408.59	748,309,271.91

(4) Major customers

The Group has a diverse customer base. Only one customer, which is an associated company of China National Building Material Group Corporation, entered into transactions with amounts surpassing 10% of the Group's income. In 2012, the Group recorded an income of RMB88,558,518.18 for selling float sheet glass to this customer, and such transactions took place within the region in China where our float sheet glass segment operates.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XI. OTHER SIGNIFICANT EVENTS (Continued)

2. Litigation matters pending as at 31 December 2012

(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 2012, 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 of RMB7,480,341.29 and interests within ten days after judgment occurs. After the award took effective, Hengrun Company applied for enforcement. As at 31 December 2012, 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. 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. Baoshun Company and Baoshuo Company are the same one entity in fact. As at 31 December 2012, the total outstanding amount was RMB2,032,097.12.

(4) ***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 2012, the remaining amount of RMB228,045.96 is still in the process of performance.

(5) ***The debt assignment contract dispute sued by Luoyang Yuanheng Photoelectric Network Equipment Company (Liang Tianmao) against the Company and Mengjin Jinma Industrial Trade Co., Ltd.***

In 2008, the Company 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 2012, the remaining amount of RMB94,465.45 is still in the process of performance.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XI. OTHER SIGNIFICANT EVENTS (Continued)

2. Litigation matters pending as at 31 December 2012 (Continued)

(6) *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. As at 31 December 2012, the remaining amount of RMB5,194,495.79 is still in the process of performance.

(7) *Sanmenxia Xinhai Trading Co., Ltd. (三門峽市鑫海商貿有限公司) (“Xinhai Company”) sued Luoyang Glass Company Limited (the “Company”) for default on payment*

On 10 December 2010, Xinhai Company and the Company entered into a sale and purchase contract in respect of supply of coal by Xinhai Company to the Company. After the contract was executed, Xinhai Company supplied coal worth RMB1,674,144 to the Company. The Company made part of the payment and the balance of RMB24,144 was left unpaid. In January 2012, Liuyuan Coal Processing Co., Ltd. of Shenmu County (神木縣柳源煤炭洗選有限公司) transferred RMB690,168.2 debts due from the Company to Xinhai Company. As at 1 March 2012, the Company owed Xinhai Company an aggregate RMB714,312.2. Xinhai Company sued the Company in the people’s court of Xigong District, Luoyang. On 13 June 2012, the said court ordered the Company to repay the RMB714,312.2 debts and interests accrued thereon from 10 April 2012. Xinhai Company applied for compulsory execution.

(8) *Linzhou Jianzong Construction and Engineering Co., Ltd. (林州建總建築工程有限公司) (“Linzhou Company”) applied for arbitration regarding default on payment on the part of CLFG Longmen Glass Co. Ltd. (“Longmen Company”)*

Linzhou Company entered into projects construction contracts with Longmen Company on 3 August 2009, 25 August 2010, 8 November 2010 and 18 November 2010 regarding construction of projects of Longmen Company such as reinforcement of furnace foundation, coal gas seam equipment groundwork, fire pond and pump house. The cost of these projects, as determined by the two parties, were RMB7,117,410.27, among which RMB4,261,298.33 was paid and RMB2,856,111.94 was outstanding. For this reason, Linzhou Company applied to Luoyang Arbitration Commission for arbitration. On 30 May 2012, Luoyang Arbitration Commission decided that Longmen Company should pay RMB2,856,111.94 for the projects along with RMB119,814.52 accrued interests. As at 31 December 2012, the remaining amount of RMB2,358,959.64 is still in the process of performance.

(9) *Zhongchu Development Co., Ltd. Luoyang Branch Company sued Luoyang Glass Company Limited (the “Company”) for default on payment*

Both parties entered into a contract in respect of sale and purchase of petroleum coke powder. As at 27 April 2011, the Company defaulted on the goods payment of RMB6,283,397.32. Later, the Company made part of the payment and the balance was left unpaid. On 1 September 2012, Zhongchu Development Co., Ltd. Luoyang Branch Company filed a suit against the Company to the Intermediate People’s Court of Luoyang, requiring the Company to pay arrears and interests. On 4 January 2013, a judgment of payment of RMB5,783,397.52 and interests was made by the Intermediate People’s Court of Luoyang with the paper of civil judgment Luo Min Yi Chu Zi (2012) No. 33. The judgment has taken effect. As at 31 December 2012, the remaining amount of RMB3,949,733.52 is still in the process of performance.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

Item	Carrying amount	Opening balance
Account receivable	541,783,808.20	465,723,352.68
Less: provision for bad debts	46,453,275.37	46,108,679.26
Net amount	495,330,532.83	419,614,673.42

Generally, the Company sells its products by receiving advances from customers while 30 days of credit period are granted to a few customers.

(1) *The aging of accounts receivable based on their recording dates is analysed below:*

Aging	Closing balance	Opening balance
Within 1 year	135,866,967.09	417,596,980.58
1-2 years	359,725,306.23	2,099,986.65
2-3 years	1,734,780.03	1,095,404.38
3-4 years	1,095,404.38	2,356,230.25
4-5 years	786,599.65	
Over 5 years	42,574,750.82	42,574,750.82
Total	541,783,808.20	465,723,352.68

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Category

Category	31 December 2012			
	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	63,781,566.16	11.77	46,453,275.37	72.83
The group without provision for bad debts	478,002,242.04	88.23		
Group subtotal	541,783,808.20	100.00	46,453,275.37	8.57
3. Account receivables with insignificant single amount and individual provision for bad debts				
Total	541,783,808.20	100.00	46,453,275.37	8.57

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

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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(2) Category (Continued)

In the group, accounts receivable with the provision based on the aging analysis

Ages	31 December 2012			31 December 2011		
	Carrying amount	Rate (%)	Bad debt	Carrying amount	Rate (%)	Bad debt
Within 1 year	13,826,262.99	21.68		417,596,980.58	89.66	
1-2 years	3,763,768.29	5.90	1,129,130.50	2,099,986.65	0.45	629,996.00
2-3 years	1,734,780.03	2.72	867,390.02	1,095,404.38	0.24	547,702.19
3-4 years	1,095,404.38	1.72	1,095,404.38	2,356,230.25	0.51	2,356,230.25
4-5 years	786,599.65	1.23	786,599.65			
Over 5 years	42,574,750.82	66.75	42,574,750.82	42,574,750.82	9.14	42,574,750.82
Total	63,781,566.16	100.00	46,453,275.37	465,723,352.68	100.00	46,108,679.26

In the group, accounts receivable without bad debt provision

Name	Amount	Age	Reason
CLFG Long Fei Glass Co. Ltd.	134,613,593.45	1-2 years	A subsidiary of the Company, basically determined to be recoverable
CLFG Long Hao Glass Limited	108,645,244.68	0-2 years	A subsidiary of the Company, basically determined to be recoverable
CLFG Longmen Glass Co. Ltd.	99,080,481.02	0-2 years	A subsidiary of the Company, basically determined to be recoverable
CLFG Longxiang Glass Co., Ltd.	90,839,134.33	0-2 years	A subsidiary of the Company, basically determined to be recoverable
Luoyang Longxin Glass Company Limited	44,823,788.56	0-2 years	Under common control of CLFG, basically determined to be recoverable
Total	478,002,242.04		

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(3) Accounts receivable actually written-off during the Reporting Period

Name	Nature of accounts receivable	Amount	Reason	Whether as a result of connected transaction
CLFG Processed Glass Company Limited	Payment for goods	455,901.40	Bankruptcy liquidation has been conducted for the company and the payment is irrecoverable	Yes
Total	—	455,901.40	—	—

(4) Accounts receivable due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2012, no accounts receivable is due from a shareholder who holds 5% or more of the voting shares of the Company.

(5) Top five largest accounts receivable as at 31 December 2012

Name	Relationship with the Company	Amount	Age	Percentage in total accounts receivable (%)
CLFG Long Fei Glass Co. Ltd.	Subsidiary	134,613,593.45	1-2 years	24.85
CLFG Long Hao Glass Limited	Subsidiary	108,645,244.68	0-2 years	20.05
CLFG Longmen Glass Co. Ltd.	Subsidiary	99,080,481.02	0-2 years	18.29
CLFG Longxiang Glass Co., Ltd.	Subsidiary	90,839,134.33	0-2 years	16.77
Luoyang Longxin Glass Company Limited	Under common control of CLFG	44,823,788.56	0-2 years	8.27
Total	—	478,002,242.04	—	88.23

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

1. Accounts receivable (Continued)

(6) Accounts receivable from related party

Name	Relationship with the Company	Amount	Percentage in total accounts receivable (%)
CLFG Long Fei Glass Co. Ltd.	Subsidiary	134,613,593.45	24.85
CLFG Long Hao Glass Limited	Subsidiary	108,645,244.68	20.05
CLFG Longmen Glass Co. Ltd.	Subsidiary	99,080,481.02	18.29
CLFG Longxiang Glass Co., Ltd.	Subsidiary	90,839,134.33	16.77
Luoyang Longxin Glass Company Limited	Under common control of CLFG	44,823,788.56	8.27
CLFG Mineral Products Company Limited	Under common control of CLFG	1,341,989.51	0.25
Total	—	479,344,231.55	88.48

2. Other receivables

(1) Category

Category	31 December 2012			
	Carrying amount Amount	Rate (%)	Bad debt provision Amount	Rate (%)
1. Other receivables with significant single amount and individual provision for bad debts	39,376,741.05	13.55	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	21,078,720.72	7.26	19,276,230.41	91.45
The group without provision for bad debts	230,124,303.82	79.19		
Group subtotal	251,203,024.54	86.45	19,276,230.41	7.67
3. Other receivables with insignificant single amount and individual provision for bad debts				
Total	290,579,765.59	100.00	45,084,934.41	15.52

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(1) Category (Continued)

Category	31 December 2011			
	Carrying amount Amount	Rate (%)	Bad debt provision 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

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.

Bad debt provision for other receivables with significant single amount at the end of the period for which impairment test is performed individually

Contents of other receivables	Carrying amount	Amount of bad debt	Rate	Reason
Zhengzhou Xili Branch of China Construction Bank	10,808,704.00	10,808,704.00	100.00%	Provision for bad debts due to failure to collect
Yinan Huacheng Minerals Company Limited	28,568,037.05	15,000,000.00	52.51%	Provision for bad debts due to failure to collect
Total	39,376,741.05	25,808,704.00	—	—

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(1) Category: (Continued)

In the group, other receivables with the provision based on the aging analysis

Ages	31 December 2012			31 December 2011		
	Carrying amount	Rate %	Bad debt provision	Carrying amount	Rate %	Bad debt provision
Within 1 year	1,563,671.99	7.42		97,152,553.46	82.26	
1-2 years	161,551.20	0.77	48,465.36	1,661,464.96	1.41	498,439.49
2-3 years	251,464.96	1.19	125,732.48	1,293,025.62	1.09	646,512.81
3-4 years	1,151,505.62	5.46	1,151,505.62	23,838.97	0.02	23,838.97
4-5 years	23,838.97	0.11	23,838.97	45,427.50	0.04	45,427.50
Over 5 years	17,926,687.98	85.05	17,926,687.98	17,930,444.33	15.18	17,930,444.33
Total	21,078,720.72	100.00	19,276,230.41	118,106,754.84	100.00	19,144,663.10

(2) Other receivables actually written-off during the Reporting Period

Name	Nature of other receivables	Amount	Reason	Whether as a result of connected transaction
CLFG Processed Glass Company Limited	Lease payment	1,412,429.10	Bankruptcy liquidation has been conducted for the company and the payment is irrecoverable	Yes
Total	—	1,412,429.10	—	—

(3) Other receivables due from a shareholder who holds 5% or more of the voting shares of the Company

As at 31 December 2012, RMB391,186.78 is due from China Luoyang Float Glass (Group) Company Limited, a shareholder who holds 5% or more of the voting shares of the Company.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(4) Nature or content of other receivables of relatively significant amount as at 31 December 2012

Name	Amount	Nature or content of other receivables
CLFG Longmen Glass Co. Ltd.	177,543,693.60	Ordinary transaction amounts
Luoyang Glass Industrial Co., Ltd.	47,694,807.76	Ordinary transaction amounts
Yinan Huacheng Minerals Enterprise Company Limited	28,568,037.05	Ordinary transaction amounts
Zhengzhou Xili Branch of China Construction Bank	10,808,704.00	Time deposit, provided for bad debts in full
Total	264,615,242.41	—

(5) Top five largest other receivables

Name	Relationship with the Company	Amount	Age	Percentage (%)
CLFG Longmen Glass Co. Ltd.	Subsidiary	177,543,693.60	0-4年	61.10
Luoyang Glass Industrial Co., Ltd.	Subsidiary	47,694,807.76	Within 1 year	16.41
Yinan Huacheng Minerals Enterprise Company Limited	Subsidiary	28,568,037.05	1-5 years	9.83
Zhengzhou Xili Branch of China Construction Bank	Not related party	10,808,704.00	Over 5 years	3.72
Shenzhen New Xiya Industrial Co., LTD	Not related party	4,600,000.00	Over 5 years	1.58
Total	—	269,215,242.41	—	92.64

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

2. Other receivables (Continued)

(6) Other receivables from related parties

Name	Relationship with the Company	Amount	Percentage (%)
CLFG Longmen Glass Co. Ltd.	Subsidiary	177,543,693.60	61.10
Luoyang Glass Industrial Co., Ltd.	Subsidiary	47,694,807.76	16.41
Yinan Mineral Product Ltd.	Subsidiary	28,568,037.05	9.83
China Luoyang Float Glass (Group) Company Limited	Controlling shareholder	391,186.78	0.13
China Triumph International Engineering Group Company Limited	Under common control of the de facto controller	1,650,000.00	0.57
Luoyang Longxin Glass Company Limited	Under common control of CLFG	454,787.91	0.16
CLFG (Beijing) International Engineering Co., Ltd.	Under common control of CLFG	60,000.00	0.02
CLFG Long Hao Glass Limited	Subsidiary	33,063.71	0.01
CLFG Jinghua Technical Industry Company	Under common control of CLFG	13,118.72	0.00
Luoyang Jingxin Ceramic Co. Ltd.	Under common control of CLFG	3,000.00	0.00
Total	—	256,411,695.53	88.23

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. 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 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		
CLFG Longhai Electronic Glass Co., Ltd.	Cost method	48,941,425.28	48,941,425.28		48,941,425.28	100.00	100.00				
Dengfeng CLFG Silicon Company Limited	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		
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		
CLFG Shawan Glass Co., Ltd.	Cost method	9,000,000.00	9,000,000.00	-9,000,000.00							
Yinan Huacheng Minerals Enterprise Company Limited	Cost method	14,560,000.00	14,560,000.00		14,560,000.00	52.00	52.00		11,403,463.74		
Subtotal		238,321,169.56	238,321,170.56	-9,000,000.00	229,321,170.56		164,739,143.63				
CLFG Hoisting Machinery Company Limited	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.	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	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	Cost method	2,291,217.53	2,291,217.53		2,291,217.53	29.45		No significant effect	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									
Total		284,140,750.72	251,112,388.09	-9,000,000.00	242,112,388.09				177,530,361.16		

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.

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

4. Operating income and operating cost

(1) Details of operating income

Items	2012	2011
Income from principal operations	255,373,960.83	476,396,190.11
Other operating income	75,664,560.32	379,772,804.96
Total	331,038,521.15	856,168,995.07

(2) Details of operating costs

Items	2012	2011
Cost of principal operations	253,036,491.73	473,918,461.03
Other operating cost	65,796,668.33	356,701,515.74
Total	318,833,160.06	830,619,976.77

(3) Business segments

Name of Industry	2012		2011	
	Income from principal operations	Cost of principal operations	Income from principal operations	Cost of principal operations
Float glass	255,373,960.83	253,036,491.73	476,396,190.11	473,918,461.03
Total	255,373,960.83	253,036,491.73	476,396,190.11	473,918,461.03

(4) Other operating income and other operating cost

Items	2012		2011	
	Other operating income	Other operating cost	Other operating income	Other operating cost
Raw materials, water, electricity, gas and technical service, etc.	75,664,560.32	65,796,668.33	379,772,804.96	356,701,515.74
Total	75,664,560.32	65,796,668.33	379,772,804.96	356,701,515.74

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XII. 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 (%)
CLFG Long Hao Glass Limited	38,590,189.13	11.66
Anhui Bengbu Huayi Conductive Film Glass Co., Ltd.	34,876,925.33	10.54
Luoyang Longxin Glass Company Limited	19,306,105.37	5.83
Zhengzhou Baichuantong Glass Products Co., Ltd.	10,976,381.60	3.32
Zhengzhou New Central Glass Products Co., Ltd.	9,826,076.55	2.97
Total	113,575,677.98	34.32

5. Investment income

Details of investment income

Item	2012	2011
Income from disposal of long-term equity investment	-75.55	
Investment income from investments held for maturity	25,447,438.80	29,638,246.68
Total	25,447,363.25	29,638,246.68

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XII. NOTES TO SIGNIFICANT ITEMS OF THE PARENT COMPANY'S FINANCIAL STATEMENTS (Continued)

6. Supplementary information of cash flow statement

Items	2012	2011
1. Net profit adjusted to cash flow of operating activities		
Net profit	21,546,243.90	-70,146,482.88
Add: Provision for assets impairment	37,344,493.92	144,630,766.10
Depreciation of fixed assets, depletion of oil and gas assets, depreciation of productive biological assets	5,904,722.89	14,296,467.23
Amortization of intangible assets	659,076.84	659,076.84
Amortization of long-term deferred expenses		
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-4,423,741.44	-79,439,877.46
Losses on scrapping of fixed assets ("-" for gains)		
Loss from fair value change ("-" for gains)		
Finance expenses ("-" for gains)	2,027,368.89	1,663,166.93
Investment losses ("-" for gains)	-25,447,363.25	-29,638,246.68
Decrease in deferred income tax assets ("-" for increase)		
Increase in deferred income tax liabilities ("-" for decrease)		
Decrease in inventories ("-" for increase)	3,575,538.04	23,949,506.47
Decrease in operating receivables ("-" for increase)	-81,472,842.64	-186,898,877.28
Increase in operating payables ("-" for decrease)	-92,749,721.41	66,792,752.04
Others		
Net cash flow from operating activities	-133,036,224.26	-114,131,748.69
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	205,919.60	329,428.91
Less: Opening balance of cash	329,428.91	753,492.71
Add: Closing balance of cash equivalents		
Less: Opening balance of cash equivalents		
Net increase in cash and cash equivalents	-123,509.31	-424,063.80

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XIII. SUPPLEMENTARY INFORMATION

1. Details of extraordinary profit and loss in 2012

(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:

Items	Amount	Note
1. Profit or loss on disposal of non-current assets, including the portion offset for assets impairment provision made	4,797,498.51	V. 40
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	61,845,855.41	V. 40
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 than 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	695,482.34	V. 40
10. Enterprise restructured expenses such as employee resettlement compensation and integration expense, etc	-407,925.00	V. 36
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	1,158,948.75	
21. Other profits or losses items within the definition of extraordinary profit or loss		
22. Effect of minority interest	-114,322.50	
23. Effect of income taxation	-80,456.02	
Total	67,895,081.49	

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
 From 1 January 2012 to 31 December 2012
 (Prepared under the PRC Accounting Rules and Regulations)
 (The amount is expressed in RMB unless otherwise specified)

XIII. SUPPLEMENTARY INFORMATION (Continued)

2. Accounting differences arising from preparation in accordance with the PRC Accounting Standards and IFRSs

The main difference is summarized below:

	Net profit attributable to parent company		Net assets attributable to parent company	
	2012	2011	Closing Balance	Opening Balance
As prepared under PRC Accounting Standards	5,093,137.28	12,334,559.60	132,125,006.45	127,013,633.44
Items and amounts adjusted under IFRS				
— Gains on sales of land use rights		25,662,985.62		60,320,265.24
— Gains on disposal of subsidiary				15,833,763.66
— amortization of revaluation on the land use rights				-75,011,850.10
— Special fiscal subsidy		461,538.00		-1,800,854.33
— Difference arising from consolidation under different accounting standards				2,721,957.50
— Equity differences caused by the excess loss of a subsidiary under different accounting standards				-21,521,930.15
— Other				-6,630,274.82
Under IFRS		38,459,083.22		100,924,710.44

Note: On 1 November 2012, it was considered and approved at the 2012 first extraordinary general meeting of the Company to amend "The financial statements of the Company shall, in addition to being prepared in accordance with PRC accounting standards and regulations, be prepared in accordance with either international accounting standards or that of the overseas place where the Company's shares are listed" as "The financial statements of the Company shall be prepared in accordance with the PRC accounting standards and regulations". Therefore, pursuant to the amended Articles of Association, the financial statements of the Company for 2012 will only be prepared in accordance with the PRC accounting standards and regulations and no longer in accordance with international accounting standards.

3. Return on net assets and earnings per share

(1) 2012

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	3.93	0.0102	0.0102
Net profit attributable to holders of ordinary shares of the Company after deducting extraordinary item	-48.47	-0.1256	-0.1256

Notes to the Financial Statements

Prepared by: Luoyang Glass Company Limited
From 1 January 2012 to 31 December 2012
(Prepared under the PRC Accounting Rules and Regulations)
(The amount is expressed in RMB unless otherwise specified)

XIII. SUPPLEMENTARY INFORMATION (Continued)

3. Return on net assets and earnings per share (Continued)

(2) 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

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 (%)	Remarks
Construction in progress	74,565,910.15	21,667,229.11	52,898,681.04	244.14	Note

Note: Mainly due to the increase in the investment in production line transformation of Longhao Company during the period.

(2) Income statement

Item	2012	2011	Change amounts	Change (%)	Remarks
Operating income	553,687,171.35	920,942,939.77	-367,255,768.42	-39.88	Note 1
Operating cost	440,659,374.81	821,057,458.14	-380,398,083.33	-46.33	Note 1
Non-operating income	69,120,545.80	104,304,937.28	-35,184,391.48	-33.73	Note 2
Non-operating expenses	622,760.79	11,721,195.50	-11,098,434.71	-94.69%	Note 3

Note 1: Mainly due to the decrease in sales volume and selling price during the period.

Note 2: Mainly attributable to the gain on disposal of land and buildings erected thereon during the period.

Note 3: Mainly due to loss from disposal of fixed assets during the period.

XIV. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the board of directors of the Company on 27 March 2013.

Luoyang Glass Company Limited
27 March 2013

Documents Available For Inspection

1. Original copies of the financial statements signed and sealed by the Chairman, the Chief Financial Controller and the Head of Financial Department.
2. Original copy of the auditors' report stamped by PKF DAXIN Certified Public Accountants LLP and signed by PRC certified public accountants together with the financial statements prepared under the PRC Accounting 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 2012 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 directors

Zhang Chengong

Zhao Yuanxiang

Guo Yimin

Independent Non-executive Directors

Huang Ping

Dong Jiachun

Zeng Shaojin

Liu Tianni

Luoyang Glass Company Limited
27 March 2013